



Issue Date June 19, 2009

Audit Report Number 2009-AT-1008

TO: Maria R. Ortiz, Director of Community Planning and Development, Miami Field Office, 4DD

FROM: //signed//
James D. McKay, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: Miami-Dade County, Florida, Did Not Properly Administer Its Community Development Block Grant Program

HIGHLIGHTS

What We Audited and Why

We audited the Community Development Block Grant (CDBG) program administered by Miami-Dade County, Florida (County). The objective of the audit was to determine whether the County administered its CDBG program in accordance with applicable U.S. Department of Housing and Urban Development (HUD) requirements. We selected the County for review because the Miami HUD Office of Community Planning and Development ranked it as high risk in its 2007 and 2008 risk assessments. In addition, previous HUD on-site monitoring reviews identified concerns with the County's administration of the CDBG program.

What We Found

The County did not administer its CDBG program in accordance with applicable HUD requirements. It did not comply with HUD requirements in meeting national objectives and performance goals and failed to recapture CDBG funds for canceled activities that did not meet a national objective. As a result, it had no assurance that more than \$4.6 million in expended CDBG funds achieved the intended national objective or met program requirements.

The County also did not accurately report CDBG financial and program information to HUD in accordance with federal requirements. It failed to report CDBG program income for four activities, inaccurately reported program income for 2007, and reported inaccurate status and accomplishments of CDBG activities to HUD.

What We Recommend

We recommend that the Director of the Miami Office of Community Planning and Development require the County to (1) provide documentation to support that CDBG program requirements were followed and national objectives and performance goals were met for eight activities or reimburse its program \$4 million from nonfederal funds, (2) recapture \$649,143 expended for eight activities that had been canceled, (3) ensure that CDBG program income is properly reported for four activities, and (4) implement and enforce written policies and procedures to ensure effective performance and compliance with HUD regulations for meeting CDBG national objectives and performance goals and reporting program information and income to HUD.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the findings with the County during the audit. We provided a copy of the draft report to County officials on June 1, 2009, for their comments and discussed the report with the officials at the exit conference on June 9, 2009. The County provided its written comments to our draft report on June 15, 2009. In its response, the County generally agreed with the findings and recommendations. The County provided several corrective measures that they are implementing and also indicated that it will aggressively pursue the collection of the completion data for the eight activities and revise its procedures for the tracking and reporting of program income.

The complete text of the County's response, along with our evaluation of the response, can be found in appendix B of this report. Attachments to the County's comments were not included in the report, but are available for review upon request.

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BACKGROUND AND OBJECTIVE

Miami-Dade County, Florida (County), receives annual Community Development Block Grant (CDBG) program funds from the U.S. Department of Housing and Urban Development (HUD). HUD awards annual grants to entitlement community recipients to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services, principally for low- and moderate-income persons. An activity that receives CDBG funds must meet one of three national objectives:

- Benefit low- and moderate-income families,
- Aid in the prevention or elimination of slums or blight, or
- Meet community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and when other financial resources are not available.

The County's Office of Community and Economic Development administers the CDBG program.

The HUD Integrated Disbursement and Information System (IDIS) reported that the County expended more than \$42 million in CDBG funds for 2006 and 2007.

We selected the County for review because the Miami HUD Office of Community Planning and Development ranked it as high risk in its fiscal years 2007 and 2008 risk assessments. In addition, the 2004 and 2008 Miami HUD monitoring reviews identified concerns regarding the meeting of national objectives and tracking of program income.

Our audit objective was to determine whether the County administered its CDBG program in accordance with applicable HUD requirements. Specifically, we determined whether the County had sufficient documentation to support that the national objective was achieved and whether program income was properly accounted for.

RESULTS OF AUDIT

Finding 1: The County Did Not Demonstrate Compliance in Meeting National Objectives and Performance Goals

The County did not demonstrate compliance with HUD requirements in meeting national objectives and performance goals. It did not maintain adequate supporting documentation to demonstrate that CDBG activities met national objectives and that performance goals were achieved. It also failed to recapture CDBG funds for canceled activities that did not meet a national objective. These conditions occurred because the County lacked effective management controls over its CDBG activities and disregarded HUD requirements. As a result, it had no assurance that more than \$4.6 million in expended CDBG funds achieved the intended national objective or met program requirements.

