



Memorandum



Miami-Dade County Office of the Inspector General
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To: Honorable Mayor Carlos A. Gimenez
Honorable Chairman Jean Monestime
and Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General 

Date: August 5, 2015

Subject: Transmittal and Executive Summary of the OIG's Final Report on the
*Audit of the Building Better Communities General Obligation Bond
Program Not-for-Profit Community Organization Capital Fund – Project
223 – National Alliance to Nurture the Aged and Youth, Inc.;*
Ref. IG11-54-2C

Attached, please find the above-captioned final audit report issued by the Office of the Inspector General (OIG). This audit of the National Alliance to Nurture the Aged and Youth, Inc. (NANAY), is one in a series addressing the Not-for-Profit (NFP) Community Organization Capital Fund – Project 223. NANAY was awarded a \$486,640 grant to renovate its facility. The report draft was provided to NANAY and the County's Office of Management and Budget (OMB) for review. Excerpts of their written responses are included in our final report, with the full text attached as Appendices A and B, respectively.

While we have now closed our audit of the NANAY grant, we request that OMB notify the OIG upon receipt of the *Project Completion Certificate* from the grantee, and subsequent release of retainage withheld. The OIG would like to thank NANAY and OMB for making their personnel and records available in a timely manner, and for the courtesies extended to us during this review. For reading convenience, a one-page Executive Summary of the report follows.

Attachment

cc: Ed Marquez, Deputy Mayor
Jennifer Moon, Director, Office of Management and Budget
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor
Bennie Trinidad, Chief Operating Officer, NANAY

EXECUTIVE SUMMARY — FINAL AUDIT REPORT (IG11-54-2C)

The Miami-Dade County Office of the Inspector General (OIG) has audited a series of grants awarded under the County's Building Better Communities (BBC) General Obligation Bonds (GOB) Program for the Not-For-Profit (NFP) Community Organization Capital Fund – Project 223. This report presents the results of our audit of the \$486,640 grant to the NFP National Alliance to Nurture the Aged and Youth, Inc. (NANAY), to renovate its North Miami facility.

Project management was a concern, as construction was completed in August 2012 – nearly three years beyond the originally scheduled September 2009 date. Delays were attributed to scheduling, permitting, structural reinforcements, and fire sprinklers. Final costs of \$885,136 were also about \$386,000 greater than originally estimated, of which \$180,000 was due to second floor structural work and replacement of damaged air conditioning equipment. Costs were also affected by the use of higher quality materials.

The OIG concluded that grant funds appear to have been used for the intended purposes. Nonetheless, while the project was substantially completed almost three years ago, \$23,583 in retainage remains withheld, pending OMB's receipt of closeout documentation from the grantee. The required documents include a *Project Completion Certificate* (GOB Administrative Rules, Exhibit H), a *Certificate of Completion* (City of North Miami), and a final reimbursement request for release of retainage.

Our audit yielded two observations, of which the first involves construction-related issues that have, to date, prevented project closeout. We found that NANAY has not cleared \$16,671 in outstanding construction liens, contending that it has been remitting payments as funds become available. However, we saw no evidence of any payments to the lienholders. Additionally, NANAY had multiple "open" building permits issued by the City of North Miami (City) that expired before final inspection completion. Closing these permits requires that NANAY either re-engage its original contractor/subcontractors or hire new ones, to renew the permits, then request that City building officials inspect the work and issue a *Certificate of Completion*. Resolving the liens and obtaining the *Certificate of Completion* will permit NANAY to submit a *Project Completion Certificate* and other required closeout documents to OMB, and allow release of the retainage.

The OIG's second observation questions NANAY's continued viability, as according to its Chief Operating Officer, NANAY operates at a \$6,000 monthly deficit, raising concerns about its ability to provide 25 years of services for the public benefit, as required by the grant agreement. We were unable to assess NANAY's current financial condition because audited financial statements have not been prepared since 2009. We were also informed that current operational funding sources of over \$230,000, are at-risk, pending completion of these required audits.

