

# **Audit**

## **Follow-Up**

*As of March 31, 2017*



T. Bert Fletcher, CPA, CGMA  
City Auditor

## **Audit of City Contracts with the Big Bend Community Development Corporation**

(Report #1701, Issued December 1, 2016)

**Report #1712**

**May 31, 2017**

### **Summary**

*The Community Housing and Human Services (CHHS) department completed six of the 14 action plan steps established to address issues identified in audit report #1701 and due for completion as of March 31, 2017. Efforts have been initiated and are ongoing to complete another seven of those steps, and efforts to complete the remaining step due as of that date will be initiated once a related step is completed. Completed actions during the period covered by this follow-up engagement included, but were not limited to, obtaining collateral to secure an existing loan, ensuring a subsequent special project loan contract included recommended provisions better protecting the City's interests, and enhancing reviews of subsequent grantee reimbursement requests. We will continue to follow up on the efforts of the CHHS to address the issues identified in our initial audit through our subsequent follow-up engagement.*

In audit report #1701, Audit of City Contracts with the Big Bend Community Development Corporation (BBCDC), issued December 1, 2016, we determined enhanced oversight was needed by the CHHS department for special project loan contracts and annual Community Development Block Grant contracts between the City and the BBCDC. With respect to the loan contracts, our initial audit disclosed that additional oversight will better ensure contract compliance and the protection of City interests. With respect to the grant contracts, we found in our initial audit that in some instances grant funds had been used for

unallowable, inappropriate, or unsubstantiated purposes. Our initial audit also indicated that a lack of resources had contributed to the BBCDC's lack of success in providing many of the contracted services. Further, while there was some City monitoring and oversight of the grant contracts, those monitoring and oversight efforts needed to be enhanced. Eighteen action plan steps were developed by management to address the identified issues.

Fourteen of those 18 steps were due for completion as part of this initial follow-up engagement. In regard to those 14 action plan steps due for completion no later than March 31, 2017, we determined that six were completed, seven were in the process of being completed, and the remaining step had been deferred until a related step (currently in progress) was completed.

The six action plan steps that were completed included the following:

- Applicable staff were reminded of the department's responsibilities to include all relevant facts in agenda items presented to the City Commission.
- Special project loan contracts are now being prepared in accordance with City Commission authorization.
- Special project loan contracts now contain provisions requiring the loan recipient to provide adequate evidence the loaned funds are used in accordance with applicable contractual terms and conditions.
- The City successfully obtained a mortgage on

BBCDC property as collateral on a previously unsecured existing loan.

- CHHS staff visited and inspected a property, previously mortgaged as collateral, for the purpose of determining its condition.
- CHHS staff enhanced the review of BBCDC grant reimbursement requests to ensure only costs that are adequately documented and substantiated are reimbursed.

The seven action plan steps that were determined to be in progress included:

- Developing a definition of “special projects” and establishing a committee to review special project requests for making funding recommendations to City management and the City Commission.
- Ensuring the timely provision of all collateral required to secure future special project requests.
- Obtaining certificates of insurance on an annual basis for the purpose of verifying properties provided as collateral are appropriately insured.
- Consulting with the City Attorney’s Office to ascertain if the BBCDC should be requested to return City grant funds used for non-allowable/inappropriate purposes or for which the uses were not substantiated by the BBCDC (*three steps*).
- Enhancing the CHHS department’s monitoring of and oversight processes for loan and grant recipients.

The one action plan step that was deferred involves the CHHS department’s development and execution of monitoring plans for the special loan contracts. Initiation of this step is pending the department’s definition of special projects (part of a previous action plan step) and categorization of current department projects.

In our subsequent follow-up engagement, we plan to follow up on management’s efforts to complete the eight action plan steps that are in progress or

deferred, as well as the four action plan steps due for completion after March 31, 2017.

We appreciate the cooperation and assistance provided by CHHS department management and staff during this audit follow-up.

