



Memorandum

Memo No: 15/16-11

Date: October 28, 2016

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Operational Audit of the City of Fort Lauderdale Community Redevelopment Agency

As requested by the City Commission, we have completed an operational audit of the Community Redevelopment Agency (CRA). We conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about the suitability of the design and operating effectiveness of the City/CRA's internal controls. An audit includes examining, on a test basis, evidence about the City/CRA's internal controls and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our evaluation and recommendations also rely on the internal control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO framework elements represent commonly accepted mechanisms to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

CONCLUSION:

This operational audit of the City's Community Redevelopment Agency concluded that the City and CRA lack adequately designed controls to prevent and detect errors in budgeting, procurement and compliance with relevant statutory requirements in a timely manner.

The objectives of our audit were:

1. Ensure funds are budgeted and spent appropriately.
2. Assess the status of projects/programs.
3. Establish that the CRA is spending TIF revenue within three years of appropriating it, or repurposing the money in accordance with Chapter 163, Part III, Florida Statute.

4. Ascertain whether the CRA Board is independent in governance and operations.
5. Verify that the CRA is in compliance with Chapter 163, Part III of Florida Statute.

Our consideration of the City/CRA's internal controls was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be considered deficiencies, significant deficiencies or material weaknesses.

The following are the significant findings of the audit:

- Central Beach CRA TIF funds, in excess of \$80,000 annually since FY 2012, are being used to pay for the 4th of July fireworks display, supplanting previous funding from general government funds.
- The Northwest-Progresso-Flagler Heights (NWP) tax increment funds were spent on events that were not included in furtherance of the Community Redevelopment Plan. The events were as follows:
 - A City employee retirement party, which used in excess of \$14,000 of CRA funds.
 - A Commissioner farewell event, which used in excess of \$8,000 of CRA funds.
- NWP CRA programs are improperly being included in the capital project funds; accordingly they are not being re-appropriated on an annual basis as in the operating fund.
- Several capital projects were established as holding accounts in violation of Florida Statutes for future potential projects in the "Adopted Community Investment Plan" for the Fund 347, NWP CRA.
- The CAO noted from 2012 through June 2016, five projects in our sample have accumulated unspent fund balance totaling \$41,770,583 without the projects being completed within the required three-year timeframe.
- NWP did not effectively manage its programs, including incentives, grants, and contributions appropriated for the NWP businesses and homeowners.

A complete description of all findings, observations and Management's responses are included in the body of the report. We did not audit management's responses and accordingly, we express no opinion on them.

We would like to thank the staff of the Community Redevelopment Agency for their cooperation and assistance during this audit and are pleased to note that management generally concurred with our recommendations and has already begun to implement a number of them.

Attachment(s)

cc: Lee R. Feldman, City Manager
Cynthia A. Everett, City Attorney
Jeff Modarelli, City Clerk
Stanley D. Hawthorne, Assistant City Manager
Christopher Lagerbloom, Assistant City Manager

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CITY OF FORT LAUDERDALE CITY AUDITOR

Community Redevelopment Agency

PURPOSE

Based on a request by the City Commission, and supported by City management, we have completed an operational audit of the City of Fort Lauderdale Community Redevelopment Agency (CRA). The CRA includes three separate areas, the Central Beach, Northwest-Progresso-Flagler Heights (NWP), and Central City. An operational audit evaluates an organization's effectiveness, efficiency and economy of operations under management's control. It also includes determining compliance with the terms of contracts, applicable Florida Statutes, City's Code of Ordinance, and CRA Rules and Regulations.

We conducted this operational 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 findings and observations based on our audit objectives. We believe that our audit provides a reasonable basis for conclusions. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

CONCLUSION

This operational audit of the City's Community Redevelopment Agency concluded that the City and CRA lack adequately designed controls to prevent and detect errors in budgeting, procurement and compliance with relevant statutory requirements in a timely manner.

The CAO has identified both Findings and Observations during the course of the audit. A Finding results from a failure to comply with policies and procedures, rules, regulations, contracts and fundamental internal control practices. An Observation represents an opportunity to improve on the design or functionality of an existing internal control.

FINDINGS

1. Central Beach CRA TIF funds, in excess of \$80,000 annually since FY 2012, are being used to pay for the 4th of July fireworks display, supplanting previous funding from general government funds.
2. The NWP CRA tax increment funds were spent on events that were not included in furtherance of the Community Redevelopment Plan. The events were as follows:
 - A City employee retirement party, which used in excess of \$14,000 of CRA funds.
 - A Commissioner farewell event, which used in excess of \$8,000 of CRA funds.
3. NWP CRA programs are improperly being included in the capital project funds; accordingly they are not being re-appropriated on an annual basis as in the operating fund.

4. Several capital projects were established as holding accounts in violation of Florida Statutes for future potential projects in the “Adopted Community Investment Plan” for the Fund 347, NWP CRA.
5. The City’s promotional campaigns and marketing activities in the Central Beach CRA are not described or outlined in the Central Beach Community Redevelopment Plan, adopted in 1989.
6. The CAO noted that several promotional campaigns and marketing activities occurred before the NWP Community Redevelopment Plan was modified and restated on March 15, 2016 to incorporate those types of activities.
7. The CRA funds a portion of the operating costs for two routes of the Sun Trolley community bus service; one at the beach and the other that runs through NWP. Based upon the formula used to apportion monthly costs, the CRA may be overpaying for services that did not benefit the community redevelopment areas.
8. A duplicate vendor payment in the amount of \$4,970 went undetected.
9. Two change orders for the NWP project, Sistrunk Boulevard Streetscape and Enhancement, did not get CRA Board approval, although both were approved by the City Commission.
10. CRA staff is not approving payments for construction-related expenditures on projects being managed through Public Works. In addition, the CRA does not keep, nor do they seek access to, construction related documents such as contracts and purchase orders for construction projects, to which the CRA is a contributing funder.
11. The CAO noted from 2012 through June 2016, five projects in our sample have accumulated unspent fund balance totaling \$41,770,583 without the projects being completed within the required three-year timeframe.
12. Expenditures are being incurred on behalf of the CRA by the City that do not show evidence of having been approved separately by the CRA Board. In addition, they lack execution by CRA management, or of the authority for the execution of the instruments having been delegated by resolution to another person in accordance with the By-Laws of the Fort Lauderdale CRA.

OBSERVATIONS

1. NWP has a master property schedule that includes the required information to identify the properties, but this schedule is deficient as follows:
 - Does not clearly distinguish between properties held for resale/disposal and properties owned by the CRA/City.
 - Does not show evidence of being reconciled to the general ledger, nor does it in fact reconcile to the general ledger.
2. NWP did not effectively manage its programs, including incentives, grants, and contributions appropriated for the NWP businesses and homeowners.

3. In the past three years the NWP CRA did not meet their established benchmarks as it applies to the disposal of properties.
4. For all three areas of the CRA, there is no formal process in place to verify that the property tax roll information is accurate.

We consider Finding number 3, 4, and 11 to be material weaknesses, as defined below:

- A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis.
- A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
- A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis.

STATEMENT OF OBJECTIVES

The CAO has established the following objectives when conducting the operational audit of the City's Community Redevelopment Agency:

1. Ensure funds are budgeted and spent appropriately.
2. Assess the status of projects/programs.
3. Establish that the CRA is spending TIF revenue within three years of appropriating it, or repurposing the money in accordance with Chapter 163, Part III, Florida Statute.
4. Ascertain whether the CRA Board is independent in governance and operations.
5. Verify that the CRA is in compliance with Chapter 163, Part III of Florida Statute.

BACKGROUND

The mission of the Fort Lauderdale Community Redevelopment Agency (CRA) is to positively impact the quality of life of the residents in the three distinct CRAs areas. The three areas are: Central Beach, Northwest-Progresso-Flagler Heights and Central City. The CRAs established in 1989, 1995, and 2012, respectively, are charged with eliminating and/or reversing blighting conditions within its three project areas.

The overall goal of the CRA is to eliminate slum and blight in our targeted redevelopment areas through the implementation of each area's community redevelopment plan; foster dynamic and vibrant commercial and residential environments and expand economic opportunities in our community. When possible, it is the CRA's responsibility to leverage resources by partnering with outside organizations whose activities contribute to the overarching mission and goals of the CRA.

To effect positive redevelopment, the CRA:

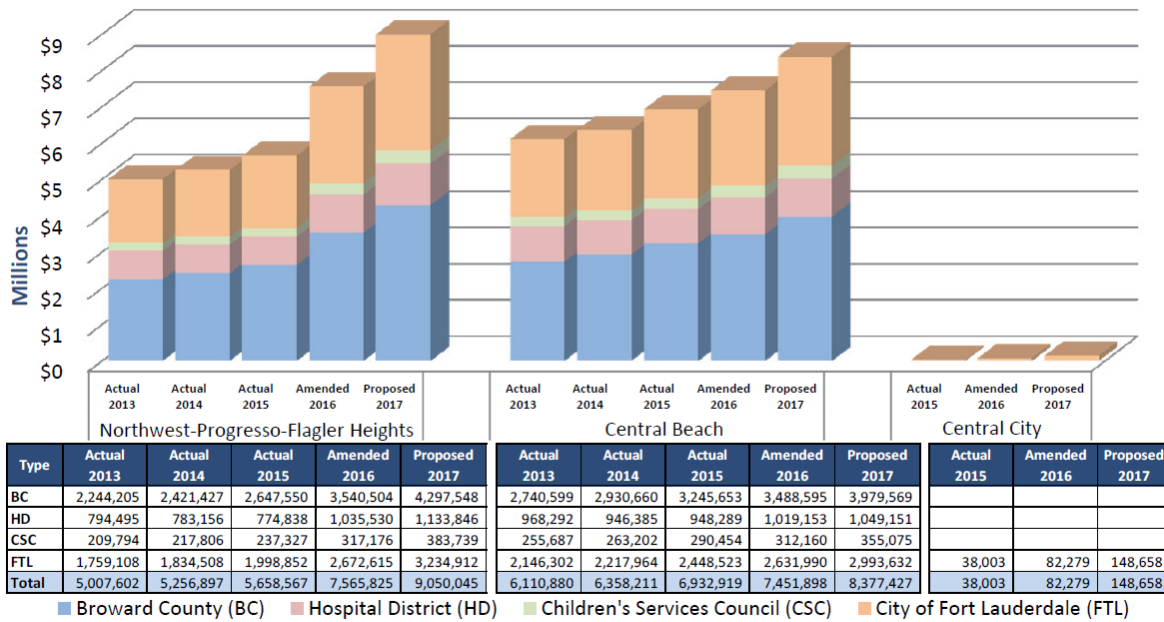
- Orchestrates orderly and progressive business development initiatives
- Encourages the production of affordable housing
- Invests in critical public improvements
- Provide community building activities such as but not limited to events, meetings and seminars for the advancement of business and economic development

The CRA's operations are governed by Florida Statute 163, Part 3. Although the CRA is a separate legal entity, the City Commission serves as its Board of Commissioners. The Mayor chairs the Board, the City Manager is the Executive Director, and the City Attorney serves as General Counsel.

