




BROWARD OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: Honorable Joy Cooper, Mayor, City of Hallandale Beach,
and Members, Hallandale City Commission

Renee Crichton, Hallandale Beach City Manager

From: John W. Scott, Inspector General 

Date: April 18, 2013

Subject: **OIG Final Report Re: *Gross Mismanagement of Public Funds by the City of Hallandale Beach and the Hallandale Beach Community Redevelopment Agency, Ref. OIG 11-020***

Attached please find the final report of the Broward Office of the Inspector General (OIG) regarding the above-captioned matter. The OIG investigation found that officials of the City of Hallandale Beach (City) and the Hallandale Beach Redevelopment Agency (CRA) have grossly mismanaged public funds entrusted to the care of the CRA.

Specifically, the OIG investigation identified numerous instances of gross mismanagement that stemmed from institutional deficiencies in the establishment, organization, and function of the CRA. We found that between 2007 and 2012, the CRA made at over \$2.1 million in questionable expenditures, including \$125,000 in inappropriate loans; \$416,365 in the improper use of bond proceeds; and \$1,474,739 million in payments for socially beneficial programs and \$152,494 for civic promotions, both purposes which 2010 Florida Attorney General opinion determined were prohibited by Florida law.

The report contains six recommendations. Accordingly, a status report regarding these recommendations is being required by the OIG. The OIG requests receiving the status report on or before July 16, 2013.

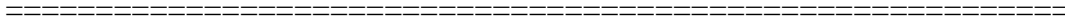
Attachment

cc: Honorable Kristin Jacobs, Mayor, Broward County
and Members, Broward Board of County Commissioners
Bertha Henry, County Administrator
V. Lynn Whitfield, Hallandale Beach City Attorney
Individuals previously provided a Preliminary Report (under separate cover)

BROWARD OFFICE OF THE INSPECTOR GENERAL



FINAL REPORT



**OIG 11-020
APRIL 18, 2013**

*Gross Mismanagement of Public Funds by the City of Hallandale Beach
and the Hallandale Beach Community Redevelopment Agency*



BROWARD OFFICE OF THE INSPECTOR GENERAL

**FINAL REPORT RE: *GROSS MISMANAGEMENT OF PUBLIC FUNDS*
BY THE CITY OF *HALLANDALE BEACH* AND THE *HALLANDALE BEACH*
COMMUNITY REDEVELOPMENT AGENCY**

TABLE OF CONTENTS

Summary.....	1
OIG Charter Authority.....	2
Background and Relevant Governing Authorities.....	2
Individuals Covered in this Report.....	4
Investigation	6
Findings of Gross Mismanagement Related to the Structure and Function of the CRA.....	6
Specific Improper and Questionable CRA Expenditures	10
Other Scrutinized Activities	20
Remedial Action by the Hallandale Beach Government.....	24
Interview Summaries	25
Dwayne Michael Good	25
Mark Antonio.....	28
Dr. Alvin Jackson, Jr.	28
Patricia Ladolcetta	31
Renee Crichton	33
Joy Cooper	35
Anthony Sanders.....	38
Keith London	40
Alexander Lewy.....	43
William Julian.....	44
Deborah Brown.....	47
Responses to the Preliminary Report and OIG Comment.....	49
Conclusion	55



BROWARD OFFICE OF THE INSPECTOR GENERAL

FINAL REPORT RE: *GROSS MISMANAGEMENT OF PUBLIC FUNDS BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH COMMUNITY REDEVELOPMENT AGENCY*

SUMMARY

In January 2012, the Broward Office of the Inspector General (OIG) began an investigation into allegations that officials of the City of Hallandale Beach (City) had grossly mismanaged public funds entrusted to the care of its Community Redevelopment Agency (CRA). The OIG investigation substantiated the allegations and uncovered numerous deficiencies in the City's administration of the CRA.

Specifically, the OIG investigation identified numerous instances of gross mismanagement that stemmed from institutional deficiencies in the establishment, organization, and function of the CRA, such as the failure to establish a CRA trust fund—plainly required by Florida law—until May 2012; the failure to operate the CRA as a legal entity separate from that of the City, so that, in the opinion of former CRA Executive Director Alvin Jackson, the CRA was treated like any other City department and that the City had “free reign” to tap into CRA funds; the failure to timely generate detailed CRA plans and adhere to them; and the failure to maintain a stable and empowered CRA staff to ensure compliance with Florida law. We also identified multiple instances where City officials ignored warnings from CRA staff of various deficiencies in the management of the CRA.

The OIG investigation determined that between 2007 and 2012, those officials caused the CRA to make at least \$2,168,598 million in questionable expenditures. Those expenditures included \$125,000 in inappropriate loans—wherein the City's management waived standard conditions designed to protect the CRA from unreasonable losses—and \$416,365 in the improper use of bond proceeds. In addition, those expenditures included \$1,474,739 million in payments to non-profit entities for socially beneficial programs and \$152,494 to organizations and individuals for civic promotions such as festivals and fireworks displays. The CRA failed to implement and maintain an adequate process for the award of these funds, and has continued to use CRA funds for these purposes despite a 2010 Florida Attorney General opinion which determined that such expenditures were a prohibited use.

Our investigation also raised concerns about whether the CRA took any action to regularly monitor the performance of recipients of CRA funds, or to verify whether the funds were actually used for authorized purposes. In one instance, we found probable cause to believe that Dr. Deborah Brown, the founder and director of the Palms Center for the Arts (PCA), engaged in criminal misconduct in the handling of a \$5,000 award the PCA received from the CRA.¹

¹ The OIG has referred its findings regarding Dr. Brown's possible misconduct to the Broward Sheriff's Office and the Broward State Attorney's Office, who have opened an investigation.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

In 2011, the City and the CRA began to undertake remedial steps to improve the management and effectiveness of the CRA. Nevertheless, the OIG discovered that as recently as November 2012, the City was contemplating a funding plan that would include expending \$5,347,000 of revenue bond financing that was to be repaid by CRA funds on two parks located *outside* the CRA's boundaries. The OIG promptly brought the issue to the City's attention. The City Manager responded by explaining that it had always intended to repay its pro-rata share of bond expenses, so that no issue of gross mismanagement existed.² By then, however, \$416,365 of CRA funds had already been improperly expended on those parks and others outside the CRA area.

Among the many allegations the OIG received pertaining to the City, the OIG also received allegations that the CRA purchased a property owned by the Higher Vision Ministries (HVM) for an amount substantially more than its appraised value, in an exercise of favoritism toward HVM's pastor, Commissioner Anthony Sanders. The investigation did not substantiate the allegations, although we found that the CRA fomented an appearance of favoritism by failing to consider the purchase of the property in a fully transparent manner.

OIG CHARTER AUTHORITY

Section 12.01 of the Charter of Broward County empowers the OIG to investigate misconduct and gross mismanagement within the Charter Government of Broward County and all of its municipalities. This authority extends to all elected and appointed officials, employees and all providers of goods and services to the County and the municipalities. On his own initiative, or based on a signed complaint, the Inspector General shall commence an investigation upon a finding of good cause. As part of any investigation, the Inspector General shall have the power to subpoena witnesses, administer oaths, require the production of documents and records, and audit any program, contract, and the operations of any division of the County, its municipalities and any providers.

The OIG is also empowered to issue reports, including recommendations, and to require officials to provide reports regarding the implementation of those recommendations.

BACKGROUND AND RELEVANT GOVERNING AUTHORITIES

The Administration of the City of Hallandale Beach

All legislative, regulatory and policy making powers of the City are vested in the City Commission. All administrative powers of the City are vested in the City Manager, appointed by the City Commission. The City Manager oversees all of the City's various departments and divisions, and is also responsible for ensuring the City Commission's direction is followed, for managing the day-to-day operations of the City, and for developing the City's financial structure and budget.

² The OIG has accepted this representation from the City in good faith, although both Dr. Jackson and Patricia Ladolcetta, the former City Finance Director, informed the OIG in late October 2012 that the City intended to solely use CRA funds to repay the bonds.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

The City's Finance Director works under the general guidance and direction of the City Manager. The responsibilities of the Finance Director include overseeing the City's routine accounting and finance functions, directing day-to-day operations of the Finance Department, and serving as the custodian of the City's funds, including the year-end financial reports and any adjusting entries made to the books and records of the City.

The Community Redevelopment Act

Chapter 163, Part III, Florida Statutes, also known as the "Community Redevelopment Act of 1969" (Chapter 163) authorizes the creation of CRAs for the purposes of redevelopment of slums and blighted areas that are injurious to the public health, safety, morals, and welfare of residents and for which there is a shortage of housing affordable to residents of low or moderate income, including the elderly. Chapter 163 provides requirements that address the establishment of such agencies, their powers and limitations, funding, expenditure restrictions, and reporting and audit requirements.

Redevelopment Trust Funds and the Requirement for CRA Plans

CRAs may be funded through tax increment financing (TIF), whereby the CRA is to receive annually 95 percent of the taxes on the appreciated value of the properties within the CRA boundaries since the effective date of the ordinance providing for the funding. Section 163.387(1)(a) states that "[f]unds allocated to and *deposited into* this fund shall be used by the agency to finance or refinance any community redevelopment No community redevelopment agency may receive or spend any increment revenues pursuant to this section unless and until the governing body has, by ordinance, created the trust fund and provided for the funding of the redevelopment trust fund until the time certain set forth in the community redevelopment plan...." (emphasis added) That fund is commonly referred to as a Redevelopment Trust Fund (RTF).

Section 163.360(b) and 163.362 require CRAs to provide detailed CRA Plans, including the specific identification of the projects that will be undertaken, the financing of those projects, and estimated time frames for their completion. In addition, Section 163.387(6) requires that any expenditure from the RTF be in accordance with that which is described in the applicable CRA Plan.

Limits on CRA Expenditures

Chapter 163 also requires that funds allocated to, and deposited in, the RTF must be used to finance or refinance community redevelopment, which is defined at Section 163.340(9) as undertakings, activities, or projects in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight; the reduction or prevention of crime; for the provision of affordable housing; or the rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed. Section 163.387(6) enumerates some of the permissible uses for the funds allocated to the RTF.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

The Composition and Administration of the City of Hallandale Beach CRA

The CRA was created by the City Commission via Resolution No. 96-15, adopted on September 17, 1996. As per Chapter 163, the CRA is governed by the CRA Board of Directors (CRA Board) which is comprised of the members of the City Commission. The CRA's chief executive is the CRA Executive Director. At times, the CRA has also employed or designated a City official to act as a CRA Director, an executive position subordinate to the Executive Director.³ From the time of the creation of the CRA, through late August 2012, the City Manager has acted as the Executive Director of the CRA. On August 22, 2012, Dr. Alvin Jackson became the first independent CRA Executive Director and held that position until he was dismissed by the CRA Board in January 2013. In January 2013 the City Manager once again became the CRA Executive Director.

The first CRA plan was approved by Broward County in November 1996. Between the inception of the CRA and December 31, 2012, Broward County has provided the CRA with approximately \$36 million in TIF monies.

INDIVIDUALS COVERED IN THIS REPORT

Joy Cooper

Ms. Cooper is the City Mayor and has served in that position since 2005. As mayor, she is also the Chairperson of the CRA Board. Prior to being elected Mayor, Ms. Cooper served as a City Commissioner since 1999.⁴

Alexander Lewy

Mr. Lewy is the City Vice-Mayor and has been a City Commissioner since November 2010. As the Vice-Mayor, he is also the Vice-Chairperson of the CRA Board.

William Julian

Mr. Julian is a City Commissioner who was re-elected to that position in November 2012, after having previously served as a Commissioner from 2001 to November 2010. As a Commissioner, Mr. Julian is also a CRA Director.

³ Due to the various positions which the CRA has elected to term as "director," for clarity, this report will refer to the individuals on the CRA Board as "members" rather than the statutory designation of "director."

⁴ In order to ease confusion, this report will refer to City government officials by their City titles, since the OIG has determined that CRA Board meetings and decisions frequently occurred as an indistinguishable part of City Commission meetings.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Anthony Sanders

Mr. Sanders is a City Commissioner and has served since being appointed to the position in August 2008. As a Commissioner, he is also a CRA Director. Commissioner Sanders is also the pastor for HVM and the former corporate president of Eagles Wings Development Center, Inc.

Dorothy Ross

Ms. Ross is a former City Commissioner who served in that position from 1995 until November 2012. As a Commissioner, she was also a CRA Director. During her tenure as a Commissioner, she also served as Mayor and Vice-Mayor.

Keith London

Mr. London is a former City Commissioner who served in that position from November 2006 until November 2012. As a Commissioner, he was also a CRA Director.

Dr. Alvin Jackson, Jr.

Dr. Jackson was hired as the CRA Director on January 15, 2011, and was promoted to Executive Director on August 22, 2012. Dr. Jackson was terminated without cause on January 18, 2013.

Renee Crichton

Ms. Crichton is the City Manager and has served in that position since June 2012. In January 2013 she became the CRA Executive Director, following the dismissal of Dr. Jackson. Ms. Crichton was previously employed as Assistant City Manager from November 2000 through February 2002.

Mark Antonio

Mr. Antonio was employed by the City for over 25 years and served as the City Manager from June 2010 until his retirement in June 2012. As City Manager, he was also the CRA Executive Director. Prior to being the City Manager, Mr. Antonio held the positions of Comptroller, Assistant Finance Director and Assistant City Manager.

Dwayne Michael Good

Mr. Good was employed by the City for over 25 years and served as the City Manager from 2002, until his dismissal by the City Commission in June 2010. As City Manager, he was also the CRA Executive Director. Prior to being the City Manager, Mr. Good held the positions of Operations Manager, Assistant Director of Public Works, and Assistant City Manager.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Patricia Ladolcetta

Ms. Ladolcetta was the City's Finance Director until January 2013, when she retired. She had been employed by the City for over 21 years. She reported directly to the City Manager and was responsible for the operation of the Finance Department.

Dr. Deborah Brown

Dr. Brown has been the Director of PCA since 2009, and Director for the Zamar School of Performing Arts, Inc. since 1997. She has also been a Broward County teacher for over 30 years.

INVESTIGATION

This investigation was predicated on information alleging that officials of the City and the CRA grossly mismanaged public funds entrusted to the care of the CRA. The OIG investigation substantiated the information. We also found probable cause to believe that a recipient of CRA funds had engaged in criminal misconduct in connection with the use of those funds. The OIG investigation did not substantiate allegations that officials engaged in misconduct or gross mismanagement in connection with the CRA's purchase of the HVM property.

The investigation involved the review and analysis by OIG staff of substantial materials including CRA plans and annual reports; City and CRA financial records and budget documents; City and CRA materials relating to recipients of grants and donations; CRA loan program administrative policies, files, and spreadsheets; City and CRA property purchase files; City Commission documents including meetings minutes, correspondence and memoranda; CRA Board meeting minutes and digital recordings; bank records, bank statements, and other external financial materials; external audit reports; and relevant Florida and municipal laws and governing authorities. OIG Special Agents also conducted interviews of witnesses including current and former City Commissioners, current and former City and CRA personnel; Broward County officials; and owners and employees of non-profits.

Findings of Gross Mismanagement Related to the Structure and Function of the CRA

The OIG investigation found numerous instances of gross mismanagement that stemmed from institutional deficiencies in the establishment, organization, and function of the CRA.

1. Failure to Establish the CRA Redevelopment Trust Fund

Although Chapter 163 clearly requires that an RTF be established before a CRA spends any funds, the City failed to establish one until May 2012, after receiving OIG inquiries as a part of this investigation. Originally, the City had enacted Ordinance Number 96-25, effective December 27, 1996, ostensibly to establish the RTF. Yet, despite the statutory requirement that RTF monies be "allocated to and *deposited into* the Trust Fund," for almost 16 years the

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

CRA merely utilized the City's pooled-cash operating bank account for these purposes, continuously co-mingling CRA funds with City funds in the City's bank account.

In May 2012, the CRA opened a separate CRA bank account with an initial balance of \$2.5 million. Dr. Jackson stated that he was not confident that the opening balance of the RTF accurately reflected the amount of funds due to the CRA. He stated that he had been forced to rely on City staff to provide him with finance and accounting information and was not able to verify the accuracy of the information provided. There is no evidence that City staff ever provided him with any accounting showing how it arrived at the \$2.5 million figure.

2. Failure to Operate the CRA as a Separate Legal Entity

Prior to 2012, the City and the CRA did not function as separate legal entities. Instead, for years the City operated the CRA as if it was merely another department of City government, and CRA Board meetings and decisions frequently occurred as an indistinguishable part of City Commission meetings. Indeed, in March 2008 Mr. Good caused the City to formally embrace that notion by merging the CRA with the City's Development Services Department (DSD), in effect making the CRA a section within the DSD. Numerous current and former City officials and employees have confirmed to the OIG that during that time period, CRA operations had been coalesced with the City's general services. Commissioner Sanders observed that the CRA was operated as "a side department" of the DSD, so that the DSD Director would have to "wear two hats." This failure was more than a mere technical deficiency. The investigation detailed below identifies multiple instances in which the City's control of the CRA resulted in an improper exercise of the powers granted in Chapter 163.

It was not until spring of 2012 that the CRA Board finally promulgated bylaws, policies, and procedures for the operation of the CRA, obtained a separate taxpayer identification number, and applied to the Internal Revenue Service for 501(C)(3) non-profit status. In August of 2012, the CRA Board finally provided for independent leadership of the CRA by promoting Dr. Jackson to the position of Executive Director. All of these measures reinforce the independent nature of the CRA, and comparatively lessen its vulnerability to improper access and abuse. Unfortunately, the City has since partially receded from this course of action. In January 2013 the City Manager once again became the Executive Director of the CRA.

