



Memorandum



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

From: Mary T. Cagle, Inspector General 

Date: September 29, 2015

Subject: Audit Closeout for OIG *Audit of the Building Better Communities General Bond Program Not-for-profit Community Organization Capital Fund – Project 223*;
Ref. IG11-54

We have completed our audit of the above-captioned BBC GOB Project 223, whereby the County authorized the award of \$30 million in grant funding to 37 not-for-profit (NFP) organizations. The objective of the OIG's audit was to analyze the NFPs' uses of grant funds to determine whether they were spent in accordance with the terms of their grant agreements and the GOB Program Administrative Rules (Administrative Rules).

Our audit was completed in stages, as more fully described later in this memorandum. This final memorandum concludes our audit. Overall, we found that funds were spent for the benefit of the public. BBC GOB Project 223 accomplished its goals, although there were a few notable exceptions, which also will be discussed later in this memorandum.

Project 223 Background

The NFP Community Organization Capital Fund - Project 223 - originated on July 20, 2004, the Board of County Commissioners (BCC) adopted Resolution R-917-04 authorizing a Special Election regarding the issuance of \$255 million in GOB funds to construct and improve public service outreach facilities. This resolution was one of eight companion resolutions authorizing special elections for the issuance of bonds that totaled \$2.9 billion, and that is collectively known as the Building Better Communities General Obligation Bond Fund.¹ Included in the Public Service Facilities Resolution (R-917-04) was a designated \$30 million line item for the NFP Community Organization Capital Fund (Project 223). On November 2, 2004, the electorate of Miami-Dade County approved all eight proposed components of the GOB program.

In July 2006, the County advertised *Request for Proposal (RFP) NFP 0607* inviting County-based NFP organizations to submit proposals consistent with the objectives of the GOB program. During November and December 2006, all proposals received were reviewed

¹ The eight companion resolutions are R-912-04, R-913-04, R-914-04, R-915-04, R-916-04, R-917-04, R-918-04 and R-919-04.

by the County's RFP Review Committee, which later made its recommendations to the BCC. On July 24, 2007, the BCC adopted Resolution No. R-884-07 awarding \$30 million of GOB funds to the selected 37 NFPs.

Overall Findings and Observations

The OIG believes the County's GOB NFP Program (Program) has achieved its objective, which was to use bond proceeds to fund NFP capital needs. As described in the *Background* section, Project 223 was part of a larger \$255 million program that had as its purpose "[t]o construct and improve public service outreach and facilities to meet code and service requirements and to increase neighborhood and community access to services." Project 223 was established specifically to "[e]stablish a not-for-profit community organization capital fund for the needs of various agencies."

Authorized uses of the GOB funds included the development, improvement, rehabilitation, restoration, or acquisition of real property. Because of Project 223, the subject NFPs have upgraded their facilities (or are nearly complete with upgrading their facilities) and, as a result, are better able to provide services to their client population—a benefit to the entire Miami-Dade County community.

To-date, the County has awarded \$28.8 million to 34 NFPs that have completed or are in the process of completing their individual projects.² We determined that, in large part, the grantees' administration and use of GOB funds conformed to their grant agreements' terms and conditions, and the Administrative Rules, and that the resulting projects are being used for the public benefit.

To-date, the OIG has issued four final audit reports and four audit closeout letters, covering 19 of the 37 NFP grantees that received GOB proceeds. These grantees received over \$10.6 million of the \$30 million in authorized funding amount. (See Table 1 on the next page.)

² Three grants originally authorized, totaling over \$1.2 million, do not yet have executed grant agreements. Two grantees [World Literacy Crusade of Florida, Inc. (\$485,000) and The Alternative Programs, Inc. (\$500,000)] have yet to finalize their projects scopes and, thus, do not have executed grant agreements. The third grantee, Hope Center, Inc., has ceased operating and its \$238,772 of authorized funding has been recaptured.

