Memorandum

MIAMI-DADE COUNTY

Date: May 20, 2008

Agenda item No. 14(B)1

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Second Status Report on US HUD/County Work Plan

Attached please find the Second Quarterly Progress report on the US Housing and Urban Development (US HUD)/County Work Plan (Plan). The Plan was transmitted with a narrative prepared by US HUD Oversight Administrator (US HUD OA).

First, it should be noted that although the OA provided the County with the Second Quarterly Work Plan, and it was discussed at several meetings between County staff and US HUD, the County was not given an opportunity to review the accompanying narrative before it was distributed by the US HUD OA.

Staff has serious concerns regarding some of the observations and issues raised by the US HUD OA, given that many of these issues were raised by County staff prior to US HUD's temporary possession of MDHA. We will be preparing a supplemental report to this item detailing our thorough response to the narrative.

In closing, the County wants to partner with US HUD to resolve the issues with MDHA to insure that MDHA becomes a well operated and highly respected housing agency.

Attachment

Cynthia W. Curry
Senior Advisor to the County Manager

Miami-Dade Housing Agency
Office of the Director
1401 NW 7th Street
Miami, Florida 33125-3601
T 305-644-5100 F 305-541-6716

miamidade.gov

MIAMI-DADE COUNTY

ADA Coordination
Agenda Coordination
Art in Public Places
Audit and Management Services
Aviation
Building Code Compliance
Building
Business Development
Capital Improvements
Citizen's Independent Transportation Trust
Communications
Community Action Agency
Community & Economic Development
Community Relations
Consumer Services
Corrections & Rehabilitation
Countywide Healthcare Planning
Cultural Affairs
Elections
Emergency Management
Employee Relations
Enterprise Technology Services
Environmental Resources Management
Fair Employment Practices
Finance
Fire Rescue
General Services Administration
Historic Preservation
Homeless Trust
Housing Agency
Housing Finance Authority
Human Services
Independent Review Panel
International Trade Consortium
Juvenile Assessment Center
Medical Examiner
Metropolitan Planning Organization
Park and Recreation
Planning and Zoning
Police
Procurement Management
Property Appraiser
Public Library System
Public Works
Safe Neighborhood Parks
Seaport
Solid Waste Management
Strategic Business Management
Team Metro
Transit
Urban Revitalization Task Force
Vizcaya Museum and Gardens
Water and Sewer

May 2, 2008

Honorable Chairman Bruno A. Barreiro
County Commissioner, District 5
111 NW 1st Street, Suite 220
Miami, FL 33128

Honorable Audrey Edmonson
County Commissioner, District 3
111 NW 1st Street, Suite 220
Miami, FL 33128

Re: HUD Oversight Administrator Second Quarter Progress Report and Narrative

Honorable Chairman Barreiro and Honorable Commissioner Edmonson:

I have completed my Second Quarter Progress report as the HUD Oversight Administrator of Miami-Dade Housing Agency (MDHA) for the period ending April 26, 2008. I have coordinated with the County Manager's office and designated County representatives during the preparation of this document.

As you know, I have requested the presentation of this report, which includes an accompanying narrative, be added to the agenda for the May 14, 2008, Economic Development and Human Services (EDHS) Committee meeting and, by the necessary waiver, then be placed on the agenda of the May 20, 2008, Board of County Commissioners (BCC) meeting.

These documents are being provided to you in advance of the EDHS and BCC meetings to provide you and your respective staffs with the opportunity to review them before the meetings. I am available from May 13 through May 20 to brief individual commissioners and staff on the content, if requested.

For scheduling purposes you can reach me at 302-644-5112.

Sincerely,

Donald J. LaVoy
HUD Oversight Administrator

Enclosures

c: Members, Board of County Commissioners
Honorable Carlos Alvarez, Mayor
Denis Morales, Chief of Staff, Mayor's Office
George M. Burgess, County Manager
Cynthia W. Curry, Senior Advisor to the County Manager
Robert A. Cuevas, Jr., County Attorney