Florida Statute 163 and each area's Community Redevelopment Plan outline procedures to determine what development, reconstruction, and rehabilitation are needed and desirable. They also define the financial tools, legal authority, and citizen participation necessary to successfully implement adopted redevelopment plans.

CRA programs and initiatives are funded by property tax increment. Property tax increment is generated when property values increase within a community redevelopment area. The CRA invests the tax increment revenues in a myriad of programs and projects based upon the goals and objectives of each community redevelopment plan. These programs and projects include business attraction/retention, affordable housing, infrastructure development, community facilities and other endeavors that promote an improved and safer neighborhood environment and restoration of community pride.

CRA Tax Increment Financing (TIF) Revenues



NW Progresso Flagler Heights Area Fund

	FY 2014 Actual	FY 2015 Actual	FY 2016 Amended	FY 2017 Proposed	FY 2016 Amended vs. FY 2017
REVENUES					
Intergovernment Revenue	\$ 3,422,389	3,659,715	4,893,210	5,815,133	921,923
Miscellaneous	35,798	199,383	135,437	28,025	(107,412)
Other Sources	1,834,508	2,401,352	2,672,615	3,234,912	562,297
Appropriated Fund Balance	-	-	1,723,270	-	(1,723,270)
Total Revenues	5,292,695	6,260,450	9,424,532	9,078,070	(346,462)
EXPENDITURES					
Salaries & Wages	417,237	334,015	556,338	304,137	(252,201)
Fringe Benefits	177,820	164,381	209,341	96,244	(113,097)
Services & Materials	648,347	948,890	1,458,375	787,311	(671,064)
Other Operating Expenses	319,245	715,036	638,614	528,250	(110,364)
Capital Outlay	-	-	-	104,000	104,000
Transfer Out to Capital Projects	4,317,061	5,867,872	5,883,665	5,826,699	(56,966)
Transfer Out to Central Services	-	-	24,052	-	(24,052)
Transfer Out to General Fund	-	-	-	582,336	582,336
Transfer Out to Special Obligation	42,712	34,262	71,616	-	(71,616)
Transfer Out to Tax Increment Revenue Bonds	-	-	582,531	849,093	266,562
Total Expenses	5,922,422	8,064,456	9,424,532	9,078,070	(346,462)
Surplus/(Deficit)	\$ (629,727)	(1,804,006)	-	-	-

Central Beach Area Fund

	FY 2014 Actual	FY 2015 Actual	FY 2016 Amended	FY 2017 Proposed	FY 2016 Amended vs. FY 2017
REVENUES					
Intergovernment Revenue	\$ 4,140,247	4,484,396	4,819,908	5,383,795	563,887
Miscellaneous	37,296	36,995	56,139	34,113	(22,026)
Other Sources	2,217,964	2,448,523	2,631,990	2,993,632	361,642
Appropriated Fund Balance	-	-	334,800	-	(334,800)
Total Revenues	6,395,507	6,969,914	7,842,837	8,411,540	568,703
EXPENDITURES					
Salaries & Wages	226,215	249,492	399,710	176,198	(223,512)
Fringe Benefits	96,512	88,649	133,889	84,047	(49,842)
Services & Materials	201,086	257,642	521,612	423,556	(98,056)
Other Operating Expenses	352,898	405,232	776,951	626,177	(150,774)
Capital Outlay	12,740	-	-	-	-
Transfer Out to Capital Projects	4,083,921	7,238,098	5,936,179	6,676,673	740,494
Transfer Out to Central Services	-	-	14,160	-	(14,160)
Transfer Out to General Fund	-	-	-	424,889	424,889
Transfer Out to Miscellaneous	-	-	19,600	-	(19,600)
Transfer Out to Special Obligation	75,089	60,235	40,736	-	(40,736)
Total Expenses	5,048,461	8,299,348	7,842,837	8,411,540	568,703
Surplus/(Deficit)	\$ 1,347,046	(1,329,434)	-	-	-

Central City Area Fund

	FY 2014 Actual	FY 2015 Actual	FY 2016 Amended	FY 2017 Proposed	FY 2016 Amended vs. FY 2017
REVENUES					
Miscellaneous	\$ 1	84	-	112	112
Other Sources	-	38,003	82,279	148,658	66,379
Appropriated Fund Balance	-	-	17,721	-	(17,721)
Total Revenues	1	38,087	100,000	148,770	48,770
EXPENDITURES					
Salaries & Wages	-	-	-	1,399	1,399
Services & Materials	-	-	100,000	124,704	24,704
Transfer Out to General Fund	-	-	-	22,667	22,667
Total Expenses	-	-	100,000	148,770	48,770
Surplus/(Deficit)	\$ 1	38,087	-	-	-

SCOPE & METHODOLOGY

The CAO conducted this audit in accordance with generally accepted government auditing standards. We reviewed the CRA's operational and financial data for the fiscal years 2013 through 2016. During the course of the audit, CAO interviewed CRA personnel, and reviewed general and administrative records, including, but not limited to:

- Verifying payroll expenditures
- Reviewed the legitimacy of expenditures
- Reviewed allocated costs
- Ascertain whether overhead charges are reasonable
- Project/Program appropriations
- Compared planned projects to budgeted projects
- Reviewed competitive bid process for CRA contractors/vendor selection
- Determination whether projects were completed within budget or change orders were processed properly

Additionally, the CAO reviewed projects, programs, and land acquisition. CAO also reviewed applicable Florida Statutes, City's Code of Ordinance, Rules and Regulations, and any applicable contracts as well as reviewing the independence of the CRA board regarding governance and operations.

The CAO conducted its assessment of the effectiveness of the City's internal controls using the May 2013 updated Internal Control—Integrated Framework established by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework defines internal control, describes the components of internal control and underlying principles, and provides direction for all levels of management in designing and implementing internal control and assessing its effectiveness. The five components of the COSO framework are: control environment, risk assessment, control activities, information and communication, and monitoring activities.

Objective 1

Ensure funds are budgeted and spent appropriately

Finding 1

Condition

Central Beach CRA TIF funds, in excess of \$80,000 annually since FY 2012, are being used to pay for the 4th of July fireworks display, supplanting previous funding from general government funds.

Criteria

Florida Statutes, Section 163.370 Powers; counties and municipalities; community redevelopment agencies - states:

- (3) The following projects may not be paid for or financed by increment revenues:
- (c) General government operating expenses unrelated to the planning and carrying out of a community redevelopment plan.

Cause

Based upon the discussion with the City Attorney in May of 2010, CRA staff determined that it is possible to fund the fireworks event from the CRA budget, provided that the event is within the CRA area and the CRA Board makes a finding that the event will meet the goals and objectives of the CRA. This discussion did not take under consideration section 163.370 (3)(c) of the Florida Statute shown above.

Impact

Improper spending of TIF revenue leaves less funding available to meet the goals of the Community Redevelopment Plan. The General Fund may need to reimburse the CRA.

Recommendation

The CRA Executive Director should put appropriate controls in place to prevent TIF funds from being used for general government expenditures. In addition, the funds should be returned to the CRA by the City.

Management Response

Staff agrees with the City Auditor's conclusion. Funding for the July 4th fireworks was not included in the FY 2017 CRA budget. The City's General Fund will reimburse the CRA Trust Fund no later than December 31, 2016.

Finding 2

Condition

The NWP CRA tax increment funds were spent on events that were not included in furtherance of the Community Redevelopment Plan. The events were as follows:

- A City employee retirement party, which used in excess of \$14,000 of CRA funds.
- A Commissioner farewell event, which used in excess of \$8,000 of CRA funds.

Criteria

Section 163.387 (6) of Florida Statutes states that “moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.”

Cause

The two separate farewell events were not brought to the CRA Board for approval.

Impact

Improper spending of TIF revenue leaves less funding available to meet the goals of the Community Redevelopment Plan.

Recommendation

The CRA Executive Director should put appropriate controls in place to make sure special events do not get funded with CRA monies unless that special event is in furtherance of the Community Redevelopment Plan and has the approval of the CRA Board. In addition, the funds should be returned to the CRA by the City.

Management Response

Staff agrees with the City Auditor’s conclusion. The Community Redevelopment Agency hired Financial Personnel in February 2015, to monitor the use of CRA funds. Since that time Financial Personnel have established internal controls to ensure these types of events will not be approved in the future. Additionally, in November 2015 the CRA hired a new Northwest Progresso Flagler Heights (NWPFH) CRA Manager to oversee the day-to-day operations of that CRA.

The City’s General Fund will reimburse the CRA Trust Fund in the amount of \$22,000 representing the sum of the two events that were inappropriately charged to the CRA Trust Fund by no later than December 31, 2016.

