

CITY OF HALLANDALE BEACH

AGREED UPON PROCEDURES

SEPTEMBER 2010

Draft- For Discussion Purposes Only

CITY OF HALLANDALE BEACH

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Independent Accountants' Report on Applying Agreed-Upon Procedures

City of Hallandale Beach
Hallandale Beach, Florida

Honorable Mayor and City Commission:

We have performed the procedures enumerated below, which were agreed to by the City of Hallandale Beach (the "City"), Florida and Honorable Mayor, City Commission, City Manager and Director of Finance (the specified parties), solely to assist you with respect to the records of the City of Hallandale Beach as related to the procedures listed below. The City's management is responsible for the City's records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The requested procedures are as follows:

1) Developer Agreements:

- a) For twenty-four (24) developer agreements, with approximately \$20,000,000 in commitments by developers:
- Inspect documentation to support compliance with the City's Policies to enter into such agreement.
 - Verify if timelines and conditions of the developer agreement were met by developer. If not, obtain explanation.
 - Our procedures were limited to the financial aspect of the developer agreement, which included the inspection of documentation to support whether the developer paid all documented fees within the developer agreement based on stated criteria.
 - Verify if timelines and conditions of the developer agreement were met by city. If not, obtain explanation.
 - Our procedures were limited to the financial aspect of the developer agreement, which included the inspection of documentation to support whether the City provided permits within developer agreement based on stated criteria.
 - Inspect any amendments made to developer agreements and verify that the appropriate approvals/authority was obtained in accordance with City policies.

2) Vendor Contracts:

- a) For approximately 128 contracts executed from October 1, 2007 to September 30, 2010, falling within City Manager approval authority (\$0 - \$50,000):
 - Inspect documentation regarding the approval authority demonstrating if the policies were followed with regard to contract approvals according to designated approval thresholds.
- b) For approximately forty-two (42) contracts in excess of City Manager Approval Authority:
 - Inspect documentation provided regarding the approval authority demonstrating if the policies were followed with regard to presentation and approval by the Commission as required.
- c) Upon inspection of two categories of contracts above, review documents for contracts which originally fell within the City Manager's authority, but were later increased, via change orders, to exceed that authority. Inspect documentation provided regarding authority and approval of the change order.

3) CRA Real Property acquisition/disposal:

- a) Inspect documentation which demonstrates if policies were being followed, (appraisals obtained, applicant eligible, etc.) with regard to purchases/acquisitions and sales/disposals of real property.

4) CRA Commercial Loan Programs:

- a) For approximately forty-three (43) Business loans included in all the City Loan Programs:
 - Inspect documentation which demonstrates that the loan recipient met the eligibility criteria and that all procedure were followed.
 - Inspect documentation which demonstrates if the loan recipient met/complied with repayment requirements.

5) CRA Expenditures:

- a) Inspect supporting documentation which demonstrates if all expenditures of CRA funds for fiscal year 2009/2010 are in accordance with the City's policies and procedures for such expenditures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Hallandale Beach, Florida and Honorable Mayor, City Commission, City Manager and Director of Finance, and is not intended to be and should not be used by anyone other than those specified parties.

Fort Lauderdale, FL
March 2, 2012

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City of Hallandale Beach
Appendix 1
Developer Agreements

The policies utilized in performing our procedures were obtained from “**City of Hallandale Beach Administrative Policy No. 2016.009**” and “**Zoning and Land Development Code §32-174**”. Following each of the City’s procedures is Marcum LLP’s (“Marcum”) findings.

For twenty-four (24) developer agreements, with approximately \$20,000,000 in commitments by developers, perform the following procedures:

Procedure #1:

Inspect documentation to support compliance with city policies to enter into such agreement.

Marcum’s Findings:

At the inception of the engagement, Marcum was provided with a schedule of developer agreements which noted that between January 1, 2007 and September 30, 2010, there were twenty-four (24) developments approved to be built. This requires the developer to enter into a developer agreement with the City of Hallandale Beach. Based on our inspection of developer agreements provided to us by the City, we noted that eight (8) of the twenty-four (24) developments did not have an executed developer agreement. Upon further discussion with City personnel, it was noted that these eight (8) agreements were actually conditional agreements and not developer agreements and therefore should not have been included on the schedule or as part of the scope of this procedure.

Procedure #2:

Verify timelines and conditions of the developer agreement were met by developer.

Marcum’s Findings:

Marcum noted based inspection of the sixteen (16) executed developer agreements, that eight (8) properties had been issued a Certificate of Occupancy (“CO”) as of September 30, 2010 and eight (8) had not. Of the eight (8) properties which were issued CO’s, Marcum noted the following:

- Cornerstone/Harbour Cove – The original schedule of developer agreements that was provided to us showed amounts due from this developer, which included \$40,000 for improvements to the Hepburn Center and a \$10,000 contribution to the Hallandale Sports Complex Foundation. Marcum was subsequently provided with supporting documentation showing that the then City Manager, Mike Good, had approved this \$50,000 being forgiven in exchange for Harbour Cove offering active City employees a \$50 per month discount on their rent for a period of one year after move-in. This was not considered an exception.

City of Hallandale Beach
Appendix 1
Developer Agreements

Procedure #3:

Verify if timelines and conditions of the developer agreement were met by the City.

Marcum's Findings:

Marcum noted no exceptions.

Procedure #4:

Inspect any amendments made to developer agreements and verify that the appropriate approval/authority was obtained in accordance with city policies.

Marcum's Findings:

Marcum noted based on inquiry of planning and zoning department personnel that we were provided with all developer agreements. Per our inspection of these executed developer agreements, we noted no amendments. Accordingly, our procedures did not extend to reviewing the approval/authority over amendments.

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City of Hallandale Beach
Appendix 2
Vendor Contracts

The policies utilized in performing our procedures were obtained from “**City of Hallandale Beach Administrative Policy No. 2019.004/R12**”. Following each of the City’s procedures is Marcum’s findings.

The original vendor contact file that was provided to Marcum and used to determine the extent of the agreed-upon procedures to be performed included contracts totaling approximately \$8,931,000 for the period of October 1, 2007 to September 30, 2010. In performing our agreed-upon procedures, Marcum later discovered that this report appeared to only include contracts with Purchase Order (“PO”) activity during the 2010 calendar year. The City’s Programmer Analyst was later able to provide a report for the period of October 1, 2007 to September 30, 2010, which included contracts totaling approximately \$29,174,000. Based on the terms of the agreed-upon procedures engagement letter, Marcum’s procedures were limited to reviewing the vendor contracts that were included on the original listing provided by the City.

