

Florida Housing Finance Corporation
State Housing Initiative Partnership (SHIP) Program

A Compliance Monitoring Report of the SHIP Program of:

City of Margate

State Fiscal Year Allocations under Review:

2012-13 and 2013-14

Allocation Amount (2012-13): \$20,964

Allocation Amount (2013-14): \$77,188

Report No. SCM 2018-30

Report Issued: 12/6/2018

Prepared by: R. Fowler

Background

Florida Housing Finance Corporation (Florida Housing or FHFC) administers the State Housing Initiatives Partnership program (SHIP), which provides funds to local governments (LGs) as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low and moderate-income families.

SHIP funds are distributed on an entitlement basis to all 67 counties and 52 Community Development Block Grant entitlement cities in Florida. The minimum allocation is \$350,000 unless legislative appropriations provide for a lesser amount. In order to participate, local governments must establish a local housing assistance program by ordinance; develop a local housing assistance plan and housing incentive strategy; amend land development regulations or establish local policies to implement the incentive strategies; form partnerships and combine resources in order to reduce housing costs; and ensure that rent or mortgage payments within the targeted areas do not exceed 30 percent of the area median income limits, unless authorized by the mortgage lender.

SHIP dollars may be used to fund emergency repairs, new construction, rehabilitation, down payment and closing cost assistance, impact fees, construction and gap financing, mortgage buy-downs, acquisition of property for affordable housing, matching dollars for federal housing grants and programs, and homeownership counseling. The Local Housing Assistance Plan (LHAP) of each local government determines which activities are authorized for that LG to use. SHIP funds may be used to assist units that meet the standards of Chapter 553, Fla. Stat., Building Construction Standards.

A minimum of 65 percent of the funds must be spent on eligible homeownership activities; a minimum of 75 percent of funds must be spent on eligible construction activities; at least 30 percent of the funds must be reserved for very-low income households (up to 50 percent of the area median income or AMI); an additional 30 percent may be reserved for low income households (up to 80 percent of AMI); and the remaining funds may be reserved for households up to 140 percent of AMI.

No more than 10 percent of SHIP funds may be used for administrative expenses.

Funding for this program was established by the passage of the 1992 William E. Sadowski Affordable Housing Act. Funds are allocated to local governments on a population-based formula.

Local governments are expected to expend all funds from the allocation within two fiscal years from the end of the fiscal year in which the allocation is received.

Purpose of Monitoring Review

The purpose of the review is to evaluate whether a local government participating in the SHIP program performs complete, accurate, and timely work consistent with the provisions of Chapter 420, Part VII, Fla. Stat. §907-9076 (2018); Chapter 67-37 Fla. Admin. Code (2017); the local government's approved Local Housing Assistance Plan (LHAP) as of the date of the monitoring review; and, as applicable, pertinent chapters and subsections of the Laws of Florida. SHIP Compliance Monitoring staff of Florida Housing perform tests on the work completed by a local government, as reported in the Annual Report (AR) submitted as of the date of the compliance monitoring review, for evaluating compliance with Fla. Stat., Fla. Admin. Code, the LHAP, and Laws of Florida (as applicable).

Additionally, as a means of providing further assistance to local governments in the ongoing administration of each SHIP program, Florida Housing also utilizes guidance provided within the Florida Housing Coalition's SHIP Program Manual (Revised July 2008) and the FHFC SHIP Program Overview and Procedures Manual (Published July 2015) to provide "best practice" recommendations for issues not addressed among Fla. Stat., Fla. Admin. Code, the LHAP, or Laws of Florida (as applicable).

Review Participants & Discussion

On-site visit location:	Margate, FL	
Date(s) of On-Site Visit:	10/22 - 10/25/2018	
	Name	Job Title
FHFC staff conducting on-site:	Robin Fowler	SHIP Compliance Monitoring Admin.
LG staff participating:	Cale Curtis	Assistant City Manager
	Nancy Popick	Executive Secretary / Paralegal
	Tanya Benjamin	Grants Manager
	Mary Beazley	Finance Director

The review concluded with an exit interview conducted on 10/25/2018 and included Robin Fowler, Cale Curtis, and Nancy Popick. Concerns noted during the visit were discussed with Margate staff as part of the interview.

Review Objective, Sample Selection, and Scope

In July 2009, Margate's City Commission approved an external consultant to administer its Neighborhood Stabilization Program (NSP) under the oversight of the city manager. In May 2012, Margate (the City) brought the administration of NSP inhouse by creating the Economic Development Department. This department was overseen by a director responsible for the day-to-day operations, who was accountable to the city manager. The director was also responsible for supervising the grants manager. The former grants manager, who later became the subject of the investigation, had also been employed by the external consultant who administered NSP before the City created the Economic Development Department.