Finding 3

Condition

NWP CRA programs are improperly being included in the capital project funds; accordingly they are not being re-appropriated on an annual basis as in the operating fund.

Criteria

Projects are characterized by having a discreet start and completion date, with an identifiable deliverable. Programs are operating grants of a recurring and ongoing nature, where the CRA receives nothing tangible in return for the funds expended, otherwise known as a non-exchange transaction.

In the City's adopted budget policies, the stated criteria for a capital project is:

- Represent a physical improvement.
- Have a value of \$50,000 or more.
- Have a useful life in excess of 10 years; or if bond funded, have a useful life equal to or greater than the life of the bonds; or if grant funded with asset life qualifying factors, the capital project must have a life equal to or greater than the life requirements of the grant.
- Be classified as a capital asset when placed into service.

In addition, Florida Statutes Ch 189 – Uniform Special District Accountability Act, ss 189.016 – Reports; Budgets; Audits

- (3) The governing body of each special district shall adopt a budget by resolution each fiscal year. The total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves. At a minimum, the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit which are at least at the level of detail required for the annual financial report under s. [218.32](#)(1). The adopted budget must regulate expenditures of the special district, and an officer of a special district may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

Cause

CRA Management as well as the Budget Office did not adhere to the criteria established by Florida Statutes and the City's budget policies for capital projects. Additionally, a lack of training may have contributed to the inclusion of operating programs within a project fund.

Impact

The CRA may be required to return the unspent balances to each of the other taxing authorities which have paid into the CRA. Although unlikely, if the misclassifying of budgeted funds is deemed intentional, it could jeopardize the status of the CRA.

AUDITOR NOTE:

From fiscal year 2012 through June 2016, the Business Incentives and General Façade Programs have accumulated unspent fund balance of \$2,245,468 and \$1,291,287, respectively, totaling \$3,536,755.

Recommendation

The CRA Executive Director should require and consider the following:

1. Evaluate all programs and projects included as part of the Community Redevelopment Plan and appropriately classify them.
2. CRA staff should explore other ways or methods to track CRA program expenditures.
3. The CRA and the Budget Office should work in conjunction to properly budget the funds for those programs and/or incentives.
4. If the CRA consistently has unspent funds remaining at the end of the budget year, CRA managers should review the level of funding being appropriated to those programs.
 - a. **See Observation 2, under Objective 2.**

Management Response

In June 2016, the CRA Board of Commissioners approved revisions to the existing NWPFF CRA incentives and established the creation of new incentive programs. The incentive changes were made in an effort to address concerns from the community, which were a lack of residential assistance programs and a more user friendly and streamlined application process. Additionally, the CRA Board of Commissioners has approved a marketing budget for the NWPFF CRA, which will assist in the marketing of the various incentive programs.

Based upon the recommendation of the Auditor, all incentive related funds have been placed into the operating budget through the adoption of the Fiscal Year 2017 budget. Further discussion is planned with the City Attorney's Office, City Auditor, and CRA staff to document and memorialize processes used to budget for and manage CRA funds through administrative policy.

Finding 4

Condition

Several capital projects were established as holding accounts in violation of Florida Statutes for future potential projects in the "Adopted Community Investment Plan" for the Fund 347, NWP CRA.

AUDITOR NOTE:

CRA Board appropriated \$1,750,000 for the Flagler Village Train Station TOD (Project #20150199) for FY 2015 and \$1,168,469 for the Flagler Village Grant Program (Project #12095) for FY 2016. These projects were created as holding accounts "to provide funding for public improvements and initiatives in support of a Transit Oriented Development program in the Flagler Village area".

Criteria

- (1) Florida Statutes, Section 163.387(7), states "On the last day of the fiscal year of the community redevelopment agency, any money which remains in the trust fund after the payment of expenses pursuant to subsection (6) for such year shall be
 - (d) Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation"

Cause

CRA management failed to identify specific redevelopment projects during the development of the annual budget.

Impact

Failure to budget funds to specific projects may result in the CRA having to return the unspent balances to each of the other taxing authorities which have paid into the CRA. Although unlikely, if the misclassifying of budgeted funds is deemed intentional, it could jeopardize the status of the CRA.

Recommendation

The CRA Executive Director should require that CRA management and the CIP coordinator evaluate all items listed as part of the Community Investment Plan for the Northwest-Progresso-Flagler Heights CRA to ensure all projects are legitimate.

Management Response

Staff agrees with the City Auditor's conclusion. With the re-appropriation of NWPFF CRA funds and revised incentive programs, an internal process has been established that will ensure funds are committed to NWPFF CRA projects and not programs.

Based upon the recommendation of the Auditor, management has moved all incentive related funds into the operating budget with the adoption of the Fiscal Year 2017 budget. Further discussion is planned with the City Attorney's Office, City Auditor, and CRA staff to document and memorialize processes used to budget for and manage CRA funds through an administrative policy

Finding 5

Condition

The City's promotional campaigns and marketing activities in the Central Beach CRA are not described or outlined in the Central Beach Community Redevelopment Plan, adopted in 1989.

For example, in the 2013 -2014 Annual Report of the Fort Lauderdale CRA, the events listed below are not in the Plan of 1989, which is adhered to today.

- CRA contributed \$71,776 toward the Beach Business Improvement District's (BID) annual holiday lighting.
- CRA contributed \$40,500 to co-sponsor "The Great American Beach Party" on Memorial Day weekend.
- CRA contributed \$82,500 to co-sponsor with City's Park & Recreation the annual 4th of July Fireworks.

Criteria

Section 163.387 (6) of Florida Statutes states that "moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.”

The Fort Lauderdale Beach Community Redevelopment Plan lists the goals, objective and policies of the plan in section 1.1.4:

1.1.4 Redevelopment Goals, Objectives and Policies

The redevelopment goals, objectives and policies of this Plan will guide the successful redevelopment of the Central Beach area. These consist of:

Redevelopment Goals:

- Eliminate the conditions of blight that are currently found in the area.
- Provide for a mix of land uses that will foster family activity and recreation in the Central Beach area, and provide opportunities for the expansion of tourist-related facilities and activities.
- Stimulate the redevelopment of the core area as a catalyst for the revitalization of the entire Central Beach area.
- Maintain public access to the beach and Intracoastal Waterway.

These goals will be achieved through a series of objectives that are further refined in the policies that follow. The objectives of the Community Redevelopment Plan are:

- Enhance the resort image of Fort Lauderdale Beach as a place for tourists and conference groups.
- Make Fort Lauderdale Beach an integral part of the City for use by local residents.
- Improve the circulation for autos, bicycles, and pedestrians within and through the Central Beach area.
- Create and enhance a positive visual and physical image of the Central Beach.
- Provide for an active pedestrian environment throughout the Central Beach area, particularly between the Intracoastal Waterway and the Beach.

Cause

The CRA Board approved the funding for the promotional campaigns and marketing activities on the Central Beach CRA, based on the “Press Play Fort Lauderdale Strategic Plan 2018” included in the

Neighborhood Enhancement Cylinder of Excellence. The approval is not based on the “Central Beach Community Redevelopment Plan of 1989”, which is still the governing plan.

In addition, the CRA Board approved the CRA Operating Budget and Community Investment Allocations for FY 2014 and FY 2015, without any discussion and/or reference to the “Central Beach Community Redevelopment Plan of 1989”.

The linkage between the *Redevelopment Goals, Objectives and Policies - Make Fort Lauderdale Beach an integral part of the City for use by local residents* and the use of CRA funds for the above-described promotional activities is tenuous.

Impact

The General Fund may be required to reimburse the CRA for promotional campaigns and marketing activities.

Recommendation

The CRA Executive Director should work in conjunction with the CRA Board to amend the Central Beach Community Redevelopment Plan to include language describing or outlining the “Quality of Life Programs and Promotion of Redevelopment Activities

Management Response

Staff does not agree with the City Auditor’s conclusion that special event funding is not a permissible activity in the Beach Community Redevelopment Plan. At the November 9, 2010 joint meeting of the CRA Board of Commissioners/Beach Redevelopment Advisory Board (BRAB) the question was raised about special events and whether the Beach CRA could fund them. The City Attorney opined that provided that findings of fact are made that expenditures will stimulate redevelopment in the core area, improve circulation, create or enhance the visual or physical image, the event is permissible. As a result, the CRA Board of Commissioners instructed staff to set aside a percentage of the CRA budget each year for events.

Family-friendly special events advances the Redevelopment Goal of providing for a mix of land uses that will foster family activity and recreation in the Central Beach area, and provides opportunities for the expansion of tourist-related facilities and activities. These events also meet the Redevelopment Objective of enhancing the resort image of Fort Lauderdale Beach as a place for tourists and conference groups, and also making Fort Lauderdale Beach an integral part of the City for use by local residents.

Staff presented applications for funding for Holiday Lighting, the July 4th Fireworks and the Great American Beach Party. Each request included a finding of how the event complied with the Redevelopment Plan. In each subsequent year, funding for the same event was included in the CRA budget. The July 4th fireworks were not included in the FY 2017 CRA budget.

Though the CRA Board approved the original funding requests with findings of compliance to the Redevelopment Plan, staff does concur that a link between each area’s proposed expenditures and activities to their respective Redevelopment Plan should be included in each year’s annual CRA budget.

Finding 6

Condition

The CAO noted that several promotional campaigns and marketing activities occurred before the NWP Community Redevelopment Plan was modified and restated on March 15, 2016 to incorporate those types of activities.

For example, the 2013 -2014 Annual Report of the Fort Lauderdale CRA listed the following promotion, marketing, transportation mobility and quality of life activities within NWP CRA:

- CRA contributed approximately \$60,000 to the “Light up Sistrunk” holiday
- CRA contributed \$25,000 for the “Midtown Summerfest”
- CRA contributed \$28,000 for the “Artwalk”
- CRA contributed \$150,066 for the Sun Trolley service.

In addition, CRA entered into marketing, branding and a public relations service agreement with The Mosaic Group on November 4, 2014 for the total amount of \$247,500.