Marcum noted that the agreed-upon procedures engagement letter stated that there were approximately 128 contracts falling within the City Manager approval authority (\$0 - \$50,000) and forty-two (42) contracts in excess of City Manager approval authority (greater than \$50,000). Upon review of the vendor contact file that was provided to Marcum, we noted that there were 105 contracts falling within the City Manager approval authority and thirty-one (31) contracts in excess of City Manager approval authority.

For 105 contracts falling within the City Manager approval authority (\$0 - \$50,000):

Procedure:

Inspect documentation provided regarding the approval authority demonstrating if the policies were followed with regard to contract approvals according to designated approval thresholds.

Marcum’s Findings:

Based on review of the contracts included in the original vendor contract file, Marcum noted 105 contracts which were between \$0 and \$50,000. Marcum noted that each of the 105 contracts appeared to have proper approval based on the dollar limits and procedures as noted within the administrative policy as noted above. Accordingly, based on our procedures performed we noted no exceptions.

City of Hallandale Beach
Appendix 2
Vendor Contracts

For thirty-one (31) contracts in excess of City Manager approval authority:

Procedure:

Inspect documentation provided regarding the approval authority demonstrating if the policies were followed with regard to contract approvals according to presentation to and approval by the Commission as required.

Marcum's Findings:

Based on review of the contracts included in the original vendor contract file, Marcum noted thirty-one (31) contracts which were in excess of \$50,000. Marcum noted that each of the thirty-one (31) contracts appeared to have proper approval as noted within the administrative policy (e.g. approval the City Commission, Co-Op from another already existing vendor with another city, or the vendor was a sole source vendor). Accordingly, based on our procedures performed we noted no exceptions.

Procedure:

Upon inspection of the two categories of contracts above, review documents for contracts which originally fell within the City Manager's authority, but were later increased, via change orders, to excess that authority. Inspect documentation regarding authority and approval of change order.

Marcum's Findings:

As described above, Marcum reviewed all contracts from the original vendor contract file in excess of \$50,000 (as noted in previous finding). In some cases the original contract amount was for less than \$50,000, however due to change-order(s) subsequently exceeded \$50,000. In all such cases we noted that the City recognized that that the contract had exceeded \$50,000 and obtained additional approval (e.g. approval the City Commission, Co-Op from another already existing vendor with another city, or the vendor was a sole source vendor) to be in compliance with administrative policy. Accordingly, based on our procedures performed we noted no exceptions.

City of Hallandale Beach
Appendix 3
Real Estate Acquisition and Disposition Policies

The policies utilized in performing our procedures were obtained from “**City of Hallandale Administrative Policy No. 2011.003/R1**”. Following the City’s procedures are Marcum’s findings.

Procedure:

For the eighty-four (84) properties owned by the City of Hallandale Beach, inspect documentation which demonstrates if policies were being followed, (appraisals obtained, applicant eligible, etc.) with regard to purchases/acquisitions and sales/disposals of real property.

A summary of the policies and procedures related to the acquisition of real estate by the City are as follows:

- 1) The following information must be gathered by General Services Director or Designee ("CSD")(or Project Manager if grant assisted acquisition) in order to recommend an acquisition:

| <u>Information</u> | <u>Source</u> |
|--|--------------------------------|
| Property records including assessed value, improvements, lot size, legal description and owner of record | Real Scan (Property Appraiser) |
| Lien search | City Clerk |
| Tax information, existence of tax certificate or tax deed, amount of existing mortgages, status of payments | Finance Dept |
| Lot location and dimensions, location of any right-of-way or easements, restrictions or enhancements for development, departmental assessment of maintenance requirements | Public Works Dept |
| Lot location and dimensions, zoning/land use classification, development constraints, list of approvals required for commercial/residential use of property, any other info relevant to the use or development of the property | Development Mgmt Dept |
| Site visit by CSD with Code Enforcement to obtain photo of property, notes about property history/condition, condition of adjacent properties | Code Enforcement |

- 2) In case of foreclosure, the City Clerk and City Attorney must review all information obtained and a recommendation must be sent to CSD and City Manager ("CM").

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Appendix 3
Real Estate Acquisition and Disposition Policies

- 3) If the recommendation is to buy, City Attorney must include title search in the recommendation package.
- 4) An appraisal is performed if requested by City Manager.
- 5) CSD must review all information gathered and write a summary report for the CM either supporting or declining acquisition of the property.
- 6) All purchases prior to August 2005 require City Commission ("CC") authorization. After August 2005, properties costing \$200,000 or less could be purchased with only CM authorization.
- 7) If CM supports acquisition of the property, he or she shall authorize an agenda item for the CC. Otherwise, no further action is required other than a denial letter from CM to CSD. CSD shall prepare agenda item info summarizing relevant facts for CC. Commission votes to approve acquisition. If denied, no further action required. [Marcum note: Meeting minutes may be used to demonstrate that a vote was taken. These records should be available for all properties costing \$200,000 or more after August 2005 and for all properties at any price prior to August 2005.] If approved by CC, CSD shall execute purchase through City Attorney's office. [Marcum Note: HUD1 closing statement and recorded warranty deed may be used to confirm transaction was executed.]
- 8) City Attorney shall file for tax exempt status.

Marcum's General Findings:

Acquired Properties:

During our fieldwork, Marcum was originally provided with fifty-four (54) of the eighty-four (84) acquired property files. Property deeds related to the additional thirty (30) acquired properties was subsequently provided. However, Marcum did not review the purchase files for these properties and has therefore excluded them from our testing procedures. Our procedures only extended to the review of the original fifty-four (54) properties.

Based on review of the thirty (30) property deeds provided by the City's staff, we noted that twelve (12) of the properties were deeded from Broward County or the Federal Department of Transportation and the remaining eighteen (18) were acquired from individual owners.