Miami Dade Housing Agency

Progress Report

for

Reporting period ending 4/26/08

05/01/08

HUD – OA

SETTLEMENT AGREEMENT

&

WORK PLAN

PROGRESS REPORT

MDHA Agreement - Work Plan Part A: 1. TASKS FOR MIAMI-DADE COUNTY

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
* County will designate representatives to work with OA	Complete	MDC	Completed.	
1. Commissioner Workshop	Incomplete	MDC / HUD	Planning stages; workshop not yet scheduled by HUD.	
Establish an Oversight Protocol for MDHA Business	Incomplete	MDC / HUD	Planning stages.	
2. PHA Plan for 2008	In Progress	MDC / MDHA	Planning schedule on track Note - timeline provided by staff shows PHA Plan will be submitted to BCC at 6/17/08 meeting and to HUD by 7/18/08.	
2.a Revise the PHA Plan adopted July 2007	In Progress	MDC / MDHA	2007 Plan reviewed, revisions/amendments being enacted.	
2.b PHA Compliance with State and Local Law 2008 PHA Plan	In Progress	MDC / MDHA	Upon completion the Plan will be submitted for review to MDHA Counsel.	
2.c Obtain HUD Approval for PHA Plan Changes	Incomplete	MDHA/HUD	2008 Plan will be submitted to HUD on time.	
3. Budget Adoption and Approval		MDC/MDHA	Review still ongoing.	
3.a 2007-2008 Budget	Complete		Original 2007-2008 budget adopted & approved by BCC.	
3.b 2008-2009 Budget	Incomplete		Budget submission to be submitted to OSBM 4/30/08.	MDHA late in submitting budget.
4. Execute a Conflict of Interest Statement	In Progress	MDC/HUD	Draft has been prepared by HUD and will be transmitted to County for review.	
5. Disclosure of Findings or Pending Litigation and Outstanding Judgments against MDHA	In Progress	MDC/MDHA	Several initial disclosures provided.	Subject to verification and reconciliation.
6. MDHA Development Corp Ward Towers ALF	In Progress	MDC/MDHA	Financial Statements for 2006/2007 have been provided; Audit for 2006 provided, 2007 yet to be provided; Financials & audits for 2003-2005 to be provided.	Not all documents provided to date.
Sources and Uses of Federal Funds	In Progress	MDC/MDHA	Ongoing review indicates accounting and reporting irregularities.	
Grant Agreements	Complete	MDC/MDHA	Provided all responsive documents.	

4

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
7. Cooperative Agreements between MDHA and County	In Progress	MDC/MDHA	Review of those which exist ongoing.	Full scope of County services and billing structure not yet fully determined.
7.a Baseline Services (Police services, water, sewer, trash collection, fire protection, ambulance/emergency services, etc.)	In Progress	MDC/MDHA	Correspondence to County requesting full disclosure of all baseline and support agreements.	Appears agreement structure is not uniform within the County.
7.b Payment in Lieu of Taxes (PILOT)	In Progress	MDHA	Terms of existing PILOTs with neighboring municipalities are under review.	Complicated by transfer of properties to other County Departments.
7.c Additional Administrative Services	Incomplete	MDC/MDHA	Correspondence to County requesting full disclosure of all baseline and support agreements.	Complicated by lack of uniform agreements between MDHA and County agencies/departments.
8. Funding FY 2006 Financial Statement Re-audit	In Progress	MDC	2006 re-audit ongoing; Audit fee is due from Miami Dade upon delivery of audit.	Delays and issues discussed in March 25th letter to Brian Nermeroff (auditor).
9. Transfer Programs back to Other County Departments	In Progress	MDC	Programmatic transfers are complete. Several action items to be completed (see status below).	
Documentary Stamp Surtax	**Complete**	MDC	Program funds and personnel transferred to other county agencies. Financial reporting issues still exist.	
State Housing Initiative Partnership (SHIP)	**Complete**	MDC	Program funds and personnel transferred to other county agencies.	
Infill Housing Initiatives	**Complete**		Program funds and personnel transferred to other county agencies.	
Other Program Transfers	In Progress	MDC	Transfer of Section 8 New Construction and "affordable" housing has a number of issues.	Awaiting final resolution of issues identified in letter to County dated 3/28/2008.
10. Remove Any MDHA Liability Owned by MDHA to the County for the Documentary Stamp Surtax	**Complete**	MDC	OSBM has communicated that $13,374,999.75 transferred from the Documentary Stamp Surtax program has been removed as a liability owed by MDHA.	
11. Fund any Responses to Investigations	If Required	MDC	No action required to date.	
12. Legal Opinions: Is the County required to carryout any MDHA Functions	Case by Case	MDC	No action necessary to date.	

MDHA Agreement - Work Plan Part B: **2. TASKS FOR HUD**

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
1. Review Work Plan Submissions	In Progress	HUD / MDHA / MDC	Ongoing as appropriate.	
Submissions from the County	In Progress	HUD / MDHA / MDC	Ongoing as needed.	
Submissions from the HUD-OA	In Progress	HUD – OA	2nd Quarter report submitted.	None.
2. Review and Verify Completion of Work Plan Items	TBD	HUD / MDHA / MDC	Upon completion of items HUD-OA will submit to HUD HQ.	
3. HUD will review Scott-Carver revitalization plan that increases density (see Agreement, paragraph 8)	In Progress	HUD / MDHA / MDC	Revitalization Plan will be submitted, upon completion of developer plan.	