In August 2015, the City initiated an investigation of the former grants manager regarding the mismanagement of grant funds. The grants manager resigned in September 2015 after the City initiated the investigation. In August 2017, the former grants manager pled guilty to eight counts, which included bribery, bid tampering, conspiracy, organized scheme to defraud, and official misconduct.

On 2/14/2017, the City executed an Interlocal Agreement (Agreement) with Broward County (the County) for the "...Preparation, Implementation, and Administration by Broward County, of the City of Margate's State Housing Initiatives Partnership (SHIP) Program for the State of Florida's Fiscal Years 2016-2017, 2017-2018, and 2018-2019..." Per Article 5, Section 5.1 of the Agreement, "This Agreement includes all unexpended or unencumbered SHIP Program funds transferred from City's SHIP Program distributions to County from State fiscal years 2012-2013, 2013-2014, 2014-15, 2015-2016, 2016-2017, and subsequent years under the term of this Agreement." The Agreement ends 6/30/2019.

Florida Housing provided SHIP allocations of \$20,964 and \$77,188 for fiscal years 2012-2013 and 2013-2014, respectively. Closeout Annual Reports (AR) detailing the use of these funds were not submitted by the statutory deadline, were not submitted prior to the on-site visit, and currently remain unsubmitted.¹ As of the date of this report, the last closeout AR submitted by the City pertained to fiscal year 2011-12, which was not included in the scope of this review.

Review Objective and Sample Selection

The objective of this monitoring was to determine if SHIP funds were used for eligible costs and for eligible clients. The monitoring sample consisted of expenditures related to projects for the following nineteen (19) clients:

¹ Per Chapter 420.7075 subsection (10) Fla. Stat., "Each county or eligible municipality shall submit to the corporation by September 15 of each year a report of its affordable housing programs and accomplishments through June 30 immediately preceding submittal of the report." The reporting deadline for FY12-13 was 9/15/2015; the deadline for FY13-14 was 9/15/2016.

Clients Assisted and Total Amount of SHIP Expenditures ²		
Client Name	Total SHIP Expenditures	Property Address
Gladys L.	\$4,382.00	6255 Lakeshore Drive
Karen B.	\$4,390.00	6695 NW 15 Street
Raymond S.	\$30,600.00	6204 SW 7th Street
Marilyn A.	\$4,288.00	5803 Coral Lake Drive
Charles Z.	\$21,748.75	5801 NW 19th Street
Clyde M.	\$58,666.75	6361 SW 3rd Street
Paula G.	\$7,100.00	3110 Holiday Springs Road
Carol M.	\$1,788.00	1380 NW 69th Avenue
Sonja J.	\$36,502.45	1675 NW 69th Avenue
Rose P.	\$2,520.69	1040 NW 67 Avenue
Vincent L.	\$43,403.75	1805 NW 78th Avenue
Estelle K.	\$6,487.89	5904 Coral Lake Drive #104
Marie W.	\$575.00	7245 NW 7th Court
Carl S.	\$2,342.30	1150 NW 74th Street
Keisha C.	\$900.00	935 SW 51st Avenue
Stelios N.	\$5,000.00	1356 NW 63rd Avenue
Irma J.	\$5,800.00	3130 Holiday Springs Blvd
John P.	\$3,500.00	3070 Holiday Springs Road
Joseph P.	\$7,990.00	561 SW 51st Avenue
Total SHIP Expenditures: *	\$247,985.58	
<i>*In addition to the SHIP fiscal year distributions described above, these expenditures were also funded with various forms of SHIP program income received by the City, including loan repayments/recaptures, interest earnings, and lien fees.</i>		

Although many of the clients received assistance through multiple funding sources, including Community Development Block Grant (CDBG), only the SHIP expenditures were reviewed. The expenditures listed above were all associated with home repair/rehabilitation projects.

Scope

Because administration of the City's SHIP Program is the current responsibility of the County, rather than the City, this monitoring did not include a review of general administrative processes. Rather, the review scope focused on the following:

- Reviewing the income eligibility of the nineteen assisted clients;
- Reconciling total SHIP revenue and expenditures for the fiscal years not yet reported (2012-13 and 2013-14);

² The City did not have an adequate tracking system in place to track clients and expenditure amounts. These clients were identified by City staff prior to the on-site visit through a review of check requests and general ledger transactions.