Disposition of Properties:

Based on review of the Broward County Property Appraiser's website, Marcum noted that of the eighty-four (84) properties purchased by the City, there were thirteen (13) which were later sold. The City was unable to locate and we were unable to review supporting

City of Hallandale Beach
Appendix 3
Real Estate Acquisition and Disposition Policies

documentation for any of these property dispositions. Our procedures did not extend to reviewing the unavailable files. **Accordingly, thirteen (13) exceptions were noted in this area as the agreed-upon procedures were not able to be performed on the property dispositions where supporting documentation was not available.**

Marcum's Findings for Procedure #1:

Marcum noted based on review of the files for the fifty-four (54) acquired properties, that forty-eight (48) were purchased by the City and six (6) were gifted to the City. Of the forty-eight (48) purchased properties, Marcum noted that eight (8) of the properties were obtained through the foreclosure process. The official guidelines require the gathering of information prior to the purchase of a new property, including assessed value, improvements, lot size, legal description, owner of record, lien search, tax information, existence of tax certificates or tax deeds, amount of existing mortgages, status of payments, lot location and dimensions, location of any right-of-way or easements, restrictions or enhancements for development, departmental assessment of maintenance requirements, a review of lot location and dimensions, zoning/land use classification, development constraints, list of approvals required for commercial/residential use of property, any other information relevant to the use or development of the property, and the performance of a site visit by the General Services Director with Code Enforcement to obtain photos of property, notes about property history/condition and the condition of adjacent properties. **Accordingly, based on our procedures performed we noted exceptions in thirty-nine (39) of the forty (40) acquired properties (excluding foreclosure and gifted properties), as follows:**

- **Twenty-four (24) of the forty (40) files did not include all items listed as general support of property records, including assessed value, improvements, lot size, legal description and owner of record.**
- **The policy states that tax lien research can be done informally by the Finance Department. However, Marcum was unable to determine if this informal search was completed as there was no documentation in the files. Therefore, twenty-seven (27) of the forty (40) files were determined not to include proof of lien search.**
- **Thirty (30) of the forty (40) files did not include tax information, existence of tax certificate or tax deed, amount of existing mortgages, status of payments.**
- **Thirty-five (35) of the forty (40) files did not include Public Works Department information related to lot location and dimensions, location of any right-of-way or easements, restrictions or enhancements for development, departmental assessment of maintenance requirements.**
- **None of the forty (40) files included Development Services Department information related to lot location and dimensions, zoning/land use classification, development constraints, list of approvals required for commercial/residential**

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Real Estate Acquisition and Disposition Policies

use of property, any other info relevant to the use or development of the property.

- **Twenty-four (24) of the forty (40) files did not include proof of site visit by General Services Director with Code Enforcement to obtain photo of property, notes about property history/condition, condition of adjacent properties.**

Marcum's Findings for Procedure #2:

Marcum noted based on review of the files for purchased properties that none of the foreclosures were compliant with the City's policy. In cases where a property is obtained through a foreclosure action, the official guidelines mandate that the City Attorney and City Clerk review the transaction. Insufficient detail was provided in the files to determine exactly how many of the properties were related to foreclosures. However, six (6) foreclosure purchases were identified incidentally and City staff subsequently informed us of two (2) additional properties that were obtained through foreclosure. Of these, proof of review by the City Attorney was provided in five (5) cases, while no evidence of review by the City Clerk was provided in any of the files. **Accordingly, based on our procedures performed we noted there were eight (8) known exceptions where the file did not include proof of review by the City Attorney and City Clerk.**

Marcum's Findings for Procedure #3:

Marcum noted based on review of the files for the forty (40) purchased properties that thirty (30) did not contain title searches as required by the official guidelines. **Accordingly, based on our procedures performed we noted there were thirty (30) exceptions.**

Marcum's Findings for Procedure #4:

Marcum noted based on review of the files for the forty (40) purchased properties that only sixteen (16) contained one or more appraisal(s) and twenty-four (24) contained no appraisals. Appraisals are not required by the official guidelines; however, the City Manager may request an appraisal. Accordingly, based on our procedures performed we noted no exceptions.

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Appendix 3
Real Estate Acquisition and Disposition Policies

Following is a summary of the properties where appraisals were obtained:

| Folio # | Purchase Price | Highest Appraised Value | Lowest Appraised Value | Assessed Value in Year of Purchase |
|-----------------|----------------|-------------------------|------------------------|------------------------------------|
| 1228-02-2050 | \$11,192 | \$12,500 | \$12,500 | \$7,360 |
| 1222-04-0411 | \$22,049 | \$60,000 | \$60,000 | \$59,140 |
| 1221-02-0130 | * | \$6,220 | \$6,220 | Not Available |
| 1222-07-0070 | \$840,000 | \$940,000 | \$765,000 | \$102,650 |
| 1222-07-0060 | | | | \$255,640 |
| 1222-07-0010 | \$825,000 | \$990,000 | \$845,000 | \$168,760 |
| 1222-07-0030 | | | | \$95,370 |
| 1222-07-0040 | | | | \$115,000 |
| 1222-07-0120 | | | | \$65,220 |
| 1222-07-0020** | \$945,000 | \$940,000 | \$765,000 | Not Available |
| 1228-66-0010** | \$2,900,000 | \$1,720,000 | \$1,662,000 | Not Available |
| 1222-07-0110 | \$235,000 | \$275,000 | \$147,000 | \$146,360 |
| 5142 21 23 0290 | \$800,000 | \$1,050,000 | \$1,050,000 | Not Available |
| 5142 22 04 0450 | \$33,150 | \$51,000 | \$51,000 | \$41,260 |
| 5142 21 17 0280 | \$62,282 | \$80,000 | \$80,000 | \$119,350 |
| 5142 27 31 0110 | \$196,000 | \$196,000 | \$196,000 | Not Available |

- * The purchase price information (HUD1 Statement) for this property was not included in the file.
- ** These purchases were approved by the City Commission at the March 30, 2006 meeting.

Marcum's Findings for Procedure #5:

Marcum noted based on review of the files for the forty (40) purchased properties that only two (2) contained summary reports. Official guidelines state that the General Services Director must review all information gathered and write a summary report for the City Manager, either supporting or declining acquisition of the property. **Accordingly, based on our procedures performed we noted there were thirty-eight (38) exceptions.**

Marcum's Findings for Procedure #6:

Prior to August 10, 2005, the City's official guidelines called for City Commission approval of all property purchases. Beginning August 10, 2005 the official guidelines were adjusted to note that the approval can be from the City Manager or City Commission, with the City Manager having purchase approval up to \$200,000.