### *Scope, Objectives, and Methodology*

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

### *Original Report #1701*

The scope of our initial audit (report #1701) focused on the contracts between the City of Tallahassee (City) and the Big Bend Community Development Corporation (BBCDC), which were in effect during the period October 1, 2013, through September 30, 2016. The audited contracts included those relating to outstanding special project loans owed to the City by the BBCDC and those contracts relating to annual Community Development Block Grant (CDBG) awards.

The purpose of the audit was to determine the extent to which the City’s Housing and Human Services (CHHS) Department had ensured, and could demonstrate of record, BBCDC compliance with the terms and conditions of City contracts.

To address the stated objective, we interviewed appropriate City and BBCDC management and staff; reviewed applicable contracts, commission agenda items, and related City and BBCDC records and documents demonstrating uses of loaned/awarded funds and programmatic goals achieved; and made site visits to locations that were intended to benefit from the use of the loaned and granted funds.

## Report #1712

This is our first follow-up on action plan steps identified in audit report #1701. The purpose of this follow-up is to report on the progress and status of efforts to complete action plan steps due for completion no later than March 31, 2017. To determine the status of the action plan steps, we interviewed staff and reviewed relevant documentation.

## Background

### Overview

The Big Bend Community Development Corporation (BBCDC) is a 501(c)(3) non-profit corporation. The BBCDC is headed by a Board, and its day-to-day operations are managed by an executive director. The BBCDC's mission is to develop affordable housing, foster neighborhood economic development and job creation, preserve historic community assets, provide youth and senior services, and deliver educational programs.

During its existence, the BBCDC has contributed to the revitalization of the Frenchtown Community through capital project initiatives, including the development of affordable housing and the preservation of historical properties. Such projects have included the construction of infill housing; the rehabilitation and repair of existing housing stock; the acquisition and restoration of two historically significant Frenchtown properties, the Tish Byrd House and Community Garden and the Casanas House; and the acquisition of a third historic property, the Ashmore Property.

One of the major capital project initiatives of the BBCDC was the Frenchtown Village Marketplace development. That planned project was a mixed-use development consisting of market-rate townhomes, affordable apartment style condominium units, commercial office building space, and an open market square for small vendor kiosks. However, because the BBCDC was unable to secure financing, that planned project was not completed.

Subsequently, the BBCDC and a partner, Pinnacle Housing Group, obtained financing to pursue a

different development on the Frenchtown Village Marketplace site, known as the Casanas Village project. Information available at the time of our initial audit indicated that the Casanas Village project is to include 88 housing units and 2,000 square feet of retail space. Of the 88 housing units, 79 are to be rented to low-income households and nine are to be market-rate units. Construction on that project started in early 2017, subsequent to the issuance of our initial audit report in December 2016.

In addition to the capital projects, the BBCDC has provided human services to low-income individuals and households. Some of the more prominent programs included summer camps for girls; collection of useful items for distribution to area pantries that in turn distribute the items to low-income families; and a free food program.

Many of the BBCDC's capital project and human services programs were funded, to a large degree, through City loans and grants awarded through the City's Community Housing and Human Services (CHHS) department. The source of the funds loaned and granted to the BBCDC included the City Housing Trust Fund and federal funds awarded to the City by the United States Department of Housing and Urban Development (USDHUD), to include Community Development Block Grant (CDBG) funds. The Housing Division, within the City's CHHS department, was responsible for administering the City loan and grant contracts executed with the BBCDC.

### Loan Contracts

At the start of our initial audit, the BBCDC owed to the City \$1,274,852 in unpaid loans. At that time the loans were delinquent as the BBCDC had not made any payments on those loans, although the balances had been outstanding for several years. In November 2016, immediately prior to the issuance of our initial audit report on December 1, 2016, the BBCDC (1) paid the City \$752,237 to be applied to two of those loans and (2) executed amended promissory notes with the City for the remaining loans and outstanding balances. Table 1 provides information on the previous and current status of those loans.