Criteria

Section 163.387 (6) of Florida Statutes states that “moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.

The COMMUNITY REDEVELOPMENT PLAN: NORTHWEST·PROGRESSO·FLAGLER HEIGHTS AREA AMENDED AND RESTATED, lists the program and strategies of the plan in section 1.1.4:

SECTION 5 COMMUNITY REDEVELOPMENT PROGRAM AND STRATEGIES

A. GENERAL CONCEPT AND STRATEGIES

The City and CRA consider the following list of capital projects and public improvements important to the successful redevelopment and revitalization of the NPF CPA. Other projects and activities may be identified after public consultation in conjunction with the annual budget preparation process of the CRA and the City. Whether funded and carried out by the Fort Lauderdale CRA, the City of Fort Lauderdale, or Broward County through Interlocal Agreement, the following outlines the basic programs and strategies forming the essential physical improvement and project plans for the NPF CRA.

- Neighborhood Housing Improvement Programs
- Neighborhood Infrastructure Improvement Program
- Sistrunk Corridor Area Improvement Programs
- Northwest Commercial Revitalization Improvement Program
- Flagler Heights RAC Area Improvement Programs
- Targeted Project Areas

Priority consideration shall be given first to the funding and implementation of those basic physical improvement programs and projects that through upgrades to the infrastructure will improve the quality of life in the neighborhood areas of the NPF CRA, and to those programs for improvements to the business and commercial sectors of the NPF CRA that will provide the infrastructure support and improved environmental conditions needed to foster thriving small business and compatible commerce in the NPF CRA.

Cause

- (1) The CRA Board approval of the funding for those promotional campaigns and marketing activities on the NWP CRA was based on the "Press Play Fort Lauderdale Strategic Plan 2018" included in the Neighborhood Enhancement Cylinder of Excellence. The approval is not based on the Plan of 2001 or Plan of 2013, as amended.
- (2) The CRA Board approved the Community Redevelopment Agency (CRA) Operating Budget and Community Investment Allocations for FY 2014 and FY 2015 without any discussion and/or any reference to the "NWP CRA Plan of 2001" or "NWP CRA Plan of 2013 as amended".

Impact

The City's General Fund may be required to reimburse the CRA trust fund for expenditures outside the approved Plan.

Recommendation

The CRA Executive Director should review the Community Redevelopment Plan and ensure that proposed CRA funded initiatives are described or outlined in the Plan, or amend the Plan as needed prior to undertaking those new initiatives.

Management Response

Staff agrees with the City Auditor's conclusion. On March 15, 2016 the Fort Lauderdale Community Redevelopment Agency recommended and the City Commission approved amendments to the Northwest-Progresso-Flagler Heights Community Redevelopment Plan. The amendments included Section 8.D Quality of Life Programs and Promotion of Redevelopment Activities. This section identified that special events, promotions and public displays will assist in business attraction, promoting the District as a place to live, and further promoting the area as a redevelopment district with opportunity for private investment.

Finding 7

Condition

The CRA funds a portion of the operating costs for two routes of the Sun Trolley community bus service; one at the beach and the other that runs through NWP. Based upon the formula used to apportion monthly costs, the CRA may be overpaying for services that did not benefit the community redevelopment areas.

Criteria

Section 163.340 of Florida Statutes states:

- (9) "Community redevelopment" or "redevelopment" means undertakings, activities, or projects of a county, municipality, or community redevelopment agency in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight, or for the reduction or prevention of crime, or for the provision of affordable housing, whether for rent or for sale, to residents of low or moderate income, including the elderly, and may include slum clearance and redevelopment in a community redevelopment area or rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed, or rehabilitation or conservation in a community redevelopment area, or any combination or part thereof, in accordance with a community redevelopment plan and may include the preparation of such a plan.

Cause

The methodology used to apportion the monthly charges for the community bus system to the CRA was flawed because it did not adequately take under consideration the percentage of the route that was within the boundaries of the CRA.

Impact

CRA funds could end up being used to fund services for the benefit of the general government, thus having less funding available to meet the goals of the CRA Redevelopment Plans.

Recommendation

The City Manager should request the Transportation and Mobility Director to have proper verifications in place to assure that the CRA is apportioned only those costs associated with services provided within the boundaries of the CRA. CRA personnel should be included in the invoice approval path for all charges to the CRA. Also, the General Fund should refund overcharges to the CRA.

Management Response

Staff agrees that proper verifications must be submitted as part of the payment process using CRA funds. Transportation and Mobility (TAM) staff will work with the TMA to enhance methods for specifying actual operation hours within the CRA boundary. CRA staff will monitor the billing to ensure the CRA is only reimbursing its eligible portion.

Finding 8

Condition

A duplicate vendor payment in the amount of \$4,970 went undetected.

AUDITOR NOTE:

An audit structured for the identification of duplicate payments was not performed. This finding was the result of reviewing transactions as it applied to another audit procedure.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. From the Points of Focus within Principle 12, the relevant points include:

- 54. Establishes policies and procedures to support deployment of management's objectives
- 55. Takes corrective action
- 56. Performs using competent personnel

Cause

There is a lack of system and procedural controls, as well as training, to prevent duplication when payment is made with a purchasing card (p-card). The lack of controls observed during the CRA audit was as follows:

- Vendor payment information, such as vendor names and invoice numbers, are not uploaded into the vendor files allowing for a system comparison.
- P-card transactions are not always supported with an invoice before payment is processed.
- Vendor invoices are not always assigned with a unique identification number by the vendor.

Impact

There is a negative financial impact to the City and the CRA.

Recommendation

The City Manager should require the Finance Department put appropriate controls in place to prevent the duplication of payments.

Management Response

Staff agrees with the City Auditor's observation. The Community Redevelopment Agency hired Financial Personnel in February 2015, to monitor the use of CRA funds. Since that time Financial Personnel have established internal controls to ensure these types of errors will not be approved in the future. Additionally, in November 2015 the CRA hired a new Northwest Progresso Flagler Heights (NWPFF) CRA Manager to oversee the day-to-day operations of that CRA. Furthermore, the City's Finance Department has contacted the vendor to recoup any overpayment for services provided.

Finding 9

Condition

Two change orders for the NWP project, Sistrunk Boulevard Streetscape and Enhancement, did not get CRA Board approval, although both were approved by the City Commission.

Criteria

The By-laws of the Fort Lauderdale CRA Article 4.1, Execution of Instruments, states that "legal instruments of the CRA shall be executed by the Chair and the Executive Director ..." Furthermore, Article 4.3 Purchasing Procedures, states, "In the absence of CRA procurement policies, the CRA adopts the purchasing procedures of the City..."

The Fort Lauderdale Code of Ordinances, Sec. 2-127 – Approval of change orders and task orders, provides the City Manager the authority to approve change orders under \$25,000, but further states, "change orders and task orders and amendments to change orders and task orders over a cumulative amount of twenty-five thousand dollars (\$25,000) shall be subject to city commission approval.

Cause

Although the project was funded fully by the CRA and the NWP Manager was actively involved with the project, the actual procurement of the contract was managed by the City's Public Works department

Impact

Omitting review and approval by the CRA Board could lead to improper charges and cost overruns on projects.

Recommendation

The CRA Executive Director should direct that staff review and adhere to policies and procedures to ensure compliance with CRA By-Laws and City Ordinances.

Management Response

Staff agrees that omitting review and approval by the CRA Board of Commissioners for change orders could lead to improper charges and cost overruns.

The Community Redevelopment Agency hired a Financial Administrator in February 2015 and a NWPF CRA Manager in November 2015. They are required to monitor CRA use of funds, change orders, Commission Agenda Memo's, budget transfers, budget amendments and all fund movement within the CRA. Internal controls have been established to ensure the CRA Board of Commissioners review and approve expenditures of CRA funds.

Additionally, Management will seek a legal opinion as to whether or not contracts for capital and goods/services should be in the name of the CRA and/or the City.

Finding 10

Condition

CRA staff is not approving payments for construction related expenditures on projects being managed through Public Works. In addition, the CRA does not keep, nor do they seek access to, construction related documents such as contracts and purchase orders for construction projects, to which the CRA is a contributing funder.

Criteria

The CRA By-Laws, Article 5.7, states:

“All funds of the CRA shall be used only for purposes permitted by applicable law. Funds shall be distributed only at the direction or with the approval of the Board of Commissioners pursuant to an adopted budget and with appropriate requisitions approved in writing by the Executive Director or the Executive Director’s designee

Cause

Some of the causes include, but are not limited to:

- A lack of appropriate staffing levels
- A lack of organization and accountability for organizational responsibilities
- A lack of policies and procedures and associated training for staff regarding their required job responsibilities

In addition, the CRA has been under other the umbrella of other departments, such as Economic Development and Department of Sustainable Development, and as such its financial responsibilities were not well defined.

Impact

CRA will be unaware:

- if the project followed established CRA procurement policies;
- if the project is within budget;
- if change orders have been issued;
- whether the project is on schedule;
- when the funds are actually expended, and to what vendor.

Recommendation

The CRA Executive Director needs to establish a protocol between the CRA and other City departments, in which requests for payments are approved by CRA staff.

In addition, the CRA should maintain files containing final contracts, purchase orders, change orders, insurance certificates, notices to proceed and other pertinent contract information.

Management Response

Staff agrees that CRA staff must be involved in payment processing of all CRA funded transactions. In the Beach CRA, the Beach CRA Design Manager manages all Beach CRA CIP projects including reviewing design, schedules, budgets, invoices and pay applications. Additionally, the CRA Board of Commissioners completed its process of separating the CRA from being part of any other City Department. CRA staff are now included on all payment requests and reviews the support documentation for sufficiency.

However, the master construction file should be maintained by the project manager from the appropriate City Department. At a minimum, the CRA project file will contain the financial information, insurance certificates and notice-to-proceed documents for all CRA funded projects.