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Appendix 3
Real Estate Acquisition and Disposition Policies

Marcum noted that the City Commission voted on August 10, 2005 to grant the City Manager authority to purchase and sell properties of up to \$200,000 in value. A review of the corresponding ordinance (Ordinance No. 2006-10) approved on March 7, 2006 stated that the City Manager was given authority to purchase and sell real estate without City Commission approval (e.g., the \$200,000 cap from the Commission vote on August 10, 2005 was omitted from the Ordinance).

Marcum noted that fifteen (15) of the forty (40) purchased properties did not contain a purchase authorization from either the City Manager or the City Commission. **Accordingly, based on our procedures performed we noted there were fifteen (15) exceptions. Following is a summary of the exceptions based on the date of purchase and the purchase price:**

- **Marcum noted three (3) properties that were purchased prior to August 10, 2005, where the file did not include evidence of purchase authorization from the City Commission.**
- **Marcum noted twelve (12) properties that were purchased subsequent to August 10, 2005, where the purchase price was less than \$200,000 and the file did not include evidence of purchase authorization from the City Manager or the City Commission.**

Marcum's Findings for Procedure #7:

Marcum noted based on review of the files for the fifty-four (54) properties, that there were ten (10) files that did not contain documentation appropriate to the acquisition. In order to confirm that the acquisitions were executed, three documents are required: (a) the purchase contract, (b) the HUD1 closing statement and (c) the warranty deed. In cases where the property was gifted to the City, the file is only required to include a warranty deed. **Accordingly, based on our procedures performed we noted exceptions in ten (10) of the fifty-four (54) acquired properties, as follows:**

- **Ten (10) of the fifty-four (54) files did not include a copy of the HUD1 closing statement.**

Marcum's Findings for Procedure #8:

Marcum noted based on review of the files for the fifty-four (54) properties, that none of the files contained documentation to support application for tax exempt status, as required by the City's policy. **Accordingly, based on our procedures performed we noted exceptions in**

City of Hallandale Beach
Appendix 3
Real Estate Acquisition and Disposition Policies

all fifty-four (54) acquired property files. Although not in accordance with their policy, the City informed Marcum that per a representative at the Broward County Property Appraiser's Office, the City receives an automatic exemption and therefore does not have to file an application for tax exempt status.

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City of Hallandale Beach
Appendix 4
CRA Commercial Loan Programs

The policies utilized in performing our procedures were obtained from “**City of Hallandale Administrative Policy No. 2027.003/R1**”. The CRA Commercial Loan Programs which were included in the scope of the agreed-upon procedures are as follows:

- A. Commercial Code Compliance Program**
- B. Business Enticement / Incentive Loan Program**
- C. Small Business Retention and Expansion Loan Program**

Following the City’s procedures are Marcum LLP findings.

Procedure:

For forty-three (43) business loans which are included in the City’s loan programs, inspect documentation which demonstrated that the loan recipients met the eligibility criteria and that all procedures were followed. Inspect documentation which demonstrates if the loan recipients met/complied with repayment requirements.

A. Commercial Code Compliance Loan Program

Marcum identified a total of thirty-one (31) Commercial Code Compliance loans. The Commercial Code Compliance official policy document identifies the following loan criteria:

- 1) Types of code deficiencies may include, but not be limited to the following: Parking/Drainage, Structural Improvements, General Property Maintenance, (Lighting, Windows, Doors, Painting).
- 2) Maximum loan amounts: Financial assistance is limited to the amounts needed to correct the code deficiencies. Commercial Loan amounts may be approved for up to a maximum amount of \$100,000 based on the type and extent of the code deficiencies and the capacity of the business to repay the loan and Commercial Façade Loan amounts may be approved up to a maximum amount of \$50,000.
- 3) Owners will be responsible for obtaining written estimates and required permits.
- 4) Applicants must submit an application along with a non-refundable application fee of \$750.
- 5) Development Services and Finance personnel will review all applications and the business’ current financial situation to determine its ability to pay back the loan.
- 6) The first fifteen percent (15%) of the loan amount will be waived for payback.
- 7) Monies beyond the waived amount will be paid back at four percent (4%) interest.

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CRA Commercial Loan Programs

- 8) Loan will be repaid over a period of ten (10) years.
- 9) All code corrections must be maintained for the ten year period.
- 10) If the property is sold within the ten year period, the owner is subject to penalties as outlined in the Mortgage document.
- 11) Subordination requests will be accompanied by proof of appraisal and loan to value not to exceed 80% and payments are current. A subordination fee of \$250 will be charged per subordination. The City's lien will be maintained in the position of no lower than second place.
 - a) The City will not subordinate the Neighborhood Improvement Program loan balance after five years from the date of the mortgage. The loan balance must be paid in full to the City.
 - b) The new mortgage amount together with the City's lien, plus the total of any outstanding encumbrances against the property must not exceed 80% of the appraised value.
 - c) The City of Hallandale Beach will only subordinate to second position.
 - d) The City of Hallandale Beach will not agree to subordinate to any future advances and/or cash out financing.
 - e) All loan terms may be subject to City Manger's review for approval under special circumstances to ensure the protection of the property owner, the City and the objectives of the City's loan programs.
- 12) Default of the loan is defined below:
 - a) If payments are not made for a three month period, the full loan amounts granted by the City, plus penalties are due. Foreclosure may be pursued legally.
 - b) Failure to maintain current loan payments, payments for City services, current property taxes and insurance and/or properly maintaining the completed improvements may result in a request for accelerated payment in full.
 - c) If property is sold or transferred within two (2) years of loan closing, the full amount loaned plus an accelerated seven (7%) interest must be paid to the City.
- 13) Location within the CRA limits required.

City of Hallandale Beach
Appendix 4
CRA Commercial Loan Programs

14) Formal loan agreement must be executed.

Marcum's General Findings:

An issue related to the categorization of loans arose during our review as there were borrowers whose loan files contained references to more than one loan type. For example, a borrower may have submitted an application for the Small Business Retention and Expansion Loan Program, but ultimately received a loan defined as a Business Enticement / Incentive Loan. In these instances, we considered the latest chronological document to be the most reliable source for determining the loan type.

