

Memorandum



Date: October 19, 2009

To: Honorable Chairman Dennis C. Moss
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Information on Empowerment Zone on-site Monitoring Visit Report

HCD
Supplement to
Agenda Item No. 1(F)1
December 9, 2009

The following report is to inform the Board of County Commissioners (BCC) that on September 8, 2009 the local office of the US Department of Housing and Urban Development (US HUD) initiated its on-site monitoring visit to review Miami Dade Empowerment Trust, Inc (MDET) files dating from 1999 through 2007. The monitoring team began with an initial group of 12 project files, which expanded to over 50 administrative and community projects. The monitoring visit ended during the week of September 18, 2009.

Background

As you recall, MDET was established in February 1999 in order to implement the Miami-Dade Empowerment Zone (EZ) Strategic Plan. In that same year, the BCC approved a Memorandum of Understanding (MOU) between the County and MDET that delegated authority to govern, direct, and implement the ten year EZ Strategic Plan to MDET. However, the County remained as the "Lead Entity" for all federal EZ grant funds.

As a result of the suspension of federal funding and serious management concerns by County staff, the implementation of the Strategic Plan was impaired. In response, the County terminated the MOU with MDET in July 2007. An audit performed by the County's Audit and Management Services (AMS), which substantiated the concerns raised by County staff, was transmitted to the BCC on September 28, 2007 identifying the MDET Board as negligent in exercising its fiduciary responsibility and identified key areas of weakness. However, despite the attempt to sever ties with MDET and to allow the County regain full control of its EZ designation, staff recognized that problems created during MDET's tenure, whether identified in the audit or unknown at the time, will cause future problems for the County.

In order to establish a framework for the transition of certain MDET assets, liabilities, and programs to the County, the BCC approved the execution of the Program Assumption Agreement on March 18, 2008 through Resolution R-304-08. After the execution of the Agreement, the activities of the EZ transitioned to the Department of Housing and Community Development (DHCD) through the adoption of Ordinance 08-56, which designated DHCD as the County's implementing arm for what remained of the federal EZ program. Since the transition, DHCD has worked to address the issues and concerns that had been raised and uncovered from the time that MDET exercised exclusive control over the County's EZ Strategic Plan.

Recent Developments

On September 30, 2009 the local US HUD office initiated the exit interview process with DHCD. During the course of the interview, the monitoring team re-emphasized several critical management issues which were also uncovered by the County management team prior to the termination of the County's relationship with MDET in 2007. While the lack of sufficient file documentation appears to be the most consistent issue, several other issues are noted. Prominent among those concerns are the following:

1. Compliance with the Strategic Plan

The main intention of the EZ Strategic Plan was to support employment and business opportunities within, and for residents of, the EZ. While there is evidence of vigorous business activity, what appears less obvious is whether the activity serves the residents of the EZ. Many investment projects did not maintain acceptable employee rosters or track the recipients of their services in a way to identify their residence. In some instances, EZ funds were invested in neighborhoods outside of the acknowledged boundaries of the EZ.

2. Financial Management

The transactions between 2000 and 2007 were not recorded in a manner compatible with County systems or to US HUD. To correct this, DHCD staff has begun to reconcile all transactions for the 10-year period and anticipates completing the task during the first quarter of FY 2009-10. In particular, the US HUD team noted a failure to separate federal program income (income produced as a result of using federal funds) from non-federal income (income produced through the investment of county, state or private funds). In addition, when multiple funding sources are used on the same project, the accounting records must track each source separately.

3. Monitoring and Reporting Program Performance

There was a failure to properly document sub-recipient progress towards the contracted objectives. In addition, most sub-recipients failed to provide annual audits as mandated by US HUD.

4. Equipment/ Property Inventory Records

US HUD requires that all property purchased with federal funds be properly tagged and added to an inventory list. Upon review of the requested files, there was no evidence that the sub-recipients maintained inventory records for this purpose.

5. Bad Loan Write Offs

While it is a common practice to write off loans when a determination has been made that payment can not be obtained from the borrower, additional consultation with US HUD is required when federal funds are the source of the loan. The EZ Revolving Loan Fund contained several loans which were deemed "un-collectable" after pursuing collection measures. However, EZ staff is required to consult with US HUD before a write-off occurs. Based upon file records, this consultation did not occur.

During the course of the exit interview, no documents or reports were distributed to County staff. At its conclusion, staff was informed that a second phone conference will be scheduled within a few weeks. Following that communication, a draft report will be delivered for review and County input. The County will be afforded an opportunity to formally respond upon the issuance of a final report. The entire review process is scheduled to be completed within 45 days of the initial exit meeting.

Many of the concerns highlighted by the US HUD monitoring team are currently being addressed by the County. Specific accounting personnel have been assigned to reconcile all past accounts and to properly confirm and record all EZ expenses moving forward.

New sub-recipients have been scheduled to receive special training related to their project documentation responsibilities. Additional site monitoring protocols have been designed to assist the sub-recipients and to chart their progress. These actions were initiated subsequent to the County's AMS audit in 2007 and implemented prior to US HUD's request or direction.

While the comments made by the monitoring team are greatly disturbing, we are prepared to take whatever corrective actions deemed are necessary as indicated by US HUD.

If you have any additional questions or concerns, please feel free to contact me directly or Senior Advisor Cynthia W. Curry at 305-375-4126.

- c: Honorable Carlos Alvarez, Mayor
Denis Morales, Mayor's Chief of Staff
Cynthia W. Curry, Senior Advisor to the County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
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