

FOODMAN
& ASSOCIATES P.A.
CPAs, Consultants & Advisors

June 12, 2017

Roger M. Carlton
Executive Director
Hallandale Beach Community Redevelopment Agency
City of Hallandale Beach
400 S. Federal Highway
Hallandale Beach, FL 33009

Re: Forensic Examination

Dear Mr. Carlton

This letter confirms the engagement of Foodman, P.A., CPAs & Advisors, by the Hallandale Beach Community Redevelopment Agency (HBCRA). We are engaged to perform a forensic analysis to determine the amount of “true-up” due either City of Hallandale Beach (COHB) or HBCRA that covers the period beginning when the independent HBCRA bank account(s) were opened on May 31, 2012 and ending on December 31, 2016.

Scope of Engagement

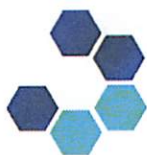
The three professional consulting services we believe are necessary and which will be universally applied at this time to the best of my current understanding are as follows:

1. We will determine which of the three Cost Allocation Studies has been approved by the HBCRA Board for use. In the event that none of them has been approved, we will make a recommendation as to which study we believe is most appropriate.
 - a. We will also review the unsigned draft of a 2017 Central Services Cost Allocation Plan (FCAP) dated September 30, 2015 undertaken on behalf of COHB by MAXIMUS and any other Cost Allocation Studies provided to us during our engagement.
2. We will calculate the amount of indirect costs allocable between HBCRA and COHB based on the CAS covering the period of the opening date of the HBCRA independent bank account(s).
3. We will calculate the allocation of Direct Costs between COHB and HBCRA in consultation with the City Manager/Executive Director of COHB and HBCRA.



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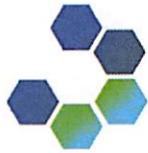
4. We will examine the journal entries made on the books of the HBCRA and COHB that were made to correct the classification and dollar amounts of real estate assets held on the books of COHB and HBCRA. In performing this part of our examination, we will request the COHB City Manager/HBCRA Executive Director to direct Marcum to permit us to have access to Marcum's working papers and written communications between COHB, HBCRA and Marcum supporting the journal entries and the classification and valuation of real estate assets on the books of HBCRA and COHB.
 - a. We will perform our review of the applicable journal entry(s) with reference to applicable professional standards and regulations and whether, in our opinion, Marcum performed its audit and in conformity with same.
5. We will examine the books, records and information supporting the transfer of \$5 Million during fiscal year 2015 from HBCRA to COHB and determine if there was a supportable basis for the transfer.
6. We will forensically review the books and records of COHB and HBCRA to determine whether the internal controls for governing their relationship prevented and/or prevents transactions not supported by written city ordinances, and/or policies and procedures.
7. We will examine, in consultation with the HBCRA Attorney and Executive Director the transactions and related documentation surrounding HBCRA grants for grantee accountability under FS163 and the adopted HBCRA Plan.
8. We will examine, in consultation with the HBCRA Attorney and Executive Director, the books, records and related documentation regarding loans made by HBCRA for appropriate collections and debt forgiveness policies.
9. We will prepare a written report of our findings and recommendations at the conclusion of our engagement. Our recommendations will be based the findings of our forensic review. We will address our report directly to Roger M. Carlton, Executive Director, Hallandale Beach Community Redevelopment Agency (HBCRA) as the responsible representative for the HBCRA, and will submit to him all reports, communications, and work product. It is anticipated that the first status report will be provided within thirty days (30) of the notice to proceed.



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In performing our work during this engagement, we will:

1. Conduct interviews with the person(s) currently responsible for maintaining the HBCRA's books, records and the underlying supporting documentation for the transactions recorded in the books and records of the HBCRA. The persons interviewed will be selected in consultation with the City Manager of COHB/Executive Director of HBCRA. The list will include but not be limited to:
 - a. Maggie Gouin, Budget Director
 - b. Jennifer Merino, City Attorney
 - c. Steven Zelkowitz, CRA Attorney
 - d. Celeste D. Lucia, Finance Director
 - e. Barbara Trinka, Public Utilities Director
 - f. Lina Duran, CRA Staff-Business Development Coordinator
 - g. Lovern Parks, CRA Staff-Housing Programs
 - h. Nickens Remy, CRA Staff-Fiscal Operations Manager
 - i. Diana Scarpetta, CRA Staff-Real Estate
 - j. Faith Phinn, CRA Staff-Accountant
 - k. All Department Directors with whom the CRA has MOU's (Police, Parks, Finance, Public Works, Development Services, Capital Improvements, etc).
 - l. All members of the City Commission
 - m. Current Auditors-Marcum
2. Conduct interviews with certain former employees of the COHB and HBCRA regarding the findings contained in our initial report and their recommendations for areas of examination during our forensic examination. Our interview will include former HBCRA Executive Directors, COHB City Managers, Finance Directors, City Attorneys, HBCRA Attorneys and any other persons in a position to shed light on the financial relationship between COHB and HBCRA. The persons interviewed will be selected in consultation with the City Manager of COHB/Executive Director of HBCRA.
3. Interview the current City Attorney of COHB and the current HBCRA Attorney.
4. Conduct a review of the existing books and records of the COHB and HBCRA for determining materiality and related sampling (statistical and judgment) sizes to be used during our forensic examination.