3. Failure to Generate Detailed CRA Plans

Florida law requires that the CRA maintain a plan which specifically identifies publicly funded capital projects to be undertaken within the CRA area. This requirement is especially important when one considers that a CRA receives tax proceeds from other governmental entities for a limited and specific purpose.⁵ However, the CRA only updated plans in 2001 and

⁵ These include Broward County, hospital and other special taxing districts.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

2004, neither of which covered capital projects for 2010-2012.⁶ The plans that did exist were very general and did not contain the specifics required in Chapter 163. The OIG further determined that several officials were unaware of the existence of the 2004 Plan and assumed, as late as 2011, the CRA was operating under the 2001 Plan until an updated plan was adopted in 2012. Even Dr. Jackson stated his belief that the last time the CRA Plan was updated was in 2001, thus furthering the impression that CRA management did not know it had a 2004 Plan, did not abide by it, and continued to operate as if the 2001 Plan was still in effect. In fact, the City was unable to locate any copies of the 2004 plan in response to OIG requests.⁷ In a June 27, 2012, memorandum to the Mayor and the City Commission, Ms. Crichton stated that “staff was unable to locate CRA Long Range Plans from 2005-2011. It seems that the City Commission and/or CRA Board adopted a CRA Long Range Plan in 2001 and 2004, with no subsequent plans formally adopted until 2012.” (Exhibit 1)

Those CRA plans that did exist, failed to address a significant category of spending. Between 2007 and April 2012, the CRA provided at least \$1,474,739 to non-profit organizations and individuals for the purpose of providing socially beneficial programs. In addition, during that time period, the CRA provided at least \$152,494 to organizations and individuals for the civic promotions such as festivals and fireworks displays.⁸ However, both the 2001 CRA Plan and the 2004 CRA Plan are silent regarding the use of funds for non-profit social programs and civic promotion, save for one reference in the 2004 CRA Plan to an afterschool tutorial program at the Hepburn Center, to be funded in the amount of \$70,000 per year.

4. Failure to Maintain a Stable and Empowered CRA Staff and Ensure Compliance with Chapter 163

During the six-year time period covered by this investigation, the CRA management structure and staff changed often, and was plagued by unusually high turnover. One constant, however, was Mr. Good, who was the CRA Executive Director until he was terminated from his position in June 2010. In December 2006, the City hired Dr. Kendrick Pierre as the CRA Director to assist Mr. Good in managing CRA operations. Dr. Pierre told the OIG that Mr. Good made all important decisions, so that “he had no free hand to implement anything for the CRA,” and his input was rarely asked for or considered. Many other current and former CRA employees echoed Dr. Pierre’s assessment of Mr. Good’s dominant managerial style.

More troubling is evidence that Mr. Good and other senior officials lacked a basic understanding of Chapter 163 and did not require compliance with it. For example, Bobby Robinson, a former CRA Manager, stated that he was “thrown into” the job—he was previously an analyst with the City’s DSD—without adequate training, so that he had to “teach

⁶ The CRA’s 2001 and 2004 Plans included an objective to update the plan every five years.

⁷ After Dr. Jackson’s statement, the OIG requested a copy of the 2004 CRA Plan from the City. However, the City could not produce one, so the OIG had to obtain a copy from the County.

⁸ As discussed below, the Attorney General has determined that this category of spending is not an allowable use of CRA funds.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

himself” about CRAs by obtaining information from officials at other CRAs in the area. Based on what he learned, he concluded that the CRA was doing a number of things wrong, including inappropriately expending funds. When Mr. Robinson—repeatedly—reported errors to Richard Cannone, the DSD Director whom Mr. Good had informally assigned to assume day-to-day oversight of CRA operations, Mr. Cannone would just shrug his shoulders and say “what am I going to do?” He stated that Mr. Cannone knew that the charitable donations Mr. Good approved were inappropriate, did not align with the CRA Plan, and did not benefit the CRA, but brushed him off by explaining that “it was always done this way.” Mr. Robinson further stated that he raised the same issues directly with Mr. Good, who ignored them.

Frustration over the lack of communication between CRA staff and management was expressed by a number of other current and former employees, one of whom informed the OIG that she attended a CRA-related training conference, during which she learned the CRA was “not structured or managed correctly, and what they were doing at the City was not in compliance with the statutes.” For instance, she noted, “the City should not be giving donations to [non-profits] and that the CRA should be a separate entity, with its own by-laws.” She too raised her concerns to Mr. Cannone, to no avail. When asked by the OIG whether payments to non-profits for social benefit programs were permitted by Chapter 163, Mr. Cannone responded, “Technically, no.”

The OIG investigation determined that the high turnover of CRA personnel, both at the supervisory and staff levels, was an important factor in the mismanagement of the agency. The constant turnover undermined the development of any in-house expertise in the laws and regulations governing CRAs, blocked the growth of institutional knowledge and memory, hindered the formation, implementation, and fine-tuning of policies and worsened the already dismal communication problem in the agency—all of which increased the number of poor decisions and mistakes and impeded the mission of the CRA.

In addition to the high turnover, the management of the CRA was hurt by a lack of CRA-related training for its supervisory staff and Board members. Mr. Good initially told the OIG that he had not received any CRA-related training, but later qualified that statement by recalling that he “possibly” attended one or two CRA training sessions, although he could not recall anything about the training. Mr. Good’s successor as CRA Executive Director, Mr. Antonio, stated that he never received any CRA-related training. Most of the other current and former staff members told the OIG they did not receive adequate training. Similarly, with the exception of Mayor Cooper and Commissioner Sanders, none of the CRA Board members that the OIG interviewed recalled receiving CRA-related training.

Dr. Jackson stated that when he was hired in January 2011, Mr. Antonio admitted to him that the condition of the CRA was “not good.” Dr. Jackson told the OIG that it did not take him long to realize the CRA had been “grossly negligent” in its operations. He identified his

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

concerns in a February 28, 2011 memorandum to Mr. Antonio (Exhibit 2),⁹ and began bringing the problems he found to the attention of the CRA Board and other City officials so the appropriate changes could be made. Dr. Jackson met resistance to his recommended changes from many City officials and CRA Board members from the start; although he was able to implement some changes, many of his recommended changes were not implemented or were significantly modified.¹⁰

Specific Improper and Questionable CRA Expenditures

The OIG investigation also identified additional specific improper and questionable CRA expenditures, many of which may have been made in violation of Florida law.

1. Multiple Failures in the Charitable Distribution of CRA Funds

Until October 2011, the CRA gave funds to non-profits and other entities through a process that the CRA referred to as “charitable donations.” In return for the charitable donations, the recipients were expected to provide some type of service to the community, based upon the representations they made to the CRA Board, the CRA Executive Director, and CRA staff. The OIG investigation identified a number of flaws in the CRA’s charitable donation process.

a. The CRA did not use a transparent process nor standardized criteria to award funds

Jennifer Frastai, the City Manager Administrator who was responsible for overseeing the donation process, informed the OIG that throughout Mr. Good’s tenure as City Manager, and for most of Mr. Antonio’s tenure, all donation requests from non-profits for CRA funds were handled by the City Manager’s office, which did not consider any standardized criteria when evaluating the requests. Numerous officials, including Commissioner Julian, confirmed that requests were simply listed on a spreadsheet, discussed at an annual budget meeting, and then voted on by the CRA Board. Commissioner Julian also stated that the City did not publicly advertise or notice the charitable donation process. Mr. Antonio acknowledged that the process “had no structure to it.”

Additionally, the approval of the charitable donations by the CRA Board was not always publicly documented because Mr. Good had the authority to award donations from a “miscellaneous fund” over which he had near total control. Mr. Good acknowledged that he had the authority to make recommendations to the CRA Board regarding which non-profits should receive charitable donations, but that they, not he, would decide which would actually receive donations, and how much each would

⁹ The handwriting which appears on the memorandum is that of Mr. Antonio, Assistant City Manager Nydia Rafols, and Dr. Jackson.

¹⁰ Below, this report separately addresses the remedial actions undertaken by the City and the CRA.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

receive. However, he admitted that he also had the authority to approve the expenditure of CRA funds to non-profits through the CRA Miscellaneous Account in amounts of up to \$50,000 if he desired, without having to obtain the approval of the CRA Board. Commissioner Julian stated that before October 2011, the City made no attempt to verify documentation provided by non-profits before funding them. He added that if a recommendation for funding was made by the City Manager, he took it for granted that it had been properly vetted.

b. The CRA did nothing to verify the performance of the recipients of “charitable donations”

During the course of the OIG investigation, it also became evident that the CRA did nothing to verify that the non-profit recipients of charitable donations used the money for the intended purposes. Through interviews with Ms. Frastai and others, the OIG learned there was no mechanism in place to verify how the non-profits—such as PCA—and other recipients actually spent the money they received. Mr. Antonio admitted that prior to October 2011 there was never any attempt to verify how the monies were expended or whether the promised services were provided. Mr. Antonio added that the CRA never conducted any audits of the non-profits; never conducted any site visits; and never required that the non-profits provide any reports or written verification regarding the use of CRA funds.

Many current and former City officials also stated that Mr. Good made the awards without any type of written agreement specifying the public purpose of the donations, or providing any way that the CRA could monitor the use of the funds. Commissioner London stated that he was unaware of the CRA conducting any type of verification; it could never tell him how many actual jobs had been created by the recipients; and he could not obtain documentation or other proof that the recipients provided the services they claimed they were going to provide. Commissioner London further stated that “the City Commissioners and the CRA Board looked at the CRA fund as one big pile of money and they didn’t care how or where the money went.” As a result, he concluded, the City had no transparency, no continuity and no processes to ensure that the non-profits were doing what the CRA paid them to do. In contrast, Commissioner Sanders stated that the CRA should agree to compensate the non-profits for providing any documentation verifying the proper expenditure of CRA funds. Commissioner Sanders opined that if the CRA did not provide additional funds to the non-profits to validate deliverables, then it could not expect to be provided with accurate data. Mayor Cooper stated that she was not concerned with the CRA administration’s lack of verification because the CRA Board members observed the work of the non-profits when they went out in the community.

Given the lack of documentation obtained and retained by the CRA in this regard, the OIG was unable to reliably assess the amount of possible losses suffered by the CRA as

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

a result of misapplication of funding by non-profits. Thus, as a part of this investigation, we conducted a review of the expenditure of CRA funds by seven non-profits for the period from 2007 through April 11, 2012, as detailed in OIG Table 1:

OIG Table 1

Actual Disbursements from CRA “Donations” Account¹¹							
Fiscal Year	2007	2008	2009	2010	2011	2012*	Totals
Recipients Reviewed	75,000	0	75,000	40,500	45,000	126,074	361,574
Other Recipients	292,490	196,495	204,200	180,604	234,259	5,117	1,113,165
Totals	367,490	196,495	279,200	221,104	279,259	131,191	1,474,739

The identity of the non-profits reviewed by the OIG and the manner in which the CRA funds were distributed are detailed in OIG Table 2:

OIG Table 2

Fiscal Year	2007	2008	2009	2010	2011	2012*	Totals
Eagles Wings	75,000		50,000		15,000	20,000	160,000
Greater Mr. Everett						38,750	38,750
Lampkins/Dizzy Fingers						20,000	20,000
Palms Center for the Arts				32,500	25,000	36,167	93,667
PCAC						11,157	11,157
Phileo				8,000	5,000	**	13,000
Zamar			25,000				25,000
Totals	75,000	0	75,000	40,500	45,000	126,074	361,574

* Through 4/11/2012

** Phileo received CRA funding approval but as of 4/12/12 they had not received any payments as their summer program for FY 11/12 had not yet started.

As a part of the review, the OIG requested that the seven non-profits in the sample provide documents and records that evidenced the manner in which they spent the CRA funds they received. The documentation they provided in response included bank records; program descriptions; sign-in sheets and other evidence of attendance by program participants; and invoices and receipts relating to purchases.¹² Although there was very little documented evidence of the results achieved by the non-profits,¹³ with

¹¹ In fiscal year 2011-12, the account was renamed “Community Partnership Grants.”

¹² Lampkins, also known as Dizzy Fingers, a non-profit that received \$20,000 from the CRA in 2012. The OIG is separately investigating Lampkins’ use of the CRA funds.

¹³ Eagles Wings and Greater Mt. Everett were able to provide documentation of results from the CRA funded programs. However, aside from Palms Community Action Coalition, Inc., which has only recently begun its work, none of the other non-profits were able to provide any evidence of the results of their endeavors. In fact, Phileo’s Chairman of the Board of

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

the exception of the PCA and Lampkins Creative Arts 4 All, Inc. (Lampkins), we could not determine that the funds were misused.

By contrast, through fiscal year 2011, the CRA never made any such attempt to audit or otherwise verify or monitor the use of its funds by non-profits. Beginning with fiscal year 2012, which began on October 1, 2011, the CRA no longer made charitable donations in lump sums on an annual basis. Instead, the CRA began distributing those funds on a quarterly basis, and in connection with those distributions required that non-profits submit “quarterly progress” reports which would presumably reflect the manner in which funds were expended. (See sample Quarterly Progress Report, attached as Exhibit 3). However, even a cursory review of the report form reveals that it does not require the recipients to provide any back-up documentation which might validate that the funds were spent appropriately.

c. CRA Funding of Non-Profits and Civic Displays were Beyond the Scope of Chapter 163

As noted above, Chapter 163 describes numerous permissible uses of RTF monies, all of which generally relate to the elimination, prevention, and spread of slums and blight. In 2010, the Florida Attorney General confirmed in a formal opinion that any CRA expenditures must be connected to “brick and mortar” capital improvements within a CRA’s boundaries. (AGO 2010-40, attached as Exhibit 4) The AGO specifically states that “grants to entities which promote tourism and economic development, as well as to non profits providing socially beneficial programs, would appear outside the scope of the community redevelopment act.”¹⁴

The OIG investigation determined that between 2007 and 2012, the CRA made expenditures of at least \$1,474,739 in payments to non-profit entities for socially beneficial programs that appear to have been outside the scope of Chapter 163. The programs purported to provide a wide spectrum of services, ranging from food preparation, athletic activities, music education, and training in the arts, through employment training and job placement programs. In addition, the CRA paid at least \$152,494 during that same time period to organizations and individuals for civic promotions such as festivals and fireworks displays that may have been outside the scope of Chapter 163. The OIG investigation has not focused upon the relative merits of such programs and promotions, although we have discussed above the CRA’s failure to exercise due diligence in determining whether its funds were actually expended in connection with such purposes. Rather, we question the expenditures simply because they appear to be beyond the ambit of Chapter 163.

Directors told the OIG that he considered the General Education Development program funded by the CRA to be a failure. While not all programs will be successful, the OIG is merely pointing out that the CRA had no mechanism for routinely obtaining that information.

¹⁴ Mayor Cooper informed the OIG that she believed AGO 2010-40 authorized such expenditures.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

It further appears that some of the civic promotions paid for with CRA funds took place outside the CRA boundaries, a type of expenditure prohibited by Chapter 163. Dr. Jackson stated that he thought the CRA Board and staff did not possess a clear understanding of what funding purposes were permissible under Chapter 163. That problem, he reiterated, was magnified by the fact that City departments had access to the CRA accounts and were able to charge costs to the CRA if budgeted funds were available, regardless of whether the cost was applicable to the CRA. Dr. Jackson stated that he believed it was the City's practice to charge the CRA for some citywide events. He offered the CRA's payment for Fourth of July fireworks as an example: since the fireworks were for the entire City, including the CRA, they would be charged to the CRA. He concluded that his "bottom line observation" was that Mr. Good customarily used CRA money to supplement the City's general fund. Commissioner London also stated that he was aware of the City authorizing the expenditure of CRA funds outside of the CRA boundaries. He believed this occurred because the City Commission ceded authority to the City Manager to designate what funds to use to pay for City department expenses and to what accounts these expenses should be charged, which resulted in City expenses being charged to accounts which were funded with CRA money. Mr. Good also recognized that it was not appropriate for the CRA to fund programs or events if they were outside the CRA boundaries.

2. The CRA Loan Programs were Grossly Mismanaged

The CRA offered a number of loans for specified purposes through programs which were established from time to time by the CRA Board.¹⁵ The investigation found that the management of the CRA's loan programs resulted in substantial financial losses, along with creating the appearance of favoritism and improprieties. The areas of mismanagement of the program included granting waivers to particular borrowers that violated the terms and conditions the CRA had put in place concerning collateralization and other mechanisms to secure the loans; failure to acquire and utilize an adequate system to account for routine loan transactions and budget calculations; and the creation of new loan programs to accommodate loans to particular borrowers.

a. The loan to Digital Outernet, Inc. improperly waived BIP requirements

Waivers of the terms and conditions of CRA loan programs were granted by the CRA Board for particular borrowers, leaving the CRA without the security and recourse which the loan program terms required, resulting in substantial losses to the CRA. In

¹⁵ Among the programs which had been established prior to the period covered in this investigation were the Neighborhood Improvement Program (including Storm Shutter Assistance loans, Paint Voucher loans and others), the Commercial Loan Program (including Commercial Code Compliance loans, Foster Road Code Compliance loans and the Commercial Façade Program loans), the Business Incentive Loan Program (BIP) and the First Time Homebuyer/Affordable Housing Program. The CRA Board established the Small Business Retention and Expansion Program (SBREP) and modified the BIP during the time period covered by this investigation.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

one such instance, a Business Incentive Loan Program (BIP) loan to Digital Outernet, Inc. (DOI) for \$125,000 was approved in March 2009, despite the fact that DOI was a start-up venture, rented its business location, and had no real estate to pledge as collateral, in contradiction to BIP requirements for the loan.¹⁶ The loan was made ostensibly to assist DOI in creating a high-tech audiovisual marketing and communications system in establishments around the City. When the initial disbursement check of \$75,000 was given to DOI officer John Hardwick, a barber by profession, in August 2009, DOI President Steve Fecske was not present and did not sign the promissory note for the loan. Mr. Fecske never subsequently signed the note and Mr. Hardwick is now deceased.