Marcum's Findings for Procedure #1:

Marcum noted based on inspection of the thirty-one (31) loan files, that all loans appear to have been granted to correct acceptable types of code deficiencies in accordance with the policies. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #2:

Marcum noted based on inspection of the thirty-one (31) loan files, that the maximum loan value of \$100,000 (\$50,000 for Commercial Façade Loans) was complied with for thirty (30) of the loans. We noted there was one (1) file which did not comply with the maximum loan amount as the loan was issued for \$150,000. Under the Subordination section of the City's policy, it states that "All loan terms may be subject to City Manger's review for approval under special circumstances to ensure the protection of the property owner, the City and the objectives of the City's loan programs". In a City Memorandum dated December 9, 2009, the then City Manager, Mike Good, exercised this clause to approve an increase in this loan amount to \$150,000. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #3:

Marcum is not qualified to determine which estimates and permits are necessary for each project. Therefore, we cannot state that all necessary estimates and permits were obtained for each project. Accordingly, our procedures did not extend to ensuring that appropriate estimates and adequate permits were obtained.

Marcum's Findings for Procedure #4:

Marcum noted based on inspection of the thirty-one (31) loan files, that only certain files contained all of the supporting documentation requested on the loan application (e.g. mortgage statements, tax returns, bank statements, insurance, incorporation documents, business licenses, tax bills, deeds, estimates, and code deficiencies). Insufficient documentation existed in all thirty-one (31) loan files to determine if application fees were

**City of Hallandale Beach
Appendix 4
CRA Commercial Loan Programs**

paid. Accordingly, based on our procedures performed we noted exceptions in all thirty-one (31) loan files as related to the evidence of payment of application fees. Marcum noted that the City's system can produce reports to show that application fees were paid, but this information was not documented in the related loan files.

We noted exceptions related to supporting loan application documentation, as follows:

- Five (5) of thirty-one (31) files did not include a copy of the Company's business license.
- Two (2) of thirty-one (31) files did not include a copy of the Company's bank statement.
- Two (2) of thirty-one (31) files did not include a copy of the Company's most recent mortgage statement.

Marcum's Findings for Procedure #5:

Marcum noted based on inspection of the thirty-one (31) loan files, that all loan files contained routing sheets showing evidence of Development Services and Finance personnel review. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #6:

Marcum noted based on inspection of the thirty-one (31) loan files, that six (6) had payback forgiveness of fifteen percent (15%), in accordance with the most current official guidelines. The remaining twenty-five (25) had payback forgiveness percentages that ranged from zero percent (0%) to fifty percent (50%). Per City staff, the loan policies have changed a number of times over the years and therefore the current policy was not in place for the older loans. Many of the loans were in accordance with past policies which noted that there would be a 50% forgiveness of the first \$15,000 of payments, hence up to \$7,500 of forgiveness, and no forgiveness for any borrowings in excess of \$15,000. Marcum noted that there were two (2) loans that did not appear to be in accordance with the new or old policy. **Accordingly, based on our procedures performed we noted there were two (2) exceptions, as follows:**

| Loan Name | Amount Forgiven |
|--------------------|-----------------|
| Eagles Wings | \$11,700 |
| Temple Messianique | \$7,600 |

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CRA Commercial Loan Programs

Marcum's Findings for Procedure #7:

Marcum noted based on inspection of the thirty-one (31) loan files, that six (6) of the loans were charging interest at four percent (4%), in accordance with the most current official guidelines. Per City staff, the loan policies have changed a number of times over the years and therefore the current policy was not in place for the older loans. Marcum reviewed the related promissory notes and noted that the interest rates charged were consistent with the terms of the promissory note that was executed at the time of the loan. Since some of these loans are prior to the current policy and all loans are approved by the City Manager, who has the authority to change the interest rate terms, these differences are not considered exceptions.

Marcum's Findings for Procedure #8:

Marcum noted based on inspection of the thirty-one (31) loan files, that twenty-five (25) loans had a stated repayment period of ten (10) years, in accordance with the official guidelines. Marcum noted that there were six (6) loans with repayment terms of less than ten (10) years. Under the Subordination section of the City's policy, it states that "All loan terms may be subject to City Manger's review for approval under special circumstances to ensure the protection of the property owner, the City and the objectives of the City's loan programs". Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #9:

Marcum noted that the City has Code Compliance Officers who look for, record and cite offenders for code compliance violations. However, Marcum inquired of CRA personnel and was informed that there were no systems in place to regularly confirm code compliance on specific properties that received Commercial Code Compliance Loans. **Accordingly, we noted thirty-one (31) exceptions.**

Marcum's Findings for Procedure #10:

Marcum noted based on inspection of the thirty-one (31) loan files, that there were four (4) instances where the property was sold within a ten year period. In each of these instances the remaining loan balance was paid-off at closing, but the related loan program penalties were not enforced. Marcum noted that each of these four (4) loans were dated prior to the current policy and therefore did not include a ten year penalty period, therefore these are not exceptions.

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Marcum's Findings for Procedure #11:

Marcum noted based on inspection of the thirty-one (31) loan files, that there were only eight (8) loans where the borrower requested and received subordination from the City. In each case subordination was granted and compliant with the lending procedures. No request for subordination was requested for twenty-three (23) of the loans and therefore these are not exceptions. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #12:

The City's official policy states that default action may be taken if payments are not received for a three (3) month period. The City has historically not considered payments to be late until two or more quarterly payments have been missed (e.g., 6 to 9 months). Although the City's system is unable to produce a comprehensive loan activity report which details the outstanding balance and activity of all loans, loan history reports can be run for individual loans to provide this information. Per discussion with Patricia Ladolcetta, Director of Finance, the City accumulates this information for all loans at the end of each fiscal year. Per Ms. Ladolcetta, Steve Grygiel runs billing, which includes these loan receivables, and produces an aging on a monthly basis. This aging is reviewed for past due accounts by Mr. Grygiel and each month he runs a new statement of account for all past due loan customers. At the end of each quarter, a letter or telephone call is made to any loan customer with a past due account. As necessary the City will involve Mark Leibowitz, the CRA Community Redevelopment Specialist, who may have additional knowledge of the situation. Based on our procedures performed, it appears that the City has adequate controls over the tracking of CRA loans and therefore we noted no exceptions.

Marcum's Findings for Procedure #13:

Marcum noted based on inspection of the thirty-one (31) loan files, that all properties are located within the CRA district. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #14:

Marcum noted based on inspection of the thirty-one (31) loan files, that all files contained executed loan agreements. Accordingly, based on our procedures performed we noted no exceptions.