- Reviewing documents related to the expenditures to determine whether any unallowable amounts exist that are subject to recapture; and
- Assisting City staff with preparing the missing ARs for submission.

This monitoring involved a review of the following:

- SHIP account information from the City's general ledger for fiscal years 2011-12, 2012-13, 2013-14, and 2014-15;
- Client files related to home rehabilitation projects funded in fiscal years 2011-12, 2012-13, and 2013-14;
- Contractor and vendor invoices related to projects funded in fiscal years 2011-12, 2012-13, and 2013-14;
- Contractor sworn statements; and
- A forensic audit report prepared by Michaelson & Co., PA.

Income Eligibility Determinations Review Activity & Recommendations

As of the date of this report, income documents including assistance applications (sources of income) and income and asset verifications have been reviewed for 18 of the 19 SHIP-assisted clients. Documents for six of the clients were reviewed prior to the on-site visit by a technical advisor with Florida Housing's Catalyst Provider, the Florida Housing Coalition. The remainder were reviewed by Florida Housing's monitor during the on-site.

Although many of the files contained minor errors, none affected the eligibility of the client.

During the on-site, City staff were unable to provide documents substantiating income eligibility for the following two clients:

Client Name	Property Address	Total SHIP Assistance
Sonja J.	1675 NW 69 th Ave	*\$31,515.45
Vincent L.	1805 NW 78th Avenue	\$43,403.75
Total:		\$74,919.20
*This amount DOES NOT include an amount of \$4,987.00 associated with a mold remediation invoice from All Pro Cleaning & Restoration, Inc., which has also been identified as a recapture amount. The total amount of SHIP assistance for this client was \$36,502.45		

Observation #1

Activity: **Verifying and documenting income eligibility.**

At the conclusion of the on-site, the City was given a deadline of 11/2/2018 to obtain the documentation necessary to income-qualify both the Sonja J. and Vincent L. households based on information current at the time assistance was provided.

- Regarding the Sonja J. household, the City did obtain some information from the client in the week following the on-site. However, there were several assets listed on the application for which no verifications were obtained. Consequently, the cash value of the assets could not be verified, and the actual asset income could not be calculated. In addition, the verification of social security benefits and the verification of pension and retirement incomes do not cover the same period. The social security verification pertains to amounts received in 2012 while the pension and retirement verifications pertain to 2011 amounts.
- Regarding the Vincent L. household, the City has made attempts following the on-site to obtain income and asset information but have been unsuccessful as of the report date.

Recommendation

The City is instructed to recapture and transfer to the County the full amount of SHIP funds expended for both the Sonja J. and Vincent L. households, \$31,515.45 and \$43,403.75, respectively.

Total Amount to be Recaptured for Ineligible Households: \$74,919.20

Reconciliation

(Review of SHIP Revenue & Expenditures from FYs 11-12 through 14-15)

Review Activity & Recommendations

The monitoring included a reconciliation of the City's SHIP revenue and expenditures from fiscal years 11-12 through 14-15.

Fiscal Year 2011-12	
Revenue	
SHIP Distribution	\$41,496.00
Carryover Prior to FY11-12	\$164,750.68
Program Income	\$8,543.98
Program Income – Lien Fees	\$100.00
Total Revenue	\$214,890.66
Expenditures	
Program Admin (from PI)	\$2,634.90
Program Admin (from Distribution)	\$76.22
Program Activity (Rehab)	\$49,000.50

Total Expenditures	\$51,711.62
Unexpended/Carry Forward	\$163,179.04

Fiscal Year 2012-13	
Revenue	
SHIP Distribution	\$20,964.00
Carryover from FY11-12	\$163,179.04
Program Income – Interest	\$22.06
Program Income – Lien Fees	\$350.00
Total Revenue	\$184,515.10
Expenditures	
Program Admin	\$2,128.54
Program Activity (Rehab)	\$145,661.96
Total Expenditures	\$147,790.50
Unexpended/Carry Forward	\$36,724.60

Fiscal Year 2013-14	
Revenue	
SHIP Distribution	\$77,188.00
Carryover from FY12-13	\$36,724.60
Program Income – Interest	\$111.98
Program Income – Loan Payments	\$91,436.39
Program Income – Lien Fees	\$150.00
Total Revenue	\$205,610.97
Expenditures	
Program Admin	\$1,966.30
Program Activity (Rehab)	\$118,745.04
Total Expenditures	\$120,711.34
<i>Less Loan Payment Reclassified to CDBG</i>	<i>\$38,620.00</i>
Unexpended/Carry Forward	\$46,279.63

Fiscal Year 2014-15	
Revenue	
SHIP Distribution	\$268,251.00
Carryover from FY13-14	\$46,279.63
Program Income – Interest	\$2,267.10
Program Income – Loan Payments	\$6,205.35
Total Revenue	\$323,003.08
Expenditures	

Program Admin	\$0.00
Program Activity (Rehab)	\$0.00
Total Expenditures	\$0.00
Unexpended/Carry Forward	\$323,003.08

Observation #2

Activity: Reconciliation of revenue and expenditures.