The CRA's initial loan disbursement of \$75,000 represented 78% of all revenue ever deposited into DOI's bank account. Further, the DOI bank account was opened approximately three months before the loan was funded with a deposit of \$100. Within 30 days of receiving the loan proceeds, DOI had expended the entire amount of the loan. The CRA ultimately acquired no collateral resulting from DOI's expenditure of these funds. DOI's citywide digital communications and advertising network was never significantly implemented. Additionally, Mr. Fecske's active involvement in the DOI business venture appeared to rapidly diminish after DOI's receipt of the loan proceeds, until he ultimately ceased to have any material involvement at all.

DOI made only one loan repayment of \$2,284, which was made nearly a year after the loan was funded. In July 2012, after inquiries and investigation by the OIG concerning this loan, the CRA wrote off the entire unpaid loan balance of \$72,716, along with all accrued unpaid interest. No collateral of any kind was recovered.

Mr. Good advised the OIG that his recommendation to the CRA Board was for approval of the DOI loan and waiver of the BIP requirement that DOI own its business location in the CRA. Mr. Good further advised, concerning loan closing procedures and loan funds disbursements, that he did not create any particular system; rather, he assumed that the City attorney and CRA staff had developed an appropriate system. Mr. Good also stated that he was previously unaware that funds had been disbursed to Mr. Hardwick even though the CRA neglected to obtain Mr. Fecske's signature on the promissory note. Concerning the CRA's ultimate loss of approximately \$75,000 in principal and interest, Commissioner Julian observed that "sometimes the City will take a loss on a gamble."

¹⁶ The BIP required that the borrower must *own* its business location—within the CRA boundaries—and pledge the real property as collateral for the loan.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

b. The loan to the South Florida Sun Times did not meet existing CRA criteria

New CRA loan programs were created to accommodate particular borrowers. For example, South Florida Digest, Inc., doing business as the South Florida Sun Times (Sun Times) newspaper, received a loan for \$50,000 under the Small Business Retention and Expansion Program (SBREP) in June 2009. The SBREP did not exist prior to the Sun Times' loan request; Mr. Good directed the creation of the SBREP on December 10, 2008 and simultaneously approved, within the same memorandum, the loan to the Sun Times under the planned new loan program.¹⁷ The terms and conditions of the Sun Times loan did not meet the criteria for any previously existing CRA loan programs, particularly regarding the \$25,000 loan forgiveness feature, which in effect made the \$50,000 loan a \$25,000 loan with a \$25,000 grant.

Commissioner Julian stated that he had originally recommended to the Sun Times that it apply for a CRA loan to give it a "boost over a bad season." Thereafter, in a letter dated December 5, 2008, the Sun Times cited an ongoing financial crisis as its basis for requesting financial assistance from the CRA. The CRA Board cited the financial crisis as the basis for approving the loan with the 50% forgiveness feature, which Mayor Cooper and Mr. Good repeatedly called a "grant."¹⁸ However, the CRA's Sun Times loan file included documentation which disclosed that in 2008, the two owners of the Sun Times paid themselves a total of \$469,000 in salaries.¹⁹ In that same year, the Sun Times corporate tax return reported that the business effectively broke even (\$9,084 loss for tax purposes on total revenue of \$1,354,245) after paying the owners' salaries as noted above. Mr. Good stated that he initiated the process to create the SBREP and recommended approval of the loan after discussing the Sun Times financial situation with the newspaper's owners and editor. He further stated that at the time, he was unaware of the salaries the owners paid to themselves in 2008. Mr. Good stated that if he had known their salaries, he would never have recommended the loan.

c. The CRA did not properly record loan disbursements and payments

From its inception, the CRA relied upon the City's Finance Department personnel and computer software for the performance of its routine accounting functions. In response to investigative inquiries, Ms. Ladolcetta admitted that the City's primary accounting software system was incapable of properly accounting for long-term loans. As a workaround, the City began tracking individual loan balances and invoicing data in

¹⁷ CRA Administrative Policy 2027.006, which actually created the SBREP, was not approved by the CRA Board until February 11, 2009, two months after Mr. Good directed that "staff is to process a check in the amount of \$50,000 for the South Florida Sun Times."

¹⁸ The Sun Times routinely permitted Mayor Cooper to publish a column in the newspaper. Commissioner Julian was also allowed to occasionally publish a column in the newspaper pertaining to area history.

¹⁹ The OIG was unable to determine if this documentation was obtained by the City at the time of the loan's approval, or at a later date.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

subsidiary records for each borrower. However, this separate system did not interface with the primary accounts. Consequently, Ms. Ladolcetta advised that to show that loan transactions had occurred within the accounting system, they were recorded as follows: disbursements were recorded as expenses, even though the disbursements were not actually expenses, and principal repayments were recorded as revenue despite not actually being revenue. This makeshift system resulted in the affected CRA accounts showing inaccurate balances in the primary accounting system. Ms. Ladolcetta stated that a significant adjusting entry was required at the end of each fiscal year to “true up” the accounts in the financial statements.²⁰

In the summer of 2012, the OIG investigation revealed multiple inaccuracies in the CRA’s accounting, and Special Agents began to question City officials regarding their loan accounting practices. At the August 22, 2012 CRA Budget Workshop Special Meeting, the lack of accurate information resulted in significant last minute adjustments to the CRA’s pre-planned budget allocations. Dr. Jackson was forced to revise the proposed CRA budget for fiscal year 2013 by reducing budgeted revenue by \$550,000. He informed the OIG that he had been notified by Ms. Ladolcetta of the revenue reduction adjustment only minutes before the meeting began. Due to the deficiencies in the system for accounting for long-term loans receivable, the CRA budget had inaccurately depicted loan repayments in the amount of \$550,000 as revenue, instead of properly recording them as reductions of loans receivable balances. Dr. Jackson also stated that the CRA staff had expended great effort and time in allocating the budgeted revenue according to established priorities and that the last minute reduction left him with no time to consider the ramifications to the overall budget, or to reallocate funds according to any priorities. Instead, he stated, he was forced to make drastic cuts to a program which had been cited as a priority by the CRA Board.

During the meeting, Ms. Ladolcetta provided an explanation to the CRA Board concerning this unexpected adjustment, in which she cited the accounting system deficiency noted above. Further, she stated that the City would be purchasing new primary accounting software as part of its planned Enterprise Resource Planning System (ERP) upgrade which would permit improved accounting for long-term receivables such as the CRA loans. However, the OIG’s review of documentation for the procurement of the new ERP upgrade disclosed that no loan management module was included in bids received by the City.

d. The payoff amount of the loan to Higher Vision Ministries was miscalculated

In January 2002, the HVM non-profit received a \$46,000 loan from the CRA under the Commercial Code Compliance Loan Program, for the purpose of bringing its

²⁰ The annual fiscal year-end adjusting entry would be calculated to determine the accurate balance of the balance sheet account for the loans receivable and the affected income statement accounts.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

commercial property into compliance with the building code. The loan was collateralized by a mortgage on the HVM property, and Commissioner Sanders signed the promissory note in his capacity as President of HVM. \$31,000 of the loan proceeds were payable in full at 2% interest, and the remaining \$15,000 of the proceeds were interest free. The promissory note also contained a forgiveness provision, which stated that if after five years all payment and ownership criteria were satisfied, \$7,500 of the \$15,000 interest free portion of the loan would be forgiven.

The HVM property was purchased with CRA funds—but erroneously titled in the name of the City—in February 2009. By then, HVM had repaid \$25,068 of the loan. In preparation for the sale, the CRA prepared a loan payoff calculation and mistakenly informed Commissioner Sanders that HVM was credited forgiveness in the amount of \$15,000—double the amount to which it was entitled—so that the total loan payoff amount required from HVM would be \$9,368.

In 2012, three years after the loan was satisfied, it came to the City’s attention that the loan payoff amount was incorrectly calculated, resulting in a loss of \$7,500 to the CRA. Mr. Antonio determined that the miscalculation was the result of an error by the CRA staff, and decided not to pursue repayment. Nevertheless, HVM concluded that although it was not legally obligated to make further repayment, that in fairness and in the best interests of the community it would do so. Commissioner Sanders informed the OIG that to that end, HVM arranged for a payment plan in July 2012 and has begun repayment.

3. CRA Funds Were Improperly Used to Repay City Bonds

In September 2007, the City borrowed \$24,615,000 via the Florida Municipal Loan Council’s (FMLC) issuance of Revenue Bonds Series 2007A (Bonds). The authorized purpose for usage of the proceeds was explicitly stated by both the FMLC and the City to be financing the acquisition, clearance and improvements of real property anywhere in the City for use as a park. City correspondence and documentation unambiguously reflected that the Bonds would be repaid by CRA funds. Specifically, an ordinance to accomplish this borrowing passed on first reading on August 1, 2007 and on second reading on August 14, 2007. A related resolution concerning additional grant funding for the parks land acquisition passed on April 16, 2008. In each of these meetings, the discussions included explicit assertions and acknowledgements that the Bonds repayment would be funded by the CRA.

The City expended \$17,888,902 from the Bonds proceeds in September 2007 to purchase parcels of land adjacent to Bluesten Park, all within the CRA boundaries. Subsequently, the City expended \$416,365 of Bond proceeds for park projects *outside* the CRA boundaries,²¹ including \$252,139 for a City Marina project, after a unanimous vote of approval by the City

²¹ The CRA boundaries, at most, encompass only three-fourths of the City limits.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Commission—not as the CRA Board—on September 1, 2010. Other payments expended outside the CRA boundaries included \$66,266 for improvements to Scavo Park and South Beach Park, \$45,788 to Golden Isle Tennis Complex, as well as approximately \$52,172 of pro rata allocations of Bond issuance and land survey costs.

At an August 2012 Commission meeting, Ms. Crichton specifically discussed using the remaining proceeds of the Bonds, in the amount of \$5,347,000, for improvements to Scavo and South Beach Park, but did not mention any cost to the City to fund a portion of the repayment of the Bonds. In response to a question from a resident, Ms. Crichton reiterated that the Bond proceeds could be used to pay for Scavo Park and South Beach Park, thereby reducing the overall cost to the City of any new bond issuance. Although Ms. Crichton provided extensive information concerning funding options for the Park Plan, as well as the cost to repay and service new debt alternatives, she provided no information concerning funding for the repayment cost or debt service cost of utilizing the remaining Bonds proceeds. On October 17, 2012, the City Commission passed a resolution which implicitly included the option of expending the remaining available Bond proceeds for improvements to both Scavo Park and South Beach Parks. Neither the documentation provided to the OIG by City staff, nor the discussion conducted by Commissioners at the meeting included any consideration of altering the existing repayment plan so that the City would pick up its fair share of payments for improvements made outside CRA boundaries. As specified in the motions to approve the Bonds, all repayments to date had been funded by the CRA, including repayments of the portion of Bonds proceeds already expended outside the CRA boundaries. Further, all published budget documents and other documentation, including City Commission meeting minutes, reveal that as of October 2012, the City always contemplated that all future repayments of the Bonds were to be funded by the CRA.

The lack of public discussion regarding the City's assumption of such a significant financial obligation raised concerns for the OIG. On October 30, 2012, Ms. Ladolcetta confirmed to the OIG that the funding for future repayments of the Bonds was to come from the CRA. She also admitted that she was unaware Scavo and South Beach Parks were outside the CRA boundaries. On October 31, 2012 and November 1, 2012, Dr. Jackson also confirmed to the OIG that all future repayments of the Bonds were scheduled to be funded by the CRA. He also stated that he was unaware that any proceeds of the Bonds remained unexpended, or that the City had plans to consider expending any such funds outside the CRA boundaries.

Accordingly, on November 5, 2012 the OIG informed the City Commission of its concerns. (OIG letter to the Mayor and City Commission, attached as Exhibit 5). The following day, the City responded by indicating that it had devised a Bond repayment plan whereby the City would repay its pro-rata share of the Bonds expenditures, or approximately \$8,780,619 in principal and interest. (Ms. Crichton's November 6, 2012 letter to the OIG, attached as Exhibit 6). The OIG promptly acknowledged the City's contemplation of remedial action, but expressed concern that such an immense oversight had occurred in the first place. (OIG's November 7, 2012 letter to Ms. Crichton, attached as Exhibit 7). On November 7, 2012, the

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

City Commission held its regular meeting and again discussed the options for funding the parks plan. Mayor Cooper opened the discussion of the agenda item with a proposal that the Commission consider a funding mechanism whereby the remaining Bonds proceeds would be used to fund the purchase of the Post Office property, which is within the CRA boundaries, at a cost of \$5.8 million. Although an eventual approval of this option would appear to negate any requirement of the City to fund that portion of the Bonds repayments, this option does not resolve the City's liability to fund repayment of the \$416,365 in CRA funds already expended beyond the CRA boundaries.

Ms. Crichton subsequently informed the OIG that from the beginning of her tenure as City Manager, she had understood that the City would be required to fund repayment of its pro-rata share of Bonds proceeds expended outside the CRA boundaries. She also stated that she believed that Commissioners were aware of this fact as well, although she acknowledged that she was not aware of any discussion of it in Commission meetings, or any reference to it in written materials. In addition, she stated that no City funding of the Bonds repayment had occurred because the amount expended outside the CRA area as of that date would have resulted in a "negligible" portion of the repayments. Ms. Crichton concluded that inasmuch as the City Commission had not actually approved the option of expending the remaining \$5,347,000 of Bond proceeds outside the CRA boundaries, neither it, nor City staff, had acted improperly or otherwise failed in their responsibilities.

Other Scrutinized Activities

The OIG also investigated additional allegations of gross mismanagement and misconduct.

1. There is Probable Cause to Believe that Dr. Brown Caused PCA to Misapply \$5,000

In April 2009, PCA became a Florida non-profit which focused on preparing young adults for employment in the music and recording industry. PCA is located in the former HVM property and is operated by Dr. Brown and her brother, Josh Brown. Since FY 2010, PCA has received a total amount of \$93,667 in CRA funds.

In March 2010, Dr. Brown, on behalf of PCA, appeared before the CRA and requested \$10,000 to assist in funding a field trip to Washington D.C. for Hallandale Beach students. After some discussion, the CRA Board decided to match up to \$5,000 if PCA could raise the same amount in private donations. However, the OIG found no evidence that the City ever asked for proof of the matching funds. Nevertheless, a check for \$5,000 was issued to PCA and deposited into one of its bank accounts on March 26, 2010. The field trip commenced on March 26, 2010 and continued through April 3, 2010.

The OIG's review of bank records and other materials revealed that only \$323 of the \$5,000 was spent on the trip. Dr. Brown caused the remainder of the funds to be used for various unrelated expenses including over \$200 in cell phone costs; a \$683 payment for a time share

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

condominium she owns in the Westgate Resort in Orlando; a Dollar Rent-a-Car charge in the amount of \$258; a \$2,000 cash withdrawal; and payroll payments to her brother and herself. The OIG interviewed Dr. Brown, and she could not, or would not, explain why she spent the money on goods and services unrelated to the field trip. However, when she was asked if she disclosed to the CRA how she actually spent the money, she responded that she did not tell them anything because in the end all the funds were used to benefit the children that PCA served.

The OIG has concluded that the CRA's failure to attempt to routinely audit or monitor the use of CRA funds by non-profits renders those funds vulnerable to abuse, and is thus a basis for our overall finding of gross mismanagement. Dr. Brown's use of the \$5,000 is a stark example of such abuse. Because there is probable cause to believe that Dr. Brown's conduct constitutes a crime, the OIG has referred its findings to the Broward Sheriff's Office and the Broward State Attorney's Office.

2. The Ben Gamla Property was Purchased with City, Not CRA, Funds

In July 2011, the CRA Board approved the purchase of the Ben Gamla property, located at 416 N.E. 8th Avenue, Hallandale Beach, Florida, for \$1.2 million. Thereafter, in November 2011, the property was purchased, but with City—not CRA—funds, and was titled in the name of the City, not the CRA. During the August 2012 CRA meeting, Commissioner London asked why the City paid for the property. Commissioner London pointed out that the CRA Board had never rescinded its vote to purchase the property, and the City Commission never voted to approve the City's purchase of the property.

On or about September 18, 2012, the City engaged an external auditor to investigate who was responsible for authorizing this transaction without the CRA or City Commission approval. On September 24, 2012, the auditor completed her audit and found that because of apparent poor communication among and between Mr. Antonio, Dr. Jackson, and Ms. Ladolcetta, a City account was used to pay for the purchase rather than CRA funds. (See Report on Review and Evaluation Funding Approval and Payment Process Property Acquisition, attached as Exhibit 8).

The concerns identified by the OIG were not addressed by the auditor's report. First, as discussed above, the OIG's overall investigation established that the CRA administration was not granted any independent authority over CRA funds and accounts, up to and including being completely ignorant to the CRA's actual balances.²² Thus, as the auditor's report and OIG investigation made clear, the CRA administration would not have had the authority to correct the error, nor the resources to determine the proper CRA account to fund the purchase. Clearly, the admitted fungibility of City and CRA funds epitomizes the danger of the City's

²² See the discussion on page 16 of the effect of inadequate City accounting software for CRA purposes and the resulting last-minute adjustments of revenues and planned expenditures. See also the interview summaries of Dr. Jackson and Ms. Ladolcetta.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

failure to properly identify and segregate the role and function of its CRA, so that taxpayer funds are vulnerable to abuse.²³

Second, Dr. Jackson admitted that he recognized that the number on the wire transfer was not a CRA account number, and he informed Mr. Antonio of that fact a week or so after the close of the transaction. Nevertheless, no action was taken by City administration to correct the issue until Commissioner London began to question the matter in August 2012, approximately ten months later.