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B. Business Incentive / Enticement Loan Program

Marcum identified a total of six (6) loans that were issued to five (5) borrowers under the Business Incentive / Enticement Loan Program (BIE). The Business Incentive / Enticement Loan Program official policy document identifies the following loan criteria:

- 1) Location within CRA.
- 2) The purpose of this loan is to help with start up and construction costs. The costs may include, but not be limited to: lot preparation, demolition, new construction, and building materials.
- 3) Financial assistance may be approved up to a maximum amount of \$200,000; with total project cost not to exceed \$2,000,000.
- 4) Work performed must be compliant with applicable codes. Existing city service charges, city lien payments, property taxes and insurance must be current.
- 5) Owners will be responsible for obtaining written estimates and required permits.
- 6) Applicants must submit an application, letter of interest, and a non-refundable application fee of \$750.
- 7) Development Services and Finance staff will review all applications and the business' current financial situation to determine its ability to pay back the loan.
- 8) Before 2009, City Commission had to approve all BIE loans. [Approvals were not mentioned in the Business Incentive / Enticement Loan Program official policy guidelines. CRA personnel provided approval information upon request.] After 2009, the policy was changed to allow the City Manager to approve loans up to \$50,000. If there was a deviation from the loan requirements or the loan amount exceeded \$50,000, it required City Commission approval.
- 9) The first fifteen percent (15%) of the loan amount will be waived.
- 10) Monies beyond the waived amount will be paid back at four percent (4%) interest.
- 11) Repayment period will be ten years.
- 12) All code corrections must be maintained for the ten year period.
- 13) If the property is sold within the ten year period, the owner is subject to penalties as outlined in the Mortgage document.
- 14) The City's lien will be maintained in the position of no lower than second place.

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15) Loan agreement must be executed.

16) Default is defined as having missed two (2) consecutive quarterly payments. Legal action is to take place after that period.

Marcum's General Findings:

Marcum noted one issue with regard to segregating documentation by loan when two loans were made to a single borrower. Documentation for both loans was mixed together in a single file and it was difficult to determine which documents related to which loan. It appeared that a single application package was used to apply for both loans.

Marcum's Findings for Procedure #1:

Marcum noted based on inspection of the six (6) BIE loans that the location of all borrowers' businesses is compliant with official guidelines. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #2:

Marcum noted based on inspection of the six (6) BIE loans that the use of funds for all borrowers is compliant with official guidelines. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #3:

Marcum noted based on inspection of the six (6) BIE loans that all borrowers received funds at or below the maximum assistance level. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #4:

Marcum noted that this procedure was applicable to only five (5) of the six (6) loans as one (1) of the loans was for a property that was not owned by the borrower. Marcum noted based on inspection of the remaining five (5) BIE loan files that none of the files contained all of the required documentation, which includes compliance with existing building codes, city lien payments, property taxes and insurance. Official guidelines state that work performed must be compliant with all existing building codes and that city liens, taxes and insurance must all be up to date. **Accordingly, based on our procedures performed we noted the following exceptions:**

- **Four (4) files did not contain proof of lien search.**

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- **Four (4) files did not contain proof of compliance with required property tax payments.**

Marcum's Findings for Procedure #5:

Marcum is not qualified to determine which estimates and permits are necessary for each individual BIE. Therefore, we cannot state that all necessary estimates and permits were obtained for each project. Accordingly, our procedures did not extend to ensuring that appropriate estimates and adequate permits were obtained.

Marcum's Findings for Procedure #6:

Marcum noted based on inspection of the six (6) BIE loans that only one (1) file contained all necessary financial documentation in accordance with the official guidelines. **Accordingly, based on our procedures performed we noted there were five (5) exceptions, as follows:**

- **One (1) file did not include an application form.**
- **Two (2) files did not include a copy of the Company's most recent mortgage statement.**
- **Two (2) files did not include a five (5) year budget.**
- **Three (3) files did not include a copy of the personal and Company bank statements for the last six (6) months.**

Marcum's Findings for Procedure #7:

Marcum noted based on inspection of the six (6) BIE loans that only three (3) files contained a documented CRA review in accordance with the official guidelines. It was subsequently noted that the remaining three (3) BIE loans were a result of the owner meeting with the then City Manager, Mike Good. In each of these three (3) cases the loan was subsequently approved by the City Commission. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #8:

Marcum noted based on inspection of the six (6) BIE loans that all proper approvals appear to be in place. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #9:

Marcum noted based on inspection of the six (6) BIE loans that three (3) complied with the fifteen percent (15%) forgiveness policy. Official guidelines state that the first fifteen

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percent (15%) of each loan is to be forgiven. Marcum noted that the remaining three (3) BIE loans had deviated forgiveness terms which were approved by the City Commission. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #10:

Marcum noted based on inspection of the six (6) BIE loans that four (4) files were charging interest at four percent (4%), in accordance with the official guidelines. Marcum noted that the remaining two (2) BIE loans had deviated interest rate terms which were approved by the City Commission. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #11:

Marcum noted based on inspection of the six (6) BIE loans that only five (5) of the loans had stated repayment periods of ten (10) years. The official repayment period for this loan program is stated at ten (10) years. Marcum noted that the remaining one (1) BIE loan had deviated repayment terms which were approved by the City Commission. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #12:

Marcum noted that based on inquiry of CRA personnel and review of the official guidelines, that the code corrections that were completed with the proceeds of the BIE loan must be maintained for ten years. Marcum noted that the City has Code Compliance Officers who look for, record and city offenders for code compliance violations. However, Marcum inquired of CRA personnel and was informed that there were no systems in place to regularly confirm code compliance on specific properties that received BIE loans. **Accordingly, based on our procedures performed we noted that there were six (6) exceptions.**

Marcum's Findings for Procedure #13:

Marcum noted based on inspection of the six (6) loan files (owned properties only), that there was one (1) instance where the property was sold within a ten year period. In this instance there were two (2) BIE loans on the same property. The remaining loan balances were paid-off at closing, and there was documentation of the related penalties being waived by the City. As there was proper documentation in the file that supported the penalties being waived, these are not considered to be exceptions.