Subsequent to executing the Agreement with the County on 2/14/2017, the City has to date transferred to the County a total of \$317,245.45, which includes the City's full FY 2014-15 distribution of \$268,251. The table below details the City's remaining SHIP funds on hand at the time of the on-site visit:

Cash on Hand (SHIP)	
FY2014-15 Unexpended	\$323,003.08
Funds Previously Sent to Broward County	\$317,245.45
Remaining Cash on Hand*	\$5,757.63
*This is the cash on hand amount as of 9/28/2018. Per an email received from the Finance Director on 10/30/2018, due to additional interest earned, the cash on hand balance on that date is \$5,992.18.	

Recommendation

The City is instructed to transfer to the County the remaining SHIP funds it has on hand, which per the City was \$5,992.18 as of 10/30/2018. Due to additional interest earnings, this amount may be more at the time the transfer occurs.

Total Amount to be Recaptured from Unexpended Funds: **no less than \$5,992.18 or current balance**

Unallowable Expenditures Review Activity & Recommendations

Based upon a review of contractor sworn statements and interviews with City staff, the following unallowable expenditures were identified as detailed below by type of fee and contractor:

Air Conditioning Replacement Invoices

The City's purchasing procedures in effect at the time stated, "Any purchase of supplies, materials, or equipment...over the sum of five thousand dollars (\$5,000.00) and not exceeding the sum of ten thousand dollars (\$10,000.00) shall be by formal written quotation. The

purchasing division shall endeavor to obtain a minimum of three (3) quotations unless the purchasing division can demonstrate that only one (1) source is available.”

Of the 19 projects reviewed, only one project (the Clyde M. project) included an invoice for a/c replacement that fell within the cost range described above. Only one price quote, from M&S A/C & Appliance Service, Inc., was documented in the client file. This vendor was awarded the job, and an invoice for \$5,125.00 was subsequently paid with SHIP funds. The file did not document that only one source was available.

Client Name	Property Address	Vendor	Invoice Amount
Clyde M.	6361 SW 3 rd St	M&S	\$5,125.00
Total:			\$5,125.00
Amount Subject to Recapture:			\$5,125.00

Permit Fees

Section 9 of the City’s contract between the client and contractor provides that the contractor shall secure, at his own expense, all necessary permits and licenses required in connection with the performance of work required under the contract. However, additional invoices for permit fees were submitted and paid for the following SHIP-assisted projects:

Client Name	Property Address	GC	Invoice Amount
Clyde M.	6361 SW 3 rd St	EPS	\$2,071.48
Rose P.	1040 NW 67 th Ave	EPS	\$2,370.69
Carl S.	1150 NW 74 th St	EPS	\$2,342.30
Total:			\$6,784.47
Amount Subject to Recapture:			\$6,784.47

Modern Day Construction Group, Inc. (MDCG)

Jean Danny Augustin is a state-licensed general contractor and an owner/officer of MDCG. MDCG was awarded 11% of the projects assisted during the fiscal years that were reviewed. In sworn statements given by Mr. D. Augustin on 2/23/2017 and 4/17/17, Mr. D. Augustin acknowledged providing personal loans to the former grants manager and, in return, submitted inflated or fictitious invoices in order to recoup the funds from those loans and/or make additional profit.

During the 4/17/17 interview, Mr. D. Augustin was shown the following SHIP-funded invoice which he indicated may have been inflated by as much as \$2,000, though he could not provide specifics:

Client Name	Property Address	Invoice #	Invoice Amount
Raymond S.	6204 SW 7 th St	311317	\$21,875.00
Total:			\$21,875.00
Amount Subject to Recapture:			\$10,100.00

The invoice included an amount of \$10,100.00 that was described as “Change Order #1.” Per the statement, investigators stated that no backup documentation for this change order could be found.

EPS Building Construction Corp (EPS)

Antonio Figueroa is a state-licensed general contractor and an owner/officer of EPS. EPS was awarded over 60% of the projects assisted during the fiscal years that were reviewed. In sworn statements given by Mr. A. Figueroa on 5/4/2017 and 6/28/17, Mr. A. Figueroa acknowledged providing personal loans to the former grants manager and, in return, submitted inflated or fictitious invoices in order to recoup the funds from those loans and/or make additional profit.