9

MDHA Agreement – Work Plan Part C: **1. HUD-OA's OVERSIGHT OF MDHA**

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
* **OA will consult with the County every 3 months regarding the status of the Work Plan.**	Incomplete	MDHA/MDC	First quarterly report presented to EDHS Committee on 2/13/08 and BCC on 2/19/08; Second quarterly report to EDHS Committee on 5/14 and BCC on 5/20.	
1.a Review, modify, and approve as necessary existing activities of MDHA that relate to MDC or the Development Corporation (Ward Towers ALF) as noted in the PHA Plan.	In Progress	MDHA / MDC	Numerous changes have been made and are ongoing as they pertain to subject.	
1.b Sub Grantee Oversight and Funding	In Progress	MDHA/ MDC	Extent of issues and violations subject to further analysis. Compliance overview findings to date: - MDHA DC (Ward Towers ALF) is a sub grantee of MDHA - Terms and conditions of grant under review	
1.c Budget				
1.c.1 Prepare Balanced Operating Budgets (Operating Fund, COCC, AMPs, HCV, CFP, Hope VI, etc.)	In Progress	MDHA/ MDC	Working with OSBM to prepare operating budgets for 2008-2009.	MDHA late in submitting budget.
Complete 2007-2008 budget projections	**Complete**		2007-2008 projections being updated in RFRO.	
Complete 2008-2009 budgets.	In Progress		2008-2009 operating budgets submitted 4/29/2008.	MDHA late in submitting budget.
1.c.2 Submit Balanced Budgets to BCC for Adoption	Incomplete	MDHA/ MDC	Proposed budgets submitted to OSBM 4/29/2008.	
1.c.2.i Recommend a budget for any additional local funds that MDHA request from the County.	Incomplete	MDHA/MDC	Supplemental budget revision being prepared for 2007/2008 budget.	Subject to funding by County.
1.c.3 Ensure that MDHA does not incur any operating expenditures except pursuant to approved budgets.	In Progress	MDHA/ MDC	2007/2008 budget submitted in Sept. 2007. Budget revision may be necessary (see 1.c.2.i above).	Subject to 2006 re-audit results.
1.c.4 Amend budgets in event of emergency expenses	Case by Case	MDHA/ MDC	None to date, will be amended as needed and subject to funding availability.	
1.c.5 Monitor and compare budgets vs. actual for each month in FY 2008	In Progress	MDHA/ MDC		

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
1.c.5.i & ii Monitor budget vs. actual on a monthly basis for FY 2008.	In Progress	MDHA/ MDC	Imbalances occurring monthly.	Actual revenues realized are insufficient to cover expenditures.
1.c.5.iii Document any approved changes to budgets	TBD	MDHA/ MDC	Approved changes documented.	
1.d Findings and Judgments		MDHA / MDC		
1.d.1 Plan for Finding/Judgment Resolution – Pre-agreement	In Progress	MDHA / MDC	Following up on open items.	
1.d.2 Plan for Finding/Judgment Resolution – Post-agreement	Incomplete	MDHA / MDC	None occurred.	
1.d.3 Track General Liability Claims	In Progress	MDHA / MDC	Monitoring risk management reports.	
1.e Interagency Cooperative Agreements	In Progress	MDHA / MDC	Continuing to identify all County and agency services and cooperative arrangements provided to MDHA.	
1.f Resident Survey	In Progress	MDHA	HUD Resident Survey in progress.	

8

MDHA Agreement - Work Plan Part C: 2. ORGANIZATION AND STAFFING

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
2.a MDHA Organizational Structure				
2.a.1 Staffing Plans	In Progress	MDHA	Plan being revised to meet operational requirements and budget constraints.	Budget constraints.
Public Housing Program	In Progress	MDHA	AMP configuration and staffing being revised.	Budget imbalance.
Section 8 HCVP	In Progress	MDHA	Reorganization and staffing in progress. County has supported organizational changes.	
2.a.2 Develop and implement a plan to transition individual cost centers consistent with Asset Management	In Progress	MDHA	Planning ongoing.	Budget constraints.
2.a.3 Train Staff for Asset Based Project Management & Budgeting	In Progress	MDHA	Some individual training has occurred; additional training in planning stage.	Budget constraints.
2.b MDHA Staffing; Retain, Recruit and Hire Qualified Staff	In Progress	MDHA / MDC	Key positions identified; recruiting and hiring ongoing.	Budget constraints.
2.c Training and TA provided to all staff within budgetary limitations.	In Progress	MDHA / MDC	Ongoing training, e.g. PIC, Emphasys/Elite, Procurement, Homeownership, Property Development, CCS training.	Budget constraints.
2.c.1. Complete Training Needs Assessment	In Progress	MDHA / MDC	Comprehensive plan being developed.	
2.c.2 Training and Technical Assistance to All Staff	In Progress	MDHA / MDC	In progress (See 2.c above).	Budget constraints.
2.c.3 Develop a Training Plan	In Progress	MDHA / MDC	Upon completion of needs assessment.	
2.c.4 Develop and Maintain a Reference Library	In Progress	MDHA / MDC	Establishing on-line reference Library to provide access to HUD and other guidance for all MDHA personnel.	
2.d Ensure adequate management and supervision of staff.	In Progress	MDHA	Staff morale improved. Management being realigned.	