Additionally, management will seek a legal opinion as to whether or not contracts for capital and goods/services should be in the name of the CRA and/or the City.

Observation 1

Condition

NWP has a master property schedule that includes the required information to identify the properties, but this schedule is deficient as follows:

- Does not clearly distinguish between properties held for resale/disposal and properties owned by the CRA/City.
- Does not show evidence of being reconciled to the general ledger, nor does it in fact reconcile to the general ledger.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. And from the points of focus within Principle 12, the applicable points include number:

- 58. Establishes policies and procedures to support deployment of management's directives;
- 59. Establishes responsibilities and accountability for executing policies and procedures;
- 60. Performs in a timely manner;
- 61. Takes corrective action.
- 62. Perform using competent personnel

Cause

There is no written policy and procedure that addresses:

- Proper record-keeping for real property acquisitions and disposals
- Accountability for reconciling the Master Property Schedule to the general ledger
- Effective communication between the CRA staff and Finance Department staff is lacking

Impact

The CRA cannot aggressively pursue the redevelopment of an area without having an understanding of the properties owned. The CRA Board may not be able to make sound decisions regarding acquisition and disposal of CRA properties.

AUDITOR NOTE:

The CRA Board approved, on July 12, 2016, a procedure that was designed to designate responsibility and provide procedures for Real Estate Acquisition, Disposition, and Lease. Although this procedure requires the CRA to maintain a master listing of all CRA owned property and distinguishing between fixed assets and properties held for resale/disposal, it does not address assigning responsibility for reconciling the information to the general ledger.

Recommendation

The CRA Executive Director should require CRA management revise the Real Estate Acquisition, Disposition, and Lease procedure to include accountability over the real estate information and the reconciliation to the City's financial records. In addition, CRA staff needs to work together with Finance Department staff to reconcile the historical records.

Management Response

Staff agrees with the City Auditor's observation. The procedure has been updated and reflects that the CRA Management will prepare the reconciliation and transmit it to the Finance Director for final review and approval.

Objective 2

Assess the status of projects/programs

Observation 2

Condition

NWP did not effectively manage its programs, including incentives, grants, and contributions appropriated for the NWP businesses and homeowners.

AUDITOR NOTE:

CAO selected three programs from the "Adopted Community Investment Plan – fiscal year 2013-2017 through 2016-2020" for Fund 347 (NWP CRA). As of June 30, 2016, the Business Incentive Programs (P10150) and General Façade Programs (P10665) have accumulated unspent fund balance of \$2,245,468 and \$1,291,288, respectively.

Furthermore, from the appropriations totaling \$3,982,835, for Business Incentive Programs and General Façade Programs, NWP CRA has distributed only 7.76% and 16.61% respectively, to the eligible businesses within the CRA.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. And from the points of focus within Principle 12, the applicable points include number:

- 58. Establishes policies and procedures to support deployment of management's directives;
- 59. Establishes responsibilities and accountability for executing policies and procedures;
- 60. Performs in a timely manner;
- 61. Takes corrective action.

Under the COSO framework, Monitoring Activities, Principle 16: The organization selects, develops, and performs ongoing and /or separate evaluations to ascertain whether the components of internal control are present and functioning. And from the Points of Focus within Principle 16, the applicable points include number:

- 82. Integrates with business processes;
- 83. Adjusts scope and frequency;
- 84. Objectively evaluates.

Cause

There are various reasons that the NWP CRA Programs are not being managed in an effective and efficient manner, which include, but are not limited to:

- NWP CRA did not evaluate the programs and adjust the level of funding annually to reduce or eliminate the unspent fund balances at year end.
- The NWP CRA may not aggressively advertise and promote the business incentives and grant programs.
- The application process may not be simple and eligibility requirements may be too complex or confusing, resulting in fewer applicants.
- Turnover in the corresponding departments related to CRA actives; such as Legal, Finance, and the Budget Office, as they provide support and guidance

Impact

Programs in the NWP area are not being performed and opportunities for revitalization and development are potentially being lost or delayed. In addition, the City is not achieving the overall goals of the CRA area, which is to eliminate slum and blight and promote economic development.

Recommendation

1. The CRA Executive Director should require management to evaluate the programs and to adjust the level of funding annually to reduce or eliminate the unspent fund balances at year end.

2. The CRA Executive Director should require management to aggressively advertise and promote all programs so that eligible businesses and homeowners could take advantage of what the programs have to offer.
3. The CRA Executive Director should require management to simplify the application process and standardize the eligibility requirements and/or conduct training to assist potential applicants in submitting viable applications.

Management Response

Staff agrees with the City Auditor's observation. Additional CRA staff has been hired to help process the incentive requests and the application has been revised.

In an effort to establish a greater focus on the desired results necessary for the NWPF CRA, staff further believes that revisions are necessary to the NWPF CRA Advisory Board Ordinance. These revisions should be more in line with the mission and vision of the CRA.

The types of revisions recommended are as follows:

- The size of the NWPF Advisory Board should be reduced (current board has 15 members). The size should be no more than nine members.
- Change in the current NWPF Advisory Board Ordinance to align their current roles and responsibilities to the Commission's desired role.
- The make-up of the Advisory Board was based on (in part) a certain number of residents from each area of the CRA (Flagler, Progresso and Sistrunk). The Advisory Board should be more knowledge and skill based and should be reserved for individuals who can provide the greatest level of assistance related to redevelopment. Since we will be analyzing incentive project requests, staff proposes the following Advisory Board composition:
 1. A member with a financial background to analyze financial statements and project projections.
 2. A member with General Contractor or Architect License.
 3. An Attorney
 4. A member from the Civic Association Board member from Flagler Heights Civic Association.
 5. Two members from member from Progresso Village Civic Association.
 6. Two members from member from the Sistrunk Home Owners Association.
 7. A member with a marketing and advertising background

Observation 3

Condition

In the past three years the NWP CRA did not meet their established benchmarks as it applies to the disposal of properties.

Criteria

The 2013 5-Year Program "Strategic Objectives, Goals and Measurements" states:

- Strategically redevelop all vacant, underutilized sites to be compatible with the overall vision of the CRA.
 - Agency goal – Dispose of 20% of city-owned and CRA owned properties within the NWP CRA each year.

- Measure – success to be measured by the number of properties disposed of with CRA Board or City Commission approval.

Cause

There was a lack of monitoring, measurement, and corrective action of the aforementioned goal.

Impact

Holding onto property without a plan for timely redevelopment is not in furtherance of the NWP CRA goals of fostering economic development. Additionally, TIF revenue for the CRA is lost as long as the property stays off the tax roll.

Recommendation

The CRA Executive Director should require CRA management to develop an action plan to assure benchmarks are being met.

Management Response

Staff agrees with the City Auditor's opinion that holding onto property without a plan for timely redevelopment is not a goal of the CRA. As a result, staff believes that the best way to ensure that the properties are on the tax roll is via a competitive process. The competitive process should require that all respondents to the Request for Proposal (RFP) to present a project that would be consistent with the vision of the CRA and is the highest and best use for the property.

In order to ensure success, the CRA will need to secure City-owned lots (that are within the NWPF CRA) and establish a process that would be consistent with the goals of redevelopment and the CRA Plan. Staff has completed the appraisals on the City-owned lots that are within the NWPF CRA and will schedule an item for City Commission discussion in November or December 2016. At that time, staff will request that certain City-owned lots be donated to the CRA, in furtherance of redevelopment.

Lastly, staff has begun visioning discussions with the CRA Advisory Board. The discussions are centered on the types of industries and businesses to attract to the CRA and the best locations in the CRA for those businesses. Through these discussions, staff will develop a marketing plan that will address our planned use for each CRA-owned and City-owned lot and identify the types of businesses and developers which to target our marketing.

Objective 3

Establish that the CRA is spending TIF revenue within three years of appropriating it, or repurposing the money in accordance with Chapter 163, Part III, Florida Statute

Finding 11

Condition

The CAO noted from 2012 through June 2016, five projects in our sample have accumulated unspent fund balance totaling \$41,770,583 without the projects being completed within the required three-year timeframe.

AUDITOR NOTE:

CAO selected five capital projects from the “Adopted Community Investment Plan – fiscal year 2013 through 2016” for Fund 346 (Beach CRA). As such, the New Aquatic Center (P10948) and SR A1A Streetscape Improvements Westside (P11681) have accumulated \$24,030,608 and \$6,511,971, respectively, of unspent fund balances without either completing the projects or un-appropriating and re-appropriating the funds annually as recommended by the Florida League of Cities.

Criteria

Florida Statutes, Section 163.387(7), states “On the last day of the fiscal year of the community redevelopment agency, any money which remains in the trust fund after the payment of expenses pursuant to subsection (6) for such year shall be

- (a) Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year;
- (b) Used to reduce the amount of any indebtedness to which increment revenues are pledged;
- (c) Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or
- (d) **Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation.”**

Cause

There are various reasons for the delay of CRA Beach Projects not being completed within three years from the date of such appropriation.

- The City’s complex procurement, design, and due diligence processes.
- Evolving vision between the elected officials and other stakeholders involved in project acceptance

- Unexpected escalations in cost.
- The City's concern over the negative economic impact, and visual and traffic impact of any construction projects.
- The lack of communication between departments to manage the project from beginning to end and in accordance with Florida Statutes. (i.e. Project Management).

Impact

The Beach CRA may be required to return the money to each of the taxing authorities which paid into the TIF. In addition, with less than five years remaining before the Beach CRA sunsets on September 30, 2020, the Beach CRA may not be able spend all the available TIF money.

Recommendation

The CRA Executive Director should require management to focus their efforts to complete the planned beach projects on time. In addition, the CRA Board should consider requesting an extension to complete the projects with available TIF funds or un-appropriate and re-appropriate the funds at the end of each year to their respective projects.

Management Response

Staff agrees with this recommendation. With the FY2017 Budget, the CRA began the procedure of re-appropriating unspent project balances. Management has made the completion of CRA projects a high priority and will ensure that appropriate resources are dedicated to these projects.