Marcum's Findings for Procedure #14:

Marcum noted based on inspection of the six (6) BIE loans that the requirement of subordination was only applicable to one (1) of the borrowers reviewed. Official guidelines state that the City will not allow its note to be subordinated below second place. The

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subordination was complaint with the official guidelines. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #15:

Marcum noted based on inspection of the six (6) BIE loans that all files contained executed loan agreements. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #16:

The City's official policy states that default is defined as having missed two (2) consecutive quarterly payments. The City has historically not considered payments to be late until two or more quarterly payments have been missed (e.g., 6 to 9 months). Although the City's system is unable to produce a comprehensive loan activity report which details the outstanding balance and activity of all loans, loan history reports can be run for individual loans to provide this information. Per discussion with Patricia Ladolcetta, Director of Finance, the City accumulates this information for all loans at the end of each fiscal year. Per Ms. Ladolcetta, Steve Grygiel runs billing, which includes these loan receivables, and produces an aging on a monthly basis. This aging is reviewed for past due accounts by Mr. Grygiel and each month he runs a new statement of account for all past due loan customers. At the end of each quarter, a letter or telephone call is made to any loan customer with a past due account. As necessary the City will involve Mark Leibowitz, the CRA Community Redevelopment Specialist, who may have additional knowledge of the situation. Based on our procedures performed, it appears that the City has adequate controls over the tracking of CRA loans and therefore we noted no exceptions.

Based on review of the individual loan histories, Marcum was able to determine that four (4) of the loans were current with their payments, one (1) of the loans had been previously paid off and one (1) of the loans was delinquent (Digital Outernet Inc.).

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C. Small Business Retention and Expansion Loan Program

We identified a total of three (3) Small Business Retention and Expansion (SBRE) loans in our review of the files provided. The Small Business Retention and Expansion Loan Program official policy document identifies the following loan criteria:

- 1) Business must be located within the City of Hallandale Beach.
- 2) City Manager may approve loans up to \$50,000.
- 3) Businesses shall employ no more than twenty-five (25) Full Time Equivalent employees.
- 4) Business shall have proper zoning for all its operations and be in substantial compliance with city codes and ordinances before any funds can be disbursed.
- 5) Applicant firm must have been in business within the City of Hallandale Beach for a minimum of five (5) years at time of application submittal.
- 6) Applicant firm must demonstrate a significant loss in gross business revenue due to conditions beyond Management's control.
- 7) Applicant firm must also demonstrate a preceding or potential loss of jobs due to those conditions.
- 8) Applicant firm must maintain their current labor force [established base employment level] for one year after receiving their grant/loan.
- 9) Bars, entertainment and similar uses are ineligible for the program. Home-based or Internet companies are also ineligible for this program.
- 10) In order to be eligible for SBRE grant program an applicant shall submit the following:
 - a. Completed application to the CRA Division with all required backup documentation.
 - b. Executive Summary and business plan, including list of business principals; must include a detailed description of the business and its operations.
 - c. Detailed 5-year budget forecast for revenues and expenditures (i.e. Cash flow Statement and Balance Sheet), to include 2-year tracked history of loss of revenue.
 - d. Last 6 months of the Business Bank Statements for Checking and Savings Account (All pages).
 - e. List of employee positions, to include job descriptions.
 - f. Action Plan; outlining how the business plans on recovering, through the utilization of the financial assistance requested.

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- 11) No application fees and closing costs applicable.
- 12) Individual loan amounts will be capped at \$50,000 – no collateral required.
- 13) Loans will only be made for working capital and non-fixed equipment uses (i.e. portable equipment).
- 14) Personal guarantees of all principals of the applicant firm will be required.
- 15) Applicants **MUST** own the real property that the business is located in and the business must be in the City of Hallandale Beach. If applicant does not own real property, a UCC will be filed and the City Manager and Commission will give final approval.
- 16) The first fifty to eighty percent (50% - 80%) of the total amount may be waived and will be based on need. Monies beyond the grant amount will be a loan paid back at two percent (2%) interest over a period of ten (10) years. The term of the loan will be for ten (10) years; no prepayment penalty. The City's lien will be maintained in the position of no lower than second place. The City Manager has the discretion to deviate from the terms of this Policy.
- 17) CRA and Finance staff will review all applications and the business' current financial situation to determine need.
- 18) LOAN DEFAULT TERMS:
 - a. If payments are not made for two (2) consecutive quarters, the full loan amount granted by the City, plus penalties, is due.
 - b. Failure to maintain current loan payments, payments for City services, current property taxes and insurance; may result in a request for accelerated payment in full.
 - c. If property and/or business is sold or transferred within two (2) years of loan closing, the full amount loaned plus an accelerated seven percent (7%) interest must be paid to the City, as stipulated in the promissory note and mortgage.
 - d. A ten year lien is placed on the property. The City's lien will be maintained in the position of no lower than second place.
- 19) The applicant must execute a mortgage document and promissory note, for the amount beyond the granted amount.
- 20) Applicants must provide the CRA with a Bi-Annual Performance Review, for two (2) consecutive years, upon receiving funding.
 - a. Should the business encounter significant changes in employment and financial position. The business must notify the City prior to their Bi-Annual Performance Review.

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- b. Should the business fail to provide a Bi-Annual Performance document. The business will be in default and the City may elect to accelerate the repayment terms of the loan.

21) LOAN DEFERMENT/REPAYMENT:

- a. Upon the business satisfying a defined threshold of establishing a minimum of 6 months of operational reserves, including payroll expenditures; loan repayment will begin.
- b. The City Manager may defer the loan payments for a maximum of 1 year, which will be contingent upon the long range performance of the business.
- c. The City Manager or his/her designee may extend the deferment period, upon written request from the business owner, to include a viable justification.