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
2.d.1 Develop and Implement Plan to Convert to Asset Management; implement policies and procedures for all agency departments.	In Progress	MDHA	Conversion to Asset Management ongoing; policies and procedures continuing to be developed.	
2.d.2 Consolidate select program offices, subject to site availability and budget limitations.	Incomplete	MDHA	Section 8 Customer Services consolidated; all other Section 8 offices relocated to 2103 Coral Way.	Funding constraints.
2.e Review/revise existing plans to improve technology.	Incomplete	MDHA / MDC	Re-implementing IT system for Section 8; installing new IT systems at Coral Way and Customer Service Center.	Initial Section 8 IT system implementation not successful. Current phone system at Coral Way completely inadequate.
2.e.1 Conduct a comprehensive Technology Needs Assessment	In Progress	MDHA / MDC	New IT manager has been hired and will develop comprehensive IT Needs Assessment.	
2.e.2 Prepare 5 Year MIS Plan	In Progress	MDHA / MDC	5 Year Plan will be prepared based on needs assessment.	
2.e.3 Update Systems per Plan	In Progress	MDHA / MDC	1) Phase 1 Elite system re-implementation ongoing; 2) Phase 2 & 3 implementation in planning; 3) VOIP Coral Way implementation ongoing 4) IT system upgrade Customer Service Center ongoing 5) IT system upgrade for 1401 NW 7th St. ongoing 6) Phone center in progress	Budget and funding constraints.

MDHA Agreement - Work Plan Part C: **3. PROCUREMENT**

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
3.a Procurement Policy and Practice Assessment	Incomplete	MDHA / MDC	Verbal Assurances received County procedures in compliance with Florida State Law. Review for compliance with Federal law, including OMB Circular A-87, ongoing.	
3.b Procurement Actions – HUD-OA Approval	In Progress	MDHA / MDC	Scott Carver RFQ released 3/27/2008; developer selection pending; capital improvement procurements now on schedule.	County assisted in expediting capital improvement contracts.
3.c Procurement Oversight	In Progress	MDHA / MDC	MDHA internal procurement practices working well.	

MDHA Agreement - Work Plan Part C: 4. FINANCIAL RECORDS AND CONTROLS

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
4.a Financial Statements				
4.a.I GAAP and Federal Compliance	In Progress	MDHA / MDC	To assist in assessment and correction of flaws in financial systems, MDHA has hired a CFO; a federal procurement of Deloitte & Touche has been completed and HUD TA staff are on site.	Financial staff need additional training; lack of continuity of senior management has proven problematic; awaiting re-audit to reveal full extent of financial reporting system issues.
4.a.1.i Fixed Asset Valuation – FY 2006 & 2007	In Progress	MDHA / MDC	Hired CFO; Federal procurement of Deloitte & Touche. Initial report of Fixed Assets completed and restatement and completion of valuations ongoing.	
4.a.1.ii Tenant Account Receivable Outstanding maintained on an ageing basis.	In Progress	MDHA / MDC	Initial assessment complete; reconciliation and write-offs ongoing.	See Issue in 4.a.1.
4.a.1.iii HOPE VI and CFP General Ledger Reconciliation	In Progress	MDHA / MDC	Initial assessments ongoing by HUD.	See Issue in 4.a.1.
4.a.1.iv Section 8 Accounting Errors Reconciliation	In Progress	MDHA / MDC	Initial reconciliation attempted but unable to be completed. Ongoing efforts to stabilize IT system, reconcile retroactive entries, and determine extent of liabilities.	Initial IT implementation not successful; tenant files systemically inaccurate; 2007 efforts to address situation exacerbated problem.
4.a.2 Berman Hopkins Re-audit of FY 2006	In Progress	MDHA / MDC	Re-audit closeout ongoing.	
4.a.2.i Submission of Restated 2006 Financial Statements to HUD	In Progress	MDHA / MDC	2006 resubmission on schedule.	
4.a.2.ii Re-audit Submission – 9 Months from MDC Approval	In Progress	MDHA / MDC	2006 resubmission on schedule.	
4.b Internal/Financial Controls				
4.b.1 Financial Internal GAAP Compliance	In Progress	MDHA	Initial draft completed, subject to further revision.	

12

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
4.b.2 Sub grantee Payment Internal Control	In Progress	MDHA	First draft internal control documents complete subject to revision. Closeout for Ward Towers HOPE VI grant is being reviewed within scope of on-going 2007 audit.	Financial reporting concerns with Ward Towers.
4.b.3 Review Cost Allocation System for A-87 Compliance	In Progress	MDHA	Ongoing review of County Cost allocation plan for A87 compliance; will change over to fee-for-service with full implementation of Asset Management & AMP budgets.	
Develop a plan for transition to fee-for service	In Progress	MDHA	Under review; transition occurs with Asset Management budgets. Determine cost reasonableness per OMB Circular A-87.	
4.b.4 Determine if Section 8 Landlord Payments are disbursed for approved contract amount	In Progress	MDHA	Initial reconciliation attempted; unable to be completed. Ongoing efforts to stabilize IT system, reconcile retroactive entries, and determine extent of liabilities.	Financial and tenant records currently unauditable.
4.b.4.i Ensure VMS reconciles with financial statements	In Progress	MDHA	To date unable to reconcile financial statements for FY 2006 and FY 2007; internal controls being developed to avoid future occurrence.	FY 2006 and 2007 and current FY 2008 financial statement balances are incorrect.
4.b.4.ii Establish controls to ensure VMS Accuracy	In Progress	MDHA	Ongoing review of previous reports for accuracy; corrections being made. QA procedures being developed to ensure accuracy for the future.	FY 2006 and 2007 and current FY 2008 financial statement balances incorrect.
4.b.5 Federal Award Withdrawal Internal Controls	In Progress	MDHA	On-going HUD effort to reconcile.	
4.c Depository Agreements	**Complete**	MDHA / MDC	Initial review complete. Redesignation not necessary at this time.	