Objective 4

Ascertain whether the CRA is independent in governance and operations.

Finding 12

Condition

Expenditures are being incurred on behalf of the CRA by the City that do not show evidence of having been approved separately by the CRA Board. In addition, they lack execution by CRA management, or of the authority for the execution of the instruments having been delegated by resolution to another person in accordance with the By-Laws of the Fort Lauderdale CRA. Some examples of non-compliance contracts include, but are not limited to:

- East Coast Mulch Corp.
- Prototype, Inc.
- Toilet Taxi Corp.

Further there is no legal document acknowledging a joint venture or interlocal agreement when the CRA is sharing the cost of a project with the City (tri-party agreement between vendor, City and CRA). Examples include, but are not limited to:

- Interlocal Agreement between City of Fort Lauderdale and Downtown Fort Lauderdale TMA – Community Bus Service
 - Both the Northwest Progresso Flagler Heights area and the Central Beach area of the CRA contribute to this program
- Agreement between South Florida Regional Transportation Authority, Section 7 (WAVE - North Loop) and the Northwest Progresso Flagler Heights CRA
- Aquatic Center project contract
 - Recreational Design & Construction, Inc.

AUDITOR NOTE:

As per Transportation and Mobility management, “the Agreement with SFRTA is going to go to Commission in the future to be dissolved, with a new Agreement to be heard by Commission at the same time.”

Criteria

In accordance with Florida Statutes section 163.357 “Governing body as the community redevelopment agency”:

(1)(b) The members of the governing body shall be the members of the agency, but such members constitute the head of a legal entity, separate, distinct, and independent from the governing body of the county or municipality. If the governing body declares itself to be an agency which already exists, the new agency is subject to all of the responsibilities and liabilities imposed or incurred by the existing agency.

In accordance with the By-Laws of Fort Lauderdale Community Redevelopment Agency, Article 4 Contracts:

4.1 Execution of Instruments. Legal instruments of the CRA shall be executed by the Chair and the Executive Director, attested to by the Secretary and the form of any such instrument shall be previously approved by the General Counsel or the General Counsel’s designee provided; however, that where by Motion or Resolution of the Board of Commissioners, the execution of instruments is delegated to another person, such instrument may be executed in the manner provided by such resolution. In the absence of the Chair, such instruments may be executed by the Vice-Chair.

Cause

CRA staff and City personnel are not being mindful of the fact that the CRA is a separate legal entity, distinct and independent of the governing body of the City, when participating in procurement activities.

Impact

Without clear oversight by the CRA Board and management, the CRA may be paying for items that are inconsistent with the Community Redevelopment Plan, outside the boundaries of the redevelopment area, or which are City obligations, not CRA obligations.

Recommendation

The CRA Executive Director should require CRA management to work more closely with the City Attorney's Office and the Procurement Office in reviewing legal documents to ascertain that they are being executed by the proper governing bodies with appropriate documentation.

AUDITOR NOTE:

The City Attorney's Office and the Procurement Office are currently looking into using an interlocal agreement between the City and the CRA to address this issue.

Management Response

Staff agrees with the City Auditor's observation. In order to establish clear authority and delegation of authority, the Finance Department will prepare a Resolution by March 31, 2017 for the CRA Board of Commissioners establishing delegation of authority and execution of instruments and documents, in accordance with the By-Laws of the Fort Lauderdale CRA, to be approved by the CRA Board.

Objective 5

Verify that the CRA is in compliance with Florida Statute Chapter 163, Part III – Community Redevelopment

Observation 4

Condition

For all three areas of the CRA, there is no formal process in place to verify that the property tax roll information is accurate.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action: And from the Points of Focus within Principle 12, the applicable points include number:

- 58. Establishes policies and procedures to support deployment of management's directives
- 59. Establishes responsibility and accountability for executing policies and procedures

Cause

The City and the CRA rely upon the Broward County Property Appraiser "BCPA" for providing accurate CRA tax roll information. The City is responsible for verifying the accuracy of the information.

AUDITOR NOTE:

In November 2006 the City was advised by the BCPA that they had conducted an audit of their files and discovered that there were a number of parcels in their system not designated as being within the CRA boundaries, but should have been. The City received additional TIF revenues for FY2006, but was not able to recoup millions in lost revenue from prior years that were misstated.

Impact

The CRA may not receive all of the funds to which it is entitled, reducing the amount available to achieve the objectives of the Community Redevelopment Plans.

Recommendation

The CRA Executive Director should require the establishment of policies and procedures for the verification of changes to CRA tax rolls. The City Manager should require the Budget Office to receive verified information from CRA staff before finalizing form DR-420 (Tax Increment Adjustment Worksheet).

Management Response

Staff agrees with the City Auditor's observation. The CRA is in the process of securing an agreement with a consultant that will complete an annual review of the tax roll for each CRA District.

Engagement Staff:

Marco Hausy, Audit Manager

Gloria LeClaire, Assistant City Auditor II

Eileen Reilly, Assistant City Auditor II

Deming Zhang, Assistant City Auditor I



CITY OF FORT LAUDERDALE
COMMUNITY REDEVELOPMENT AGENCY

Memorandum

Memorandum No: 16-001

Date: October 24, 2016

To: John Herbst, City Auditor

From: Lee R. Feldman, ICMA-CM, Executive Director

Re: Community Redevelopment Agency (CRA) Audit Management Responses

The CRA Board of Commissioners requested that the City Auditor complete an operational audit of the Fort Lauderdale CRA. The audit identified both Findings and Observations. A Finding results from a failure to comply with policies and procedures, rules, regulations, contracts and fundamental internal control practices. An Observation represents an opportunity to improve on the design or functionality of an existing internal control.

The following are a list of the audit Findings and Observations with CRA Management Responses:

Objective 1

Ensure funds are budgeted and spent appropriately

Finding 1

Condition

Central Beach CRA TIF funds, in excess of \$80,000 annually since FY 2012, are being used to pay for the 4th of July fireworks display, supplanting previous funding from general government funds.

Criteria

Florida Statutes, Section 163.370 Powers; counties and municipalities; community redevelopment agencies - states:

(3) The following projects may not be paid for or financed by increment revenues:

- (c) General government operating expenses unrelated to the planning and carrying out of a community redevelopment plan.

Cause

Based upon the discussion with the City Attorney in May of 2010, CRA staff determined that it is possible to fund the fireworks event from the CRA budget, provided that the event is within the CRA area and the CRA Board makes a finding that the event will meet the goals and objectives of the CRA. This discussion did not take under consideration section 163.370 (3)(c) of the Florida Statute shown above.

Impact

Improper spending of TIF revenue leaves less funding available to meet the goals of the Community Redevelopment Plan. The General Fund may need to reimburse the CRA.

Recommendation

The CRA Executive Director should put appropriate controls in place to prevent TIF funds from being used for general government expenditures. In addition, the funds should be returned to the CRA by the City.

Management Response

Staff agrees with the City Auditor's conclusion. Funding for the July 4th fireworks was not included in the FY 2017 CRA budget. The City's General Fund will reimburse the CRA Trust Fund no later than December 31, 2016.

Finding 2

Condition

The NWPF CRA tax increment funds were spent on events that were not included in furtherance of the Community Redevelopment Plan. The events were as follows:

- A City employee retirement party, which used in excess of \$14,000 of CRA funds.
- A Commissioner farewell event, which used in excess of \$8,000 of CRA funds.

Criteria

Section 163.387 (6) of Florida Statutes states that "moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.

- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. [163.370](#).
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.”

Cause

The two separate farewell events were not brought to the CRA Board for approval.

Impact

Improper spending of TIF revenue leaves less funding available to meet the goals of the Community Redevelopment Plan.

Recommendation

The CRA Executive Director should put appropriate controls in place to make sure special events do not get funded with CRA monies unless that special event is in further of the Community Redevelopment Plan and has the approval of the CRA Board. In addition, the funds should be returned to the CRA by the City.

Management Response

Staff agrees with the City Auditor’s conclusion. The Community Redevelopment Agency hired Financial Personnel in February 2015, to monitor the use of CRA funds. Since that time Financial Personnel have established internal controls to ensure these types of events will not be approved in the future. Additionally, in November 2015 the CRA hired

a new Northwest Progresso Flagler Heights (NWPFF) CRA Manager to oversee the day-to-day operations of that CRA.

The City's General Fund will reimburse the CRA Trust Fund in the amount of \$22,000 representing the sum of the two events that were inappropriately charged to the CRA Trust Fund by no later than December 31, 2016.

Finding 3

Condition

NWPF CRA programs are improperly being included in the capital project funds; accordingly they are not being re-appropriated on an annual basis as in the operating fund.

Criteria

Projects are characterized by having a discreet start and completion date, with an identifiable deliverable. Programs are operating grants of a recurring and ongoing nature, where the CRA receives nothing tangible in return for the funds expended, otherwise known as a non-exchange transaction.

In the City's adopted budget policies, the stated criteria for a capital project are:

- Represent a physical improvement.
- Have a value of \$50,000 or more.
- Have a useful life in excess of 10 years; or if bond funded, have a useful life equal to or greater than the life of the bonds; or if grant funded with asset life qualifying factors, the capital project must have a life equal to or greater than the life requirements of the grant.
- Be classified as a capital asset when placed into service.

In addition, Florida Statutes Ch 189 – Uniform Special District Accountability Act, ss 189.016 – Reports; Budgets; Audits

- (3) The governing body of each special district shall adopt a budget by resolution each fiscal year. The total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves. At a minimum, the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit which are at least at the level of detail required for the annual financial report under s. [218.32](#)(1). The adopted budget must regulate expenditures of the special district, and an officer of a special district may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

Cause

CRA Management as well as the Budget Office did not adhere to the criteria established by Florida Statutes and the City's budget policies for capital projects. Additionally, a lack of training may have contributed to the inclusion of operating programs within a project fund.