In addition, the Internal Revenue Service (IRS) has filed multiple liens against NANAY due to its failure to file certain required quarterly and annual tax returns, as further detailed in the audit report. The most recent lien was filed in December 2014, and amounts owed exceed \$120,000. Further, the State of Florida Department of Revenue (DOR) filed liens totaling over \$14,000 because NANAY failed to make payments to the State's workers' compensation fund for tax years 2010 through 2013. DOR's most recent lien filing was in April 2014. We observed that NANAY has made some payments to the IRS and DOR. NANAY also told the OIG that it has settlement agreements with both agencies, but copies of these documents were not provided.

Miami-Dade County Office of the Inspector General



Final Audit Report

**Audit of the Building Better Communities General Obligation Bonds
Program Not-For-Profit Community Organization Capital Fund – Project 223
National Alliance to Nurture the Aged and Youth, Inc.**

IG11-54-2C

August 5, 2015

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I. INTRODUCTION

The Miami-Dade County Office of the Inspector General (OIG) has audited a series of grants awarded under the County's Building Better Communities (BBC) General Obligation Bonds (GOB) Program for the Not-For-Profit (NFP) Community Organization Capital Fund – Project 223. Specifically, this report presents the results of our audit of the \$486,640 grant awarded to the not-for-profit National Alliance to Nurture the Aged and Youth, Inc. (NANAY), to renovate its existing facility, located in the City of North Miami (the Project). This GOB grant was supplemented by a \$240,000 grant from the City of North Miami Community Redevelopment Agency (CRA); NANAY's project-related grant funding totaled \$726,640.

II. RESULTS SUMMARY

NANAY has principally met the objectives established for the BBC GOB NFP Program, and its grant administration and use of GOB funds complied with the grant agreement terms and Administrative Rules, albeit with two observations. The first observation describes construction issues that, to-date, have prevented Project closeout. The second observation involves NANAY's finances and ability to continue providing services to its clients (See Report Section VIII, OBSERVATIONS).

All GOB Project funds have been disbursed, with the exception of \$23,583 in retainage, which is being withheld pending OMB's receipt of closeout documentation from NANAY. The necessary documents include a *Project Completion Certificate* (GOB Administrative Rules, Exhibit H), a *Certificate of Completion* (City of North Miami), and a final reimbursement request for release of retainage. Thus, the Project remains open, although it was substantially completed almost three years ago.

The OIG conducted multiple site visits to the Project. We observed that the building appeared to have been extensively renovated to maximize its use, including the addition of ADA-compliant restrooms, as well enhancements to the elevator, HVAC systems, and other building components. These improvements are those described in NANAY's grant agreement, Exhibit 1 – *Project Budget and Description*. During these visits, we met with NANAY representatives to discuss the Project and GOB grant, and review project records.

Construction Issues

Some of NANAY's financial issues are notably evidenced by multiple liens resulting from its failure to pay outstanding obligations. NANAY incurred Project cost overruns, in part, because of issues encountered during facility renovation, including meeting permit requirements and decisions to use higher quality construction and/or finish materials. Project funds were insufficient to pay the additional costs, and inadequate cash reserves precluded it from making up the shortfall.

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As a result, NANAY's prime contractor and three subcontractors filed construction liens in 2010-2011, totaling over \$121,000. Since then, the two largest liens, totaling \$104,546, have been dismissed without prejudice (i.e., they can be refiled), leaving a remaining lien balance of \$16,671. Mr. Bennie Trinidad, NANAY's Chief Operating Officer, told the OIG that NANAY has been gradually paying off its construction liens, as funds become available. However, Mr. Trinidad did not provide the OIG with any substantiation of payments to lienholders.

Further, NANAY has not resolved multiple "open" building permits issued by the City of North Miami (City), which expired before final inspections were completed. As a result, NANAY must re-engage its original contractor/subcontractors, or hire new ones to renew the permits, call on City building officials to inspect the work and issue a *Certificate of Completion*, and close the permits. Upon completing these steps and clearing the outstanding liens, NANAY must submit a *Project Completion Certificate* and other required closeout documentation to OMB to obtain release of the retainage.