**Table 1  
Big Bend Community Development Corporation  
Loans Payable to the City**

Loan Description	Due as of September 2016	Payments made in November 2016	Due as of December 2016 (Date of Initial Audit Report)	Additional Payments made after Initial Audit as of April 30, 2017	Due as of April 30, 2017
\$250,000 Line of Credit Loan	\$250,000	(\$70,000)	\$180,000	(\$19,183)	\$160,817
\$750,000 Line of Credit Loan	682,237	(682,237)	0	Not Applicable (Paid Off)	0
\$250,000 Ashmore Property Loan	342,615	(0)	343,147 <small>(Includes \$532 interest accrued since September 2016)</small>	(0)	343,147 <small>(No additional interest accrues under amended promissory note if balance paid when due)</small>
Totals	\$1,274,852	(\$752,237)	\$523,147	(\$19,183)	\$503,964

The BBCDC used funds that it received, in connection with the financial closing and development of the Casanas Village project site, to make the November and subsequent additional loan repayments. The amended promissory notes for the \$250,000 Line of Credit Loan and the \$250,000 Ashmore Property Loan provide for the BBCDC to repay the remaining outstanding balances no later than January 2019 and November 2018, respectively.

**CDBG Contracts**

Annual grants of CDBG funds were made by the City to the BBCDC for the three years covered by our initial audit. Each annual grant was for \$60,000, with grant awards for all three years totaling \$180,000. At the time of our initial audit, the City had paid the BBCDC a total of \$142,251 under the three applicable grant contracts. The respective contracts provided for the BBCDC to render specific neighborhood revitalization services, with a targeted population of low-income

individuals and families that resided in Frenchtown and other low-income neighborhoods.

***Previous Conditions and  
Current Status***

In our initial audit (report #1701) we determined, in regard to City housing loans and the related projects, that additional City oversight was needed to better ensure contract compliance and protection of the City’s best interests. With respect to CDBG grant contracts, we found that in many instances documentation was available to demonstrate City grant funds had been used appropriately; however, we determined there was some use of those funds for unallowable, inappropriate, or unsubstantiated purposes. We determined and reported that inadequate resources had contributed to the lack of the BBCDC’s success in providing many of the contracted services. Further, we determined and reported that the City’s monitoring and oversight efforts needed to be enhanced. Recommendations were made to address the applicable areas.

City management developed 18 action plan steps to address the identified issues and related audit recommendations. Fourteen of the 18 action plan steps established were due for completion as of March 31, 2017. Table 1 that follows shows the status of those 14 steps as determined through our audit follow-up process. As indicated in that table, six of those steps have been completed, efforts

have been or are being initiated to complete seven more steps, and actions have been deferred for the remaining step. We will follow up on efforts to complete the eight action plan steps not yet completed, as well as the four action plan steps due for completion after March 31, 2017, in our subsequent follow-up engagement.

**Table 1  
Current Status of Action Plan Steps from Audit Report #1701  
Due as of March 31, 2017**

Action Plan Steps Due	Current Status
<p><b>Objective: Ensure compliance with terms and conditions related to special project loan contracts between the City and BBCDC.</b></p>	
<ul style="list-style-type: none"> <li>Community Housing and Human Services department (Department) staff will be reminded that City Administrative Policy and Procedure (APP) 201 requires that agenda item presentations include all relevant facts. (<i>Report #1701 Action Plan Step A2</i>)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Complete:</b> Copies of APP 201 have been provided to Department management and staff that participate in drafting City Commission agenda items. Management emphasized to those employees the department’s responsibilities, which include providing factual information in agenda items and coordinating the review of proposed agenda items so as to allow timely feedback and needed revisions. Management obtained a signed statement from each of the employees acknowledging he or she received those procedures and was responsible for adhering to them. Management plans to require applicable employees to provide those assertions on an annual basis. Furthermore, our review of the agenda item prepared for a special project loan authorized and executed subsequent to the initial audit showed all relevant facts were clearly presented within that item. This action step is considered completed.</li> </ul>
<ul style="list-style-type: none"> <li>The Department will develop a definition of “special projects” and the City Manager will select a special projects committee to review special project requests; the committee comments will be included in funding recommendations. (<i>Report #1701 Action Plan Step A3</i>)</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>In Progress:</b> Department management indicated that internal discussions are currently being held as to what constitutes a “special project,” to include a consideration of the intended funding sources of such projects. Department management is in the process of developing a proposed structure of a “special projects committee” for consideration by the City Manager. At this point, management indicates that the committee will likely be comprised of appropriate City staff (not within the CHHS department) and a non-City professional volunteer</li> </ul>