We selected 10 activities to determine whether the County maintained sufficient documentation to demonstrate that they met a national objective. The County did not maintain adequate supporting documentation to demonstrate that eight activities met a national objective or achieved performance goals.

Supporting Documentation Inadequate to Meet National Objectives

The County did not maintain adequate supporting documentation for seven activities to demonstrate that national objectives would be met. Regulations at 24 CFR [*Code of Federal Regulations*] 570.506(b) state that records must be maintained to demonstrate that each activity undertaken meets one of the national objective criteria.

1. **Activity # 332** – The national objective was to improve housing by installing sewer connections to residential units occupied by low- and moderate-income households. The County did not maintain supporting documentation indicating (1) the total number of dwelling units assisted and the number of those units that would be occupied by low- and moderate-income households; (2) the total cost of the activity in CDBG and non-CDBG funds; and (3) for each unit occupied by a low- and moderate-income household, the size and income of the household. As a result, we consider \$335,000 expended for the activity to be unsupported costs.
2. **Activity # 1853** – The national objective was to create jobs for low- and moderate-income individuals by providing economic development loans to

businesses. Based on the documentation provided by the County, none of the seven businesses demonstrated that it created jobs for low- and moderate-income individuals except for one business that provided one of six required jobs. As a result, we consider approximately \$1.3 million expended for the activity to be unsupported costs and \$145,772 not drawn down to be funds to be put to better use when the County can demonstrate that the activity has achieved a national objective.

- 3. Activity # 1886** – The national objective was to provide early childhood, elderly, youth, and mental health services to low- and moderate-income individuals in the area. The County was to use CDBG funds to acquire land, construct a center, and provide various services to low- and moderate-income individuals. The land was acquired in 1999, but construction did not begin until February 2006. As of February 2009, the exterior of the center had been completed but the center stood vacant and had not begun operations.



County officials informed us that the subrecipient needed to complete the inside of the center, furnish the center, and plan and implement programs to be administered at the center. As a result, we consider \$827,212 expended for the activity to be unsupported costs and \$5,442 not drawn down to be funds to be put to better use when the subrecipient has the necessary funding and plans in place to achieve the national objective. The County also expended nearly \$675,000 in general revenue funds for the project.

- 4. Activity # 2453** – The national objective was to create or retain jobs for low- to moderate-income individuals by providing grants to qualified business owners to rehabilitate the exterior of their commercial buildings. The County did not maintain sufficient documentation to demonstrate that the national objective was met. Specifically, the agreements with nine business

owners did not contain the number of jobs that were to be created or the job titles of the positions. For two businesses, the County provided no documentation supporting that they created jobs. For the remaining seven businesses, the County provided forms certified by the employees, but the forms were not adequate to support that the employees were low and moderate income or that the jobs were permanent. As a result, we consider \$712,460 expended for the activity to be unsupported costs.

5. **Activity # 3173** – The national objective was to create jobs for 14 low- and moderate-income individuals by providing a \$500,000 grant to a subrecipient to acquire a parcel of land for the commercial development of retail stores. The County did not provide supporting documentation to identify by job title the 14 jobs created and filled. As a result, we consider \$500,000 expended for the activity to be unsupported costs.
6. **Activity # 3264** – The national objective was to provide housing to five low- and moderate-income households. The County did not provide documentation supporting that one of the housing units was provided to a low- or moderate-income household. As a result, we consider \$27,862 (or one-fifth of \$139,308 expended for the activity) to be unsupported costs.
7. **Activity # 4001** – The national objective was to create jobs for nine low- and moderate-income individuals by providing \$200,000 to a subrecipient to provide micro loan assistance to businesses in low- and moderate-income areas. The subrecipient provided loans to 36 businesses. The County did not maintain sufficient documentation to demonstrate that the national objective was met. It provided a list of the jobs created by the businesses, but there was no documentation supporting that the person hired was low or moderate income, and one of the businesses creating jobs was not one of the 36 that received a loan. As a result, we consider \$200,000 expended for the activity to be unsupported costs.