Financial Issues

The OIG also questions NANAY's continued operational viability, as Mr. Trinidad said that NANAY has a \$6,000 monthly operating deficit. This raises concerns as to NANAY's ability to provide 25 years of services for the public benefit, as required by its grant agreement. We noted that NANAY has not issued audited financial statements since its fiscal year ended June 30, 2009. Without more recent information, we are unable to assess NANAY's ability to meet current obligations, as well as the threat to its financial viability brought about by its monthly operating deficit. Mr. Trinidad also told the OIG that NANAY's current operational funding sources, totaling over \$230,000, are at risk, pending completion of the required financial statement audits. While he further stated that work on NANAY's audited financial statements is in progress, Mr. Trinidad has not provided further details to the OIG, and has stopped responding to our requests for information as to their status.

The at-risk funding is undoubtedly exacerbating NANAY's precarious financial condition. Importantly, the County has little recourse in the event that NANAY defaults on its grant agreement requirement to provide 25 years of service, as the agreement lacks a reverter clause¹ allowing the County to recoup its investment, or otherwise obtain value from NANAY.

¹ On September 4, 2013, the BCC approved Resolution #R-697-13, calling for BBC GOB grant funds in excess of \$25,000 awarded to a non-governmental entity for purposes of acquiring, improving, or paying debt in real property, to be in a form of a loan, secured by a mortgage or other security instrument. The goal of this action was to protect future GOB resources from fraud, misuse, or waste. Such loans must be immediately recorded in Miami-Dade County public records. Payments and interest may be deferred and/or the loan forgiven, as long as recipient obligations are fulfilled.

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In addition, the Internal Revenue Service (IRS) has filed multiple liens totaling over \$120,000 against NANAY because of its failure to file IRS Form 941—*Employer’s Quarterly Federal Tax Return*² (tax years 2011 – 2013) and IRS Form 990—*Return of Organization Exempt From Income Tax*³ for tax years 2010 – 2012. Further, the State of Florida Department of Revenue (DOR) has filed liens totaling over \$14,000 because NANAY failed to make payments to the State’s workers’ compensation fund for tax years 2010 - 2013. DOR’s most recent lien filing was in April 2014. We observed that NANAY has made some payments to the IRS and DOR, and Mr. Trinidad told the OIG that it has settlement agreements with both agencies, but he has not provided copies of the agreements.

Conclusion

The OIG met with OMB representatives and reviewed their project files. We observed that OMB, early on, had prepared a comprehensive checklist documenting NANAY’s organizational status, business plan, operational viability, and other information. However, in spite of OMB’s multiple requests over the past years, NANAY has not provided various records related to its GOB grant (many of the same records also requested by the OIG), including:

- Monthly *Project Status Report(s)* (Grant Agreement Section 6 and GOB Administrative Rules, Article III, Section 3);
- Audited financial statements for fiscal years 2010, 2011, and 2012, including an annual *Fund Summary Status Report* (GOB Administrative Rules, Exhibit J) for these same years; all of which are required GOB Administrative Rules, Article III, Section 2 (A);
- Contractor release of liens;
- A *Certificate of Completion* issued by the City of North Miami; and
- A *Project Completion Certificate* (GOB Administrative Rules, Exhibit H).

We suggest that OMB proactively work with NANAY to close out this Project, and continue monitoring NANAY’s operational status, in part, by requiring it to provide periodic reports, at least quarterly, confirming its continued viability. These reports should include NANAY’s available operating funding and cash flow, a schedule showing payments toward the liens, and other steps taken to close the open City of North Miami permits, which would ultimately allow Project closure.

² Form 941 is a quarterly report to the IRS of the amount of withheld employee income and FICA taxes for the reporting period, as well as of the employer’s matching FICA tax payments. Employers are required to file this form by the last day of the month following the close of each quarter.

³ Form 990 is the annual tax return that tax-exempt nonprofit organizations file with the IRS.

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III. AUDITEE RESPONSES AND OIG REJOINDERS

A copy of this report, as a draft, was provided to NANAY and to the County's Office of Management and Budget (OMB) for their discretionary written responses. Both NANAY and OMB provided written responses, which are excerpted below, with the full texts attached to this final report as Appendices A and B, respectively.

