



Issue Date September 19, 2011

Audit Report Number 2011-AT-1017

TO: Maria R. Ortiz, Director of Community Planning and Development, Miami Field Office, 4DD

FROM: //signed//
James D. McKay, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: Broward County, FL, Did Not Accurately Report Recovery Act Grant Information for Its Community Development Block Grant Recovery Program

HIGHLIGHTS

What We Audited and Why

We audited Broward County's Community Development Block Grant Recovery program funded under the American Recovery and Reinvestment Act of 2009. We selected the County for review because it was awarded more than \$1 million in program funds and as of March 31, 2011, had spent 94 percent of its total allocation. The audit was in accordance with our audit plan to review funds provided under the Recovery Act.

The audit objective was to determine whether the County administered its program in accordance with applicable U.S. Department of Housing and Urban Development (HUD) and Recovery Act requirements. Specifically, we wanted to determine whether the County's program (1) met the national objective(s), (2) had allowable expenditures, and (3) met reporting requirements.

What We Found

The County demonstrated that it met the national objective and its expenditures were allowable. However, it did not accurately report program information on the Recovery Act Web site. This condition occurred because the County

misinterpreted Federal regulations and did not have adequate controls to ensure proper reporting on the Recovery Act Web site. As a result, the public did not have access to accurate information on program funds.

What We Recommend

We recommend that the Director of the Miami Office of Community Planning and Development require the County to (1) recalculate the number of jobs created or retained and (2) revise misstatements on the Recovery Act Web site.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the finding with the County during the audit. We provided the draft report to County officials for their comments on August 22, 2011, and discussed the report with them at the exit conference on August 29, 2011. The County provided its written comments to our draft report on August 29, 2011. In its response, the County agreed with our finding. The County indicated that it plans to implement our recommendations and it has submitted a request to change the necessary information on the Recovery Act Web site.

The complete text of the County's response, along with our evaluation of that response, can be found in appendix A of this report.

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BACKGROUND AND OBJECTIVE

The American Recovery and Reinvestment Act of 2009 became Public Law 111- 5 on February 17, 2009. The Recovery Act appropriated \$1 billion in Community Development Block Grant funds to State and local governments to expedite carrying out eligible activities under this program. These funds were distributed to grantees that received Community Development Block Grant funding in fiscal year 2008 on a formula basis. The grant program under the Recovery Act is referred to as the Community Development Block Grant Recovery program. The program funds are to be used to maximize job creation and economic benefit and carry out infrastructure improvements on an expedited basis.

On August 25, 2009, Broward County was awarded more than \$1 million in program funds. The County’s Environmental Protection and Growth Management Department was created in 2008 when the County merged its urban redevelopment and planning functions with those of environmental protection, emergency management, and consumer protection. Within this department, the Housing Finance and Community Development Division is responsible for administering the program. The mission of this division is to create partnerships, maximize resources, and find new tools to develop and preserve affordable housing and improve communities.

The County used its program funds to address capital improvements and infrastructure activities in eligible census tracts located in the County’s participating urban cities. In addition, it rehabilitated single-family residential structures occupied by low- and moderate-income households with income not exceeding 80 percent of the area median income. The County was the lead agency responsible for administering these funds, and it oversaw three city subrecipients, which were responsible for the capital improvement and infrastructure activities.

As of June 30, 2011, the U.S. Department of Housing and Urban Development (HUD) had reimbursed the County more than \$1 million in program funds, or 100 percent of its total allocation for five program activities. These activities consisted of (1) \$361,056 for rehabilitation of single-family residential properties, (2) \$600,000 for capital and infrastructure improvements, and (3) \$71,944 in planning and administration.

Activity number	Activity name	Activity description	Amount reimbursed by HUD
1532	Broward County Housing Finance	Single-family residential rehabilitation	\$361,056
1533	City of Dania Beach	Capital and infrastructure improvements	\$200,000
1534	City of Oakland Park	Capital and infrastructure improvements	\$200,000
1535	Town of Pembroke Park	Capital and infrastructure improvements	\$200,000
1536	Program administration	Planning and administration	\$71,944
		Total	<u>\$1,033,000</u>

The audit objective was to determine whether the County administered its program in accordance with applicable HUD and Recovery Act requirements. Specifically, we wanted to determine whether the County’s program (1) met the national objective(s), (2) had allowable expenditures, and (3) met reporting requirements.

RESULTS OF AUDIT

Finding: The County Did Not Accurately Report Program Information on the Recovery Act Web Site

The County did not accurately report program information on the Recovery Act Web site. Specifically, its quarterly reports contained errors in the (1) number of jobs created or retained and (2) status of activities. This condition occurred because the County misinterpreted Federal regulations and did not have adequate controls to ensure proper reporting on the Recovery Act Web site. As a result, the public did not have access to accurate information on program funds.