**Supporting Documentation
Inadequate to Meet
Performance Goal**

The County did not maintain adequate supporting documentation for one activity (# 3561) to demonstrate that it achieved the performance goal agreed to in the subrecipient agreement. Regulations at 24 CFR 85.40(a) require grant recipients to monitor grant activities to ensure that performance goals are achieved. The national objective was to provide home-delivered and congregate meals, transportation, and other support services to elderly people. According to the

subrecipient agreement, the County awarded the subrecipient \$321,058 in CDBG funds to serve meals to 642 elderly people. The County provided documentation supporting that the subrecipient expended \$320,605 to serve 274 elderly people. There was no indication from the documentation provided that the County questioned the services or that the subrecipient experienced difficulties in providing the meals. As a result, we consider \$184,033 (for 368 people not served) expended for the activity to be unsupported costs.

These conditions occurred because the County lacked effective management controls over its CDBG activities and disregarded HUD requirements. Specifically, the County failed to follow its own policies and procedures to ensure effective performance and compliance with federal regulations for meeting national objectives. Regarding the six activities for which the County failed to provide adequate supporting documentation, County policies and procedures refer to the HUD regulations and provide comprehensive guidance to County staff regarding national objectives. County officials informed us that inadequate internal controls and poor record keeping contributed to the lack of adequate supporting documentation. Regarding the activity to complete a center to provide various services to low- and moderate-income individuals, County officials informed us that the subrecipient was facing financial difficulty and had a change in leadership. County officials also acknowledged that they funded the activity although it was not feasible and despite the subrecipient's lack of other funding sources and the capacity to begin the activity. For the activity that provided meals to 274 elderly people, County officials stated that they failed to modify the subrecipient agreement to decrease the number of meals served when the CDBG funding was decreased. We reviewed the subrecipient application and agreement and found that the agreement was modified to decrease CDBG funding and the number of meals served from 1,000 to 642.

As a result of the conditions noted above, we were unable to confirm whether a national objective or performance goal was met for eight CDBG activities that were provided more than \$4 million. The remaining \$151,214 in CDBG funds not drawn down for two activities could be used more effectively if the County can demonstrate that they achieved a national objective. See appendix C for a description of the eight CDBG activities.

CDBG Funds for Canceled Activities Not Recaptured

We identified seven CDBG activities in program year 2007 that were canceled by the County, but it did not recapture the CDBG funds from the subrecipient. We also identified a CDBG activity that the County reported to HUD as having been completed that had been canceled. HUD regulations (24 CFR 570.200(a)(2)) require grant recipients to ensure and maintain evidence that each of their activities

assisted with CDBG funds meets one of the three national objectives. Since these eight activities were canceled, no national objectives were met. County officials informed us that they reprogrammed the undisbursed CDBG funds for these eight activities but had no plans to recapture the expended funds. The County did not pursue the recapture of expended CDBG funds from nonprofit entities because it believed that these businesses did not have the funds to repay the County. The eight activities that were canceled were administered by nonprofit entities.

Since CDBG funds were not used to achieve a national objective, we consider \$649,143 expended for the eight activities to be ineligible costs and recommend that the County recapture these funds to reimburse its CDBG program. See appendix D for a description of the eight canceled CDBG activities.

Conclusion

The County did not demonstrate compliance with HUD requirements in meeting national objectives and performance goals for eight CDBG activities. Our review of 10 activities indicated that the County did not maintain adequate documentation to support that national objectives were met for seven activities and performance goals were achieved for one activity. In addition, the County did not recapture expended CDBG funds for eight canceled activities that did not meet a national objective. These conditions occurred because the County lacked effective management controls over its CDBG activities and disregarded HUD requirements. As a result, it had no assurance that eight CDBG activities and eight canceled CDBG activities, totaling more than \$4.6 million, achieved the intended national objective or met program requirements. The remaining \$151,214 in CDBG funds not drawn down for two CDBG activities could be put to better use if the County can demonstrate that a national objective will be achieved.

Recommendations

We recommend that the Director of the Miami Office of Community Planning and Development require the County to

- 1A. Provide documentation supporting that CDBG program requirements were followed and national objectives and performance goals were met for seven CDBG activities according to 24 CFR 570.506 and 85.40 or reimburse its program \$3,184,272¹ from nonfederal funds.

¹ The County expended \$3,252,452 for seven activities. We reduced this amount by \$68,180 for one activity because it is included in recommendation 2C.