NANAY Response

NANAY generally agreed with the OIG's observations. NANAY acknowledged its Project's cost overruns, as well as difficulties in paying the contractor and subcontractors, but added that it has been paying off its outstanding liabilities. Regarding the Project's open permits, NANAY stated that it has arranged a process to resolve this matter with the City of North Miami. NANAY also confirmed that its operating deficits have caused problems, but that it has taken steps to reduce its budget, increase fundraising, and obtain additional grant funds. In addition, NANAY stated that it has been making payments to both the IRS and the DOR, which have reduced the outstanding lien amounts to \$2,700. Lastly, NANAY responded that, earlier this month, it signed an engagement letter with an external CPA firm to complete the audits required for its past fiscal years.

OIG Rejoinder

Notwithstanding NANAY's response, the OIG was unable to verify that only \$2,700 of the construction liens remained unpaid. NANAY could not substantiate the lien balance, nor could we obtain independent verification by reviewing Clerk of Courts filings and contacting the grantee's lienholders. We are also concerned about the reliability of NANAY's assertion that it has now engaged an external CPA firm to conduct the required audits, as its previous commitment to provide audited financial statements by the end of December 2014 was unfulfilled.

On May 14, 2015, the OIG contacted Mr. Trinidad and requested that he provide documents supporting the statements made in his May 12, 2015 response. Specifically, we asked for additional details regarding NANAY's arrangement with the City of North Miami to close out its open construction permits, as well as a copy of the settlement agreement with the IRS. We also requested a copy of the engagement letter with the CPA firm hired to perform the required prior year audits. The audit engagement letter was the only requested document provided.

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OMB Response

OMB also generally agreed with the OIG's observations, and affirmed that the project will remain open, with retainage withheld, until NANAY submits a final reimbursement request. Further, OMB will continue offering grant writing and revenue maximization assistance to NANAY, as it does for similar NFP entities.

IV. TERMS USED IN THIS REPORT

BBC	Building Better Communities
BCC	Board of County Commissioners
CDBG	Community Development Block Grants
County	Miami-Dade County
GOB	General Obligation Bonds
NFP	Not-for-profit
OCI	Office of Capital Improvements, Miami-Dade County
OIG	Office of the Inspector General, Miami-Dade County
OMB	Office of Management and Budget, Miami-Dade County

V. OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of County affairs; audit, inspect and review past, present and proposed County programs, accounts, records, contracts, and transactions; conduct reviews and audits of County departments, offices, agencies, and boards; and require reports from County officials and employees, including the Mayor, regarding any matter within the jurisdiction of the Inspector General.

In accordance with the Administrative Rules, grant recipients are notified that the County, or any of its authorized representatives, shall have the right to access any pertinent books, documents, papers or other records to conduct such audits. Specifically, the Administrative Rules identify the OIG as an authorized authority to conduct audits and reviews of these grants, request records for copying and inspection, and report on the performance of the NFP.

VI. BACKGROUND

In 2004, the Board of County Commissioners (BCC) adopted eight resolutions authorizing special elections for the issuance of bonds totaling \$2.9 billion, collectively known as the Building Better Communities General Obligation Bond (GOB) Fund. One of these resolutions, R-917-04, was adopted by the BCC on July 20, 2004, to authorize a Special Election for public approval to issue \$255 million in GOB funds to construct

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and improve public service outreach facilities. R-917-04 included a \$30 million line item designated for the NFP Community Organization Capital Fund. On November 2, 2004, Miami-Dade County voters approved all eight proposed BBC program components.

On July 28, 2006, the County's Office of Capital Improvements (OCI) advertised Request for Proposal (RFP) NFP 0607, inviting County-based NFP organizations to submit proposals consistent with the objectives of the BBC program. During November and December 2006, all proposals received were assessed by the County's RFP Review Committee, which subsequently provided its recommendations to the BCC. On July 24, 2007, the BCC adopted Resolution No. R-884-07 awarding \$30 million to 37 NFP entities. The National Alliance to Nurture the Aged and Youth, Inc. (NANAY) was one of the selected grant recipients.