Table 1 OIG Audit Reports and Closeout Letters

	Final Audit Report or Closeout Letter	NFP Name	Grant Amount
Grantees Covered in Prior Audit Reports			
1	Jan. 8, 2013	Galata, Inc.	\$500,000
2	Jan. 8, 2013	Bascomb Memorial Broadcasting Foundation, Inc./ WDNA - 88.9 FM Community Public Radio	\$352,384
3	Jan. 8, 2013	Daily Bread Food Bank (a/k/a Feeding South Florida, Inc.)	\$134,440
4	Jan. 8, 2013	Association for the Development of the Exceptional, Inc.	\$290,000
5	Jan. 8, 2013	Citizens for a Better South Florida, Inc.	\$459,900
6	Jan. 8, 2013	Miami Children Museum, Inc.	\$2,438,400
7	Jan. 8, 2013	Miami Hispanic Ballet Theater, Inc.	\$500,000
8	July 29, 2013	Habitat for Humanity of Greater Miami, Inc.	\$441,955
9	July 29, 2013	Bakehouse Art Complex, Inc.	\$475,600
10	July 29, 2013	Albert C. Pierre Community Service Center, Inc.	\$500,000
11	July 29, 2013	Tropical Audubon Society Incorporated	\$23,000
12	July 29, 2013	Sunrise Community, Inc.	\$395,560
13	July 29, 2013	Gold Coast Rail Road Museum, Inc.	\$489,132
15	June 20, 2014	Bay Point Schools, Inc.	\$1,000,000
14	July 2, 2015	NANAY, Inc.	\$486,640
Grantees Covered in Prior Closeout Letters			
16	Sept. 17, 2014	ASPIRA of Florida, Inc.	\$351,554
17	Sept. 17, 2014	Center for Haitian Studies, Inc.	\$330,000
18	Oct. 29, 2014	American Red Cross of Southeast Florida, Inc.	\$477,920
19	July 6, 2015	Unidad of Miami Beach, Inc.	\$1,000,000
Total Grantee Awards Covered in Prior Audits and Closeout Letters			\$10,646,485

Throughout our audit work, we generally observed that NFPs do not appear to have a comprehensive understanding of all administrative requirements outlined in the Administrative Rules and grant agreements. We acknowledge that a NFP has the responsibility to familiarize itself with the requirements, but we believe many of them lack experience and adequate resources to deal with the record keeping and reporting requirements imposed upon them. Thus, there is a need for the County (Office of Management and Budget [OMB]³ and the Department of Cultural Affairs [CUA]⁴) to provide them with clear and consistent guidance regarding their required record keeping and document submissions.

Another notable OIG observation that we made in our first report, dated January 8, 2013 (see Footnote 6 for report link), as well as in later reports, was that not all GOB grant agreements contained a “reverter” clause to protect the County’s investment in the project.

³ The GOB Program was originally managed by the Office of Capital Improvements (OCI); however, the Program was transferred to OMB during October 2011, as part of the County Mayor’s Reorganization Plan. For purposes of this report, the OIG will reference the current Program’s administration by OMB. Attribution for past events is made to OCI.

⁴ CUA, at OCIs request, administered “cultural” projects, which were included under Project 223.

This is important because there is a requirement in all grant agreements that “The Grantee agrees to ... maintain the Project for a minimum of twenty-five (25) years.”⁵

Several months after the OIG’s reporting of this observation in our first audit report, the BCC approved Resolution #R-697-13, which required that grant awards in excess of \$25,000 awarded to a non-governmental entity for the purpose of acquiring, improving, or paying of debt in real property to be in the form of a loan. A mortgage or other security instrument must secure the loan and must be recorded in the public records of Miami-Dade County. These loans may be forgivable and/or provide for deferred interest and payments, so long as the obligations of the recipient are fully performed.

While the aforementioned requirement was passed by the BCC on September 4, 2013, the OIG, in our audit of Bay Point Schools, Inc. (see Footnote 7 for report link), noted the same condition—that the grant agreement did not afford the County with any adequate mechanism to safeguard its \$1 million capital investment. OMB, in its June 2014 response to this audit stated: “This grant agreement was executed at the beginning of the program and since that time, the County’s agreements have been revised to include restrictive covenants and/or lease restrictions as appropriate.” Such revision was required because the County acknowledged this concern and, in an attempt to protect future GOB resources from fraud, misuse, or waste,

OMB’s responses to our audit recommendations have generally been favorable. OMB noted that, since assuming responsibility for GOB NFP grant administration, it has implemented certain policy and process changes to address its concerns over the process—which address the OIG’s concerns, as well. OMB stated that it now performs due diligence reviews of NFPs prior to executing grant agreements with them; maintains a tracking template of reports required from each NFP and notifies them when these reports are not received; and audits each NFP reimbursement request. Our review of some of the more recent OMB project records generally confirms that OMB has been maintaining better project records and has been more proactive in reaching out to NFPs to obtain these records.

CUA responses to our audit included project status updates, as well as some clarifications regarding OIG concerns, which the OIG incorporated into its final reports. In addition, CUA agreed with the one OIG recommendation related to a CUA administered project, as to the need to obtain from the grantee additional information regarding its mortgage.