- 1B. Provide HUD with documentation supporting that a national objective has been met before requesting the remaining \$145,772 from its program.
- 1C. Develop an action plan to meet the intended national objective of providing early childhood, elderly, youth, and mental health services to low- and moderate-income individuals. If the action plan is not submitted to HUD within 90 days, the County should reimburse its program \$827,212 from nonfederal funds.
- 1D. Obtain an approved action plan from HUD before requesting the remaining \$5,442 from its program.
- 1E. Recapture \$649,143 in CDBG funds expended for eight activities canceled in program year 2007.
- 1F. Implement and enforce written policies and procedures to ensure effective performance and compliance with federal regulations for meeting CDBG national objectives and performance goals.

Finding 2: The County Did Not Accurately Report CDBG Financial and Program Information to HUD

The County did not accurately report CDBG financial and program information to HUD in accordance with federal requirements. It failed to report CDBG program income for four activities and inaccurately reported program income for 2007. It also reported inaccurate program status and accomplishments of CDBG activities. These conditions occurred because the County lacked effective management controls to ensure compliance with HUD reporting requirements. As a result, there is a lack of assurance that the County reported accurate CDBG financial and program information to HUD in accordance with HUD regulations.

Program Income Not Accurately Reported to HUD

The County did not accurately report CDBG program income to HUD in accordance with federal requirements. Regulations at 24 CFR 570.504 require that receipts and expenditures of program income be recorded as part of the financial transactions of the grant program and be subject to all applicable requirements governing the use of CDBG funds. The regulations also require that program income be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury.

We reviewed 10 CDBG activities and determined that four activities generated program income. The County failed to report CDBG program income for the four activities in its financial system and HUD's Integrated Disbursement and Information System (IDIS).

- 1. Activity # 1853** – The County awarded loans to businesses seeking financial assistance for start-up and expansion costs. The loan activity would generate program income by the principal repayment, interest income, and other fees charged to service the loan. The County awarded 10 loans but did not provide documentation supporting how much program income was generated on each loan or that it reported in the County's financial system and IDIS.
- 2. Activity # 2453** – The County provided grants to nine business owners to rehabilitate the exterior of their commercial buildings. Each business owner signed an agreement with the County stating that if the property, which had been rehabilitated with CDBG funds, was sold within five years of receiving assistance, the County could recapture all or a portion of the funds. County property records showed that one of the nine properties

was sold within five years of receiving assistance. Based on the agreement, the property owner should have reimbursed the County the entire grant amount of \$68,180. The County did not provide documentation supporting that it knew of the property sale or that the CDBG funds were reimbursed and reported in the County's financial system and IDIS as program income. Since the terms of the agreement had been breached, we consider \$68,180 to be ineligible costs that need to be reimbursed to the CDBG program.

3. **Activity # 3173** – The County provided a grant to a subrecipient to acquire a parcel of land for the commercial development of retail stores. The subrecipient reported \$7,490 in program income in its 2004 progress reports to the County. Using the information provided by the subrecipient, we calculated program income for this activity to be \$104,020 as of February 2009. The County provided no documentation supporting that it verified the accuracy of the amount or that it reported the program income in its financial system and IDIS.
4. **Activity # 4001** – The County provided a grant to a subrecipient to provide loan assistance to businesses in low- and moderate-income areas. The subrecipient issued 36 loans and reported \$1,340 in program income in its 2005 progress reports to the County. Using the promissory notes for the 36 loans, we calculated program income to be \$221,535. The County provided no documentation supporting that it verified the accuracy of the amount or that it reported the program income in the County's financial system and IDIS.

The County also reported \$498,546 in program income in IDIS for 2007. We verified whether the County maintained adequate supporting documentation for \$132,960 in program income reported to HUD. The County failed to report \$2,164 in principal receipts in IDIS, and \$32,123 in principal and interest receipts from January through May 2007 was mistakenly reported twice in IDIS. This error resulted in a net overstatement of \$29,959 in program income reported in IDIS.

These conditions occurred because the County lacked effective management controls to ensure compliance with HUD reporting requirements. The County's compliance manual informs staff that the earnings, use, reporting, and recording of program income are subject to HUD requirements and that the earnings and use of program income should be reported. However, the County did not have specific written policies and procedures on the receipt and reporting of program income in its financial system and IDIS. County officials informed us that staff overseeing CDBG activities lacked adequate expertise to know what program income was, how to look for it, and how to verify the accuracy of a reported

amount. They also said that staff were provided with too many activities to manage and that this process needed to be better supervised. In addition, both HUD and County auditors had previously reported problems with program income.