	<p>with commercial lending experience. Management further indicated the committee would be advisory in nature and would provide input, such as recommendations, on special project funding requests. That input would be included in the applicable agenda items presented to the City Commission. Management indicates it plans to complete the definition of special projects and have the committee established in the next few months. Based on these actions, this step is considered in progress.</p>
<ul style="list-style-type: none"> <li>• All Department sponsored special project loan contracts will be prepared in accordance with City Commission authorization, or if not clearly in accordance with that authorization, be submitted for City Commission review and approval prior to execution. <i>(Report #1701 Action Plan Step A4)</i></li> </ul>	<p>✓ <b>Complete:</b> The Department director instructed applicable staff to ensure future loan agreements were prepared to conform to City Commission authorizations. Our review of a special project loan authorized and executed subsequent to the initial audit showed that the loan agreement conforms to the provisions authorized by the City Commission. Accordingly, this step is considered completed.</p>
<ul style="list-style-type: none"> <li>• Future loan contracts will include provisions requiring that the loan recipient provide proof that advanced (loaned) funds are used in accordance with contractual terms and conditions. <i>(Report #1701 Action Plan Step A5)</i></li> </ul>	<p>✓ <b>Complete:</b> Department management indicated that staff responsible for drafting loan agreements have been instructed to include, within future agreements, provisions requiring the entities receiving the loans to provide adequate evidence that the loaned City funds are used in accordance with applicable contractual terms and conditions. Our review of a special project loan authorized and executed subsequent to the initial audit showed that such provisions were appropriately included in the related loan agreement. Specifically, a loan agreement recently executed with the Tallahassee Lenders Consortium (TLC) for affordable housing acquisition and rehabilitation requires the TLC to provide the City adequate evidence (invoices, receipts, purchase contracts, etc.) demonstrating the allowable costs incurred before City loan funds will be advanced. Additionally, the loan agreement provides for the City’s designated inspector to review and approve work performed (e.g., rehabilitation) before loan funds will be advanced. Based on these actions, this step is considered completed.</p>
<ul style="list-style-type: none"> <li>• The Department will determine if the BBCDC is currently in possession of any unencumbered land or buildings. For any such property, the Department will consider requiring that the</li> </ul>	<p>✓ <b>Complete:</b> As noted in the City Manager’s written response to the initial audit report, the City successfully executed a mortgage on the property that currently houses the BBCDC. Specifically,</p>