To comply with the transparency and accountability requirements, section 1512(c) of the Recovery Act requires recipients to submit quarterly reports. These quarterly reports are submitted in federalreporting.gov and, once approved, become available to the public on the recovery.gov Web site¹. Office of Management and Budget (OMB) Memorandum 09-10, section 1.2, requires that public benefits of Recovery Act funds be reported clearly, accurately, and in a timely manner.

We reviewed all five quarterly reports submitted by the County as of March 31, 2011. The County's quarterly reporting was generally timely, but the information submitted was not always accurate.

Inaccurately Reported Number of Jobs Created or Retained

The County did not accurately report the number of jobs created or retained for all five quarters reviewed. Section 1512(c) of the Recovery Act and OMB Memorandum 09-10, section 1.2, require recipients to accurately report for each quarter the number of jobs created and retained by the project or activity.

Discrepancies Within the Quarterly Reports

In two quarters, the County had a discrepancy between the number of jobs reported and the narrative section that described the project or types of jobs created or retained. It was unable to explain why this difference occurred.

¹ The federalreporting.gov Web site works in conjunction with the recovery.gov Web site to provide a comprehensive solution for recipient reporting of Recovery Act funds. Recipients of Recovery Act funds access the federalreporting.gov Web site to submit the quarterly reports. Once the funding agency reviews the submitted data, those reports become available to the public via recovery.gov.

Number of jobs reported on the Recovery Act Web site						
Calendar year/ quarter:		2010/ 1	2010/ 2	2010/ 3	2010/ 4	2011/ 1
Activity	Activity description	Number of jobs *				
1532	Single-family residential rehabilitation	5	3	2	3	1
1533	Capital improvement and infrastructure	-	-	1	-	-
1534	Capital improvement and infrastructure	-	-	8	-	-
1535	Capital improvement and infrastructure	4	-	-	-	-
1536	Planning and administration	-	-	-	-	-
Number of jobs according to description of jobs or project narrative		9	3	11	3	1
Number of jobs according to number of jobs line item		9	3	12	3	3
Difference		0	0	1	0	2
*For the purpose of this report, the number of jobs was rounded.						

To support the jobs reported in the narrative section of the report, the County provided a list of the employees that comprised the number of jobs reported for each quarter by activity. We selected two employees to review from each of the four program activities based on the most hours worked from the highest generating quarter and found miscalculated job reporting. In addition, we found incomplete job reporting for the administration activity.

Miscalculation of Jobs Reported

The County miscalculated the number of jobs reported. OMB Memorandum 10-08, part 2, section 5-2.4, states that the number of jobs created or retained is expressed as “full time equivalents (FTE).” In calculating an FTE, the number of actual hours worked in funded jobs is divided by the number of hours representing a full work schedule. The FTEs are adjusted to count only the portion corresponding to the percentage of the job funded by the Recovery Act.

The County did not calculate the jobs based on the correct portion funded by the program for all eight employees reviewed. In addition, the number of actual hours worked for three employees did not agree with supporting documentation. This error occurred because the County lacked adequate controls and misunderstood how to properly compute the correct percentage funded for each job reported.

Incomplete Number of Jobs Reported

The County also did not count all of the jobs it created or retained with program funds. OMB Memorandum 10-08, part 2, section 5-2.2, states that recipients must include all jobs that are funded by the Recovery Act. As of March 31, 2011, HUD had reimbursed the County \$49,790 in salary expenditures for three employees charged to the program administration activity. However, the County did not report any of these jobs on the Recovery Act Web site.

Employees funded by the program			
Employee	Percentage	Period (month/year)	Amount reimbursed*
1	25	12/2009 to 09/2010	\$5,981
2	25	12/2009 to 02/2011	\$17,097
3	50	12/2009 to 10/2010	<u>\$26,712</u>
	25	10/2010 to 03/2011	
Total			<u>\$49,790</u>
*This amount excludes employee benefits of \$12,318 funded by the program.			

The County admitted that it inaccurately calculated the number of jobs and that it was an issue consistent throughout all quarters. The County indicated that it misinterpreted the OMB guidance by not including the three County employees in its job calculations. It believed that it only had to report jobs based on the number of contractors working on each activity.

Inaccurately Reported Status of Activities

The County inaccurately reported the status of activities in three quarters. Section 1512(c) of the Recovery Act and OMB Memorandum 09-10, section 1.2, require that the quarterly reports contain an accurate detailed list of all activities funded by the Recovery Act, including the name, description, and completion status of the activity.