Program Information Not Accurately Reported to HUD

Regulations at 24 CFR 85.40(b)(2) require grantees to submit annual performance reports, which will contain brief information on the comparison of the actual accomplishments to the objectives established for the period and the reasons for slippage if established objectives were not met. The County reported inaccurate program status and accomplishments to HUD for 10 CDBG activities.

The County reported inaccurate program status to HUD for three CDBG activities. For two activities (# 1886 and # 2490), the County created two identification numbers for each activity. The identification numbers designated each activity as both completed and underway, although the activities had not been completed. We also identified a CDBG activity (# 3099) that the County reported to HUD as having been completed that had been canceled (see finding 1). County officials acknowledged that the activity was no longer feasible and should have been reported as having been canceled. The inaccurate reporting overstated the number of activities the County had completed. The County provided no documentation to indicate that it had communicated to HUD the correct number of completed and underway activities.

The County reported inaccurate program accomplishments to HUD for seven CDBG activities. For two completed activities (# 332 and # 900), the County reported no accomplishments because it failed to obtain direct beneficiary information. For five activities, it did not provide supporting documentation for the number of jobs created (# 1853, # 2453, # 3173, and # 4001) or the number of people assisted (# 3561) that it reported in IDIS. County officials explained that the reported accomplishments were based on the quarterly progress reports submitted by the subrecipient. The County did not maintain supporting documentation because it relied on the subrecipient to do so.

Conclusion

The County did not accurately report CDBG financial and program information to HUD in accordance with federal requirements. It failed to report CDBG program income for four activities and inaccurately reported program income for 2007 to

HUD. The County needs to calculate and report program income for three activities (# 1853, # 3173, and # 4001) and reimburse its CDBG program \$68,180 for one activity (# 2453) since the terms of the agreement were breached. We provided to HUD our calculation of program income for activities # 3173 and # 4001. In addition, the County reported inaccurate program status and accomplishments to HUD for 10 CDBG activities. These conditions occurred because the County lacked effective management controls to ensure compliance with HUD reporting requirements. As a result, there is a lack of assurance that the County reported accurate CDBG financial and program information to HUD in accordance with HUD regulations.

Recommendations

We recommend that the Director of the Miami Office of Community Planning and Development require the County to

- 2A. Provide documentation supporting that CDBG program requirements were followed and program income was reported to HUD for three activities (# 1853, # 3173, and # 4001) according to 24 CFR 570.504.
- 2B. Provide HUD with documentation supporting that program income was reported to HUD for two activities (# 3173 and # 4001) before requesting \$140,544² from its program.
- 2C. Reimburse its program \$68,180 for activity # 2453 from nonfederal funds and report it as program income in IDIS.
- 2D. Adjust 2007 program income reported in IDIS to reflect \$2,164 in principal receipts not reported and \$32,123 in principal and interest receipts reported twice.
- 2E. Revise the status of activities # 1886, # 2490, and # 3099 in IDIS.
- 2F. Provide a list of the activities that are represented by more than one activity number in IDIS and the actual number of completed, underway, and canceled activities.

² The \$140,544 represents \$104,020 for activity # 3173 and \$36,524 for activity # 4001. For activity # 3173, we calculated program income to be \$104,020 as of February 2009. For activity # 4001, we calculated program income to be \$221,535 for the 36 loans. We subtracted the principal loan amount of \$185,011 because it is included in recommendation 1A, resulting in \$36,524.

- 2G. Provide supporting documentation for the accomplishments of the seven activities reported in IDIS for program year 2007 and revise IDIS accordingly.
- 2H. Provide additional training and supervision to staff regarding IDIS reporting requirements for CDBG program income and other program information.
- 2I. Develop, implement, and enforce more comprehensive written policies and procedures regarding the receipt and reporting of program income in the County's financial system and IDIS.