Impact

The CRA may be required to return the unspent balances to each of the other taxing authorities which have paid into the CRA. Although unlikely, if the misclassifying of budgeted funds is deemed intentional, it could jeopardize the status of the CRA.

AUDITOR NOTE:

From fiscal year 2012 through June 2016, the Business Incentives and General Façade Programs have accumulated unspent fund balance of \$2,245,468 and \$1,291,287, respectively, totaling \$3,536,755.

Recommendation

The CRA Executive Director should require and consider the following:

1. Evaluate all programs and projects included as part of the Community Redevelopment Plan and appropriately classify them.
2. CRA staff should explore other ways or methods to track CRA program expenditures.
3. The CRA and the Budget Office should work in conjunction to properly budget the funds for those programs and/or incentives.
4. If the CRA consistently has unspent funds remaining at the end of the budget year, CRA managers should review the level of funding being appropriated to those programs.
 - a. **See Observation 2, under Objective 2.**

Management Response

In June 2016, the CRA Board of Commissioners approved revisions to the existing NWPFF CRA incentives and established the creation of new incentive programs. The incentive changes were made in an effort to address concerns from the community, which were a lack of residential assistance programs and a more user friendly and streamlined application process. Additionally, the CRA Board of Commissioners has approved a marketing budget for the NWPFF CRA, which will assist in the marketing of the various incentive programs.

Based upon the recommendation of the Auditor, all incentive related funds have been placed into the operating budget through the adoption of the Fiscal Year 2017 budget. Further discussion is planned with the City Attorney's Office, City Auditor, and CRA staff to document and memorialize processes used to budget for and manage CRA funds through administrative policy.

Finding 4

Condition

Several capital projects were established as holding accounts in violation of Florida Statutes for future potential projects in the “Adopted Community Investment Plan” for the Fund 347, NWPF CRA.

AUDITOR NOTE:

CRA Board appropriated \$1,750,000 for the Flagler Village Train Station TOD (Project #20150199) for FY 2015 and \$1,168,469 for the Flagler Village Grant Program (Project #12095) for FY 2016. These projects were created as holding accounts “to provide funding for public improvements and initiatives in support of a Transit Oriented Development program in the Flagler Village area”.

Criteria

(1) Florida Statutes, Section 163.387(7), states “On the last day of the fiscal year of the community redevelopment agency, any money which remains in the trust fund after the payment of expenses pursuant to subsection (6) for such year shall be

(d) Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation”

Cause

CRA management failed to identify specific redevelopment projects during the development of the annual budget.

Impact

Failure to budget funds to specific projects may result in the CRA having to return the unspent balances to each of the other taxing authorities which have paid into the CRA. Although unlikely, if the misclassifying of budgeted funds is deemed intentional, it could jeopardize the status of the CRA.

Recommendation

The CRA Executive Director should require that CRA management and the CIP coordinator evaluate all items listed as part of the Community Investment Plan for the Northwest-Progresso-Flagler Heights CRA to ensure all projects are legitimate.

Management Response

Staff agrees with the City Auditor’s conclusion. With the re-appropriation of NWPF CRA funds and revised incentive programs, an internal process has been established that will ensure funds are committed to NWPF CRA projects and not programs.

Based upon the recommendation of the Auditor, management has moved all incentive related funds into the operating budget with the adoption of the Fiscal Year 2017 budget. Further discussion is planned with the City Attorney's Office, City Auditor, and CRA staff to document and memorialize processes used to budget for and manage CRA funds through an administrative policy

Finding 5

Condition

The City's promotional campaigns and marketing activities in the Central Beach CRA are not described or outlined in the Central Beach Community Redevelopment Plan, adopted in 1989.

For example, in the 2013 -2014 Annual Report of the Fort Lauderdale CRA, the four events listed below are not in the Plan of 1989, which is adhered to today.

- CRA contributed \$71,776 toward the Beach Business Improvement District's (BID) annual holiday lighting.
- CRA contributed \$40,500 to co-sponsor "The Great American Beach Party" on Memorial Day weekend.
- CRA contributed \$82,500 to co-sponsor with City's Park & Recreation the annual 4th of July Fireworks.

Criteria

Section 163.387 (6) of Florida Statutes states that "moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. [163.370](#).

- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.

Cause

The CRA Board approved the funding for the promotional campaigns and marketing activities on the Central Beach CRA, based on the “Press Play Fort Lauderdale Strategic Plan 2018” included in the Neighborhood Enhancement Cylinder of Excellence. The approval is not based on the “Central Beach Community Redevelopment Plan of 1989”, which is still the governing plan.

In addition, the CRA Board approved the CRA Operating Budget and Community Investment Allocations for FY 2014 and FY 2015, without any discussion and/or reference to the “Central Beach Community Redevelopment Plan of 1989”.

The linkage between the “Redevelopment Goals, Objectives and Policies - Provide for a mix of land uses that will foster family activity and recreation in the Central Beach area, and provide opportunities for the expansion of tourist-related facilities and activities.” and the use of CRA funds for the above-described promotional activities is tenuous.

Impact

The General Fund may be required to reimburse the CRA for promotional campaigns and marketing activities.

Recommendation

The CRA Executive Director should work in conjunction with the CRA Board to amend the Central Beach Community Redevelopment Plan to include language describing or outlining the “Quality of Life Programs and Promotion of Redevelopment Activities

Management Response

Staff does not agree with the City Auditor’s conclusion that special event funding is not a permissible activity in the Beach Community Redevelopment Plan. At the November 9, 2010 joint meeting of the CRA Board of Commissioners/Beach Redevelopment

Advisory Board (BRAB) the question was raised about special events and whether the Beach CRA could fund them. The City Attorney opined that provided that findings of fact are made that expenditures will stimulate redevelopment in the core area, improve circulation, create or enhance the visual or physical image, the event is permissible. As a result, the CRA Board of Commissioners instructed staff to set aside a percentage of the CRA budget each year for events.

Family-friendly special events advances the Redevelopment Goal of providing for a mix of land uses that will foster family activity and recreation in the Central Beach area, and provides opportunities for the expansion of tourist-related facilities and activities. These events also meet the Redevelopment Objective of enhancing the resort image of Fort Lauderdale Beach as a place for tourists and conference groups, and also making Fort Lauderdale Beach an integral part of the City for use by local residents.

Staff presented applications for funding for Holiday Lighting, the July 4th Fireworks and the Great American Beach Party. Each request included a finding of how the event complied with the Redevelopment Plan. In each subsequent year, funding for the same event was included in the CRA budget. The July 4th fireworks were not included in the FY 2017 CRA budget.

Though the CRA Board approved the original funding requests with findings of compliance to the Redevelopment Plan, staff does concur that a link between each area's proposed expenditures and activities to their respective Redevelopment Plan should be included in each year's annual CRA budget.

Finding 6

Condition

The CAO noted that several promotional campaigns and marketing activities occurred before the NWP Community Redevelopment Plan was modified and restated on March 15, 2016 to incorporate those types of activities.

For example, the 2013 -2014 Annual Report of the Fort Lauderdale CRA listed the following promotion, marketing, transportation mobility and quality of life activities within NWP CRA:

- CRA contributed approximately \$60,000 to the "Light up Sistrunk" holiday
- CRA contributed \$25,000 for the "Midtown Summerfest"
- CRA contributed \$28,000 for the "Artwalk"
- CRA contributed \$150,066 for the Sun Trolley service.

In addition, CRA entered into marketing, branding and a public relations service agreement with The Mosaic Group on November 4, 2014 for the total amount of \$247,500.

Criteria

Section 163.387 (6) of Florida Statutes states that “moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the community redevelopment area.
- (h) The development of community policing innovations.

The COMMUNITY REDEVELOPMENT PLAN: NORTHWEST·PROGRESSO·FLAGLER HEIGHTS AREA AMENDED AND RESTATED, lists the program and strategies of the plan in section 1.1.4:

SECTION 5 COMMUNITY REDEVELOPMENT PROGRAM AND STRATEGIES

A. GENERAL CONCEPT AND STRATEGIES

The City and CRA consider the following list of capital projects and public improvements important to the successful redevelopment and revitalization of the NPF CPA. Other projects and activities may be identified after public consultation in conjunction with the annual budget preparation process of the CRA and the City. Whether funded and carried out by the Fort Lauderdale CRA, the City of Fort Lauderdale, or Broward County through Interlocal Agreement, the following outlines the basic programs and strategies forming the essential physical improvement and project plans for the NPF CRA.

- Neighborhood Housing Improvement Programs
- Neighborhood Infrastructure Improvement Program
- Sistrunk Corridor Area Improvement Programs
- Northwest Commercial Revitalization Improvement Program
- Flagler Heights RAC Area Improvement Programs
- Targeted Project Areas

Priority consideration shall be given first to the funding and implementation of those basic physical improvement programs and projects that through upgrades to the infrastructure will improve the quality of life in the neighborhood areas of the NPF CRA, and to those programs for improvements to the business and commercial sectors of the NPF CRA that will provide the infrastructure support and improved environmental conditions needed to foster thriving small business and compatible commerce in the NPF CRA.

Cause

- (1) The CRA Board approval of the funding for those promotional campaigns and marketing activities on the NWP CRA was based on the "Press Play Fort Lauderdale Strategic Plan 2018" included in the Neighborhood Enhancement Cylinder of Excellence. The approval is not based on the Plan of 2001 or Plan of 2013, as amended.
- (2) The CRA Board approved the Community Redevelopment Agency (CRA) Operating Budget and Community Investment Allocations for FY 2014 and FY 2015 without any discussion and/or any reference to the "NWP CRA Plan of 2001" or "NWP CRA Plan of 2013 as amended".

Impact

The City's General Fund may be required to reimburse the CRA trust fund for expenditures outside the approved Plan.

Recommendation

The CRA Executive Director should review the Community Redevelopment Plan and ensure that proposed CRA funded initiatives are described or outlined in the Plan, or amend the Plan as needed prior to undertaking those new initiatives.