Number of homes completed			
	Reporting period (calendar/quarter)	Recovery Act Web site	County records
1	2010/1	3	4
2	2010/2	2	0
3	2010/3	3	3
4	2010/4	4	4
5	2011/1	<u>4</u>	<u>1</u>
	Total	<u>16</u>	<u>12</u>

As of March 31, 2011, the County had completed 12 homes for the single-family residential rehabilitation activity. However, the total of homes completed according to the Recovery Act Web site was 16.

The County indicated that the misstatement occurred because it inadvertently reported the incorrect number of homes completed in the first and second quarters of 2010 and in the first quarter of 2011.

In addition, for the first 2011 quarterly report, the County did not report the correct number of solar powered streetlights installed for its capital improvement and infrastructure activity. It reported 26 streetlights when it should have reported 35. The County explained that initially it planned to install 26, but due to the decrease in cost, it was able to install more streetlights than originally planned.

These conditions occurred because the County misinterpreted the OMB guidance and did not have adequate controls to ensure proper reporting on the Recovery Act Web site. It misinterpreted the regulations by not calculating jobs based on the correct portion funded by the program and by not counting all of the jobs created or retained by the program. As a result, the public did not have access to accurate information on program funds.

The County indicated that it used the Recovery Act reports to update its Web site dedicated to Recovery Act funds. Since the Recovery Act requires an unprecedented level of accountability and transparency, it is important that the County also have accurate information reflected in its Web site.

Conclusion

The County did not always accurately report program information on the Recovery Act Web site. Specifically, its quarterly reports contained misstatements of (1) the number of jobs created or retained, (2) the number of homes completed, and (3) the number of streetlights installed with program funds. This condition occurred because the County misinterpreted the OMB guidance and did not have adequate controls to ensure proper reporting on the Recovery Act Web site. As a result, the public did not have access to accurate information.

As of June 30, 2011, HUD had reimbursed the County 100 percent of its program allocation and all activities are completed. Therefore, we will not recommend that the County develop written policies and procedures to ensure accurate reporting of program funds on the Recovery Act Web site because the projects are complete and there will be no new information to report on the website.

Recommendations

We recommend that the Director of the Miami HUD Office of Community Planning and Development require the County to

- 1A. Recalculate the number of jobs created or retained and maintain that information in its records until the Recovery Accountability and Transparency Board determines the best approach for making the information available to the public on recovery.gov.
- 1B. Restate the number of homes completed for the first and second quarters of 2010 and the first quarter of 2011 on the federalreporting.gov Web site.
- 1C. Restate the number of streetlights installed for the first quarter of 2011 on the federalreporting.gov Web site.
- 1D. Update the County's Web site to reflect the correct program information.

SCOPE AND METHODOLOGY

Our audit objective was to determine whether the County administered its program in accordance with applicable HUD and Recovery Act requirements. Specifically, we wanted to determine whether the County's program (1) met the national objective(s), (2) had allowable expenditures, and (3) met reporting requirements.

To accomplish our objectives, we

- Reviewed and obtained an understanding of relevant Recovery Act and HUD regulations,
- Reviewed relevant County policies and procedures,
- Interviewed HUD and County officials,
- Reviewed County activity files and records,
- Reviewed reports from HUD's Integrated Disbursement and Information System and federalreporting.gov,
- Reviewed subrecipients' agreements,
- Reviewed and analyzed County financial records,
- Reviewed the County's Web site dedicated to Recovery Act funds, and
- Conducted site visits to confirm the completion of the capital improvement and infrastructure activities.

The County used program funds for five activities, which included three capital improvement and infrastructure activities, one single-family residential rehabilitation activity, and planning and administration. HUD awarded more than \$1 million in program funds and as of March 31, 2011, HUD had reimbursed the County \$ 972,417, or 94 percent of its award.

We reviewed all three capital improvements and infrastructure activities for compliance with national objective requirements because they were completed. These activities represented \$600,000, or 62 percent of the total reimbursement.

To determine whether expenditures were allowable, we selected the single-family residential rehabilitation activity based on its high dollar amount. This activity totaled \$303,890 of the total \$972,417 reimbursed. Due to the volume of transactions for this activity, we selected the 20 largest dollar transactions to review, which totaled \$285,577 and represents 94 percent of the \$303,890 reimbursed.

To determine whether the County complied with the Recovery Act's buy American requirement,² we selected the largest dollar transaction from each of the three capital improvement and infrastructure activities. These three transactions totaled approximately \$317,848, or 53 percent of the total capital improvement and infrastructure activities reimbursement. The single-family residential rehabilitation activity was not reviewed because this requirement did not apply to privately owned housing.