SCOPE AND METHODOLOGY

Our audit objective was to determine whether the County administered its CDBG program in accordance with applicable HUD requirements. To accomplish our objective, we

- Reviewed relevant HUD regulations and guidebooks;
- Reviewed relevant County policies and procedures, internal audit reports, and independent public accountant reports;
- Interviewed HUD and County officials;
- Reviewed HUD files to include IDIS reports and monitoring reports;
- Reviewed County financial records related to CDBG revenue and expenditures; and
- Reviewed the County's files and records to include the subrecipient contract, monitoring reports, and progress reports.

We obtained a list of CDBG-funded activities administered by the County from January 1 to December 31, 2007. The County reported 340 completed activities, and we selected 10 activities (representing 18.5 percent of total expenditures) to determine whether the County met a national objective. We selected activities from each of the four subcategories to benefit low- and moderate-income individuals (area benefit, limited clientele, housing, and job creation or retention) and activities with large CDBG expenditures. We determined whether program income was generated from these 10 activities and if so, whether it was reported to HUD. We also reviewed the 10 activities to determine whether the County reported accurate program status and accomplishments to HUD. Due to the volume of activities completed, we did not perform a 100 percent review. The results of the audit apply only to the items reviewed and were not projected to the universe of activities.

From the list of 2007 CDBG activities, we also identified seven activities, for which the County had expended CDBG funds, that had been canceled. We also identified one CDBG activity, which the County reported to HUD as having been completed, that had been canceled. The County expended \$649,143 in CDBG funds for the eight activities.

The County reported to HUD \$498,546 in program income for 2007 and provided detailed spreadsheets on the specific receipts that comprised that amount. Using the spreadsheets, we randomly selected 59 of 187 receipts totaling \$132,960 to determine whether the program income was accurately reported to HUD.

We assessed the reliability of computer-processed data reported in IDIS and in the County's financial system for program income and national objectives. For program income, we traced program income receipts to and from the source documents to assess the reliability of income reported in IDIS and the County's financial system. We found deficiencies with the reported program income because the County lacked adequate controls to ensure that valid and reliable data were obtained, maintained, and accurately reported in IDIS and the County's financial system. Therefore, we considered program income reported in IDIS and the County's financial system to be unreliable.

For national objectives, we tested the accuracy of the County drawdowns of CDBG funds reported in IDIS and the expenditures reported in the County's financial system. Based on our tests, we found that the drawdowns were generally supported by the expenditures reported in the County's financial system for those activities funded on or after January 1, 1998. We also found that the expenditures reported in the County's financial system were supported and accurate and thus could be relied upon for our audit purposes. Therefore, we used the CDBG expenditures reported in the County's financial system for questioned costs, except for activities # 1853 and # 1886/# 3170. For these two activities, we used the drawdown amounts in IDIS as questioned costs because the County had not drawn down the entire amount of expenditures to reimburse itself for the expenditures recorded in the County's financial system.

The audit generally covered the period January 1 through December 31, 2007, and we extended the period as needed to accomplish our objective. We conducted our fieldwork from October 2008 through March 2009 at the County offices located at 701 NW 1st Court, Miami, Florida.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Effectiveness and efficiency of program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Controls over program operations;
- Controls over the reliability of data;
- Controls over compliance with laws and regulations; and
- Controls over the safeguarding of resources against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe that the following items are significant weaknesses.

- The County did not demonstrate compliance with HUD requirements in meeting national objectives and performance goals (see finding 1).
- The County did not accurately report CDBG financial and program information to HUD (see finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		\$ 3,184,272	
1B			\$ 145,772
1C		<u>827,212</u>	
1D			5,442
1E	\$ 649,143		
2B			<u>140,544</u>
2C	<u>68,180</u>		
	<u>\$ 717,323</u>	<u>\$ 4,011,484</u>	<u>\$ 291,758</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. For recommendations 1B and 1D, the \$151,214 represents funds not drawn down for activities # 1853 and # 3170 that the County could effectively use if it demonstrates that a national objective was achieved. For recommendation 2B, the \$140,544 represents \$104,020 for activity # 3173 and \$36,524 for activity # 4001 that the County could effectively use once program income is reported in IDIS and before drawing down additional CDBG funds.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Carlos Alvarez, Mayor

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June 10, 2009

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Subject: **Request for Comments** on the Draft Audit Report Community Development Block Grant Program Administered by Miami-Dade County

Dear Mr. McKay:

Miami-Dade County's Office of Community and Economic Development (OCED) received the draft audit results of its Community Development Block Grant Program from your office on June 1, 2009. Pursuant to your cover letter, it is requested that a response be submitted within 15 days. Please allow this letter to serve as the response.