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5. Review the written accounting and internal controls policies and procedures manual(s) of COHB and HBCRA regarding the current electronic system of accounting (as a starting point for tracing the origin of entries into the accounting system) and for verifying the appropriateness of those entries as they relate(d) to the relationship between COHB and HBCRA under the CAS.
6. Review the accounting books and records previously used by COHB and HBCRA prior to the current systems in place for appropriateness of transactions between both entities based on the CAS.
7. Review the answers by COHB and HBCRA to The Final Report (OIG 11-020 APRIL 18, 2013) of the Broward Office of the Inspector General, and subsequent actions by COHB and HBCRA to determine if they are sufficient to remediate and address the criticisms contained therein.
8. Review the official policies and procedures of the HBCRA as well as any amendments required by governmental regulations or actions and make recommendations that we consider necessary.
9. Determine the amount of “true-up” due either COHB or HBCRA.

Miscellaneous

We expect to conclude our examination and prepare a report on or before September 30, 2017. If we find the need additional time we will inform Roger M. Carlton, Executive Director of HBCRA of the need and estimated duration of the extension.

If during our engagement, we encounter evidence of waste, fraud or abuse, we will immediately bring them to the attention of the COHB, City Manager/HBCRA Executive Director and legal counsel for both entities.

It is our understanding that, for purposes of efficiency of access to required information on a day-to-day basis, we will interact with Celeste D. Lucia, CPA, CGFO, Finance Director, City of Hallandale Beach and Lina Duran, Business Development Coordinator, Hallandale Beach Community Redevelopment Agency.



We will report directly to Roger M. Carlton, Executive Director, Hallandale Beach Community Redevelopment Agency (HBCRA) as the responsible representative for the HBCRA, and will submit to him all reports, communications, and work product.

As previously discussed with you, we have no conflict of interest or relationship in connection with this engagement.

Payment for Services

Our billings will be sent to the HBCRA, for payment. We will submit bills to you at least monthly on (25th day of each month on a 2% Ten Net 30 basis), payable by the tenth day of the following month, which will be based on our standard hourly rates for this type of consulting, plus out-of-pocket expenses. We reserve the right to defer rendering further services until payment is received on past due invoices.

We expect our fees for this section of the scope of our work to be between \$75,000 and \$100,000. Our customary practice in forensic examination consulting engagements is to receive a retainer in the amount of \$25,000 before beginning work. The retainer will be applied towards payment of our final billing for this engagement.

HBCRA shall provide us all documentation and information and make available key personnel within a reasonable period-of-time pursuant to our formal request. The failure to do so may result in extensions of time and increased costs that may jeopardize engagement deadlines. In such an event, you will not hold us responsible and all fees and expenses will be paid to us in accordance with the terms of this engagement.

If information becomes known that would make our continued involvement in this engagement inappropriate, we reserve the right to withdraw from this engagement. In addition, we will refuse to perform any requested act that we deem a violation of law, public policy, or our professional ethical standards, and may, as a result, withdraw from the engagement without penalty. The firm shall immediately notify Roger Carlton and HBCRA regarding these matters and provide a reasonable period of time to resolve our concerns. If our concerns cannot be resolved to our satisfaction we may withdraw from this engagement and, provide a report of our conclusions to date upon payment of our unpaid outstanding invoicing.

Mediation

The parties agree to mediate any dispute prior to filing a lawsuit. The parties shall mutually select the mediator and equally pay all costs of the mediator. If the parties do not mediate any issue within 15 days after a request by any party then any party may proceed to file a lawsuit or claim with the courts and mediation shall not be required.



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Acknowledgement

By acknowledging acceptance of the terms of this engagement, HBCRA represents and warrants that it has the authority to employ Foodman, P.A., CPAs & Advisors on the terms and conditions set forth herein. If this is in accordance with your understanding and meets with your approval, please sign and date one copy of this letter in the space provided. This agreement will become effective when you return the signed copy to us with the retainer.

Sincerely,

Foodman, P.A., CPAs & Advisors

Stanley I. Foodman, CEO/CPA

Accepted by: _____

Hallandale Beach Community Redevelopment Agency
Roger M. Carlton, Executive Director

Date: _____