Marcum's Findings for Procedure #1:

Marcum noted based on inspection of the three (3) SBRE loans that all businesses were located within the City of Hallandale Beach. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #2:

Marcum noted based on inspection of the three (3) SBRE loans that all were properly approved by the City Commission and City Manager. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #3:

Marcum noted based on inspection of the three (3) SBRE loans that all borrowers had fewer than twenty-five (25) employees. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #4:

Official guidelines state that the business shall have proper zoning for all its operations and be in substantial compliance with City codes and ordinances before any funds can be disbursed. No documentation in the files was identified that specifically confirmed or rejected the compliance of borrowers with these criteria. Therefore, it cannot be determined if borrowers are in compliance with this requirement. **Accordingly, based on the procedures performed we noted there were three (3) exceptions.**

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Marcum's Findings for Procedure #5:

Marcum noted based on inspection of the three (3) SBRE loans that only two (2) of the applicants were in business for a minimum of five (5) years in the City of Hallandale Beach, in accordance with the guidelines. Marcum noted that this deviated the City's standard terms, however this was approved by the City Commission. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #6:

Marcum noted based on inspection of the three (3) SBRE loans that all applications included support to demonstrate a significant loss in gross business revenue due to conditions beyond management's control, in accordance with the guidelines. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #7:

Marcum noted based on inspection of the three (3) SBRE loans that all of the applications on file contained supporting documentation of evidence of preceding or potential loss of jobs. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #8:

Official guidelines state that the applicant firm must maintain their current labor force [established base employment level] for one (1) year after receiving the SBRE grant/loan. No documentation in the files addresses compliance with this requirement. Therefore, it cannot be determined if the borrowers met this criterion or not. **Accordingly, based on the procedures performed we noted there were three (3) exceptions.**

Marcum's Findings for Procedure #9:

Marcum noted based on inspection of the three (3) SBRE loans that none of the files reviewed fell into an excluded business category. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #10:

Marcum noted based on inspection of the three (3) SBRE loans that only two (2) of the applicants provided all the necessary financial data as required by the guidelines. The official guidelines require a number of financial and other documents be included in the application package, as noted above. **Accordingly, based on the procedures performed we noted there was one (1) exception. Marcum notes that the only missing document in the one (1) exception, was the required 5-year budget forecast for revenues and expenditures.**

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Marcum's Findings for Procedure #11:

Marcum noted based on inspection of the three (3) SBRE loan files that it did not appear that administrative fees were assessed. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #12:

Marcum noted based on inspection of the three (3) SBRE loans that all complied with the \$50,000 cap on the loan amount. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #13:

Marcum noted based on inspection of the three (3) SBRE loans that all of the files contained documentation stating that the use of funds was for non-fixed equipment uses. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #14:

Marcum noted based on inspection of the three (3) SBRE loans that only two (2) contained personal guarantees, in accordance with the guidelines. **Accordingly, based on our procedures performed we noted there was one (1) exception.**

Marcum's Findings for Procedure #15:

Marcum noted based on inspection of the three (3) SBRE loans that only one (1) of the applicant's owned the property on which the business was located. Two (2) did not own the property and had no collateral. Official guidelines state that real property must be owned by the borrower. The only exceptions to this rule may be granted by the City Manager or City Commission. Marcum noted that one (1) of the SBRE loans was approved by the City Manager and the other one (1) was approved by the City Commission. Both approvals noted the deviation from official guidelines. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #16:

Official guidelines state that the financial terms of loans are a rate of 2% interest amortized over ten (10) years with 50% to 80% of the balance being forgivable. Marcum noted based on inspection of the three (3) SBRE loans that all files reviewed complied with these terms. Accordingly, based on our procedures performed we noted no exceptions.

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Marcum's Findings for Procedure #17:

Marcum noted based on inspection of the three (3) SBRE loans that all files contained evidence of CRA staff review, in accordance with official guidelines. Accordingly, based on our procedures performed we noted no exceptions.

Marcum's Findings for Procedure #18:

The City's official policy states that default is defined as having missed two (2) consecutive quarterly payments. The City has historically not considered payments to be late until two or more quarterly payments have been missed (e.g., 6 to 9 months). Although the City's system is unable to produce a comprehensive loan activity report which details the outstanding balance and activity of all loans, loan history reports can be run for individual loans to provide this information. Per discussion with Patricia Ladolcetta, Director of Finance, the City accumulates this information for all loans at the end of each fiscal year. Per Ms. Ladolcetta, Steve Grygiel runs billing, which includes these loan receivables, and produces an aging on a monthly basis. This aging is reviewed for past due accounts by Mr. Grygiel and each month he runs a new statement of account for all past due loan customers. At the end of each quarter, a letter or telephone call is made to any loan customer with a past due account. As necessary the City will involve Mark Leibowitz, the CRA Community Redevelopment Specialist, who may have additional knowledge of the situation. Based on our procedures performed, it appears that the City has adequate controls over the tracking of CRA loans and therefore we noted no exceptions.

Marcum reviewed the timeliness of the three (3) SBRE loans and noted that all had received payments within six (6) months. Marcum noted that one (1) file (The Mess A Round) contained documentation indicating that the borrower was in default. In that instance, forbearance was granted and a reduced monthly payment was agreed to in lieu of collecting payment in full. Although this is a deviation from the official guidelines, there was supporting documentation for the deviation in the file, which was approved by the appropriate levels and therefore this has not been noted as an exception.

Marcum's Findings for Procedure #19:

Marcum noted based on inspection of the three (3) SBRE loans that all files included an executed promissory note or loan agreement. Accordingly, based on our procedures performed we noted no exceptions.

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Marcum's Findings for Procedure #20:

Marcum noted based on inspection of the three (3) SBRE loans that two (2) of the files did not contain documentation that a CRA Bi-Annual Performance Review was performed. **Accordingly, based on our procedures performed we noted there were two (2) exceptions.**

Marcum's Findings for Procedure #21:

Marcum noted based on inspection of the three (3) SBRE loans that there did not appear to be any loans in deferment as all loans had received payment within the last six (6) months. Accordingly, based on our procedures performed we noted no exceptions.

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Appendix 5
CRA Expenditures

The policies utilized in performing our procedures were obtained from “**City of Hallandale Administrative Policy No. 2019.004/R12**”. Following the City’s procedures are Marcum’s findings.

Procedure:

Inspect supporting documentation which demonstrates if all expenditures of CRA funds for fiscal year 2009/2010 are in accordance with the City’s policies and procedures for such expenditures.

Marcum’s Findings:

Marcum noted based on inspection of all CRA disbursements (payroll and expenditures) for the period of October 1, 2009 through September 30, 2010, that all disbursements were approved by authorized personnel in accordance with the official guidelines. Our procedures did not extend to eliminating journal entries or transactions for which there were not disbursements of cash. Additionally, our procedures did not extend to determining if the disbursements were for valid CRA expenses, but only to determine that the disbursements were properly approved in accordance with official CRA policy. Accordingly, based on our procedures performed we noted no exceptions.

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