3. *The Purchase Price of the HVM Property was Not Materially Inflated*

In February 2009 the CRA purchased the HVM property for \$235,000 as part of the CRA's Foster Road "gateway program," the purpose of which was to develop the area by acquiring parcels of land too narrow for optimum development, along with some other contiguous real estate. At the time of the purchase, Commissioner Sanders, the president of HVM, had recently been elected to his position on the City Commission. In addition, he and his wife, Jessica Sanders, were officers of the non-profit Eagles Wings Development Center, Inc. (Eagles Wings) which had been receiving annual CRA charitable donations (See OIG Table 2), and which operated out of the HVM property.²⁴

As part of the investigation, the OIG reviewed the four appraisals obtained by the CRA in advance of the purchase of the HVM property and interviewed three of the four appraisers. The makers of the appraisals, their dates, and amounts of value are detailed in OIG Table 3:

OIG Table 3

APPRAISAL MAKER	DATE	VALUE
Miller Appraisal Group, Inc.	June 4, 2008	\$230,000
Craig Butterfield	August 21, 2008	\$275,000
L.B. Slater and Company	August 26, 2008	\$147,000
RE Analysts-Commercial, LLC	November 19, 2008	\$200,000

In a February 13, 2009 memorandum to Mr. Good, Mr. Cannone described the methodology used by the CRA to determine the purchase price. (Exhibit 9) He stated that after the initial appraisal came in at \$230,000, additional appraisals were ordered at the direction of the City Commission. Those appraisals came in at \$147,000 and \$275,000. Based on the variation in the appraisals, Mr. Cannone explained, the \$147,000 appraisal was "thrown out" and a fourth

²³ The City's failure to segregate the CRA from the City also contributed to 43 properties being improperly deeded to the City instead of the CRA. This error was addressed by the City Commission via an ordinance passed on August 15, 2012, which authorized the transfer of the properties from the City to the CRA.

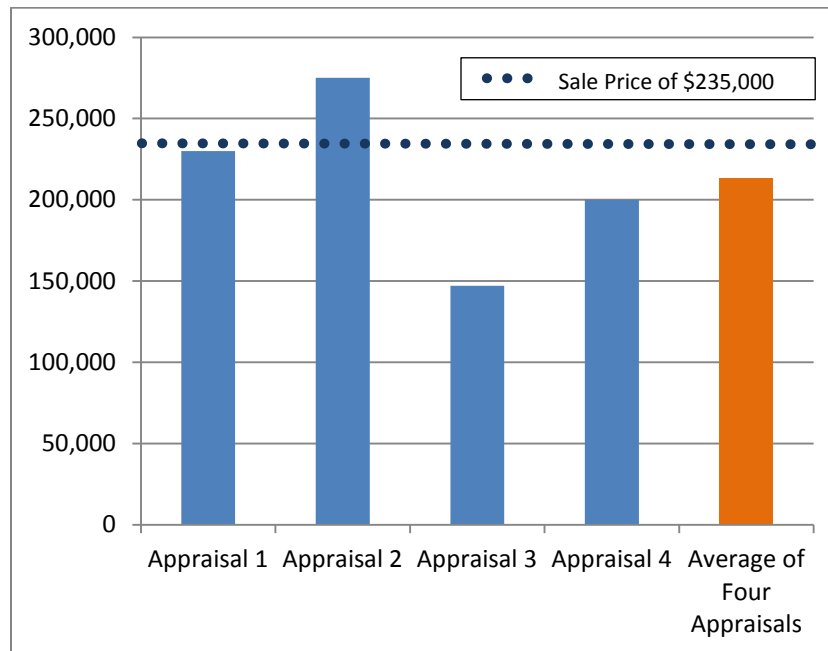
²⁴ Ms. Sanders was also an HVM corporate officer. Neither she, nor Commissioner Sanders, had any personal financial interest in the HVM property.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

appraisal was ordered.²⁵ Ultimately, the purchase price for the HVM Property was set at \$235,000 by averaging all but the lowest appraisal.²⁶

OIG Table 4 reflects that by averaging in the lowest appraisal, the purchase price would have been reduced by \$22,000, or less than 10%:

OIG Table 4



Given the limited disparity in sales prices—even before the subtraction of the 1% set-aside of sales proceeds for the benefit of another non-profit—the OIG simply cannot conclude that the CRA materially overpaid for the HVM property. Accordingly, allegations that the CRA exercised favoritism toward Commissioner Sanders are unsubstantiated.²⁷

Although the investigation did not substantiate allegations of misconduct or gross mismanagement, we found that the CRA fomented an appearance of favoritism by failing to consider the purchase of the property in a fully transparent manner. The final decision to purchase the property was voted on during a February 12, 2009, Special Commission Meeting; however, the property purchase did not appear on the meeting agenda. In addition, the meeting

²⁵ Mr. Good informed the OIG that Commissioner Sanders, who began negotiating on behalf of HVM before he was elected to the City Commission, believed that the \$147,000 appraisal was an “anomaly” and, in fairness, should not be considered. Mr. Good stated that he agreed with Commissioner Sanders, and directed that a fourth appraisal be obtained.

²⁶ In a memo dated February 13, 2009, Mr. Cannone makes reference to a requirement that HVM contribute 1%, or \$2,350, to a local non-profit organization as part of the sale. However, no such requirement was incorporated into the contract for sale and Commissioner Sanders told the OIG he was not aware of the condition.

²⁷ Commissioner Sanders recused himself from the CRA Board vote on the purchase of the property.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

was convened in a secondary meeting room and the meeting was not recorded. As regards the purchase, the minutes state that:

“City Manager Good noted the purchase of property at 501 N.W. 1st Avenue needed to be further discussed. Commissioner Sanders stated he would recuse himself from any vote and discussion given his relationship as President of Higher Vision Ministries, Inc., which owns 501 N.W. 1st Avenue. Commissioner Sanders left the meeting. [It was then noted that Commissioner Sanders filed a Form 8B regarding voting conflict and it was filed with the city clerk.] City Manager Good discussed how purchase of the property is part of a comprehensive redevelopment plan for the entrance to the Palms neighborhood from North Dixie Highway. The amount negotiated for the property, \$235,000, was based on four property appraisals.”²⁸

A motion was made by Commissioner Julian to authorize the purchase of the property for an amount not to exceed \$235,000, and was carried three to one, with Commissioner London casting the only no vote. The purchase closed on the same day.

Given the issues concerning the manner in which the sales price was calculated, the fact that Commissioner Sanders was directly connected to the property through his position at HVM, and the fact that a non-profit operated by his wife was also a recipient of CRA funding, the CRA should have anticipated that suggestions of possible favoritism—and thus an appearance of impropriety—might reasonably have been raised. Predictably, the decision to consider and vote upon the purchase at a special meeting which was convened in a secondary meeting room, and was not audio-recorded, only exacerbated, rather than alleviated, that appearance of impropriety.

Remedial Action by the Hallandale Beach Government

Prior to and throughout the OIG investigation, the City and the CRA have taken a number of steps designed to improve the processes of the CRA. Those steps include:

- The CRA has now created and funded an RTF, contracted a CRA Attorney, instituted by-laws, and established a 2012 CRA Plan.
- The CRA hired an independent Finance Director and has decided to commission a separate annual audit of CRA finances.
- Although the CRA continues to give grants to non-profits despite the findings of the Attorney General, it has instituted a process for committee review of grant applications and a reporting requirement which would enhance accountability and improve oversight of the non-profits.

²⁸ Thereby inaccurately reflecting the decision to not consider the lowest appraisal.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

- The City is in the process of transferring the titles of properties to the CRA which were initially improperly titled to the City.
- The City and CRA have convened two separate review committees to consider applications from non-profits and other organizations and individuals seeking funding. Only the CRA committee will be empowered to consider the use of CRA funds.
- The City, after inquiry from the OIG, contacted its auditor and developed a plan for the City to pay its pro-rata portion of the 2007 revenue bonds if the City proceeded with its plan to spend those funds outside of the CRA boundaries.
- The CRA, after inquiry from the OIG, corrected the fiscal year 2013 CRA budget revenue projection by eliminating \$550,000 from it.

INTERVIEW SUMMARIES

As part of the investigation, OIG Special Agents conducted numerous witness interviews. Significant interviews are summarized below:

1. Interview of Dwayne Michael Good

Mr. Good stated that when he became the City Manager, he “inherited” by default the CRA Executive Director position. He further stated that as CRA Executive Director his job description was essentially the same as his job description as City Manager. Good stated that he was aware of Chapter 163, but that he was never provided any training on CRA laws or operations.²⁹ He stated that because the City Commissioners were also the CRA Board, he followed the policies and ordinances of the City when managing the CRA. Mr. Good noted that he had to provide an annual report to the City and County and he never heard anyone complain that they were not in compliance. He further advised that the City and CRA were also audited every year and he reiterated that he was never told they were out of compliance. He was asked if the CRA had a written charter or bylaws. He responded, “I’m sure they do.”

Mr. Good stated that the CRA had a plan and that it was “evaluated and updated every year” during the budget process. When asked if the 2004 CRA Plan was provided in a hard copy format, he stated that he could not recall. He stated that the financial statements, financial plan allocations, and goals and objectives of the CRA were reported in an annual report. However, after further discussion regarding the separate nature of a CRA plan, Mr. Good admitted that he could not recall if the CRA plan was ever updated and distributed to the City or the County after 2004. He also could not recall whether CRA charitable donations to non-profits were contemplated in the 2004 CRA Plan, but that they would have been included in annual budget

²⁹ Mr. Good later suggested that he may have attended “one or two” CRA-related training sessions, but he could not remember any specifics regarding them.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

documents, which he characterized as “the filler” for the donations that were earmarked for the non-profits in absence of the CRA plan. He added that the City had a long history of donating money to organizations but was not sure if the funding came strictly from the CRA. Mr. Good stated that he had the authority to make recommendations to the City Commission regarding which non-profits should receive charitable donations, and then the Commissioners would decide who actually received the donations, and in what amounts. He also stated that he had authority to disburse CRA funds to non-profits in amounts of up to \$50,000 through the CRA Miscellaneous Account, without having to obtain CRA Board of Director approval.

Mr. Good stated that at some point the City began to require the organizations who applied for donations to provide a letter advising the City how they had spent the prior year donations and how they planned on using any additional donations for the coming year. He further stated that some of the more professional organizations would provide more detailed information but some of the smaller less sophisticated ones would not provide anything at all. Mr. Good stated that his staff “would do personal follow-up” to ensure that the donations were spent properly. Furthermore, he stated, non-profits which desired repetitive funding were required to provide documentation of their programs to the CRA, although he could not provide any specific examples of such documentation.

Mr. Good stated that the CRA should not fund programs or events if they were outside the CRA boundaries. He was then asked if the CRA should have funded a fireworks event on the beach, and he initially responded that he thought that was okay because it was a “total community event” and that residents from the CRA could benefit from it even though it was held outside of the CRA boundaries. However, he later stated that the event was improperly funded because it was beyond CRA boundaries. Mr. Good addressed a series of additional questionable CRA expenditures, and ultimately concluded that CRA funds could be expended for any program that “served a need” of the City. Mr. Good was then asked if he had ever requested and received a legal opinion on how CRA funds could be expended. He responded, “I’m sure I did,” but added that he did not request a legal opinion on whether the CRA should be established as a separate legal entity.

Mr. Good stated that the City charged the CRA for services provided to the CRA by City departments utilizing a cost allocation formula. He explained that many city governments use such a cost allocation formula to calculate the total number of hours that city employees perform CRA activities, which are then charged against the CRA budget. He stated that department directors would be responsible for overseeing how much time their employees spent on CRA activities, although he could not recall whether a time card reporting mechanism existed to record those calculations. Mr. Good stated that the CRA began to pay the City approximately 10 percent of its annual budget as the result of a study on direct cost allocations performed by a consultant in 2009. He surmised that this may have been one of the reasons administrative costs went up for the CRA from \$400,000 to \$900,000 between FY 2010 and FY 2011.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Mr. Good stated that he began negotiating the purchase of the HVM property with Commissioner Sanders in 2008, before Commissioner Sanders became a City Commissioner. He further stated that the City had previously purchased many lots surrounding the HVM property and that the City wanted to put in an affordable housing and mixed use development in this location. He stated that Mr. Cannone and Mr. Antonio were also involved in the negotiations. Mr. Good recalled that the first appraisal was for \$230,000, followed by a second appraisal of \$147,000 and then a third at \$275,000. He stated that Commissioner Sanders told him that he thought the \$147,000 was too low and was an “anomaly.” He also stated that he agreed, and then commissioned another appraisal which was for \$200,000. Mr. Good stated that he averaged all but the \$147,000 appraisal and reached the \$235,000 purchase price. He stated that none of the City Commissioners exerted any undue influence to inflate the purchase price to benefit Commissioner Sanders.

Mr. Good recalled recommending approval of the Sun Times loan in late 2008, under the new SBREP. He stated that the nature and purpose of this particular loan program was to provide a stimulus boost to struggling businesses; therefore, he recommended that it include a provision to forgive repayment of principal in a range of 50% to 80%. He also stated that he believed that the Sun Times was struggling financially when he initially approved the loan. After he was shown a copy of the CRA loan file, which contained documentation showing that the two owners had paid themselves salaries in 2008 of \$239,500 and \$229,500, Mr. Good stated that he was not previously aware of that information and that he was “pretty angry right now.” Mr. Good stated that he would not have recommended approval of the loan had he been made aware of the salary information.

Mr. Good recalled approving the DOI loan in early 2009, in part because it was requested by Mr. Hardwick, who was a respected community activist and businessman. He admitted that he knew Mr. Hardwick did not own the DOI business location, but that he recommended to the CRA Board that they waive the ownership requirement imposed by the BIP loan program. He also admitted that at that time, he knew very little about DOI’s president, Mr. Fecske. He stated that he was not aware that the loan proceeds were provided without requiring Mr. Fecske to sign the promissory note, but that he knew that DOI failed to make loan repayments from the beginning, and that it never materially completed the digital communications network funded by the loan. Concerning the CRA’s loss on the DOI loan, Mr. Good stated that “sometimes in a blighted area, you take a risk.”

Mr. Good stated that he was not generally involved in the details of the CRA’s loan accounting procedures. Instead, he stated, he relied upon Ms. Ladolcetta to handle the accounting properly. Specifically, he stated that he did not know whether the CRA recorded CRA loan disbursements as expenses at the time the funds were lent, and whether repayments on the loans were recorded as CRA revenue. Mr. Good further stated that although he could not speak with authority or specificity on these topics, he was not attempting to shift responsibility to anyone else because he was ultimately responsible for insuring the accuracy and propriety of these accounting practices.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

2. Interview of Mark Antonio

Mr. Antonio stated that before 2010, the CRA had no viable process in place for managing the charitable donations it provided to non-profits: the process “had no structure to it.” Instead, he explained, those donation amounts would be included in the City Manager proposed budget as non-departmental costs in account 8090 in the City’s general fund or, occasionally, in connection with funding for the Human Services Department. He stated that CRA staff would summarize requests for funding made by non-profits on a spreadsheet presented to the City Commission for discussion and approval. Mr. Antonio added that it did not matter what dollars were presented or recommended, since the City Commission “would fund whatever they wanted anyway.” He stated once funds were disbursed to the non-profits, neither the City nor the CRA attempted to verify how they were spent.

Mr. Antonio stated that over the previous two years the process had changed. He stated that for the 2011 budget process, the CRA hired a consultant to analyze the charitable donation requests before they were submitted for approval, although he did not know if any effort was undertaken to verify the manner in which funds were spent. He further stated that for the 2012 budget process, the process was changed again by implementing a formal policy that required grant applications, grant agreements and a monitoring process, which included payment requests and quarterly progress reports. Mr. Antonio stated that non-profits should be providing documentation and that “the City should not be paying them if they didn’t.”

Mr. Antonio stated that Dr. Jackson determined that prior to the 2012 budget year, there were donations being improperly funded by the CRA. He also stated that prior to the hiring of Dr. Jackson, the CRA was run by Mr. Cannone, while he was also the Director of the DSD. Mr. Antonio also observed that there had been a lot of turnover in the CRA Manager position.

3. Interview of Dr. Alvin Jackson, Jr.

Dr. Jackson stated that when he was hired in January 2011, Mr. Antonio admitted to him that the condition of the CRA was “not good.” He further stated that it did not take him long to realize the CRA had been “grossly negligent” in its operations. He also stated that he was concerned about CRA expenditures and that the City had “free reign” to tap into the CRA account. Accordingly, he identified his concerns in a February 28, 2011 memorandum to Mr. Antonio and began bringing the problems he found to the attention of the CRA Board and other City officials so the appropriate changes could be made. Dr. Jackson stated that he met resistance to his recommended changes from many City officials and CRA Board members from the start; although he was able to implement some changes, many of his recommended changes were not implemented or were significantly modified.

Dr. Jackson stated that he opened a new checking account for the CRA in approximately May 2012, with an opening balance of approximately \$2.5 million. However, he stated that he did not know whether the opening balance of the CRA’s checking account reflected the accurate

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

amount of funds due to the CRA from the City's pooled-cash bank account as of the date the account was opened. He reiterated that he had been forced to rely on City staff to provide him with such finance and accounting information and was not in a position to verify the accuracy of the information provided. He stated that this ongoing and unresolved situation made it extremely difficult for him to establish plans and priorities for the CRA and to generally perform his function optimally.