Many of the findings that pertained to reporting procedures and project tracking were already identified by County staff during the compilation of the 2007 Consolidated Annual Performance Evaluation Report (CAPER) and actions have been taken to remedy these issues prospectively. Combined with the consultations that we held with your staff, the results of the audit serve to address additional details about those concerns and to provide us with other options that we may implement to correct those deficiencies.

Corrective measures implemented this year

- All CDBG awards will be considered as loans, forgivable upon meeting the national objective. This new policy has been included in the 2010 Policy Paper, the guidelines for the annual Request For Applications procedure.
- Documentation that confirms the achievement of proposed units and national objectives (e.g. income eligibility, employment verification from employer, certificates of occupancy, eligible rents) must now accompany all progress reports. Throughout the summer of 2009, OCED staff will be working with those agencies that have reporting deficiencies to acquire corrected final reports for the 2008 fiscal year and for the first two quarters of 2009. By the end of the current funding cycle, OCED will consider the application of any of the following sanctions to those projects that remain out of compliance with the reporting requirements: suspension of funding, disqualification from participating in the 2010 Request For Application process, or recovery of the projects' grant awards.
- Through the assistance of the IDIS Help Desk, the County developed one IDIS reference for each activity that had multiple IDIS numbers. The new reference for each of the activities indicates both the total amount of funding as well as units of service that correspond to the amount of funding awarded to the project.

Comment 1

Comment 1

Comment 2

Ref to OIG Evaluation

Auditee Comments

Comment 1

Mr. James D McKay
Page 2

- The nine detailed objectives identified in Miami-Dade County's Performance Measurement System (PMS) have enabled OCED staff to identify activities that have inconsistencies between their HUD Matrix Codes and their corresponding objectives and outcomes grouping. The consistency achieved through those corrections will result in a more precise performance reporting in the upcoming 2009 CAPER

Comment 1

- The County is currently in the process of updating the written policies and procedures to ensure effective performance and compliance with federal regulations for meeting CDBG national objectives and performance goals. The procedures will consist of guidelines identified by US HUD in its website and by Miami-Dade County's Office of Strategic Business Management. OCED expects substantial completion of this task by the end of the fiscal year

Comment 1

Response to specific projects within the Audit

Activity #332:

The water and sewer connections were completed to the residential units and staff is currently seeking the proper documentation in order to prove the national objective. The national objective stated for this activity should have been area benefit – not low-mod income households. The monies were spent appropriately, but unfortunately should have been categorized with the more appropriate national objective, Area Benefit.

Comment 1

Activity #1886

Please see supporting documentation indicating completion of this project. The James E. Scott Community Association's North Shore Community Center, formally opened to serve low and moderate income seniors and children as of May 21, 2009.

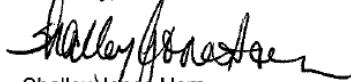
Comment 1
Comment 2

Throughout the remainder of 2009, OCED will aggressively pursue the collection of specific completion data identified by the US HUD from the eight projects cited in the audit report. It will also assemble a team to revise its procedures for the tracking and reporting of program income.

Through this correspondence, we are formally requesting technical assistance from the Miami Office of US HUD to develop additional strategies that we may implement to ensure that the County achieves the full potential of its federal financial support. We are grateful for the insight that the auditors provided our staff regarding the requirements of our CDBG supported projects.

Please contact Felipe M Rivero, III, Supervisor of our Compliance, Correspondence, and Constituent Services Section, at 786-469-2152 if you have any questions regarding our response

Sincerely,



Shalley Jones Horn
Director

c: Barry Shulman, Assistant Regional Inspector General for Audit, US HUD Miami Office
Cynthia W Curry, Senior Advisor to the County Manager

SJH/fmr

OIG Evaluation of Auditee Comments

Comment 1 The County stated that it has begun implementing several corrective measures to address our findings and recommendations.

We believe that the corrective measures when implemented and enforced would improve County administration of the CDBG program. However, the County needs to ensure that its policies and procedures consist of pertinent federal regulations rather than guidelines identified by the HUD website and the County's Office of Strategic Business Management. While we recognize the opening of the community center for activity # 1886, we maintain that the County should provide documentation supporting that the national objective has been achieved for this activity and the other seven CDBG activities cited in our report or reimburse its program from nonfederal funds. The County did not comment on the eight canceled CDBG activities that did not achieve a national objective.