<p>BBCDC deliver mortgages on that property sufficient to collateralize the \$250,000 Line of Credit (LOC) Loan. (Report #1701 Action Plan Step A6)</p>	<p>on November 8, 2016, the City secured the remaining balance (\$180,000 as of December 1, 2016) owed on the previously unsecured \$250,000 LOC loan through a mortgage on the property known as the Tish Byrd House, located at 421 West Georgia Street. Accordingly, this step is completed.</p>
<ul style="list-style-type: none"> <li>● The Department will ensure the timely provision of all collateral required to secure future special project loans. (Report #1701 Action Plan Step A7)</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>In Progress:</b> Department management has discussed with staff the need for collateral as security for future loans and the need for a plan to ensure proper care, maintenance, and security of such collateral when provided, as well as access to the collateral by the Department to perform routine inspections. For the special project loan authorized and executed with the TLC subsequent to the initial audit, the Department included terms in the loan agreement requiring TLC to secure (collateralize) the loan with mortgages on the properties acquired and improved with the loan proceeds. The terms of the loan agreement provide that delivery of those mortgages to the City is required prior to the advancement of loan proceeds. We will review the Department's compliance with those terms in our subsequent follow-up engagement. Based on these actions, this step is considered in progress.</li> </ul>
<ul style="list-style-type: none"> <li>● The Department will on an annual basis physically inspect the Ashmore Property and determine whether it is being maintained in good condition, as required by contract. (Report #1701 Action Plan Step A8)</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Complete:</b> Department staff conducted a site visit and inspection of the Ashmore Property on March 1, 2017. The report and associated photographs indicate the property is currently unoccupied and in poor condition, although the roof has been re-worked and appeared to be in good condition. Because of a lack of records and documented prior monitoring visits by the department, it could not be determined if the structure has significantly deteriorated during the related loan period (i.e., since 2004). Based on the inspection, Department management and staff determined significant improvements would have to be made to the building before it could be occupied. Management further indicated that a more comprehensive assessment of the building would need to be conducted to determine the feasibility of renovations. Management and staff stated the condition of the building likely will not change significantly during the remainder of the loan period.</li> </ul>

	<p>As the Ashmore Property represents collateral on an outstanding loan, and given that the City executed an amended promissory note in November 2016 for that loan, which provides for the BBCDC to repay the loan to the City by November 1, 2018, Department management indicated further actions by the City in regard to the Ashmore Property are not planned at this point. In the event the loan is not repaid and the City takes title to the property as a result, management stated it will conduct a subsequent analysis to determine the appropriate actions to take. Based on these actions, this step is considered completed.</p>
<ul style="list-style-type: none"> <li>● The Department will on an annual basis obtain a certificate of insurance and determine that properties provided as collateral are appropriately insured. <i>(Report #1701 Action Plan Step A10)</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ <b><u>In Progress:</u></b> As noted in the initial audit, while we verified through our audit fieldwork the BBCDC did maintain the required insurance coverages on the mortgaged properties, the Department had not required the BBCDC to provide evidence such insurance was maintained. In accordance with our initial audit recommendation and the related action plan step, Department management indicated staff are in the process of preparing a list of all properties currently provided as collateral. Once that list is completed, the Department plans to send letters requesting the applicable entities to provide current certificates of insurance. Once those certificates are received, the Department indicated a schedule will be prepared based on insurance policy expiration dates, which will be used by staff to send subsequent annual letters requesting provision of updated insurance certificates. Based on these actions, this step is considered in progress.</li> </ul>
<ul style="list-style-type: none"> <li>● The Department will develop and execute monitoring plans for each of the special project loan contracts. <i>(Report #1701 Action Plan Step A11)</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b><u>Action Deferred:</u></b> Department management responded that development and execution of monitoring plans for each of the special project loan contracts will be initiated and completed upon the Department’s definition of special projects (a separate action plan step addressed above) and categorization of current ongoing Department projects. Accordingly, initiation of this action plan step has been temporarily deferred.</li> </ul>



**Objective: Ensure compliance with terms and conditions related to CDBG contracts between the City and Big Bend Community Development Corporation.**

- The Department will consult with the City Attorney’s Office to ascertain if the BBCDC should be requested to return CDBG grant funds used for non-allowable and/or inappropriate uses. *(Report #1701 Action Plan Step B1)*

➤ **In Progress:** On February 13, 2017, the Department director and the Department administrative services manager (ASM) met with the BBCDC director regarding the reported uses of grant funds, totaling \$7,659, for non-allowable or inappropriate uses. The Department director and ASM asserted that the BBCDC director indicated he believed receipts and other information to demonstrate some of the non-allowable costs were allowable could be provided, and therefore requested additional time to find those receipts and information. The Department director stated that after any additional receipts or information is provided by the BBCDC and reviewed and considered, they would meet with the City Attorney’s Office to ascertain if the BBCDC should be requested to return the applicable grant funds. We recommend the Department timely complete this action step. This action plan step is considered in progress.