Dr. Jackson cited a problem with the FY 2013 budget as an example of the difficulties he had in working through the City staff to determine CRA budget and accounting information. Specifically, he stated that fifteen minutes before the August 22, 2012, CRA Board budget meeting, Ms. Ladolcetta informed him that there was a reduction of the estimate of the CRA revenue of \$550,000 which was attributable to a correction in the recording of repayments on CRA loans. Ms. Ladolcetta explained that she had determined that the loan repayments had been included in the revenue estimates instead of recorded as reductions of loan principal. Dr. Jackson explained that this last minute reduction required him to cut the Economic Incentives Program, in contravention of the explicit directive of the CRA Board, and that he was forced to attempt to explain the situation to them without fully comprehending what had happened.

Dr. Jackson stated that he also requested six years of CRA audits to determine if there were findings reported. He further stated that he discovered that the CRA was not audited separately, but rather as part of the City's overall audit, so that its scrutiny was less detailed, and that based upon his review of the prior audit reports, no findings were reported. He stated that it was "mind boggling" that the City's prior annual audit reports had no findings pertaining to the CRA.³⁰ Based on his review, Dr. Jackson stated, he requested a 60 to 120 day moratorium on loans so he could come up with a CRA plan and lay down a foundation for the CRA so it could move ahead. He stated that the updated CRA plan and an Economic Development Strategic Plan, both of which he prepared, were adopted by the Commission in March 2012. He also stated that, due to such specific laws and rules pertaining to CRA's, the CRA has now retained its own attorney and will have an independent audit performed. He further stated that for the 2012 budget, there was a process put into place which resulted in recommendations by a review committee to determine charitable donations to non-profits.

Dr. Jackson stated that he believed the CRA Board had no clear understanding of the types of expenditures that are authorized by Chapter 163. He further stated because the CRA was treated as just another City department, rather than as an independent entity, other City departments had access to the CRA accounts and were able to charge costs to the CRA if budgeted funds were available, regardless of whether the cost was applicable to the CRA. Dr. Jackson stated that he believes it was the City's practice to charge the CRA for some citywide

³⁰ Dr. Jackson advised that he had previously reviewed a State of Florida Auditor General Report for the Daytona Beach CRA and advised the CRA Board that many of the deficiencies identified in the report were similar to ongoing practices at the City's CRA.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

events. He offered the CRA's payment for Fourth of July fireworks as an example: since the fireworks were for the entire City, including the CRA, they would be charged to the CRA. Dr. Jackson offered his "bottom line observation" that Mr. Good improperly used the CRA to supplement the City general fund. He stated that his assumption was that instead of cutting costs or services out of the general fund, the CRA would provide the funding. Dr. Jackson stated that he had informed a City official that using CRA funds for the City Hall air conditioning was prohibited by Chapter 163. He added that Mr. Antonio began to address some of the issues of the misuse of CRA funds during the fiscal year 2011 budget process, and that he began to address the same in the fiscal year 2012 budget process. He stated that in early 2011, he took control over CRA expenditures, so that subsequently CRA expenditures were required to be approved by the CRA. He further stated, however, that he did not go back to identify prior expenditures that were charged improperly to the CRA, and did not contact any prior CRA employees regarding those expenditures.

Dr. Jackson stated that when he began employment, he reviewed the 2001 CRA Plan, which he believed was the plan that was still in effect. He also stated that although Chapter 163 does not require a CRA plan to be updated every five years, the City's 2001 CRA Plan did include that requirement. Dr. Jackson further stated that the CRA's failure to have a charter or by-laws was also a violation of Florida law. He advised that in November 2011 the CRA Board was informed that a CRA is a legal entity separate and apart from the municipality in which it is located, so that it must promulgate its own charter and by-laws.³¹

Regarding the extent of programs offered by the CRA, Dr. Jackson stated that in terms of manageability, there were too many programs which were very diverse, had no uniformity and appeared to be created for every conceivable situation. He further stated that the CRA would "pile on programs and no one went back to evaluate whether any programs were duplicative." Dr. Jackson also stated that "the CRA cannot just give money away", but rather has to "purchase services." He stated that prior to October 2011, non-profits were provided funding without any formal agreements and without the monitoring or validation of services provided. For the 2012 budget year, Dr. Jackson advised that he met with several of the non-profits to discuss the types of services the CRA could purchase from them. He further stated that he generally believed that the purchasing of workforce training and cultural arts training from non-profits are not beyond the scope of Chapter 163 because they ultimately lead to a reduction in slums and blight. However, he stated that Chapter 163 did not permit the CRA to fund charitable donations to non-profits. He believed that the donations in the previous years were inappropriate.

Dr. Jackson stated that in November 2011, Mr. Antonio was in the process of closing the deal on the purchase of the Ben Gamla property, and informed him that he needed to fill out the wire transfer form and have the money transferred to the seller. He further stated that he did not know what account number he needed to place on the form, so he asked Ms. Ladolcetta.

³¹ Which the CRA finally accomplished in March 2012.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Dr. Jackson stated that she researched several accounts on her computer and informed him that there was not enough money in the CRA accounts to cover the \$1.2 million purchase, but that she found “another account” with sufficient funds and said “we can take it from here.” He further stated that he entered the account number on the wire transfer form and signed it, but “I should have known that the account number was not a CRA account.” He admitted that he knew the funds were not from a CRA account but he was not sure how the City handled land acquisitions, although he added that “he should have known.” He stated that at the time, he was under the impression that the CRA had enough money in its accounts because Mayor Cooper had previously reported that there was \$8 million in the CRA accounts for land acquisitions.

Dr. Jackson stated that he informed Mr. Antonio about a week later that the property was not purchased using CRA funds. He further stated that Mr. Antonio asked him why CRA money was not used and he responded that Ms. Ladolcetta had provided him with the account number, so that Mr. Antonio should speak to her. He added that Mr. Antonio never mentioned it to the City Commission in a meeting, and he did not otherwise know if Mr. Antonio discussed the issue with City officials.

Dr. Jackson was asked about his knowledge of an October 17, 2012 City Commission meeting which addressed the expenditure of the unexpended portion of the Bond proceeds, totaling approximately \$5 million, for improvements to Scavo Park and South Beach Park. He responded that he had no knowledge that there were any unexpended proceeds from the Bonds. Specifically, he stated that Mr. Antonio had informed him that the Bonds were used to finance the purchase of the parcels adjacent to Bluesten Park, and it was his understanding that all of the proceeds had been used for these purchases. He further stated that he was surprised that the City had preliminary plans to consider expending approximately \$5 million in remaining Bond proceeds for parks outside the CRA area. Dr. Jackson reiterated that he had not known about the remaining available funds, had not known about the vote at the meeting, and “found it even more appalling” that the funds would be spent outside the CRA area while the CRA repaid the entire debt. He stated that this situation was yet another example which illustrated the difficulty he had in attempting to determine the amount of funds which should be attributable to the CRA.

4. Interview of Patricia Ladolcetta

Ms. Ladolcetta stated that she oversaw the routine accounting and finance functions of both the City and the CRA, including the year-end financial reports and any adjusting entries made to the books and records of the City. She stated that when the CRA disbursed loan proceeds to a borrower, the entire amount of the check was recorded as an expense in the Subsidized Loan Programs account. She explained that it is a generally accepted accounting procedure for governmental entities to initially record all disbursements as expenses, including loan proceeds.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Ms. Ladolcetta stated that at the end of each fiscal year, there was an adjusting entry made to “true up” the financial statements to show the amount of loans receivable. She also stated that the City’s main accounting system software was not designed to handle long-term loans receivable. It was designed to handle short-term accounts receivable, such as routine utility bills. She further stated that, at all times during the year, the accounting system would show a zero balance for loans receivable. Ms. Ladolcetta advised that the City accounting staff maintained records on a “secondary system” which recorded the loans receivable as a “maximum amount to be billed.”

Ms. Ladolcetta stated that the City maintained a subsidiary ledger of all loans receivable which, for each loan, included the loan balance due, repayment amounts, repayment due dates and other typical data. She also stated that the subsidiary ledger was utilized to generate invoices and to facilitate fiscal year-end adjusting entries; however, entries to the subsidiary ledger did not automatically update the general ledger balance sheet loan receivable account. She advised that the City was in the process of acquiring new accounting software which would eliminate the deficiency in handling the accounting for long-term receivables. Ms. Ladolcetta acknowledged that she had discussed the plan to acquire new accounting software with the CRA Board in the August 22, 2012 budget meeting, as a part of a discussion concerning a CRA budget revision of \$550,000.

Ms. Ladolcetta stated that the City maintained a single pooled-cash bank account at City National Bank, which had previously been maintained at Bank of America. Additionally, the City maintained a payroll account which is tied to the pooled-cash account such that the balance is rolled into the pooled-cash account every night. She also stated that the City also had surplus funds investments at Wells Fargo Bank under a single custodian account that is invested in a managed portfolio and money market fund, which has remained relatively stable over the past five years with a balance of approximately \$20 million. She further stated that the City had also maintained a few general ledger escrow accounts in which the funds were restricted to a particular purpose, including the Police Athletic League Trust Fund, a scholarship program, the Friends of the Hepburn Center and others.

Ms. Ladolcetta stated that she was familiar with the circumstances, expenditures and accounting for the City’s borrowing via the Bonds. Specifically, she stated that she knew that all repayments to date on the Bonds had been made by the CRA and that the City’s and CRA’s budget documents reflected that all future repayments would be made by the CRA. After she reviewed a document she had prepared that contained a breakdown of the expenditures from Bond proceeds to date, as well as planned future Bond expenditures, Ms. Ladolcetta expressed surprise that Scavo Park and South Beach Park were located outside the CRA boundaries. She emphasized that in that case, the document caption “Appropriated, but not yet expended,” should be read to mean that the funds did not have to be spent for the purposes stated on the document. Ms. Ladolcetta then confirmed that her document reflected that some of the Bond proceeds had already been expended on Scavo Park and South Beach Park. She also stated that the City Marina was another project that was located outside of the CRA boundaries, but for which Bond funds had also been expended.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

With regard to the Ben Gamla property, Ms. Ladolcetta could not recall if Dr. Jackson came to her office or if he had called or sent an email. She did recall that the wire transfer form was already filled out and had the account number already typed in on the form, and bore the signatures of Dr. Jackson and Mr. Antonio. She stated that she typed the account number into her financial system and determined that the account was from the 2005 Duo Project Developer's Agreement and that the account contained approximately \$1.3 million and the system indicated it could be used for parks and other uses. She further stated that because the system indicated that the money could be used for parks and that both Dr. Jackson and Mr. Antonio had signed the wire transfer form, she processed the transaction. She added that she had to call the bank to get a temporary increase in the wire transfer amount of \$1 million to complete the transaction. Ms. Ladolcetta stated that the wire transfer form did not indicate that the purchase was for the Ben Gamla property.

Ms. Ladolcetta recalled the circumstances concerning the revision of the CRA budget at the Board of Directors meeting on August 22, 2012. She stated that the CRA had prepared the budget documents which were to be presented to the Board and that when she reviewed them, she noted that the budget included an amount of \$550,000 which had been misclassified as revenue rather than repayments on CRA loans. She further stated that the CRA had misunderstood the nature of the repayments and that she corrected the mistake, which resulted in a reduction of the budgeted total CRA revenue for fiscal year-end 2013.

5. Interview of Renee Crichton

Ms. Crichton stated that she believed there had been some misunderstandings concerning the November 2012 letter exchanges between the City and the OIG regarding the expenditure of Bond revenues. She denied that the City had no prior plans to pay a pro-rata share of the debt service on the Bonds loan. Instead, she stated, from the beginning of her tenure as City Manager in June 2012, she had understood that the City would be required to pay its share of debt service on the loan. She further stated that pursuant to the terms of the loan, the City actually remits all loan payments, for which the CRA "internally" reimburses the City.

Ms. Crichton advised that there had been two schools of thought concerning the method by which the City would pay its share of the Bonds loan, at such time as that would be appropriate. She stated that the first option envisioned that the CRA would fund all of the debt service for the first 16 years, after which the City would fund the remaining four years. The second option envisioned that the City would begin to fund its share of the debt service at the conclusion of the parks improvements project in fiscal year 2015. Ms. Crichton stated that receipt of the OIG letter had prompted her to confirm with the City's external auditors her understanding that these options were in accordance with the Generally Accepted Accounting Principles. She further stated that after consulting with the external auditors, she decided that the second option was the better choice for handling the matter.

Ms. Crichton admitted that she was aware that approximately \$400,000 of the Bonds proceeds had already been expended for parks projects outside the CRA area, including funds to

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

construct the City Marina. She stated that these funds were included in the calculation of the City's pro-rata share of the Bonds repayment funding which was included in the City's letter to the OIG. She further stated that the City had not begun funding the City's share of the Bonds repayments attributable to the previously expended funds because the dollar amount involved would be "negligible at best." She also stated that her approach was to include the expended amount in the calculation for funding beginning in fiscal year 2015, and that the external auditors endorsed that approach.

Ms. Crichton advised that the parks plan had been under consideration by the City Commission for a long time and had recently evolved to include a three-phase option approach. She stated that prior discussions concerning funding for the parks plan had generally involved consideration of a lump-sum borrowing of approximately \$50 million via either general obligation bonds or revenue bonds. She further stated that another aspect of the discussion involved the funding sources for a fire station which had been included in discussions of the parks plan. Although the concept of utilizing the unexpended portion of the Bonds to fund a portion of the parks plan had been mentioned in Commission meetings, no particular allocation of those funds had been introduced prior to discussions about the three-phase option in August 2012. She acknowledged that in City Commission meeting discussions of the three-phase funding option, and in the staff backup documentation for those meetings, the allocation of the unexpended Bonds proceeds was designated for Scavo Park and South Beach Park, both of which are outside the CRA boundaries. She also acknowledged that she was unaware of any mention of the City's plan to pay a pro-rata share of the funding to repay the Bonds in any Commission or CRA Board meetings, including regular meetings, budget meetings or workshop meetings. Further, she was unaware of any documentation referencing the repayment plan which preceded the OIG's November 5, 2012 letter to the City. However, Ms. Crichton stated that the three-phase funding option had not been approved by the Commission; therefore, no requirement to include the funding in any budget documents or financial statements had been triggered. She also opined that until such time as the Commission adopted the three-phase option, the matter of the City's portion of the repayment funding was "not ripe yet for inclusion in any budget discussions."

Ms. Crichton stated that it was critical for an accurate understanding of the Bonds repayment provisions to realize that the City has always been the party which was contractually obligated to repay them. That is, the Bonds provisions specified that the City was the borrower and the City has ultimate liability for repayment. Crichton explained that, if for any reason, the CRA ceased to fund the repayments, there would be no change in the fact that the City would continue to be liable for and continue to submit the loan repayments to the FMLC. The CRA's funding of the repayments, as reflected in the City Commission meetings where the Bonds' borrowing was approved and as reflected in City and CRA budget documents, was an internal funding decision that did not alter the City's obligation to the FMLC.

Ms. Crichton advised that an additional reason for proposing that the unexpended Bonds proceeds be spent in Phase One of the parks plan was that the Bonds were issued over five

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

years ago and there were requirements concerning the timeliness of spending the funds. Crichton advised that she generally recalled the comments she made at the August 13, 2012 workshop as “you have the ability to pick-up approximately \$6 million, \$5.9 million in this discussion. So when we begin to sharpen our pencils, you also have another bond issuance that is out there from before. If you recall, we were going to use \$5.9 million to pay for South Beach, Scavo and B.F. James.” She went on to explain that “we may have the ability to, if the Commission chooses, to either switch that land acquisition project to, for example, City-wide beautification or take it out and reduce the total number of the bond issuance. That would be something we would have to discuss when we really talk about what the end game is going to be and what we have to go out to the community for.” Ms. Crichton stated that these comments were made in the context of a discussion concerning the total dollar amount of an option to propose a referendum for a general obligation bond to fund the entire parks plan. Her wording concerning reduction of the “total number of the bond issuance” referred to the total amount of the new bond option. Ms. Crichton acknowledged that she did not recall, nor did she believe, that the topics discussed in that meeting included any discussion of the City funding a pro-rata share of the Bonds repayments.

Concerning the previous expenditure of Bond proceeds outside of the CRA area, including the City Marina, Ms. Crichton acknowledged that the expenditure was approved by the Commission during its regular meeting on September 1, 2010. She stated that she understood that the official minutes of that meeting indicated the Commission approved spending of \$252,138.54 for the City Marina from a City ledger account, and that this account contained a portion of the unexpended funds from the Bonds loan. Ms. Crichton further advised that she understood that neither the minutes of that meeting nor the backup staff report for the agenda item included any information about the source of the funds, and that there was no discussion concerning any plan or proposal for the City to fund its pro-rata share of the Bonds repayments. She stated that she considered this to be unremarkable because the City Commission would not normally appropriate spending of this type from the City’s general fund. She also reiterated that the expenditure for the City Marina was a portion of the negligible prior spending of the Bonds proceeds, and that the notion of the City commencing participation in funding the repayments after only this negligible expenditure was not reasonable because the City’s share of the repayments would have been “miniscule at that point.” Ms. Crichton stated that “the CRA has not paid one dime more that it was supposed to.” She added that she believed that current and former City Commissioners understood that at some point the City would have to fund a portion of the Bonds loan repayment, although that understanding may not have been reflected in any discussions in any official meetings or included in any documentation. She reiterated that the City had not reached “the repay point,” so that the matter was not ripe for inclusion in official City meetings or staff backup reports.

6. Interview of Joy Cooper

Mayor Cooper stated that she is a member of the Florida Redevelopment Association (FRA) Board of Directors. She also stated that on behalf of the City Commission, she asked that the

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

FRA conduct a workshop for the City Commission to provide CRA-related training and education. She was disappointed that only she and two other commissioners appeared for the workshop.