13

MDHA Agreement - Work Plan Part C: 5. PROGRAM MANAGEMENT

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
5.a Review and Modify Policy and Procedures		MDHA		
Evictions	In Progress	MDHA	Changing current policy to enforce public safety concerns and ensure timely collection of rent.	
Occupancy	In Progress	MDHA	Efforts ongoing to attain 98% occupancy and remain in compliance with Adker Consent Decree. Revising admissions criteria to better ensure resident safety; instituting state wide background checks versus local only.	
Unit Turnaround	In Progress	MDHA	In cooperation with Procurement office, revised contract methodology to enable timely procurement. First round of new contracting effort ongoing.	Subject to funding availability.
Expense Management/Utilities	In Progress	MDHA	Ongoing effort to reduce expense levels throughout agency (e.g., fleet reduction, overtime reduction). Consolidating utility expense reconciliation; reconciling previous none accrued expenses.	Subject to resource availability.
Quality Control	In Progress	MDHA	Ongoing effort to institute quality control procedures in all business areas.	Subject to resource availability.
Other Related Activities	In Progress	MDHA	Partnering with local police and social service providers to establish network for resident awareness and safety.	
5.b Review ACOP and Admin Plan, revise if necessary	In Progress	MDHA / MDC	Revisions to Admin Plan in progress; revisions to ACOP in progress.	
5.c Review Waiting Lists				
Ensure compliance with Adker Consent Decree and federal regulations	In Progress	MDHA / MDC	Budget reconciliation with Plaintiff's representative complete. Quarterly compliance reports ongoing. In accordance with Adker Consent Decree new waiting list will be established July 2008.	Full County cooperation with efforts to create new waiting list required.

14

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
5.d Tenant File Compliance Review for Section 8, low rent program, and tax credits to ensure income and assets are verified and files properly documented..	In Progress	MDHA / MDC	Initiated purging of Section 8 files. Scheduled purging of low rent files. Tax credit files being brought into compliance. Reconciling income and assets during each purge.	Purging of tenant files ongoing. Files not properly documented; not complete. Need additional resources to complete project.
5.e Review and Revise Utility Consumption Data	In Progress	MDHA / MDC	New Utility Allowance Schedules for Private Rental Housing effective 4/1/2008; preparing solicitation for contractor to prepare new allowances for Public Housing.	Underreporting of utility consumption resulting in reduced federal subsidy. Existing Utility Allowance Schedules for Public Housing underestimate usage.
5.f Review and Adjust Comprehensive Maintenance Plan	In Progress	MDHA / MDC	Maintenance plan being revised to reflect asset management business model.	Maintenance Plan has not been updated since 1999. Current maintenance procedures not cost effective.
5.g Ensure property inspections conducted in accordance with HQS and UPCS requirements.	In Progress	MDHA	All public housing properties have been inspected by REAC. Developing policies to establish internal inspection procedures. Scheduling HUD inspection training for all property managers.	Inspection scores ten points lower than previous inspection cycle. Capital funds availability.
5.h Conduct Capital Needs Assessment	In Progress	MDHA / MDC	Comprehensive review initiated; initial report compiled and prioritized.	Current resource level is insufficient to address all critical capital needs.
5.i Ensure Energy Audit complete and results incorporated in 5-year Plan	In Progress	MDHA	Energy audit completed in 2007. Reviewing recommended changes. Developing contract solicitation for Energy Performance Contract.	Budget and funding limitations.
5.j Ensure MDHA compliance with environmental requirements	In Progress	MDHA	Ongoing review to address environmental issues at numerous sites (e.g., Ward Towers, Scott Carver).	Environmental review procedures.
5.k Scott Carver HOPE VI Revitalization Plan				
5.k.1 Revised Revitalization Plan	In Progress	MDHA / MDC	Will be submitted after selected developer completes proposed plan.	

15

Targets and Strategies	Status	Resource	Progress Comments for Second Quarter	Issue
5.k.2 Development Solicitation	In Progress	MDHA / MDC	RFQ for developer issued; selection committee formed. HUD providing technical assistance on developer agreement. Community Service Support (CSS) review complete.	Budgeted CSS funds expended, cut back in counseling services anticipated.
5.l Develop and implement to update and record all Deeds of Trust	In Progress	MDHA / MDC	Initial title search conducted under HUD contract. Efforts ongoing to complete review of deeds.	Discrepancies identified in recorded documents in initial effort. Locating deeds for entire MDHA portfolio.