(It should be noted that during the initial audit, available documentation demonstrated the funds were used to pay unallowable and/or inappropriate costs. In addition, during the initial audit the BBCDC director requested and was provided an opportunity [five months] to locate and provide receipts and other documentation to substantiate the allowability of these questioned uses of grant funds. Notwithstanding that allowance of time, such support had not been provided as of the issuance of our audit report on December 1, 2016. As of the date of our follow-up fieldwork, nine months have passed since our initial request in July 2016 for justifying documentation, with no additional documentation provided.)

- The Department will enhance reviews of BBCDC reimbursement requests to ensure that only those costs that are adequately documented and substantiated by the BBCDC are reimbursed. *(Report #1701 Action Plan Step B2)*

✓ **Complete:** The Department has taken actions to adequately and appropriately review BBCDC reimbursement requests to determine that only allowable and appropriate costs are reported (claimed) by the BBCDC for reimbursement from City grant funds. To date, those efforts included: (1) re-reviewing prior BBCDC reimbursement requests for which payments from City grants were made and requesting explanations and justifications from the BBCDC based on those

	<p>subsequent re-reviews, and (2) initiation of a review of the BBCDC’s subsequent reimbursement request for the FY 2016 CDBG grant. While the review of that subsequent reimbursement request (for \$37,098) has been initiated, Department management indicated payment (reimbursement) to the BBCDC for those costs will not be made until after the Department has resolved and/or recovered the costs questioned in the initial audit and in their ongoing re-reviews of prior reimbursements. Responsibility for conducting the re-reviews of prior reimbursements and reviews of subsequent reimbursement requests has been assigned to the Department’s housing administrator. Based on the noted efforts, this action plan step is considered completed.</p>
<ul style="list-style-type: none"> <li>• The Department will consult with the City Attorney’s Office to ascertain if the BBCDC should return the CDBG grant funds for those costs that cannot be substantiated by the BBCDC. <i>(Report #1701 Action Plan Step B3)</i></li> </ul>	<p>➤ <b><u>In Progress:</u></b> On February 13, 2017, the Department director and the Department administrative services manager (ASM) met with the BBCDC Director regarding the reported unsubstantiated uses of grant funds totaling \$19,851. The Department director and ASM asserted that the BBCDC director indicated he believed receipts and other information could be provided to substantiate that some of the uses were allowable, and therefore requested additional time to find such receipts and information. The Department director stated that after any additional receipts or information is provided by the BBCDC and reviewed and considered by Department staff, they would meet with the City Attorney’s Office to ascertain if the BBCDC should be requested to return any applicable grant funds. We <u>recommend</u> the Department timely complete this action step. This action plan step is considered in progress.</p> <p>(It should be noted that during the initial audit, the BBCDC director requested and was provided an opportunity [five months] to locate and provide receipts and other documentation to substantiate the questioned costs. Notwithstanding that allowance of time, such support had not been provided as of the issuance of our audit report on December 1, 2016. As of the date of our follow-up fieldwork, nine months have passed since our initial request in July 2016 for justifying documentation, with no additional documentation provided.)</p>