NANAY is a non-profit 501(c)(3) community-based organization, formed in 1994 to provide supportive services to individuals throughout Miami-Dade County. In 2000, NANAY officially opened its community center in North Miami, which offers free services, such as counseling, recreational services, transportation, home ownership and housing programs, employment programs, community workshops, and education, as well as English and computer classes for seniors.

NANAY received a \$486,640 GOB grant, pursuant to an agreement executed with Miami-Dade County on March 27, 2008, to renovate its two-story building located at 659 Northeast 125 Street in North Miami. NANAY owns the subject facility, which has a current mortgage of approximately \$300,000. In November 2014, NANAY informed the OIG that it also had a line of credit of approximately \$60,000, which was in the process of being consolidated with its mortgage into a single loan.

NANAY's renovation included installation of drywall for build-out of office and program space, the addition of ADA-compliant restrooms and a ramp, and installation of an elevator. NANAY's GOB grant was supplemented by a \$240,000 grant from the City of North Miami Community Redevelopment Agency. NANAY's Project-related grant funding totaled \$726,640.

The Project's original completion deadline was September 2009, however, completion was delayed until August 2012, and final Project costs of \$885,136 were \$386,000 more than originally estimated. Construction scheduling and permitting problems, structural reinforcement needs, and fire sprinkler issues delayed Project completion. About \$180,000 of the increased costs were attributed to the structural concerns, replacing damaged air conditioning equipment, and using higher quality construction and/or finish materials.

Mr. Trinidad also told the OIG that NANAY's current operational funding sources, including \$140,000 annually from the National Coalition for Asian Pacific American

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Community Development and \$92,000 from the Alliance for Aging⁴, were at-risk because of NANAY's failure to provide audited annual financial statements.

VII. OBJECTIVES, SCOPE, AND METHODOLOGY

We evaluated whether BBC grant funds awarded to NANAY were expended in accordance with terms and requirements of the grant agreement and accompanying BBC GOB Administrative Rules (Administrative Rules); whether the funds were used for the purposes intended; and whether the County/public received or is receiving the value intended by the grant. We also evaluated whether supporting documentation for reimbursement requests was submitted and reviewed in accordance with the Administrative Rules and grant agreement terms.

The audit scope covered the period from March 2008 through May 2015, encompassing the awarding of funds and execution of the grant agreement, usage and reimbursement of funds, and completion and closeout of the Project. We also evaluated whether the building renovated with GOB funds is currently being used for its intended purpose and public benefit. Our work included testing the County's and NANAY's compliance with the responsibilities specified by the Administrative Rules and grant agreement.

We interviewed OMB personnel responsible for grant administration, and reviewed their Project records including, but not limited to, the original BBC GOB NFP Request for Proposals, NANAY's Project submittal, County resolutions, applicable Administrative Rules, the grant agreement, and NANAY's reimbursement requests. Additionally, we reviewed public records available via the Internet (e.g., Miami-Dade County Clerk of the Courts, State of Florida Division of Corporations, and Miami-Dade County Property Appraiser). We also verified the organization's Internal Revenue Service 501(c)(3) community based not-for-profit status, and confirmed whether contractor or subcontractor liens remained open for the Project.

We conducted multiple site visits (January 2013, March 2013, October 2014, and November 2014), during which we interviewed NANAY representatives, including Mr. Bennie Trinidad, NANAY's Chief Operating Officer. In addition, we requested project records, such as: solicitation documents and responses, construction contracts, contractor invoices, final releases of liens, payment records, audited financial statements, and the settlement agreements with the IRS and DOR. Some, but not all of these records were eventually provided to the OIG. Records not provided included final releases of liens, payment records, IRS/DOR settlement agreements, and audited financial statements. Throughout the audit, NANAY repeatedly promised that these

⁴ The Alliance for Aging is a not-for-profit agency designated by the Florida Department of Elderly Affairs, as the Area Agency on Aging for Program and Service Area 11, which includes Miami-Dade and Monroe Counties.

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records would be forthcoming, but they were never provided. The requested items are routine business records that we believe should have been readily available for review.

OIG auditors also interviewed several of the subcontractors that filed liens against NANAY. In addition, OIG auditors met with the City of North Miami's Building Official to discuss NANAY's permitting status.