We did not perform a 100 percent review or statistical sample. We applied the results to only the items reviewed and did not project them to the universe of activities.

As of March 31, 2011, the County had submitted five quarterly reports in federalreporting.gov, which we reviewed for accuracy, timeliness, and completeness. To assess the reliability of data in federalreporting.gov, we (1) determined whether the status of activities was supported by the source documents, (2) interviewed County officials about the data, and (3) verified that the number of jobs was accurate and complete. To support the number of jobs, the County provided us with the list of employees that comprised the number of jobs reported. We selected two employees to review from each of the four program activities based on the most hours worked from the highest generating quarter.

The results of our work indicated errors in the reporting of the number of homes completed, number of streetlights installed, and number of jobs created or retained. Therefore, we determined that these data elements reported in federalreporting.gov were unreliable (see finding).

We performed our onsite work from April through July 2011 at the County's Housing Finance and Community Development Division located at 110 Northeast 3rd Street, Suite 300, Fort Lauderdale, FL. The audit covered the period August 2009 through March 2011 and was expanded as necessary.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

² Section 1605(a) of the Recovery Act provides that all of the iron, steel, and manufactured goods used for a project for the construction, alteration, maintenance, or repair of a public building or public work be produced in the United States.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Controls over program operations;
- Controls over reliability of data;
- Controls over compliance with laws and regulations; and
- Controls over the safeguarding of resources against, waste, loss and misuse.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The County did not accurately report program information on the Recovery Act Web site (see finding).

APPENDIX

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1

August 29, 2011

Mr. James D. McKay
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303-3388

SUBJECT: Draft CDBG-R Audit!
Broward County, FL, Did Not Accurately Report Recovery Act Grant Information for Its
Community Development Block Grant Recovery Program

Dear Mr. Mckay:

Thank you for the opportunity to review the draft audit. The following comments are offered subsequent to our review of the draft.

Auditor's Conclusion:

The County did not always accurately report program information on the Recovery Act Web site. Specifically, its quarterly reports contained misstatements of (1) the number of jobs created or retained (2) the number of homes completed, and (3) the number of streetlights installed with program funds. This condition occurred because the County misinterpreted the OMB guidance and did not have adequate controls to ensure proper reporting on the Recovery Act Website. As a result, the public did not have access to accurate information.

Auditor's Recommendations:

We recommend that the Director of the Miami HUD Office of Community Planning and Development require the County to

- 1A. Recalculate the number of jobs created or retained and maintain that information in its records until the Recovery Accountability and Transparency Board determines the best approach for making the Information available to the public on recovery.gov.

Broward County Board of County Commissioners
Sue Gunzburger- Dale VC. Holness- Kristin Jacobs- Chip LaMarca- Ilene Lieberman- Stacy Ritter- John E. Rodstrom, Jr. • Barbara Sharief- Lois Wexler
www.broward.org

County's Response:

We agree with this finding and we are recalculating the number of jobs created. Once finalized, the County will submit the reports and documentation to HUD.

Auditor's Recommendation:

- 1B. Restate the number of homes completed for the first and second quarter of 2010 and the first quarter of 2011 on the FederalReporting.gov website.

County's Response:

We agree with this finding and have recalculated the number of homes completed by the single-family residential rehabilitation activity as of March 31, 2011 to be 12 instead of the 16 reported. A request to change the FederalReporting.gov website was made on August 26, 2011. (See attached).

Auditor's Recommendation:

- 1C. Restate the number of streetlights installed for the first quarter of 2011 on the federalreporting.gov Web site.

County's Response:

We agree with this finding that the number of street lights installed was 35 and not the 26 reported. A request to change to the FederalReporting.gov website was made on August 26, 2011 (See attached).

Auditor's Recommendation:

- 1D. Update the County's Web site to reflect the correct information on program funds.

County's Response:

We agree with this finding. The County's website will be updated to reflect the correct grant program information for each CDBG-R funded project.

We appreciate the opportunity to review and discuss the draft audit.

Sincerely,

Ralph Stone, Director

Cc: Maria Ortiz, CPD Field Office Director, Department of Housing and Urban Development
Suzanne R. Fejes, Assistant Director, Housing Finance and Community Development
Yvette Lopez, Section Manager, Housing Finance and Community Development

OIG Evaluation of Auditee Comments

Comment 1 The County agreed with our finding and plans to implement our recommendations. In addition, it has submitted a request to change the necessary information in federalreporting.gov.