Mayor Cooper stated that since the existence of the CRA, the City Manager had always acted as the CRA's Executive Director, until the hiring of Dr. Jackson. She further stated that she had been opposed to the hiring of Dr. Jackson to become the CRA Executive Director. Mayor Cooper stated that the CRA adopted by-laws in March 2012, and that before that time, most of its operational protocols mirrored that of the City Commission. She acknowledged "absolutely" that Chapter 163 mandated that the CRA was to be operated as a separate entity and stated that in fact, it had always been so regarded by the City Commission. Mayor Cooper did not know whether the CRA had a separate tax identification number, but she stressed that she had never run day-to-day CRA operations. She recalled that the CRA office was located in the DSD, and that the CRA has some designated employees, but that there were "people who wore many hats." She also stated that the DSD had suffered high employee turnover that adversely impacted the recordkeeping and the daily operations of the CRA.³² She cited, in particular, the performance of Dr. Pierre, whom she said was not a good manager and did not manage the CRA appropriately.

Mayor Cooper stressed that although until recently the CRA did not have by-laws or an independent executive director, it has had the initial CRA Plan since the CRA's inception, and that the CRA Plan provided guidelines for operation. She stated the City typically updated its CRA Plan every ten years, but she believed that was insufficient and that it should be done every five years. She further stated that the City reviews its CRA plan annually, because the CRA is required to make an annual report.

Mayor Cooper observed that the City of Hollywood formerly had a system in which its CRA was "freestanding," and has now "moved over to the point that the city manager became the [CRA] executive director." Mayor Cooper advised that the City's model, wherein the City Manager is the CRA Executive Director, "gave that extra layer of oversight."

She noted that the City of Hollywood had issues in the past regarding the expenditure of CRA funds for special events. Mayor Cooper stated that she believes CRAs need to address all components of slum and blight, and that "slum and blight can be derived from a myriad of lists within, and not within 163, anywhere from crime, to traffic, to antiquated infrastructure, to job rates."

Mayor Cooper stated that Chapter 163 is "pretty general" in regards to the contents of a CRA plan, which "goes back to CRAs flexibility and how they perceive what they want to do within their CRA" to utilize funding to address slum and blight. She reiterated within a city and a CRA, "as long as it's stated in the plan, you can expend money within that CRA to address

³² Mayor Cooper suggested that may have been the reason the CRA was unable to produce a copy of the 2004 CRA Plan.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

slum and blight.” Mayor Cooper was shown a copy of the 2004 CRA Plan and informed that it did not appear to authorize the funding of charitable donations. She responded that most of those donations were identified in the City budget. She further stated that the City’s charitable donations encompassed the actual goals and objectives of the CRA Plan, which is provided within “the guidelines of the plan and what our goals and objectives have always been.” With regard to expenditures outside the CRA boundaries, such as the Fourth of July fireworks display, Mayor Cooper stated that CRA funds can be used outside the CRA boundaries because such activities also benefit and promote the CRA. She added that the City Attorney never objected to that position. Mayor Cooper also stated that she believed CRA funding for festivals was approved by the Attorney General in AGO 2010-40.

Mayor Cooper stated that before the applications process for CRA charitable donations was formalized, prior to October 2011, the CRA Board never required the City Manager to report any efforts undertaken to verify that the funds were used properly by the recipients. She explained as the Chairperson of the Board of Directors, she was confident that the funds would not be recklessly or irresponsibly distributed. Mayor Cooper also stated that since the City was always audited and no red flags had been identified, she had no valid cause for concern. She further stated that the City did not audit outside agencies. Finally, Mayor Cooper stated that she was “engaged with all the entities” so that she “could physically see what people were doing.”

Mayor Cooper stated that she had viewed the DOI loan as an opportunity for some job creation within the CRA, and that it was a unique project that the City Commission embraced as an opportunity for a minority business owner. She acknowledged that although the BIP required that the borrower own the property in which the business was located, Mr. Hardwick did not, in fact, own it. She recalled that the CRA Board agreed to waive that requirement at the suggestion of Mr. Good and, instead, the CRA would look to DOI’s inventory of equipment as collateral for the loan. Mayor Cooper further stated that she was unaware that one of DOI’s principals had not executed the promissory note before the loan proceeds were disbursed. She also stated that since Mr. Hardwick had died, it was unclear what steps could be taken to recover the proceeds of the loan.

Mayor Cooper stated that the CRA Board approved both the SBREP and the Sun Times loan, including that loan’s forgiveness component, but she could not recall when the SBREP was approved. She further stated that “we’ve always had business incentive loans.”

Mayor Cooper acknowledged that she had personally written a column published by the Sun Times since 2003, and stated that she remembered that Mr. Good had reported to her that the paper “had run into some struggling times.” She then stated that the CRA Board had not actually approved the Sun Times loan; rather, Mr. Good approved it pursuant to his discretionary authority. During her interview with the OIG in July 2012, Mayor Cooper was reminded that Mr. Good instructed CRA staff to make the loan in December 2008, but that the SBREP—the program under which the loan was authorized—was not approved by the CRA Board until February 11, 2009. She stated that she was not aware of this fact.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Mayor Cooper stated that she believed the loan was an appropriate CRA expenditure because the Sun Times was “a business in our community; they had employed employees, both full and part-time; they had been located in our city for quite some time, and that the way he defined it was that they were having issues and might fold, and that they were actually looking to move.” Mayor Cooper stated, however, that she did not know that in the year prior to its loan application, the Sun Times owners had paid themselves a total of \$469,000 in salaries. She added that the CRA does not necessarily look at the salaries of the entity, and offered the Village of Gulfstream Park and its CRA loan as an example.

7. Interview of Anthony Sanders

Commissioner Sanders stated that in addition to being a City Commissioner and a CRA Board Director, he has been the full-time pastor of HVM since 2007, and that he also sits on its board of trustees. He also stated that he was not sure whether the Directors on the CRA Board have written job descriptions. He further stated that the CRA Executive Director was responsible for day-to-day oversight of CRA operations, but that the CRA Board “had a say” in how the Executive Director should run things and would “provide vision” on the types of programs that should be used to remove slum and blight.

Commissioner Sanders stated that he did not have personal knowledge of any mismanagement or inappropriate actions regarding the CRA’s operations. He further stated that the CRA was always evolving and he would hear from outside people and professionals on how CRAs should be run, how CRA funds could or could not be used, and on different understandings of Chapter 163 regarding “what can and can’t be done.” He stated that he attended CRA workshops that were put on by professionals and during conversations with these professionals he learned what the City was doing that might not be in compliance with CRA laws, and how to remedy any issues. Commissioner Sanders was asked to provide an example of when the CRA may not have been in compliance. He did not provide a specific example, but commented that it depended on who he was talking to and specifically what they were talking about, whether it was utilizing funds for brick and mortar projects or buying services for community activities. He stated that different services can be bought using CRA funds.

Commissioner Sanders stated he was aware of the high turnover rate of employees in the CRA and problems with CRA recordkeeping. He also stated that although some CRA employees left for better opportunities, others were let go for not having a good understanding of how the CRA should be operated. Commissioner Sanders further stated that an audit conducted by the City had indicated issues with the lack of records and poor file management. Some of the audit exceptions indicated that the CRA had poor procedures in place from inception and a lack of infrastructure.³³ Commissioner Sanders advised that in the past the CRA was operated as a

³³ Commissioner Sanders was referring to a limited Agreed Upon Procedures Audit of the City, which also addressed certain functions of the CRA, which was reported by an external auditor in March 2012.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

“side department” within the DSD, so that Mr. Cannone, the DSD Director, “had to wear two hats” because he would also oversee the CRA operations.

Commissioner Sanders stated that he could not recall whether the CRA Plan authorized giving charitable donations to non-profits, although he believed that the CRA can fund them, and that the other CRA Directors shared his opinion. He speculated that the CRA had made charitable donations as far back as 2001. He was not sure how the non-profits knew how to apply for the funds, but it was done annually and may have been known through word of mouth. He also stated that the intent was to provide funding to the non-profits to provide program activities. He observed that the newly-implemented grants process defines specific purposes for the use of funds and required quarterly reports and that these changes assisted in reaching the goals of the approved programs.

Commissioner Sanders was asked why the CRA Board provided additional funding to certain non-profits against the recommendations of the independent rating committee in fiscal year 2011, and against the recommendations of the Urban League of Broward County in fiscal year 2010. He responded that the rating committees may have had good intentions, but they did not have as good an understanding of the non-profits as CRA Board. He stated that he knew the non-profits in his community and knew these organizations did good work for the community. He also stated the decision of the rating committees could have been political; or members may have had a personal preference or may have had a different opinion of the type or quality of services that needed to be provided to the community. He further stated the City is divided socially, racially, and economically, so the rating committee members may have had different opinions on what was best for the community, especially if they did not work or live in the community. Commissioner Sanders stated that generally, he disapproved of the rating committee process because it hindered the non-profits from directly presenting the merits of their programs.

Commissioner Sanders stated that the CRA Executive Director was responsible for creating the rating committee process, but the CRA Board had the final say in how much funding was awarded to the non-profits. He observed that funding of non-profits could be varied in its approach, but it should be programmatic and “build the whole person.” Commissioner Sanders also stated that he knew the non-profits were actually performing the programs because he visited them. He stated that he did not know how the CRA validated the documentation that was provided by non-profits, but the CRA should agree to compensate the non-profits for providing any such documentation. Commissioner Sanders opined that if the CRA does not provide funds to a non-profit to validate its deliverables, then it cannot expect to be provided with accurate data.

Commissioner Sanders stated that he was aware that the CRA had funded non-profits that were located outside the CRA boundaries, but that those organizations used their CRA funds to provide services within the CRA boundaries. He cited, as an example, the services provided by the non-profit Feeding South Florida. However, he stated that the CRA should not have

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

paid for any type of fireworks show with CRA funds if the show was on the beach or outside of the CRA boundaries.

With regards to the HVM loan, Commissioner Sanders stated that HVM paid the City approximately \$1,440 each quarter as was required by the loan conditions, and was never in arrears. At the real estate closing in February 2009, the City had calculated a loan payoff which was satisfied from the sales proceeds at closing. Commissioner Sanders stated that in 2012 the City represented that it had incorrectly forgiven \$15,000 of the loan, when it should have only forgiven \$7,500. He stated that he had disputed the City's claim, because his reading of the mortgage documents showed that the City was to forgive \$15,000 of the loan, and as such, there was no error in the original pay-off calculation. He also noted that Mr. Antonio later provided HVM with a letter of apology, admitting the City's error and that the City would write off any balance it believed it was owed. However, Commissioner Sanders stated, the issue unfairly took on political implications so that over his protests, the HVM trustees decided that because of their pastoral role in the community, they would repay the city the disputed \$7,500, in monthly installments of \$125.

With regard to the sale of the HVM property, Commissioner Sanders stated that he was unaware of any requirement that HVM contribute 1% of the \$235,000 purchase price to an unspecified local non-profit. He stated, though, that in fact, HVM had donated cash and in-kind services, such as rent forgiveness to Eagles Wings, far in excess of 1% of the purchase price, although those donations were not related to any agreement regarding the sale.

8. Interview of Keith London

Commissioner London stated that the CRA Board had a fiduciary responsibility to ensure CRA funds were properly and effectively spent. He described his responsibility as conducting oversight of the CRA Executive Director and staff, reviewing and approving the CRA budget, voting on processes and policies, and ensuring all laws and regulations were followed. Commissioner London stated that he received no training regarding CRAs or Chapter 163. He added that the City provided him a Commissioner's Orientation Manual but he did not think any CRA information was in the manual, stating "No, it was learn as you go, here's your desk." Commissioner London advised that the CRA Board does not have oversight of the day-to-day operations of the CRA staff. He stated that if he had a concern or wanted to research an issue he would have to put in a Commissioners Request (CR) to the City Manager to obtain information. He estimated that he put in 20 to 30 CRs relating to CRA issues.

Commissioner London stated that he had personal knowledge of CRA mismanagement and inappropriate actions regarding CRA operations. He also stated that the "culture of the City employees and officials have not changed" and that there are many "bad players" that are elected or employed at the City and that "these individuals think that the taxpayers work for them," instead of the other way around. Commissioner London stated that "the City and CRA have misspent millions of dollars over the years that have not been accounted for." He also stated "the City and CRA are not operating properly under Florida Statute 163, that the City

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

was just pulling staff to assist in the operation of the CRA out of their back pockets, and the City and CRA were commingling funds.” Commissioner London stated that Mayor Cooper was still fighting some of the corrective actions suggested by Dr. Jackson, but that “the gravy train is ending and they don’t like it.”

Commissioner London stated that he was not sure if the initial CRA Plan included by-laws, but he didn’t think so. He stated that the CRA currently has by-laws that were drafted by Dr. Jackson and approved in March 2012. He described the CRA operations as “loosey-goosey” until the new by-laws were enacted. He also stated that the CRA did not have an updated plan until March 2012, as far as he knew. He stated that if there was a 2004 version of the CRA Plan then three separate City departments would have worked on it and they should have copies, but to his knowledge they could not locate it. Commissioner London observed that it did not matter if there was a CRA plan or not, because he believed it would have been ignored by the CRA Board, which would approve anything that was placed before them by the City Manager. For example, he stated, Mr. Good routinely asked them to sign blank documents on contracts and agreements without any backup or discussion. He opined that his fellow CRA Board members failed in their fiduciary duties by transferring all their responsibility and authority to Mr. Good.

Commissioner London stated that he did not recall reading anything in the 1996 CRA Plan that authorized funding for donations or grants to non-profits. He further stated that he couldn’t believe the City was “just giving money away” to these organizations and that these organizations would “just line up for it.” He advised that the City had historically provided funding to the organizations and that it seemed that every year the list of applicants grew. Commissioner London advised that recently, the CRA Board stopped providing charitable donations and started the grant process because they were tired of getting bad press in the blogs and newspapers. Nevertheless, he stated, there really was no difference in how the CRA handled the funding for donations or grants. He acknowledged that TIF financing was a good way to raise property values and that the CRA should have programs that increase property values because if the City fails to increase property values, it will not get the County matching share of TIF funds. However, he stated that he does not see the value in giving CRA donations to non-profits that do not provide deliverables that will increase property values within the CRA district. He further stated the CRA should fund programs that involve bricks, mortar, and industry and are physically located in the CRA district.

Regarding the CRA Board failure to heed independent recommendations for the funding of non-profits, Commissioner London speculated that some of the Commissioners “may have wanted to buy new cars” or they wanted to garner votes from a specific community or constituency. He stated “the process did not matter, it was window dressing.” He was particularly concerned that the only recommendation in favor of funding for Eagles Wings and the PCAC was from Ms. Sanders. He was also concerned that a number of non-profits were using a high percentage of the money for administrative costs, and when he questioned this, nothing was done. He stated “why are we giving money to them to go into their pockets?”

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Commissioner London also expressed concern that the City and the CRA repeatedly provided funding to non-profits that purportedly provided the same or very similar services, which he deemed a further inappropriate use of TIF dollars.

Commissioner London was asked what the CRA did to verify that the non-profits were spending CRA funds appropriately, and he responded “zero.” He stated that he had no knowledge of how many actual jobs had been created by the non-profits, and no idea if any of the non-profits delivered on their written agreements, because the CRA staff never provided the CRA Board with any verification documents. He also stated that “the ink was not dry” on a grant agreement obtained by Ms. Sanders before she requested additional emergency funds for one of the non-profits she ran, which created an appearance of undue influence and favoritism. Commissioner London added, “how is staff going to say no to the wife of a Commissioner, where’s the governance?” He stated that some of the non-profits received more funding than was recommended, even after changes to the grant process were implemented. He observed that the City Manager or the CRA Executive Director and the City or the CRA attorney would still be responsible for ensuring any changes to the grant agreements were executed properly. In summary, Commissioner London stated “the written agreement process was never about performance or execution, it was about how much money” the non-profits needed. “The City Commissioners and the CRA Board of Directors looked at the CRA fund as one big pile of money and they didn’t care how or where the money went.” In particular, Commissioner London singled out Mr. Good and Mayor Cooper, stating that they did not play on a level playing field and that they would support organizations or individuals because “they knew them or wanted to get money for them.”

Commissioner London stated that in some instances City expenses were charged to accounts which were funded with CRA money. He also stated that the City had historically used City personnel and resources to run the CRA, and that Mr. Good wanted to increase the amount of money the City charged the CRA for these administrative costs. Commissioner London stated that in order to justify an increase, Mr. Good hired a consultant to prepare a report in support of his position.

Commissioner London stated that he had concerns regarding the manner in which the City purchased the HVM property. Commissioner London stated that the final decision to purchase the property was voted on during a February 12, 2009 special meeting, but the property purchase was not an item on the agenda. He also stated that Mayor Cooper decided the meeting would be conducted in room 219 at City Hall, a small second floor conference room with no audio or video recording capabilities. He further stated that the public did not have access to the room because a City administrative staff member is required to electronically unlock the elevator. Commissioner London stated that members of the public had informed him that they have been unable to attend special meetings in the past because they were denied access to the second floor. Commissioner London produced a copy of “action minutes,” which he stated provided a brief description and record of the vote taken at the meeting on the purchase of the HVM property, with little or no summary of the related discussions. He noted

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

that the action minutes did not reflect any discussion concerning how the final maximum purchase price offer of \$235,000, as recommended by Mr. Good, was determined or justified. Commissioner London then produced documents showing the property was purchased on the day of the meeting for \$235,000, the maximum agreed price. He opined that for the property purchase to close on the same day the City Commission decided to move forward with the purchase, and for the maximum purchase price, there must have been a “pre-arranged agreement” with Commissioner Sanders regarding the purchase and the price.