VIII. OBSERVATIONS

Observation 1 NANAY experienced unforeseen construction issues that, to-date, have prevented Project closeout.

Construction Liens

NANAY faced Project cost overruns because of construction issues, permitting requirements, and the use of higher quality construction and/or finish materials. Project funding was insufficient to pay for these overruns and NANAY's lack of adequate cash reserves precluded alleviation of the shortfall. As a result, NANAY's prime contractor (Arki) and three of its subcontractors (Leadex, Broadline Painting, and Horizon Glass) filed construction liens in 2010-2011 totaling over \$121,000. Subsequently, the two largest liens, totaling \$104,546 were dismissed without prejudice (they can be refiled), leaving liens totaling \$16,671 (Broadline Painting and Horizon Glass) as of March 2015.

According to Mr. Trinidad, all contractors have been paid, except Arki, which is still owed \$2,700. However, this is contrary to information reflected in the Clerk of Courts' database, which, as of this writing, still showed the above-noted \$16,671 in liens. Moreover, despite repeated OIG requests, Mr. Trinidad has yet to provide any documentation, (e.g., cancelled checks), showing payments to lienholders.

In January 2015, OIG auditors attempted to confirm the outstanding balances of liens filed against NANAY by its general contractor, Arki, and its three subcontractors, Leadex, Broadline Painting, Inc., and Horizon Glass. Verbal confirmations were obtained from Leadex and Horizon Glass that the lien amounts reflected in the Clerk of Courts records were accurate; Broadline Painting's management was unable to confirm the exact amount of the lien, due to the lengthy time since lien filing. In addition, OIG auditors left several messages for Arki, none of which were returned. A review of Arki's corporate status showed that it was administratively dissolved on September 27, 2013 by the State of Florida for failing to file its annual report. OIG auditors conducted a site visit to Arki Construction offices on January 12, 2015, and individuals at the location said that that Arki was no longer at the address, and had vacated its offices in the summer of 2014.

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City of North Miami

On December 18, 2014, OIG auditors met with the City Of North Miami's (City) Building Official to determine the status of permits issued for this Project. The Building Official told us that, although the required permits for mechanical, plumbing, and electrical work were obtained, final inspections were neither performed nor requested. Moreover, the permits have since expired without having been closed. OIG auditors inquired as to whether NANAY is allowed to continue operating its facility without having obtained final inspections and permit closures. The City Building Official stated that this is not an issue because none of the permits required NANAY to obtain a Certificate of Occupancy (CO). In addition, the City's annual fire inspection did not identify any life safety issues.

This official stated that the building's expired permits could be resolved by NANAY having the contractors (mechanical, plumbing, and electrical) renew their permits, schedule inspections, and pay the associated fees. We believe that this is unlikely to occur until NANAY pays its lienholders the amounts owed. Further, although the Project does not require a CO, the County requires that a City-issued *Certificate of Completion* be submitted to close out the Project. Thus, NANAY must renew the permits and have the required inspections completed.

Observation 2 NANAY's ability to continue providing services to its client population is threatened because of operating deficits and other financial problems.

Operating Deficits

During our November 2014 interview with Mr. Trinidad, he stated that NANAY was in "dire financial straits" with monthly revenues of \$19,000 versus expenditures of \$25,000, resulting in a monthly deficit of \$6,000. In fact, during our visit, the City disconnected NANAY's water service, due to its failure to pay amounts owed. This was a cause for concern, since there were numerous elderly clients in the facility at the time. Mr. Trinidad wrote a check and, as we were leaving, it appeared that a City employee had arrived to reconnect the water service.

We believe that, in part, NANAY's financial condition resulted from diminished operational funding. NANAY's last available audited financial statements, which were for fiscal year 2009, showed that it had over \$345,000 in annual operating funds. Mr. Trinidad said these funds had since declined to \$232,000, and that its two remaining primary sources of operating funds – the National Coalition for Asian Pacific American Community Development (\$140,000) and the Alliance for Aging (\$92,000) – were at risk due to NANAY's failure to submit audited annual financial statements. During our November 2014 interview, Mr. Trinidad also assured the OIG that an audit firm had been engaged to complete the required financial statement audits by the end of

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December 2014. As of this report date, however, the audits remain incomplete, and Mr. Trinidad has not responded to OIG follow-up status requests.