During the 6/28/17 interview, Mr. A. Figueroa was shown the following SHIP-funded invoices which he indicated were either inflated by a certain amount or which were fictitious:

Client Name	Property Address	Invoice #	Invoice Amount
Gloria L.	6255 Lakeshore Dr	6930-50	\$2,107.00
Karen B.	6695 NW 15 th St	6930-50	\$1,920.00
Clyde M.	6361 SW 3 rd St	6361-C	\$1,500.00
Clyde M.	6361 SW 3 rd St	561-2-12/14	\$5,000.00
Carol M.	1380 NW 69 th Ave	6930-50	\$1,788.00
Joseph P.	561 SW 51 st Ave	561 CO7	\$1,195.00
Total:			\$13,510.00
Amount Subject to Recapture:			\$13,510.00

All-Pro Cleaning & Restoration, Inc.

Invoices were submitted and paid for mold remediation work for the following SHIP-assisted projects:

Client Name	Property Address	GC	Invoice Amount
Marilyn A.	5803 Coral Lake Dr	Joyce	\$4,288.00
Clyde M.	6361 SW 3 rd St	EPS	\$3,995.27
Sonja J.	1675 NW 69 th Ave	Access	\$4,987.00
Stelios N.	1356 NW 63 rd Ave	EPS	\$5,000.00
Irma J.	3130 Holiday Springs Blvd	EPS	\$5,800.00
Total:			\$24,070.27
Amount Subject to Recapture:			\$24,070.27

The invoices were submitted by Jean Danny Augustin (Mr. D. Augustin), owner/officer of Modern Day Construction Group, Inc. (MDCG). The invoices, however, were submitted under the name of All Pro Cleaning & Restoration, Inc., a company associated with his brother, Ronald Augustin (Mr. R. Augustin). As detailed in the sworn statements of both, Mr. D. Augustin was never authorized to enter into contracts under the name of All Pro and was never authorized to bill

invoices under the name of All Pro. Also revealed in the statements is that Mr. D. Augustin was not licensed in the state to perform mold remediation work.

Total Amount to be Recaptured for Unallowable Expenditures: \$59,589.74

Other Items

Status of Unsubmitted Closeout Annual Reports for FYs 12/13 and 13/14

These reports remain unsubmitted as of the date of this report. At the conclusion of the on-site, City staff asked whether work should proceed with preparing the reports for submission, recognizing that some of the expenditures would include amounts that might be subject to recapture. The monitor requested that the reports not be submitted until a decision regarding recapture had been made by Florida Housing. Upon issuance of this report, the City should commence work on submitting these ARs, and a copy of each should be submitted along with the City's response to this report.

Closeout AR for FY11-12

During the review, it was determined that the closeout AR for FY11-12 contains the following errors:

Report Item	Amount Reported	Actual Amount
Rehabilitation Activity Expenditures	\$37,425.50	*\$49,000.50
Administrative	\$4,149.60	**\$76.22
Admin from Program Income (PI)	\$0.00	***\$2,634.90
Program Income	\$70.89	\$8,643.98
Carryover funds from previous year	\$0.00	\$164,750.69
Carry Forward to Next Year	-\$8.21	\$163,179.04
<i>*Actual SHIP rehabilitation expenditures in the general ledger for Laureen Starobin and Jeffrey Nash.</i>		
<i>**Actual Admin Expenditures paid from distribution funds.</i>		
<i>***Actual Admin Expenditures paid from Program Income.</i>		

Conclusion

Chapter 420.9075 (9), Fla. Stat., requires Florida Housing to monitor the activities of local governments to determine compliance with program requirements. As previously described, the objective of this monitoring was to determine if SHIP funds were used for eligible costs and for eligible clients.

A recapture of SHIP funds is required and is summarized in the following table:

Summary of Amounts to be Recaptured	
Reason	Amount
Recapture for Ineligible Households	\$74,919.20
Recapture from Unexpended Funds	No less than \$5,992.18 (or current balance)
Recapture for Unallowable Expenditures	\$59,589.74
Total Recapture Amount	\$140,501.12

These amounts are to be recaptured by the City and transferred to the County to be administered in accordance with the Interlocal Agreement.

In addition, the City must submit for approval closeout ARs for fiscal years 2012-13 and 2013-14.

We look forward to receiving the City's response to the observations included herein within 30-calendar days from the City's receipt of this report. The City's response should be accompanied by verification of the recapture and transfer of funds to the County in addition to copies of the submitted ARs.