Commissioner London stated that the representation by Mr. Good that the need for the HVM property was in furtherance of a pending development effort was not accurate. He further stated that the city had advertised a solicitation for the development of the area, and there were responses from developers who were considering building rental or rent-to-own properties. However, at the time of purchase, there were only speculative plans in place to develop the HVM property or adjacent properties. In addition, he stated, because of community opposition and a downturn in the economy, to date, no project was ever developed at or adjacent to the property. Commissioner London also stated that at the time of the purchase, Eagles Wings, whose corporate officers included Commissioner and Ms. Sanders, had been operating from the property, but that there was no discussion regarding if, or under what conditions, Eagles Wings would continue to occupy the property after the City’s purchase. He added that in March 2009, Commissioner Sanders voted to allow Eagles Wings to continue to operate from the property.

9. Interview of Alexander Lewy

Commissioner Lewy stated that as a CRA Board Director, his primary duties and responsibilities were to approve the CRA budget and the CRA Plan, and oversee the operations of the CRA Executive Director. He also stated that the CRA Executive Director directly reports to the CRA Board, not the City Manager. He further stated that the CRA Board does not provide oversight of the day-to-day operations of the CRA staff, but provides direction to the CRA Executive Director on the type of programs which should be used to remove slum and blight within the CRA area, and ensures the CRA is following policies through meetings with the Executive Director and the review of requested reports.

Commissioner Lewy stated that the CRA had written bylaws that were put in place in early 2012, but he did not believe that they had any before that date. He further stated the CRA had a plan and it was last updated in March 2012. He stated that he did not know what version of the CRA Plan was in effect before that date. He advised that when he became a City Commissioner, and thus a CRA Board Director, he just tried to understand what the CRA’s needs were for the upcoming fiscal year, what its goals were, what each of the CRA programs were supposed to deliver and, at the same time, develop the CRA’s budget. He could not recall if any of the donations or grants that were given to the non-profits were set forth in the CRA Plan when the budget was presented. He stated that he did not know the history of how the CRA started the donations to the non-profits, but knew that such funds had been provided in past years.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Commissioner Lewy stated that shortly after he was elected, the CRA Board discussed with Mr. Antonio the need to reform the practices of the CRA, and the need to operate it in a more professional manner. One of the changes that came from these discussions was the decision to stop the practice of making charitable donations with CRA money, and replace it with a grants-type program. Commissioner Lewy described grants as “monies provided to organizations that are aligned with a specific program and that program is addressing a community problem.” He stated that grants could be issued to organizations to develop teens to get a job, provide educational opportunities, or fund a summer camp program to get kids off the streets, all of which would benefit residents. He further stated that “he did not believe donations were just free money to the public.” Commissioner Lewy stated that he thought that if the CRA provided donations to non-profits, then those organizations would use the money to provide some benefit to the residents.

Commissioner Lewy acknowledged that for fiscal year 2011, the CRA Board provided additional funding amounts to non-profits against the recommendations of an independent rating committee. He stated that if he believed in a non-profit and what it planned to do with the grant money, and the input from the community was positive, and the costs to successfully provide a specific program were acceptable, he would vote in favor of the funding. He also stated that some of the non-profits may have needed more money to implement their programs and that the rating committee may not have had sufficient information to make a proper funding allocation. He noted that non-profits have to have capacity to grow and to serve the community residents. With regard to monitoring the use of CRA funds by non-profits, Commissioner Lewy stated that CRA staff would be responsible for any follow up on the deliverables, timeliness issues and reports. He further stated it would have been up to CRA staff to bring up any problems that the non-profits may have been involved in to the attention of City officials.

Commissioner Lewy stated that he was not aware of either the CRA Board or the City authorizing the expenditure of CRA funds outside of the CRA boundaries. He further stated that if the City departments were in fact getting funding from the CRA to pay for services outside the CRA boundaries then it “should not have happened.” He also stated that the CRA should not have paid for a fireworks show if the show was held outside of the CRA boundaries.

10. Interview of William Julian

Commissioner Julian stated that he was a City Commissioner from 2001 through November 2010.³⁴ He stated that when he became a Commissioner in 2001 he was not provided with any training on CRA matters, and that he was not familiar with Chapter 163. He also stated there was always high turnover in personnel at the CRA and that was one of the reasons why the CRA had operated under the City’s DSD. Commissioner Julian stated that the City had a history of using both CRA funds and general funds to make charitable donations to

³⁴ The interview was conducted before Commissioner Julian was re-elected to the City Commission in November 2012.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

organizations. He stated that the City would put away funds for charities, and this was “always known” by the residents. He recalled that the organizations would just submit a request letter for the donation to the City Manager’s office and the staff would weed out the requests and then put the requested amounts on a spreadsheet. The City Manager would then schedule an annual budget meeting and the charitable donations were discussed and then voted on by the commission. Commissioner Julian noted that some of the organizations would appear before the Commission to plead their cases, while others did not. He stated that at some point the CRA began to require the organizations who applied for donations to provide a letter advising how they spent the prior year donation and how they planned on using any additional donations for the coming year.

Commissioner Julian stated that in the last few years of his prior term as commissioner, the City started using funds solely from the CRA to pay for the donations. He further stated that “he and the other commissioners preferred to use CRA funds to pay for the donations as they did not have to pull funds out of the general fund.” Julian stated that donations were paid as a line item from the City budget. He did not believe that the City ran any advertisements or public notices regarding the CRA’s charitable donation program. He stated that he assumed the City Manager and his staff would validate any information obtained from non-profits regarding their use of CRA funds. He also stated that if a recommendation came from the City Manager, he took it for granted that it had been properly vetted. He added that he trusted both Mr. Good and Mr. Antonio when they were the City Managers.

Commissioner Julian stated that the CRA budget meetings were open to the public. He further stated that the City would have its regular meetings and CRA meetings simultaneously. He explained the procedure as follows: the Mayor would close the regular meeting and then start the CRA meeting. Once the CRA meeting was over, the Mayor would re-open the regular meeting. He stated that the CRA would have agenda items that were separate from the regular meeting agenda, and that when they were discussing approving the charitable donations using CRA funds, it was in a CRA meeting.

Commissioner Julian opined that CRA funds should be available to support local businesses in blighted areas, provide jobs, and bolster the local economy. He stated that he was not sure how the TIF funds came from the County to the CRA, but knew that the County matched the City’s funds. He further stated that the City used CRA monies instead of general fund monies to pay for the charitable donations for the valid reason of helping City residents, businesses and property owners. He stated that the only reason he may have questioned a CRA donation would have been if the organization was a “fly-by-night” or if it wanted funding for services that were duplicative.

Commissioner Julian stated that the Future Foundation (FF) was a non-profit that provided educational-type funding to needy people. He further stated that Mayor Cooper was FF’s president and he was its vice-president, and that other City employees were members of the organization. He acknowledged that FF had received thousands of dollars of funding from the

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

CRA, and that neither Mayor Cooper nor he recused themselves from voting to approve those expenditures. Commissioner Julian stated that he saw no voting conflict because the FF did good work.

Commissioner Julian advised that he was generally aware of a number of CRA loan programs and some of the loans made under those programs. He recalled that the Sun Times received a \$50,000 loan from the CRA in 2009. Commissioner Julian stated that he knew that the loan was the first ever made under the new SBREP, and that it included a provision allowing the City Manager to forgive 50% to 80% of the loan. He further stated that at the time the loan had been proposed in late 2008, he believed that the Sun Times was having financial difficulty. Commissioner Julian stated that it was his idea to initiate this loan and that he suggested to the Sun Times editor that the Sun Times should call Mr. Good to apply for the loan. He advised that his intent in suggesting the loan was to give to the Sun Times “a boost over a bad season” and that although there was no real CRA directive as to the use of the funds, he believed the loan met the general conceptual theory of the CRA, which included efforts at job creation. Commissioner Julian also acknowledged that he had written a regular column about history for the Sun Times, for which he was not paid. He admitted that prior to his interview with the OIG, he had not been aware of the high salaries the owners of the Sun Times had paid themselves in 2007 and 2008, stating “that don’t look good, does it.”

Commissioner Julian stated that he was familiar with the CRA’s DOI loan. He did not know how Mr. Hardwick and Mr. Fecske, a businessman from California who was new to the area, became involved together in the venture; however, he believed that the DOI concept must have originated with Mr. Fecske, who then sought out the others for their local connections. He stated that the concept pitched by DOI’s principals was to install televisions and monitors in public places, such as City restaurants and hotels, which would display a continuous loop of advertisements of area businesses and events. Commissioner Julian stated that he considered it a good idea and an appropriate use of CRA funds. He knew that the CRA decided to take DOI’s electronics equipment, which would be acquired with the loan proceeds, as collateral because Mr. Hardwick did not own his business property. He did not know whether the CRA had obtained properly executed legal documentation to secure the equipment.

Commissioner Julian stated that DOI had installed some televisions that were running advertisements because he saw them. He knew that the DOI concept failed and that the City had made unsuccessful attempts to recover payments on the loan and the electronic equipment. He stated that in May 2011, he received a telephone call from Mr. Hardwick in which Hardwick was crying and expressing despair over his inability to repay the DOI loan, and two days later he died of a stroke. Concerning the overall DOI situation, Commissioner Julian observed that “sometimes the City will take a loss on a gamble.”

Commissioner Julian stated that the HVM property was a “junk building” that Commissioner Sanders purchased for \$47,000 and then later obtained a loan through the CRA to make some improvements to the property. He further stated that he questioned Commissioner Sanders

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

concerning the \$7,500 loan forgiveness, and Commissioner Sanders responded that HVM did not owe the \$7,500 because it had paid off the loan before its maturity date. Regarding the purchase of the HVM property, Commissioner Julian stated that Mr. Good informed him that the City needed to purchase it because it was obstructing an affordable housing project. He also stated the City requested three appraisals and that the City Commission approved the sale for \$235,000 after eliminating the lowest and highest appraisals.³⁵ Commissioner Julian added that the final figure was decided by Mr. Good and “thrown” at the City Commission for approval.

Commissioner Julian stated that before his interview with the OIG, he met with Dr. Brown and questioned her concerning the charitable funds PCA received. He further stated that Dr. Brown stated she had only received small donation amounts between \$3,500 and \$5,100. Commissioner Julian then expressed his surprise that PCA had received over \$75,000 in donations, but observed that “whatever she wanted, she got.”

11. Interview of Deborah Brown

Dr. Brown stated that she has been a teacher in Broward County for the last 30 years. She further stated that she has been the Director of PCA since 2009. She estimated that PCA had obtained approximately \$100,000 in funding since that time, \$50,000 of which was a charitable grant from the CRA, and the remainder of which was provided through the Weed and Seed program. She added that during that period, she had received about \$20,000 in salary and that Josh Brown, her brother, had been paid approximately \$15,000. Dr. Brown was then informed that a review of PCA’s financial records by the OIG revealed that PCA received approximately \$110,907 from the City—\$93,667 from the CRA and \$17,240 from the Weed & Seed—and that approximately \$62,000 of that money had been paid to her and her brother as salary, \$42,000 to her, and \$20,000 to her brother. Dr. Brown replied “that little \$42,000, that ain’t no money” for the amount of work she had done for the PCA, and added that “I don’t back down from getting any money, I work 24 hours a day for PCA.”

Dr. Brown stated that PCA staff members included herself, her brother, and two other individuals. She further stated that she was paid \$25 per hour for working approximately three to four hours per day, five days per week. She described her brother’s duties involved recruiting, community activities and job placement for attending students. She added that he had a success rate of placing students in jobs of approximately 40-50 %. However, Dr. Brown could not recall the names of those students or remember where any of them worked.

Dr. Brown stated that one of PCA’s programs was named Arts at Work and that Josh Brown served as its Program Manager. The Arts at Work program consisted of 25 to 30 students, ranging from ages 14 to 23. She stated that the program’s focus was providing students with

³⁵ This is inaccurate. As discussed above, the CRA obtained four appraisals and only the lowest appraisal for \$147,000 was eliminated.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

job training, music instruction and learning about musical components and equipment. PCA also provided music education services to students from ages six and up. That program consisted of approximately 20 students, which she personally directed and operated.

When asked to explain some of PCA's expenditures as reflected in PCA's bank statements, Dr. Brown stated that the amounts listed for the purchase of fuel at three local gas stations was "about right" as PCA pays an assistant to pick up children from three local schools for transportation to PCA. She stated that PCA uses a Dodge Ram van, which she personally owns, to transport the children. She was unaware whether the insurance policy for the van had additional coverage for the transportation of children, but stated that she would look into it. Dr. Brown advised that on some occasions, when she would pick up the children, she would drive her personal vehicle to the PCA location and pick up the van in order to provide those services. She stated that she provided transportation services five days a week, but acknowledged that PCA's grant agreement with the CRA did not contemplate the provision of transportation services. She described them as "in-kind" services associated with administering PCA's programs.

Dr. Brown was questioned regarding some cash withdrawals from a PCA account, one in the amount of \$4,100 on November 1, 2010, and a series of withdrawals between September 14, 2009 and May 31, 2012, which amounted to approximately \$1,840. Dr. Brown was unable to explain any of the cash withdrawals, other than stating that she recalled withdrawing a large amount of cash in order to pay a T-shirt vendor who only accepted cash. She further stated that if there were problems with the bank account, "it would be on her." She was also asked about several restaurant expenditures. She could not recall the specific circumstances, but opined that the funds may have been for food and drinks for students.

Dr. Brown stated that most of the money for PCA's trips was raised by the children during fundraising events at a local Wal-Mart, in which the children would stand outside and request donations from shoppers going in and out of the supermarket. She further stated that she could not recall how those funds were handled or if she deposited them into one of PCA's bank accounts. Dr. Brown advised that she realized that she had made mistakes in how she managed the PCA financial accounts and was currently working with her accountant to ensure that all of her "t's are crossed and i's are dotted." She added that any money that was received from the CRA was always used for its intended purpose and was never used for anything other than the goals of PCA programs or on field trips that were organized by PCA. She stated that PCA did not have any accounting measures in place until recently because they were too expensive, but that she now meets with an accountant on a regular basis to ensure PCA is doing things correctly.

Dr. Brown stated that some of the funds were spent on expenses incurred by PCA administrators who accompanied students on trips to Washington D.C., Atlanta and Tallahassee. She further stated that the Washington, D.C. trip was partially funded by the CRA in the amount of \$5,000, with an additional \$15,000 from private donations. She further stated

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

that all the money raised or donated for the D.C. trip was used for only that trip. She also stated that 50 children made the trip and they performed outside the White House and the Lincoln Memorial. She recalled that the whole group stayed in the same hotel, but she was unable to recall the name of the hotel or whether the rooms were reserved on a credit card. Dr. Brown stated that PCA used K & L Bus Services for the field trip, for which she paid cash. She also stated that the driver that they used had since passed away.

Dr. Brown was shown a copy of a bank record spreadsheet and she confirmed it was a PCA account. She also identified a copy of the \$5,000 check PCA received from the CRA for the Washington D.C. trip, and the deposit slip for the account that she had personally filled out on March 26, 2010. Dr. Brown was asked about a \$1,000 cash deposit that was made into the same account on the same day, but she stated that she could not recall the source of that money. Dr. Brown admitted that she had used \$683 in PCA funds to pay fees in connection with a time-share condominium she personally owns in the Westgate Resort in Orlando. She stated, however, that the time-share was sometimes used by PCA when it took students to Full Sail University, a recording arts school that would host PCA students. She also admitted that she used the time-share for personal reasons on several occasions because it was a good retreat from the rigors of her work.

Dr. Brown was shown other expenditures from the \$5,000, including a Wireless Sprint payment, a \$258 Dollar Rent-a-Car charge, and a withdrawal of \$2,000, and asked what they had to do with the trip to Washington, D.C. trip. After reviewing the spreadsheet for approximately three minutes, she stated that she could not answer the question or recall the transactions.³⁶ Dr. Brown was asked about two other expenditures that were made on March 30, 2010, one to Washington Metrorail for \$9.60 and another to Domino's Pizza for \$144, and she stated that those transactions were in connection with the trip. Dr. Brown was asked if she had informed the CRA that most of the \$5,000 was not used for its intended purpose. She responded that she did not tell the CRA anything because "all funds were used for the kids." She then stated that she was done answering questions and concluded the interview.

RESPONSES TO THE PRELIMINARY REPORT AND OIG COMMENT

In accordance with Section 12.01(D)(2)(a) of the Charter of Broward County, a preliminary version of this report was provided to the City Manager and current and former members of the City Commission of Hallandale Beach, Mr. Good, Mr. Antonio, Dr. Jackson, Ms. Ladolcetta, and Dr. Brown for their discretionary written responses. The OIG received responses from Commissioner Julian, Mayor Cooper, the City and the CRA (combined, through the City Attorney), Ms. Ladolcetta, Mr. Good, and Dr. Brown, which are attached and incorporated herein as Appendix A through F, respectively. We appreciate receiving the responses.

³⁶ Dr. Brown was asked several times why she could not answer the questions regarding her expenditures of the \$5,000, and each time she flatly responded that she could not answer the questions.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

A number of issues were jointly raised in some or all of the responses, and the OIG shall address them as follows:

Mayor Cooper and the City Attorney both question the OIG's authority to investigate the CRA's activities, although Mayor Cooper acknowledges that the City and the CRA nevertheless agreed to cooperate with the OIG, rather than challenge our actions. The City Attorney—responding on behalf of both the City and the CRA—asserts that the CRA is a legal entity separate from the City, so that it is beyond the ambit of OIG scrutiny. As a threshold matter, her assertions ignore the fact that the OIG has authority over all municipal officials in identifying mismanagement of public resources.³⁷ A CRA is a dependent special district created by the municipality and controlled by the elected officials of the municipality. Through the CRA, municipal officials spend the resources of the municipal taxpayers. Especially with regards to the Hallandale Beach CRA, the circumstances described in detail in this report clearly demonstrate that the CRA did not function as an entity distinct from the City. A municipality cannot avoid OIG oversight by spending taxpayer funds through an agency that is independent in name only.