Overall, NANAY's diminished operating funds and threatened loss of its remaining primary funding sources, in conjunction with its use of cash to pay for Project cost overruns and outstanding liens, raise serious concerns about its long-term operating viability.

Internal Revenue Service and Florida Department of Revenue Liens

The IRS has filed multiple liens against NANAY because of its failure to file IRS Form 941—*Employer's Quarterly Federal Tax Return*⁵ (tax years 2011– 2013) and IRS Form 990—*Return of Organization Exempt From Income Tax*⁶ for tax years 2010–2011. In December 2014, the IRS filed a new lien against NANAY because it did not file its Form 990 for its fiscal year 2012. IRS liens total over \$120,000.

Additionally, the DOR has filed multiple liens totaling over \$14,000 because of NANAY's failure to make payments to the State's workers' compensation fund for tax years 2010-2013. DOR's most recent lien filing was in April 2014.

Mr. Trinidad told the OIG that NANAY has been gradually paying off these liens, as funds become available, and we noted some payments to both the IRS and DOR. NANAY also contended that it has established settlement agreements with both agencies, but has not complied with OIG requests for substantiating copies of these documents.

IX. CONCLUSION

In summary, NANAY's grant administration and use of funds substantially complied with its grant agreement and applicable rules, and the Project is currently being used for the public benefit. However, in light of the various construction and financial issues noted during our audit, we question NANAY's long-term viability, which is central to the grant agreement requirement that it provide 25 years of service for the public benefit. Further, should NANAY cease operations, the County likely would have little recourse to recover its substantial investment.

⁵ Form 941 is a quarterly report to the IRS of the amount of employee income and FICA taxes withheld by an employer for the reporting period, as well as the amount of the employer's matching FICA tax payments. Employers are required to file this form by the last day of the month following the close of each quarter.

⁶ Form 990 is the annual tax return that tax-exempt nonprofit organizations file with the IRS.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
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Building Better Communities General Obligation Bonds Program
Not-For-Profit Community Organization Capital Fund – Project 223
National Alliance to Nurture the Aged and Youth, Inc.

We suggest that OMB continue monitoring NANAY's efforts to close out this Project. NANAY should provide OMB quarterly reports detailing operating funds and cash flow, payments toward satisfying the liens, and other steps taken to close-out the open City of North Miami permits.

The OIG would also like to thank the personnel from the National Alliance to Nurture the Aged and Youth, Inc., for their courtesies and facility access extended to OIG auditors. In addition, the OIG would like to thank OMB personnel for making themselves and their records available to us in a timely manner and for the courtesies extended to the OIG during the course of this review.

Miami-Dade County
Office of the Inspector General



Appendix A

National Alliance to Nurture the Aged and Youth's Response

**Audit of the Building Better Communities General Obligation Bonds Program
Not-For-Profit Community Organization Capital Fund – Project 223
National Alliance to Nurture the Aged and Youth, Inc.**

IG11-54-2C



NANAY Housing Resource Center
659 NE 125 Street, North Miami, Florida 33161
Tel (305) 981-3232 <http://www.nanay.com> Fax (305) 981-3231



May 12, 2015

Mary T. Cagle
Inspector General

Dear Ms. Cagle,

I hope this letter finds you well.

In response to your draft report, please allow me to submit the following response in my capacity as Chief Operating Officer to your observations along the following areas:

a. Construction Liens

It very true that NANAY faced construction overruns in its renovation of the building primarily due additional permitting for work outside of the original scope due to new code requirements. This has also resulted in construction delays and work stoppage due to delays in obtaining permit approvals for the new scope of work and revisions to the plan. There were no intentional additions or changes to the scope initiated by NANAY to cause this delay. Consequently, this resulted into additional costs incurred by NANAY for rent, utilities and storage expenses. The actual project completion extended more than a year over the estimated 8 months by the Contractor and Architect.