<ul style="list-style-type: none"> <li>• The Department will consult with the City Attorney’s Office regarding whether the Executive Director’s hiring of his daughter violates contract terms prohibiting conflicts of interest and nepotism. If deemed a contract violation, the Department will consult with the City Attorney’s Office concerning the corrective actions to be taken. <i>(Report #1701 Action Plan Step B4)</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ <b><u>In Progress:</u></b> During the aforementioned February 13, 2017, meeting held with the BBCDC director, Department management asserted the BBCDC director concurred that payments to his daughter for services rendered to the BBCDC were unallowable under the contract and should be reimbursed to the City. Department management indicated this matter would be discussed with the City Attorney’s Office at the same time the matters in the two previous action steps (non-unallowable and inappropriate use of funds and unsubstantiated use of funds) are addressed with the City Attorney’s Office. This action plan step is considered in progress.</li> </ul>
<ul style="list-style-type: none"> <li>• Enhancements will be made in regard to the monitoring and oversight processes of the Housing Division. Specifically: (1) reimbursement requests will be reviewed in a manner to ensure BBCDC costs are allowable, reasonable, supported and substantiated; and not included on more than one reimbursement request; (2) required periodic performance reports will be reviewed for completeness and clarity, and to determine if they demonstrate the extent to which the contractual goals are being met; and (3) more frequent site visits will be conducted. <i>(Report #1701 Action Plan Step B6)</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ <b><u>In Progress:</u></b> The Department is currently in the process of identifying and compiling an updated list of all contracts and projects that should be monitored on a periodic or ongoing basis. Management indicated that a revised and updated monitoring schedule is being developed to ensure those contracts and projects will be adequately and timely monitored. The Department is also in the process of filling the special projects administrator position, which is currently vacant. The individual hired into that position will be assigned responsibility to help implement the planned monitoring and oversight enhancements. Additionally, management plans to assign an administrative/financial staff employee to assist in the monitoring and oversight efforts. We will address the Department’s success in completing these efforts in our subsequent follow-up engagement. Based on these actions, this step is considered to be in progress.</li> </ul>
<p><b>Table legend</b></p> <ul style="list-style-type: none"> <li>• Issue to be addressed from original audit.</li> <li>✓ Action completed.</li> <li>➤ Actions to address issue are in progress.</li> <li>❖ Actions deferred.</li> </ul>	

## *Conclusion*

Table 1 above shows six of the 14 action plan steps due for completion as of March 31, 2017, had been completed. Efforts are in progress to complete seven more of those steps, and efforts will be initiated to complete the remaining step upon the department's completion of a related step.

As noted in a previous section of this report, in addition to the 14 action plan steps due for completion as of March 31, 2017, and addressed in Table 1, there are four additional action plan steps due for completion after that date (i.e., each of those are due for completion by September 30, 2017). Those other four steps pertain to:

- Reporting the status of outstanding special project loans to the City Commission on an annual basis.
- Obtaining a detailed list from the BBCDC of valuables (antiques, political paraphernalia and collectibles) that represent part of the collateral committed for the Ashmore Property loan.
- Identifying alternatives for providing needed services if the BBCDC is determined not to be a financially viable entity.
- Ensuring federal, state, and local resources are properly included in the City's annual budgets.

We will follow up and report on management's efforts to complete the eight action plan steps addressed in Table 1 and the four additional steps due for completion by September 30, 2017, in our subsequent follow-up engagement.

We appreciate the cooperation and assistance provided by CHHS department management and staff during this audit follow-up.

## *Appointed Official's Response*

### **CITY MANAGER**

We appreciate the assistance of the City Auditor's Office as we have worked to address issues identified in the audit regarding prior year contracts with the Big Bend Community Development Corporation. As noted in this follow up report, the majority of the steps identified in the original action plan have either been completed or are in progress. Most importantly, the recommended actions regarding the execution of agreements and the documentation and security of collateral have been implemented. The City is seeking reimbursement of those expenses that were identified as disallowed in the original audit report. No payments or reimbursements have been released to the CDC since the audit was completed. We anticipate completing the remaining Audit Action Plan items by September 30, 2017.

Copies of this Follow-Up Audit Report #1712 or the initial audit report #1701 may be obtained from the City Auditor's web site (<http://www.tal.gov/transparency/auditing-auditreports.aspx>), via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@tal.gov](mailto:auditors@tal.gov)).

Audit Follow-Up conducted by:  
T. Bert Fletcher, CPA, CGMA, City Auditor