Another common theme among the respondents was the claim that the OIG's reliance on AGO 2010-40 was unwarranted because it is a non-binding advisory opinion. Several respondents also characterize its finding as ambiguous. In particular, the City Attorney cites to two cases that discuss the purpose of CRAs but do not address the specific issue of socially beneficial programs unrelated to brick and mortar improvements. The cases do not contradict the AGO's findings. In fact, the City Attorney's own citations reflect the basic misunderstanding that is at the core of the gross mismanagement identified in this report: the City has failed to comprehend that the CRA has a limited purpose and that the powers of the CRA to expend CRA TIF funds is not equal to the power of the municipality to expend *general funds*. Cases citing to *municipal* authority, derived from the state constitution, to expend funds for any *municipal purpose* do not expand a statutory framework which diverts the funds of other entities to a *CRA Trust* for a *limited* purpose.

We reiterate that the OIG takes no position regarding the merits of social programs and civic promotions. However, the Florida Attorney General's conclusion is very clear and speaks for itself: "grants to entities which promote tourism and economic development, as well as to non profits providing socially beneficial programs, would appear outside the scope of the community redevelopment act." As the City Attorney is likely aware, while not binding law, a court would consider the opinion as persuasive.³⁸ More importantly, the opinion of the Attorney General is cited in this report because it should be taken into consideration by the public as it evaluates the expenditures of the CRA. The OIG recommends that, should the CRA genuinely feel that a more specific opinion is warranted, it may request an advisory opinion from the Attorney General based on the facts as they pertain to it, thereby promoting public confidence and transparency.

³⁷ Sections 12.01(A)(3) and 12.01(B)(1)(a) of the Charter of Broward County.

³⁸ The AGO has also been relied upon by State of Florida Auditor General in its review of other CRAs. See Report No. 2013-093, City of Hollywood and Redevelopment Agency: Operational Audit.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

Mayor Cooper, the City Attorney, and Ms. Ladolcetta also claim that the OIG's finding that CRA funds were improperly used to repay the Bonds is incorrect. First, the City Attorney erroneously claims that the OIG failed to note that the context of Ms. Crichton's remarks at the August 2012 Commission meeting was funding the "overall" Park Plan.³⁹ Regardless, this report's description of that meeting was included to highlight the fact that, although an option to fund external parks via the Bonds was discussed, there was no mention that adoption of that option would require the City to fund a pro-rata share of the Bonds repayment. It was the City's failure to identify and consider that repayment obligation that gave rise, in part, to the concerns expressed by the OIG in its November 5, 2012 letter. Second, the City Attorney's contention that the issue of financing the Parks Plan had been addressed in November 2011 is refuted by the fact that no mention of the 2007A Revenue Bonds was found in any November 2011 Commission or CRA meetings agendas, minutes, or videotapes. Moreover, had such discussions occurred, they would presumably have been prominently referenced in the City's response to the OIG letter and in the combined response to the preliminary version of this report. Third, the City Attorney embraces Ms. Crichton's hindsight contention—although utterly unsupported by documents, records of public discussion, or interview statements which pre-date the OIG's letter—that it was nevertheless "understood" by her, and the City Commission, that the City would pay its pro-rata share of debt service. Finally, none of the respondents address the plain fact that \$416,365 in CRA funds—deemed "negligible" by Ms. Crichton—have *already* been expended on parks outside the CRA boundaries, but no present or future repayment of those funds by the City was documented or discussed by the Commission in public meetings prior to the OIG's inquiries.

Ms. Ladolcetta claims that her statement that "the City intended to solely use CRA funds to repay the bonds" was taken "somewhat out of context," because the first purchase made from the bond proceeds—for Bluesten Park—would have taken until 2024 to be fully paid from CRA funds. She admits, though, that "until that time, *it is correct that the intent was to make the repayments from CRA funds,*" (emphasis added), in direct contravention with the City Attorney's contention that such was never the understanding. Ms. Ladolcetta also newly suggests that since the CRA would sunset in 2027, prior to the due date of the Bonds repayments, all repayments after that date would necessarily be funded by the City, a position not contemplated by either the evidence or the submissions of her co-respondents.

Below are additional summaries of the responses:

1. Response of William Julian

In his response, Commissioner Julian states that the OIG's summary of his interview "was correct, and told exactly as I have stated, fair and balanced." Commissioner Julian also states that in his opinion, the preliminary version of the report depicted "a very good picture of our CRA from the start, and to the end of your findings."

³⁹ See Ms. Crichton's interview summary, at page 35, which includes the following: "Ms. Crichton stated that these comments were made in the context of a discussion concerning the total dollar amount of an option to propose a referendum for a general obligation bond to fund the entire parks plan. Her wording concerning reduction of the 'total number of the bond issuance' referred to the total amount of the new bond option."

2. Response of Joy Cooper

In her response, Mayor Cooper additionally states that she took matters pertaining to oversight very seriously and that many of the observations made in the preliminary report have already been addressed by the City and the CRA. She also states that the CRA Board always voted in the presence of legal counsel to ensure compliance with Chapter 163. Although she had previously stated to OIG Special Agents that she believed AGO 2010-40 authorized expenditures for socially beneficial programs and civic promotions, Mayor Cooper now observes that the AGO “narrowly defines CRA spending activities” and is not binding law. Instead, she states that Chapter 163 provides fairly broad language and flexibility to eradicate slum and blight.

Mayor Cooper states that the City had not developed a plan to pay for parks outside of the CRA and that there “was never and never would be” a time that the CRA would spend money on bricks and mortar outside of the CRA. She also states that according to the CRA’s legal counsel, grants to “outside agencies” were permitted, although she does not otherwise identify those agencies. She also stresses that the nonprofits the City has “partnered with” have kept children off the streets and people employed. Mayor Cooper opines that the DOI loan was not gross mismanagement because it was made to establish a minority-owned start-up business in the core of the CRA’s blighted area. She also notes that BIPs “will have inherent risk” by the nature of them being located in the CRA, and “not being a municipal function.”

Mayor Cooper states her belief that the preliminary report inaccurately suggested that the SBREP was established to benefit one particular business, and she acknowledges that salaries are now considered as part of the loan evaluation process. She also states that she disagreed with the OIG’s conclusions regarding the HVM purchase because, as she stresses, the public was never denied access to the process. She is pleased that the OIG did not find that the CRA overpaid for the property.

3. Response of the City and the CRA

The City Attorney additionally acknowledges that “there have been years of instability in staffing that has led to ineffective management” of the CRA, and she describes numerous managerial changes that had already been implemented which comport with one of the OIG’s preliminary recommendations. She also explains that the CRA has now implemented a formalized grant solicitation procedure in order to provide a more transparent and standardized grant process, while claiming that such an improvement is not legally required. Similarly, she acknowledges that although not legally required, “best practice” by the CRA would be to formally verify and monitor the performance of the recipients of charitable donations.

With regard to gross mismanagement of the CRA’s loan programs, the City Attorney opines that the OIG fails to understand the CRA’s need for “flexibility,” so that sometimes loans will be required to be made to those not otherwise qualified to receive institutional financing, and the subsequent financial losses incurred by the CRA do not necessarily constitute gross

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

mismanagement. With regard to the purchase of the Ben Gamla property, she states that “[t]he City owns the fact that greater communication should have taken place” between Mr. Antonio, Dr. Jackson, and Ms. Ladolcetta. The City Attorney stresses, however, that the City had a right to rely upon the performance of those professionals, which it did to its detriment.

4. Response of Patricia Ladolcetta

Ms. Ladolcetta additionally states that she does not recall her conversation with Dr. Jackson regarding account numbers but admitted that “it is possible that a conversation of where to find funding for potential land acquisition ensued.” She states that she had not seen the staff report regarding the Ben Gamla purchase but that if she had, she would have instantly identified several errors that it contained.

Ms. Ladolcetta states that she took offense at Commissioner London’s comment that “the City and the CRA have misspent millions of dollars over the years that have not been accounted for.” She notes that multiple CPA firms over the years have reviewed the CRA as a major fund and found no occurrences of misappropriation, misspending, or fraudulent activity “as proposed by Mr. London.” She also states that in response to a similar accusation made several years ago, she personally created a spreadsheet that detailed the sources and disposition of “every penny” of CRA revenue.

5. Response of Dwayne Michael Good

In his response, Mr. Good notes that when he met with OIG Special Agents during the investigation over two years had lapsed since the time of his employment, so that he was not as familiar with the facts and Chapter 163 as he had previously been. He states that it was “incorrect to assume” that there were no additional discussions about the HVM purchase, although he was unable to specifically identify any. He also explains that his “merging” of the CRA with the DSD was no different than if he had, as CRA Executive Director, approved a CRA project and assigned it to the Public Works Department, insofar as he would remain responsible for overall management.

Mr. Good states his belief that the CRA Board could, generally, appropriately waive loan program requirements when deemed necessary. Specifically, he observes that the DOI loan was properly made after an appropriate exercise of due diligence, but that it was “unfortunate that there was some paperwork that had not been signed,” and that if Mr. Hardwick were alive “this would not be an issue.” He also observes that “based on the information provided to CRA officials and the economic recession, the [Sun Times] loan was justified.”

Mr. Good now disputes, based upon a review of “my notes,” his previous assertion that the CRA’s funding of the fireworks promotion was improper. He also states that he did not rely upon Ms. Ladolcetta but rather “her staff.” Finally, he denies that any “knowing” gross mismanagement

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

occurred but suggested that Broward County should sponsor a series of workshops to provide specific guidance on the appropriate use of CRA funds.

6. Response of Deborah Brown

Dr. Brown, through her attorney, submitted a response which challenges both the integrity of the OIG investigation and our evidentiary findings. Her submission does not alter our determination that there is probable cause to believe that Dr. Brown may have engaged in criminal misconduct.

Dr. Brown's submission begins by lauding her career as an educator and community mentor and extolling PCA's record of "positive, measurable results." She claims that the preliminary report is "grossly false and misleading" because, at footnote 13, it fails to credit PCA for documenting its endeavors; the response includes twelve attachments that purport to do so.⁴⁰ Dr. Brown ignores the fact that—as described in both the preliminary and final versions of the report in the second sentence, immediately preceding footnote 12—"the OIG requested that [PCA] provide documents and records that evidenced the manner in which they spent the CRA funds they received." A copy of the OIG's document request, dated June 12, 2012, is attached as Exhibit 10. Of the 68 pages now attached to Dr. Brown's response, only 15 were previously provided to the OIG in response to that request. Indeed, Dr. Brown previously informed OIG Special Agents that some of the documents responsive to the request had been stolen from her car, while it was parked at the PCA, some eighteen months previously.⁴¹ (See July 31, 2012 OIG investigative memorandum attached as Exhibit 11). A review of the attachments themselves, which consist largely of photos, brochures, other public relations materials, and fiscal reports not covering the time period in question, reveals that they provide little support for Dr. Brown's contention.

In her response, Dr. Brown describes her efforts to cooperate with the investigation and "be helpful to the OIG." She claims that OIG Special Agents rebuffed her assistance and improperly interviewed her. Her claims are meritless. To the contrary, as noted in the OIG's October 17, 2012 letter to Dr. Brown (Exhibit 12), the OIG was forced to make repeated requests to interview Dr. Brown, who was neither forthcoming with her time nor, as described above, the PCA's documents. The July 31, 2012 OIG investigative memorandum further demonstrates that OIG Special Agents had attempted for months to plainly and patiently explain the document production and interview process to Dr. Brown. Accordingly, her complaint that she was improperly "inundated with financial questions without having supportive backup to review" for her interview is simply disingenuous.

Similarly, Dr. Brown's claim that she was improperly denied the assistance of an accountant during her interview is unsupportable. First, OIG Special Agents had already informed her that she could certainly have an attorney present during her interview—a benefit she declined to avail

⁴⁰ The attachments are so voluminous that they have not been reproduced and attached to the paper version of this report. They may be viewed by accessing the electronic version at www.broward.org/inspectorgeneral/Pages/Reports.aspx.

⁴¹ In response to an inquiry from the OIG, the Hallandale Police Department indicated that it had no record of a vehicle break-in at the PCA property.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

herself of—but not any other person, whether it be an accountant or another co-worker, such as her brother.⁴² Accordingly, when she did consent to be interviewed, she had no basis to later claim surprise that she would be interviewed alone. Second, she admitted she would be responsible for any problems with the bank account because she had only recently hired the accountant. Finally, although the attorney strained to characterize the interview as an “audit” and declared that his client is not “a financial or numbers person,” the inquiry regarding the field trip was, in fact, merely a series of questions about expenditures from a bank account which Dr. Brown admitted she solely administered.

Dr. Brown also claims that “every expenditure for the [Washington, D.C. field trip] was properly and appropriately documented,” so that the OIG’s finding of probable cause is inaccurate and unsupported. To advance her claim, she produced a spreadsheet (Attachment 1 to Dr. Brown’s Response) which purports to provide a detailed report of expenses for the field trip. Significantly, she declined to produce any of the records, such as bank account records or receipts, upon which the spreadsheet appears to be based. In addition, the spreadsheet represents that virtually all of the expenses for the trip were paid for via Zamar’s Wachovia account—rather than PCA’s Bank of America account, into which the \$5,000 in question was deposited—despite the fact that Dr. Brown had told the OIG that Zamar had ceased functioning in 2008. In fact, when Dr. Brown was specifically asked by OIG Special agents if there were any other bank accounts or credit cards that were used to pay for field trip expenses, she told the OIG that there were no other accounts. The spreadsheet also reflects that almost a third of the expenses—\$5,400 for bus transportation—were paid by check, even though Dr. Brown informed OIG Special agents that she paid those expenses *in cash*. In conjunction with the spreadsheet, Dr. Brown presents a theory of funds transfers which purports to account for proper handling and expenditure of all the funds PCA received. In light of Dr. Brown’s contradictory statements and absent access to the purported supporting materials, the OIG cannot alter its probable cause finding.

CONCLUSIONS AND RECOMMENDATIONS

The OIG investigation revealed that City and CRA officials have grossly mismanaged the CRA, primarily because they viewed—and treated—TIF monies as fungible assets of the Hallandale Beach public fisc. As a result, until recently, they failed to institute any measures of CRA independence which may have acted as a check on the improper use of CRA TIF funds.

It is becoming increasingly apparent that the gross mismanagement of CRA funds by a Broward County municipality is not a unique occurrence. Within the past year, the OIG has determined that

⁴² It is well-settled that “[o]ne of the basic rules [of investigation] is to question only one person at a time. The testimony of one respondent will invariably influence the testimony of another. There are few hard and fast rules, but this is one of them.” Association of Certified Fraud Examiners, *Fraud Examiners Manual*, Sec. 3.214 (2012). When Dr. Brown appeared for her interview on September 18, 2012 with her brother and the accountant, OIG Special Agents explained that neither could accompany her during her interview. After consulting with the accountant, Dr. Brown requested that the interview be rescheduled so that she could consult an attorney. When she eventually returned for her interview on October 25, 2012, she explicitly waived the presence of an attorney.

BROWARD OFFICE OF THE INSPECTOR GENERAL
FINAL REPORT RE: GROSS MISMANAGEMENT OF PUBLIC FUNDS
BY THE CITY OF HALLANDALE BEACH AND THE HALLANDALE BEACH
COMMUNITY REDEVELOPMENT AGENCY

officials of the City of Lauderdale Lakes misspent over \$2.5 million in CRA funds. More recently, the Florida Auditor General identified several significant expenditures made by the City of Hollywood CRA that were not in accordance with Chapter 163 or the approved CRA plans, including payments for improvements outside the CRA boundaries, payments for general government operating expenses, and payments for promotional activities that were beyond the scope of Chapter 163. The OIG will continue to examine the expenditure of CRA funds by municipalities.

While we are encouraged by the remedial steps taken by the City and the CRA in the last year, the OIG remains concerned that the City has not acknowledged the statutory limits on the use of TIF funds diverted to the CRA. The CRA must also continue to make strides to ensure that those funds are administered in a manner that promotes accountability and transparency. The OIG makes the following recommendations, the focus of which are to further embrace and ensure the independence of the CRA:

1. The CRA should take considerable steps to ensure the retention of a stable CRA staff. Whether the CRA Executive Director duties remain with the City Manager or are again filled by an independent officer, the CRA should incorporate some level of independent management for CRA issues.
2. The CRA should avail itself of training designed to strengthen the understanding of Chapter 163, its requirements, and its limitations on spending.
3. The CRA should reevaluate its current Community Partnership Grant program, which replaces the former charitable donation program, for compliance with Chapter 163.
4. CRA staff must be empowered to ensure compliance with the requirements of Chapter 163.
5. The City and the CRA should determine whether the current balance of the RTF accurately reflects the amount of funds due to the CRA and, if not, promptly effect reconciliation.
6. The CRA should diligently monitor the expenditure of funds.

The OIG requests that we are provided with a status report in 60 days, or by July 16, 2013, regarding the adoption and implementation of these recommendations.

Finally, the OIG believes that it is in the interest of Broward County—in light of the TIF funds it provides to various CRAs—to independently determine whether the expenditures of those funds are within the scope of Chapter 163. Accordingly, by way of this report, the OIG recommends that it determine what legal options are available to prevent the ongoing abuse of the CRA process and recover those funds that may have been misspent.