Payments made to the Contractor were diligently and made timely as per the work orders submitted. Apparently, the contractor had a different way of paying his subs and this is the reason why liens were filed against the Contractor and NANAY. After completion of the project, NANAY had to make payments directly to some Sub contractors to avoid any lawsuits and collection activities. As per our documentation, we only owe approximately, \$2,700 to Arki Construction as evidenced by work orders and cancelled checks paid to both the Contractor and some Sub contractors. A copy of this has been submitted and shown to your auditors during one of their site visits. Should you require another copy to be submitted, we would be more than happy to do so.

b. City of North Miami

NANAY, is fully aware of the issue with the City of North Miami. We have already made representations with the City and it was determined that NANAY first resolve the issue of the 40 year recertification. In April 2015, NANAY hired the services of a licensed engineer to do a full inspection of the building as it is today. Aside from a minor issue of moving certain electrical outlets away from where it can be reached by water, everything passed. NANAY



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also made arrangement with the City that we would hire a new contractor to reopen the permits and request for final inspection to get these matters resolved.

c. Operation Deficits

Although it is true that we had suffered financially as a result of reduction in grant dollars and overruns in the renovation project, NANAY has a plan of action that would bring back our financial stability. We have trimmed down our expenses, restructured our budget, and stepped up efforts in fundraising activities and proactively looking for other sources of grants for new services that we can incorporate into our current programs. Our Chief Financial Officer can provide more details if needed.

f. Internal Revenue Service and Florida department of Revenue Liens.

Yes, we have made payments to the IRS, to bring our balance down. We have had several meetings with the IRS and an agreement has been made that our account will be in suspension and no collection activity will be done provided that we, a) make all our P/R tax payments from the day of the agreement. (All P/R tax payments have been made and current since September 2013 to date), B) are able to show financials when requested that we are still operating with a negative budget.

In as far as the Workers Compensation issue is concerned, NANAY has paid the liability. The balance owed is for the penalty which started at \$7,000. Monthly payments are being made and the balance is now down to approximately \$4,000.

In addition, early this month NANAY signed an engagement letter with an external CPA firm to do the audits require for the past fiscal years. The audit is currently ongoing. Once complete, this would give us the opportunity of applying for other grants.

Thank You for your patience.

Bennie Trinidad
Chief Operating Office
NANAY, Inc.

Miami-Dade County

Office of the Inspector General



Appendix B

Office of Management and Budget's Response

**Audit of the Building Better Communities General Obligation Bonds Program
Not-For-Profit Community Organization Capital Fund – Project 223
National Alliance to Nurture the Aged and Youth, Inc.**

IG11-54-2C



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Management and Budget
111 NW 1st Street • 22nd Floor
Miami, Florida 33128-1926
T 305-375-5143 F 305-375-5168

April 24, 2015

Mary T. Cagle, Inspector General
19 West Flagler Street, Suite # 220
Miami, FL 33130

Re: OIG Draft Report, IG11-54-2C

Dear Ms. Cagle:

Thank you for your critical review of the grant award to the National Alliance to Nurture the Aged and Youth, Inc. (NANAY) and providing an opportunity to offer the following comments as it relates to the above referenced draft report.

I agree with your findings that the site has been extensively renovated and GOB funds disbursed, net of retainage. Retainage will be released only upon receipt of the final reimbursement. However, I am concerned about some of the conclusions of the draft report and the role of the County through the Office of Management and Budget (OMB) in closing out the project.

The policies related to the award of construction grants through the Building Better Communities General Obligation Bond (BBC-GOB) were approved by the Board of County Commissioners through the BBC-GOB Administrative Rules. Pursuant to those rules, prior to award, financial status and viability were assessed. While I agree that efforts should be made to protect the County's investment in this building, the potential liabilities that could be exposed as it relates to OMB working with NANAY or any other entity to ensure future viability may not be in the best interest of Miami-Dade County. That said, we will continue to offer grant writing and revenue maximization assistance to NANAY, as we do for all community-based organizations in Miami-Dade County, as well as opportunities to apply for future funding.

We welcome the opportunity to discuss this further. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Jennifer Moon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jennifer Moon

c. Edward Marquez, Deputy Mayor

Jgm03115

Edward Marquez, Deputy Mayor