We did not include the pictures from the opening ceremony in the report, but will provide them for review upon request.

Comment 2 The County stated that it developed one IDIS reference for each activity that had multiple IDIS numbers. The County also stated that it will revise procedures for the tracking and reporting of program income.

The County's response did not adequately address the inaccurate reporting of CDBG financial and program information to HUD.

Appendix C

ACTIVITIES THAT DID NOT HAVE ADEQUATE DOCUMENTATION TO SUPPORT A NATIONAL OBJECTIVE OR PERFORMANCE GOAL

#	Activity #	Description	Low/moderate national objective	Unsupported costs	Funds to be put to better use
1	332	Connection of a new sewer collection system	Housing	\$ 335,000	
2	1853	Revolving loan fund	Job creation	\$ 1,293,097 ^a	\$ 145,772 ^a
3	1886	Acquisition, relocation, renovation, and new construction of center to provide early childhood, elderly, youth, and mental health services	Area benefit	\$ 827,212 ^b	5,442 ^b
4	2453	Rehabilitation grant through the Commercial Revitalization Program	Job creation	\$ 644,280 ^c	
5	3173	Acquisition of land	Job creation	\$ 500,000	
6	3264	Development costs associated with the construction/rehabilitation, and sale of five houses	Housing	\$ 27,862 ^d	
7	3561	Elderly meals program	Limited clientele	\$ 184,033 ^e	
8	4001	Micro loan assistance	Job creation	\$ 200,000	
	Total			\$ 4,011,484	\$ 151,214

Notes:

a = According to the County's financial system, the County expended \$1,438,869 in CDBG funds for the activity. The unsupported costs of \$1,293,097 represent the County drawdown from IDIS to reimburse itself for the expenditures, and the \$145,772 represents the remaining balance that had not been drawn down.

b = The County created two identification numbers for this activity – # 1886 and # 3170. The unsupported costs of \$827,212 represent the County drawdown of \$502,000 for activity # 1886 and \$325,212 for activity # 3170 as of March 24, 2009. The \$5,442 represents the remaining balance in IDIS for activity # 3170 as of March 24, 2009.

c = According to the County's financial system, the County expended \$712,460 in CDBG funds for the activity. The unsupported costs of \$644,280 represent a decrease of \$68,180 since this amount is part of recommendation 2C.

d = The County expended \$139,308 to the subrecipient to provide housing to five low- and moderate-income households. Since the County did not provide documentation to support

the income status for one household, the unsupported costs of \$27,862 represent one-fifth of the expended amount ($\$139,308 / 5 = \$27,862$).

e = The executed grant agreement provided the subrecipient \$321,058 in CDBG funds to serve 642 people for a unit cost of \$500.09 per person ($\$321,058 / 642 = \500.09). Supporting documentation indicated that 274 people were served and 368 people ($642 - 274 = 368$) were not served. We calculated the unsupported costs of \$184,033 by multiplying the unit cost of \$500.09 per person by the 368 people not served ($\$500.09 \text{ per person} \times 368 \text{ people} = \$184,033$).

Appendix D

CANCELED CDBG ACTIVITIES

#	Activity #	Description	Funded amount ^a	Expended amount ^b
1	804	Acquire additional substandard structures	\$ 120,528	\$ 101,572
2	1645	Acquire land for the development of five affordable houses	75,000	14,181
3	2737	Acquire vacant/built-up parcels for low/moderate-income housing and/or commercial use	395,000	145,058
4	3037	Predevelopment and administrative costs for new construction of 80 multifamily units	62,500	62,500
5	3099	Project feasibility for establishment of wholesale distribution center	300,000	208,750
6	3324	Design of street improvements	63,000	62,078
7	3701	Minor repairs to a center that provides at-risk youths academic and artistic education	94,000	53,144
8	4180	Provide senior services to Haitians and Haitian Americans	1,860	1,860
			\$1,111,888	\$ 649,143

Notes:

a = Obtained from the 2006 CDBG Activity Summary Reports from IDIS.

b = Obtained from the County's financial system.