16

Second Quarter Progress Report
Narrative

Reporting period January 27, 2008 - April 26, 2008

Introduction

Pursuant to the Settlement Agreement and associated Work Plan ("Agreement") entered into by Miami-Dade County and the Department of Housing and Urban Development ("HUD"), HUD is required to provide updates on the progress of the HUD Oversight Administrator with respect to the items set forth in the Work Plan. To document this progress, this narrative and a Progress Report are being provided to the members of the Miami-Dade Board of County Commissioners and the Mayor of Miami Dade County. This narrative provides general information on items in the Agreement and sets forth additional information on accomplishments and concerns at MDHA noted since HUD assumed temporary possession on October 26, 2008. The Progress Report notes the specific status of items in the Agreement and Work Plan and any issues of concern for each item.

In general, the HUD Oversight Administrator (HUD OA) and MDHA have received support from the Miami-Dade County departments that have historically provided assistance to MDHA. Regular meetings are held between the HUD OA and County representatives to discuss issues related to the operations of MDHA and the progress of the Work Plan. The HUD OA and MDHA staff have made significant progress in improving the day-to-day operations[1] of MDHA while also completing the specific tasks identified in the Agreement and Work Plan. HUD's understanding of the degree of financial distress at MDHA continues to evolve and will be the source of further discussions with the County in the future.

Contract Support

HUD has invested, and continues to invest, significant resources to assist in the recovery of MDHA. In addition to the full time HUD OA, HUD has assigned a number of staff to work on-site at MDHA performing daily operations, including personnel to supplement MDHA's financial accounting staff.

HUD staff has conducted extensive assessments of MDHA programs and has provided technical support and assistance with daily operations. HUD has procured two

[1] It is important to note that pursuant to the Settlement Agreement, paragraph 12, "While in control of MDHA, HUD will work diligently to complete those items in the Work Plan that are the responsibility of MHDA, but prioritization of work will be within the discretion of the OA, and HUD will not be required to assign a lower priority to performing the day-to-day tasks of operating the MDHA. The County may offer, and HUD may in its discretion accept, additional County assistance to expedite completion of Work Plan items."

key contracts to support MDHA in the following areas: (1) finance and accounting; and (2) Section 8 Housing Choice Vouchers (HCV). HUD also has reviewed existing contract support in place at MDHA and is utilizing those contracts to provide management and software consulting services.

Accomplishments

Despite the challenges that the HUD OA has faced since taking possession of MDHA there have been accomplishments, a number of which are highlighted below:

(1) Reorganization of the Section 8 Housing Choice Vouchers Division

Prior to HUD's possession, MDHA's Section 8 HCV Program experienced a number of serious management issues, late payments, incorrect payments, missing records, incomplete voucher transactions, and not being responsive to legitimate customer complaints. These problems necessitated the HUD OA to completely reorganize the business processes and make significant changes to the organizational structure of MDHA's Section 8 HCV Program.

The HUD OA has increased staffing levels in key areas, has reassigned non-performing staff, and is making a significant investment in upgrading outdated technology systems. In addition, the HCV staff has been consolidated in a central location and a separate newly formed customer service center established to respond more expeditiously and accurately to resident concerns. Although more work remains to be done, these changes have improved voucher management and payment schedules as well as MDHA's customer service efforts.

(2) Key Executive Management Positions Recruited and Filled

In response to the vacancies of key MDHA management, efforts have been made to hire a Chief Financial Officer, Director of Section 8, Director of Information Technology, and Deputy Public Housing Director. With the assistance of the County's Human Resources Department, these efforts have been successful. There are plans to fill other vacated positions within the next month.

(3) Training of staff on key occupancy, automated, and financial functions

MDHA staff is in need of programmatic training. Although a full training needs assessment is near completion and a longer term training plan is in development, training has already begun in many key areas. Training on budgets, accounting and finance, MDHA and HUD IT systems and software, the Capital Fund Program, contracts and contracting, and Homeownership has been conducted to date.

(4) Development and coordination of a voucher issuance process to improve use of allocated voucher funding

The Section 8 HCV program was not operating effectively, causing eligible voucher holders to be underserved and voucher funds underutilized. In response to this serious problem, the voucher issuance process was re-engineered and efforts are ongoing to fully utilize all available funds. It is anticipated that all voucher funding will be

utilized by the end of the calendar year. This effort will increase the number of rental units for low income families in Miami-Dade County.

(5) Crime Reduction in Public Housing

In order to combat drug related crime activity in MDHA's public housing communities, MDHA has teamed with local law enforcement and social service providers to create a Crime Reduction Committee known as the Miami Dade Housing Agency-Crime Reduction Committee (MDHA-CRC). MDHA-CRC has initiated a plan of action to collaboratively develop initiatives designed to reduce crime on MDHA public housing sites through long term solutions that affect real change and build strong relationships between residents, management staff, police personnel, and the community. MDHA-CRC is in the process of setting up central office operations in the north and south sectors of the County, which will direct and coordinate these activities.