Notwithstanding our overall conclusions, we reported findings related to three out of 19 grantees covered in our earlier audits and closeout letters. These were:

- Galata, Inc. (January 8, 2013), the recipient of a \$500,000 grant, did not use the funds to achieve its grant objective, which was to pay off its current mortgage. Moreover, \$99,000 out of the \$500,000 grant was used to pay off Federal IRS tax

⁵ In addition, this 25-year service requirement is included in Article III Section 2(C) of the *BBC GOB Program Administrative Rules*.

liens—a use not permitted by either the grant agreement or the Administrative Rules.⁶

- Bay Point Schools, Inc. (June 20, 2014), the recipient of a \$1,000,000 grant, while achieving its initial grant objective—construction of a new facility that was completed in 2011—has not achieved its prime objective. The facility remains unoccupied and services are not being provided through the facility for the public benefit.⁷
- The National Alliance to Nurture the Aged and Youth, Inc. (July 2, 2015), the recipient of a \$486,640 grant, achieved its grant objective—to renovate an existing facility to provide services to the public. The grantee, however, has not submitted closeout documentation for this project (a project that was completed in August 2012). While the grantee is providing services, the OIG has concerns about its continued viability as a service provider because of significant reductions in operational funding support and, as a result, has been running an operating deficit for a number of years.⁸

Remaining NFP Grantees Addressed in this Memorandum

To conclude our audit of the GOB Project 223 we considered our prior audit results and OMB's responses thereto, and modified our audit methodology for the remaining NFPs. We visited each project site to interview NFP personnel about their projects and use of GOB funds, as well as to review their records. In addition, we interviewed OMB personnel and reviewed selected project records. Records reviewed included project completion certificates (for completed projects), and NFP reimbursement requests, and monthly status reports (for on-going projects). We assessed whether GOB NFP funds were used (or are being used) appropriately, that the NFP projects conformed to the grantees' stated objectives in their grant agreements, and, for completed projects, that the projects are providing services for the public benefit.

Thus, the remainder of this memorandum addresses the results associated with our review of the remaining 15 NFP grantees that received over \$18.1 million of GOB funding, and that were not addressed in previous reports or closeout letters (see Table 2 next page). As of August 2015, ten of these 15 projects have been completed; one is completed pending release of retainage; and three are in process of being completed. The last of these 15 projects, The Children's Psychiatric Center (currently known as the Institute For Child & Family Health, Inc.), which has a grant agreement valued at \$2.5 million, has yet to start.

⁶ See following link: <http://www.miamidadeig.org/Reports2013/IG11.54BldgBetterCommunitiesAudit.pdf>

⁷ See following link: <http://www.miamidadeig.org/Reports2014/IG11.54.3BBC.GOB.pdf>

⁸ See following link: <http://www.miamidadeig.org/Reports2015/NANAY.GrantAudit11.54.2C.pdf>

Table 2 Remaining NFP Grantees Addressed in this Memorandum

	NFP Name	Grant Amount
1	South Florida Urban Ministries, Inc.	\$1,000,000
2	Seminole Cultural Art Theatre	\$500,000
3	Jewish Museum of Florida	\$880,000
4	United Way of Miami-Dade	\$2,500,000
5	Spinal Cord Living-Assistance Development	\$494,522
6	Coalition of Farm Worker Organization, Inc.	\$500,000
7	Upper Room Assembly, Inc.	\$605,871
8	Care Resource / Community AIDS Resources	\$178,000
9	YWCA of Greater Miami Dade, Inc.	\$2,500,000
10	YMCA of Greater Miami, Inc.	\$2,500,000
11	Camillus House	\$2,500,000
12	Boys & Girls Club of Miami	\$750,000
13	Centro Campesino Farm Worker Center, Inc.	\$226,350
14	Bay Oaks Home for the Aging, Inc.	\$495,000
15	The Children's Psychiatric Center (a/k/a Institute For Child & Family Health, Inc.)	\$2,500,000
	Total Current Memorandum	\$18,129,743

The OIG has no reportable findings related to 13 out of the 14 completed and in-process projects. However, for South Florida Urban Ministries, Inc. (currently known as Branches, Inc.), the recipient of a \$1,000,000 grant, OIG auditors were unable to affirmatively conclude that the grantee's administration and use of funds complied with the terms and conditions of its grant agreement and the Administrative Rules. The recurrent condition of incomplete records and inadequately supported payment requisitions thwarted our assessment of grantee compliance. The OIG sought further clarification and documentary support from the grantee's contractor; however, the OIG could not establish that all of the cost records provided by the contractor, in fact, were related to the costs shown in its project accounting records. Nonetheless, OIG site visits and interviews of grantee and OMB personnel provided assurance that the GOB funds were used towards the project's successful completion—the facility is open, and that services are being provided for the public benefit. Even with this determination, we make no additional recommendations related to the observation of incomplete records, as we have raised this matter in previous reports and have received satisfactory responses from OMB.

Lastly, the OIG would like to thank OMB and CUA personnel, as well as all personnel from the NFP grantees that were covered by our audit for making available their records and time during the course of this audit.

cc: Ed Marquez, Deputy Mayor
Michael Spring, Senior Advisor/Director, Cultural Affairs Department
Jennifer Moon, Director, Office of Management and Budget
Nan Markowitz, GOB Coordinator, Office of Management and Budget
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor