

**Renee Crichton, City Manager
City of Hallandale Beach, FL
September 24, 2012**

**REPORT ON REVIEW AND EVALUATION
FUNDING APPROVAL AND PAYMENT PROCESS
PROPERTY ACQUISITION
416 NE 8th Avenue
Hallandale Beach, FL**

INTRODUCTION

The purpose of this review and evaluation was primarily to assess the process for approval and payment for the property at 416 NE 8th Avenue, Ben Gamla Property, and, based on concerns, to make recommendations for corrective action.

BACKGROUND

The CRA Board of Directors approved the purchase of the above property for \$1,200,000 on July 20, 2011. A down payment of \$25,000 was made from CRA funds on July 22, 2011. Subsequently, when the sale closed on November 15, 2011, CRA funds were not used to complete the transaction. In lieu of CRA funds, funds obtained by the City through a developer agreement were used. The City Commission did not appropriate these funds for the property acquisition.

SCOPE AND METHODOLOGY

The review and evaluation was limited to the process for the approval and payment for the acquisition of above property. Generally, this covered the time period from July 20, 2011 through November 15, 2011.

Procedures performed included:

- Reviewed files as provided noting pertinent dates, actions. Watched the part of the DVD of the City Commission and CRA July 20, 2011 meetings authorizing the purchase of the property. Requested the City Clerk to search records for related actions on the property.
- Held discussions with selected City and CRA staff including the prior City Manager to obtain understanding of their involvement with the payment process for the property transactions.
- Read and reviewed materials, agenda and minutes, development agreement and various accounting information.
- Reviewed City Code or other requirements for the purchase of and payment for property.

- Held discussions with elected officials to gain understanding of concerns about the process and deviation from the approved acquisition of the property. Also, discussed corrective actions that may be taken.
- Performed such other steps as considered necessary under the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

The acquisition of property at 416 NE 8th Avenue, Ben Gamla property, was approved by the CRA Board of Directors at a meeting on July 20, 2011. At the time of approval and as reported in the meeting, the CRA was expected to fully fund the acquisition at a cost of \$1,200,000. A \$25,000 initial deposit was made from CRA funds on July 22, 2011.

According to Ms. Patty Ladolcetta, Finance Director, the CRA had sufficient funds to complete the purchase; however, funds were not recorded as appropriations in the CRA identified acquisition accounts for this particular project as set out in the back up materials to the CRA Board of Directors and City Commission agenda items.

Between July 20, 2011 and the November 15, 2011 scheduled closing, activities such as property inspections, inventorying personal property, arranging for insurance, etc. were carried out. CRA files reviewed disclosed no concerns about CRA funding of the acquisition. The CRA budget for FY 2011/12 contained no amounts for the completion of this approved acquisition.

A Payment Request form dated November 14, 2011 from Mr. Jackson, CRA Director, showed the amount to be paid at closing as \$1,172,435.70. The form identified the funds to be used as City developer agreement funds, Fund 374, rather than CRA funds, Fund 130. No explanation for this switch in funding was provided on the form or located in the files reviewed or provided by Ms. Ladolcetta or Mr. Jackson. Without City Commission approval and fund appropriation, actions taken to purchase the property and pay for it with City funds rather than CRA funds were inappropriate and improper.

City and CRA staff provided little insight into reasons for the revised funding arrangements. Discussions with three individuals primarily responsible for the payment transaction Alvin Jackson, CRA Director, Patty Ladolcetta, Finance Director, and Mark Antonio, former City Manager, disclosed no ownership of the change in funding actions.

- Mr. Jackson said he had only been the CRA Director since January 2011 (around 10 months) and did not understand the financial account numbers. He said he called the Finance Director for an account number and was given the one on the Payment Request form. Note: The CRA had only one Fund, Fund 130. Fund 347 was on the Payment Request form. He apparently accepted this fund number without question.
- Ms. Ladolcetta said she remembers talking about using City developer agreement funds since they were available and had remained unspent for several years. She researched her notes from various meeting but was unsuccessful in locating any referring to this issue. She related she did not recall how Fund No. 347 came to be entered on the Payment Request form. She said the City Manager approved it and she accepted it.

- Mr. Antonio said he remembered discussions about developer agreement funds but that he did not recall any actions being taken regarding that funding for this property purchase.

Overall, the payment for the property did not represent the stated, approved understanding of the CRA Board or the City Commission. The property acquisition was approved by the CRA Board. The property was not approved by the City Commission for acquisition by the City and the developer agreement funds were not specifically appropriated for this acquisition.

The purposes of developer agreement funds are generally set out by major categories in the developer agreement; however, these provisions do not take the place of formal City Commission approval. The Finance Director said she considered approval of the developer agreement as approval for the expenditure of the funds.

To assist you in the clean-up of this acquisition, I recommend and you have agreed to take action to bring to the City Commission and the CRA Board of Directors the following items for their decision:

- Decide whether the CRA or the City is to purchase the property at 416 NE 8th Avenue. The decision should be documented by formal action of both the CRA and the City as needed for the situation and as determined by the City Attorney.
- If the decision is for the CRA to acquire the property as was originally approved, a further decision is needed to address whether the CRA is to hold the property in its name or transfer it to the City. Based on the decision, the City Attorney should determine if any deed transactions need to be made.
- Based on the decision in 1, designate the source of funds to pay for the property and formally appropriate the amounts either by resolution or ordinance as determined by the City Attorney.

To assist you in correcting the accounting records, I recommend and you have agreed to have the Finance Director make such adjusting entries as are necessary to properly reflect the decisions and actions by the CRA and the City Commission above for this property acquisition.

To assist you in maintaining a consistency in how City Commission and CRA Board of Directors appropriations of funds are to be made, I recommend and you have agreed to look into establishing a system formalizing (1) where proposed expenditures from budgeted funds are included in a budget or a budget revision and (2) where proposed expenditures from a fund not considered a budgeted fund are separately appropriated before disbursement. I understand you, your staff, and the City Attorney are in the process of changing to a more formal authorization process using resolutions and ordinances.

OTHER ITEMS

A payment request form is normally used to make payment for items not acquired through a procurement system. In this situation, the Payment Request was submitted to pay the balance of

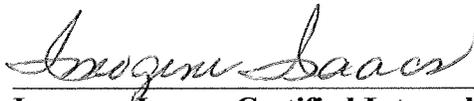
the property acquisition of \$1,172,435.70. The form had areas where improvements could be made for better understanding the request by requiring more information. These were discussed with Ms. Ladolcetta, Finance Director, for her implementation.

- Identify City Commission or CRA Board approval and the controlling document, e.g. budget, budget amendment, resolution no., ordinance no.
- Include the fund name, e.g. CRA, City general fund
- Require the printed name of persons signing the document and their position.

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If you need to discuss or if I may assist you further, please contact me. Thank you and your staff for the cooperation extended me on the review. Please express my appreciation to your elected officials for taking the time to meet with me and discuss the issue.

Respectfully Submitted,



Imogene Isaacs, Certified Internal Auditor and Certified Government Financial Manager