(6) Section 8 Housing Choice Voucher Homeownership Program

The recent downturn in the Miami-Dade County housing market has made it extremely difficult for qualified voucher holders to secure funds to become homeowners within the community. Presently, MDHA has over 100 pre-qualified potential home-owners who have not been able to attain home ownership in the past year.

Working in close cooperation with the Director of the County's Office of Community and Economic Development (OCED), MDHA has entered into a verbal agreement with OCED to permit qualified voucher holders to secure second mortgages from OCED, which, when combined with the vouchers already available to them through MDHA, will allow these families to purchase homes at eligible sites. The HUD OA also has initiated homeownership training provided by qualified professionals through a HUD contract for all of the stakeholders involved in these transactions. It is the goal of MDHA and OCED to create a significant number of new homeowners this calendar year.

(7) Financial management system

MDHA's financial management and reporting system was assessed and determined to be inaccurate to such an extent that the independent re-audit of fiscal year (FY) 06 and the audit of FY 07 have proven extremely difficult to complete. Major accounts and checks had not been reconciled in years, basic accounting actions were not being performed, proper internal controls did not exist, and, due to numerous electronic data issues, MDHA's computerized financial management system could not be fully audited using automated data analysis tools.

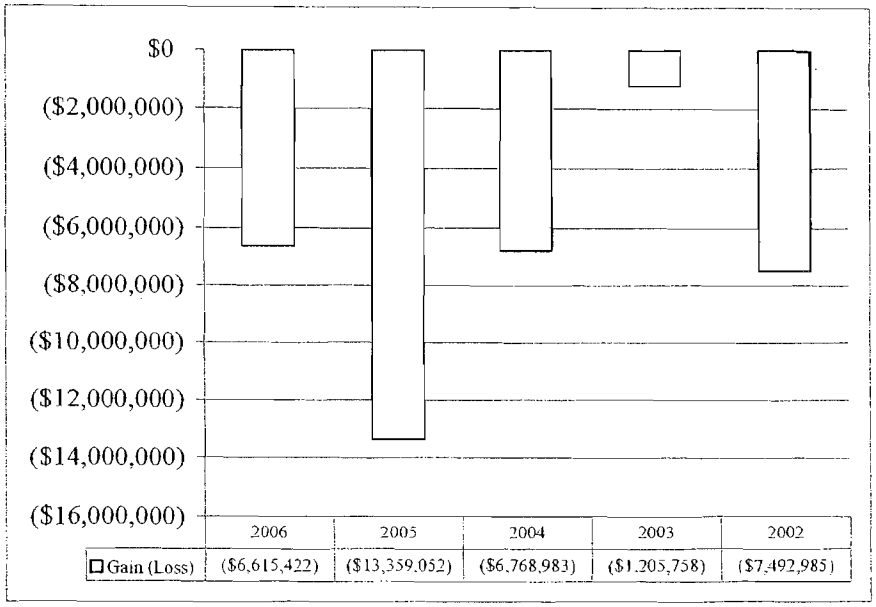
HUD has brought a major financial services firm to MDHA through a Federal contract to address these issues. The contractor will train the current and new staff on effective accounting procedures, redesign MDHA's accounting processes to enable informed management decisions, and assist in the creation of an effective financial management system. Significant progress has already been made in remedying the above described critical areas. As previously noted, the recent hiring of a CFO will further improve MDHA's financial management system.

Concerns and Issues

(1) Deficit Spending Results in Funding Shortfalls

As illustrated in Figure 1, from FY 2002 through FY 2006 MDHA reported substantial losses in its low rent public housing program. During that period, total expenditures exceeded total revenues by an average of $7.1 million annually. The largest deficit ($13.36 million) occurred in FY 2005; the smallest deficit ($1.2 million) occurred in FY 2003.

Figure 1 – Low Rent Public Housing Program: Excess of Expenditures Over Revenues



As a result of these deficits, the financial condition of MDHA's low rent public housing program has been deteriorating significantly since FY 2002. In fact, because the program's current liabilities exceed its current assets, MDHA's low rent public housing program has been technically insolvent since FY 2005. Prior to FY 2007, the County funded shortfalls in MDHA's public housing programs through advances from its Surtax program and other funding sources.

Upon the arrival of the HUD OA in October 2007, MDHA disclosed that during FY 2007 it had again operated its Federal housing programs at a substantial deficit that was originally estimated at $14 million. Since Florida law prohibits county departments from spending in excess of approved appropriations, the HUD OA worked with the County's Office of Strategic Business Management (OSBM) to address MDHA's FY 2006-07 budget. After several discussions regarding the amount needed to cover the actual deficit, the County agreed to balance MDHA's FY 2006-07 budget by providing

$7.967 million.[2] A recent cash flow analysis indicates that MDHA's cash position continues to decrease by an average of approximately $700,000 per month. Simply put, MDHA's current revenue streams do not sufficiently support its cost structure.

One main reason for the cash imbalance is the cost overruns at MDHA due to its high labor costs. Specifically, MDHA's wages and benefit costs for its low rent public housing program have nearly doubled from $12.953 million in FY 1999 to $21.716 million in FY 2006 while the actual number of staff members has decreased overall.

(2) Impact of Fiscal Year 2006 Re-Audit

In accordance with the Work Plan, the County engaged the auditing firm of Berman, Hopkins, Wright & LaHam CPAs, LLP (Berman Hopkins) to audit MDHA's FY 2007 financial statements and to re-audit MDHA's FY 2006 financial statements. During the course of the FY 2006 re-audit, the HUD OA became aware of material processing errors that MDHA had made during FY 2006 and FY 2007 in its HCV program. These errors resulted in both underpayments and overpayments to about half of all landlords participating in the program. Unfortunately, due to operational and technological issues before HUD took possession of MDHA, MDHA is currently unable to quantify with any degree of certainty the financial impact of these errors on its FY 2006 and FY 2007 financial statements.

Additionally, the audit firm's efforts to complete the FY 2006 re-audit and, in turn, begin its audit of MDHA's FY 2007 financial statements have been impeded by the following factors:

(a) Key Staffing Vacancies

The lack of a transition period after the County reassigned MDHA's CFO to another department without notice in January 2008 coupled with the reassignment of MDHA's Controller in November 2007 to another department due to performance issues caused continuity problems and created difficulties in completing the FY 2006 re-audit and FY 2007 audit. The lack of management level continuity has resulted in staff having to perform audit duties such as researching issues and reconstructing transactions in addition to performing their daily jobs.

(b) Ward Towers ALF

As first identified in HUD's *Declaration of Substantial Default—Public Housing Annual Contributions Contract*, MDHA's previously-issued FY 2006 audited financial statements contained material misstatements with respect to the Ward Towers Assisted Living Facility (WTALF) transaction. Subsequently, the HUD OA discovered additional financial issues pertaining to WTALF. These issues include the erroneous reporting of WTALC's operations in MDHA's financial statements, MDHA's commingling of the owner's funds with Miami-Dade County funds, the improper payment of 100% of the

[2] The Budget amendments included MDHA expenditures that exceeded the authorized budget amount by $6.998 million and unrealized budgeted revenue totaling $969,000.

public housing operating subsidy to the owner, and the improper accounting for the use of federal funds granted to MDHA, and the lack of compliance with the terms of its leasehold mortgage. More time is needed to correct these errors and defaults before the auditor is able to audit MDHA's financial reporting related to Ward Towers.

(c) Transfer of Housing Programs to Miami-Dade County

Prior to HUD's assumption of possession of MDHA, Miami-Dade County transferred the Surtax, SHIP, and Infill Housing Initiative programs (effective October 1, 2007) to another County department. Additionally, the County transferred ownership of certain units (Section 8 New Construction and Affordable Housing) from MDHA on October 22, 2007, with the complete asset management being assumed by the Miami-Dade County General Services Administration effective February 1, 2008. These transfers have further complicated the re-audit process because financial records and staffing resources related to the transferred programs are now disbursed among different County departments. Moreover, MDHA's limited accounting staff must spend additional time determining how transactions pertaining to the transferred programs will impact financial reporting.

(d) Miami-Dade County Inspector General Surtax Loan Audit

The Miami-Dade County's Office of Inspector General is currently conducting an audit of the County's Surtax program. This has required MDHA's accounting personnel to respond to inquiries and requests for information and that has contributed to the delay of the FY 2006 re-audit and the FY 2007 audit.

(3) General Ledger Issues

Since obtaining temporary possession of the County's Federal housing programs, the HUD OA has discovered that MDHA has significant, unresolved issues with its general ledger. Specifically, the balances do not reconcile with supporting documents, monthly bank reconciliations have not been completed, the year-end settlement statements and general ledger for the HCV program have not been reconciled, the general ledger shows a growing balance owing from tenants now living in privately managed units, a growing backlog of checks returned in the mail have yet to be voided, late HCV reexaminations have created unprocessed obligations for rental payments, and several funds are out of balance following the conversion to asset management. Considerable effort will be required to bring MDHA's books and records into compliance with GAAP and HUD requirements. As mentioned above, HUD contract support is being provided to assist in addressing MDHA's backlog of accounting issues.

(4) Funding Sources Treated As Fungible

The HUD OA has discovered that, historically, MDHA has employed a practice of routinely treating its various federal, state and local funding sources as fungible, without regard to each program's enabling laws and implementing regulations. In part,

this practice resulted from the funding shortfalls and control weaknesses previously discussed. This problem has been identified across a number of MDHA's programs and raises concerns about possible regulatory and/or statutory violations. To that end, HUD's Office of Inspector General is currently auditing MDHA's CFP to determine whether MDHA used those funds in accordance with the governing Federal laws, regulations, and contract provisions.