Management Response

Staff agrees with the City Auditor's conclusion. On March 15, 2016 the Fort Lauderdale Community Redevelopment Agency recommended and the City Commission approved amendments to the Northwest-Progresso-Flagler Heights Community Redevelopment Plan. The amendments included Section 8.D Quality of Life Programs and Promotion of Redevelopment Activities. This section identified that special events, promotions and public displays will assist in business attraction, promoting the District as a place to live, and further promoting the area as a redevelopment district with opportunity for private investment.

Finding 7*Condition*

The CRA funds a portion of the operating costs for two routes of the Sun Trolley community bus service; one at the beach and the other that runs through NWPF. Based upon the formula used to apportion monthly costs, the CRA may be overpaying for services that did not benefit the community redevelopment areas.

Criteria

Section 163.340 of Florida Statutes states:

- (9) "Community redevelopment" or "redevelopment" means undertakings, activities, or projects of a county, municipality, or community redevelopment agency in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight, or for the reduction or prevention of crime, or for the provision of affordable housing, whether for rent or for sale, to residents of low or moderate income, including the elderly, and may include slum clearance and redevelopment in a community redevelopment area or rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed, or rehabilitation or conservation in a community redevelopment area, or any combination or part thereof, in accordance with a community redevelopment plan and may include the preparation of such a plan.

Cause

The methodology used to apportion the monthly charges for the community bus system to the CRA was flawed because it did not adequately take under consideration the percentage of the route that was within the boundaries of the CRA.

Impact

CRA funds could end up being used to fund services for the benefit of the general government, thus having less funding available to meet the goals of the CRA Redevelopment Plans.

Recommendation

The City Manager should request the Transportation and Mobility Director to have proper verifications in place to assure that the CRA is apportioned only those costs associated with services provided within the boundaries of the CRA. CRA personnel should be included in the invoice approval path for all charges to the CRA. Also, the General Fund should refund overcharges to the CRA.

Management Response

Staff agrees that proper verifications must be submitted as part of the payment process using CRA funds. Transportation and Mobility (TAM) staff will work with the TMA to enhance methods for specifying actual operation hours within the CRA boundary. CRA staff will monitor the billing to ensure the CRA is only reimbursing its eligible portion.

Finding 8

Condition

A duplicate vendor payment in the amount of \$4,970 went undetected.

AUDITOR NOTE:

An audit structured for the identification of duplicate payments was not performed. This finding was the result of reviewing transactions as it applied to another audit procedure.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. From the Points of Focus within Principle 12, the relevant points include:

- 54. Establishes policies and procedures to support deployment of management's objectives
- 55. Takes corrective action
- 56. Performs using competent personnel

Cause

There is a lack of system and procedural controls, as well as training, to prevent duplication when payment is made with a purchasing card (p-card). The lack of controls observed during the CRA audit was as follows:

- Vendor payment information, such as vendor names and invoice numbers, are not uploaded into the vendor files allowing for a system comparison.
- P-card transactions are not always supported with an invoice before payment is processed.
- Vendor invoices are not always assigned with a unique identification number by the vendor.

Impact

There is a negative financial impact to the City and the CRA.

Recommendation

The City Manager should require the Finance Department put appropriate controls in place to prevent the duplication of payments.

Management Response

Staff agrees with the City Auditor's observation. The Community Redevelopment Agency hired Financial Personnel in February 2015, to monitor the use of CRA funds. Since that time Financial Personnel have established internal controls to ensure these types of errors will not be approved in the future. Additionally, in November 2015 the CRA hired a new Northwest Progresso Flagler Heights (NWPFF) CRA Manager to oversee the day-to-day operations of that CRA. Furthermore, the City's Finance Department has contacted the vendor to recoup any overpayment for services provided.

Finding 9

Condition

Two change orders for the NWPFF project, Sistrunk Boulevard Streetscape and Enhancement, did not get CRA Board approval, although both were approved by the City Commission.

Criteria

The By-laws of the Fort Lauderdale CRA Article 4.1, Execution of Instruments, states that "legal instruments of the CRA shall be executed by the Chair and the Executive Director ..." Furthermore, Article 4.3 Purchasing Procedures, states, "In the absence of CRA procurement policies, the CRA adopts the purchasing procedures of the City..."

The Fort Lauderdale Code of Ordinances, Sec. 2-127 – Approval of change orders and task orders, provides the City Manager the authority to approve change orders under \$25,000, but further states, "change orders and task orders and amendments to change orders and task orders over a cumulative amount of twenty-five thousand dollars (\$25,000) shall be subject to city commission approval.

Cause

Although the project was funded fully by the CRA and the NWPF Manager was actively involved with the project, the actual procurement of the contract was managed by the City's Public Works department

Impact

Omitting review and approval by the CRA Board could lead to improper charges and cost overruns on projects.

Recommendation

The Executive Director of the CRA should direct that staff review and adhere to policies and procedures to ensure compliance with CRA By-Laws and City Ordinances.

Management Response

Staff agrees that omitting review and approval by the CRA Board of Commissioners for change orders could lead to improper charges and cost overruns.

The Community Redevelopment Agency hired a Financial Administrator in February 2015 and a NWPF CRA Manager in November 2015. They are required to monitor CRA use of funds, change orders, Commission Agenda Memo's, budget transfers, budget amendments and all fund movement within the CRA. Internal controls have been established to ensure the CRA Board of Commissioners review and approve expenditures of CRA funds.

Additionally, Management will seek a legal opinion as to whether or not contracts for capital and goods/services should be in the name of the CRA and/or the City.

Finding 10

Condition

CRA staff is not approving payments for construction related expenditures on projects being managed through Public Works. In addition, the CRA does not keep, nor do they seek access to, construction related documents such as contracts and purchase orders for construction projects, to which the CRA is a contributing funder.

Criteria

The CRA By-Laws, Article 5.7, states:

"All funds of the CRA shall be used only for purposes permitted by applicable law. Funds shall be distributed only at the direction or with the approval of the Board of Commissioners pursuant to an adopted budget and with appropriate requisitions approved in writing by the Executive Director or the Executive Director's designee

Cause

Some of the causes include, but are not limited to:

- A lack of appropriate staffing levels
- A lack of organization and accountability for organizational responsibilities
- A lack of policies and procedures and associated training for staff regarding their required job responsibilities

In addition, the CRA has been under other the umbrella of other departments, such as Economic Development and Department of Sustainable Development, and as such its financial responsibilities were not well defined.

Impact

CRA will be unaware:

- if the project followed established CRA procurement policies;
- if the project is within budget;
- if change orders have been issued;
- whether the project is on schedule;
- when the funds are actually expended, and to what vendor.

Recommendation

The Executive Director of the CRA needs to establish a protocol between the CRA and other City departments, in which requests for payments are approved by CRA staff.

In addition, the CRA should maintain files containing final contracts, purchase orders, change orders, insurance certificates, notices to proceed and other pertinent contract information.

Management Response

Staff agrees that CRA staff must be involved in payment processing of all CRA funded transactions. In the Beach CRA, the Beach CRA Design Manager manages all Beach CRA CIP projects including reviewing design, schedules, budgets, invoices and pay applications. Additionally, the CRA Board of Commissioners completed its process of separating the CRA from being part of any other City Department. CRA staff are now included on all payment requests and reviews the support documentation for sufficiency.

However, the master construction file should be maintained by the project manager from the appropriate City Department. At a minimum, the CRA project file will contain the financial information, insurance certificates and notice-to-proceed documents for all CRA funded projects.

Additionally, management will seek a legal opinion as to whether or not contracts for capital and goods/services should be in the name of the CRA and/or the City.

Observation 1

Condition

NWPF has a master property schedule that includes the required information to identify the properties, but this schedule is deficient as follows:

- Does not clearly distinguish between properties held for resale/disposal and properties owned by the CRA/City.
- Does not show evidence of being reconciled to the general ledger, nor does it in fact reconcile to the general ledger.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. And from the points of focus within Principle 12, the applicable points include number:

58. Establishes policies and procedures to support deployment of management's directives;
59. Establishes responsibilities and accountability for executing policies and procedures;
60. Performs in a timely manner;
61. Takes corrective action.
62. Perform using competent personnel

Cause

There is no written policy and procedure that addresses:

- Proper record-keeping for real property acquisitions and disposals
- Accountability for reconciling the Master Property Schedule to the general ledger
- Effective communication between the CRA staff and Finance Department staff is lacking

Impact

The CRA cannot aggressively pursue the redevelopment of an area without having an understanding of the properties owned. The CRA Board may not be able to make sound decisions regarding acquisition and disposal of CRA properties.

AUDITOR NOTE:

The CRA Board approved, on July 12, 2016, a procedure that was designed to designate responsibility and provide procedures for Real Estate Acquisition, Disposition, and Lease. Although this procedure requires the CRA to maintain a master listing of all CRA owned property and distinguishing between fixed assets and properties held for resale/disposal, it does not address assigning responsibility for reconciling the information to the general ledger.

Recommendation

The CRA Executive Director should require CRA management revise the Real Estate Acquisition, Disposition, and Lease procedure to include accountability over the real

estate information and the reconciliation to the City's financial records. In addition, CRA staff needs to work together with Finance Department staff to reconcile the historical records.

Management Response

Staff agrees with the City Auditor's observation. The procedure has been updated and reflects that the CRA Management will prepare the reconciliation and transmit it to the Finance Director for final review and approval.

Objective 2

Assess the status of projects/programs

Observation 2

Condition

NWPF did not effectively manage its programs, including incentives, grants, and contributions appropriated for the NWPF businesses and homeowners.

AUDITOR NOTE:

CAO selected three programs from the "Adopted Community Investment Plan – fiscal year 2013-2017 through 2016-2020" for Fund 347 (NWPF CRA). As of June 30, 2016, the Business Incentive Programs (P10150) and General Façade Programs (P10665) have accumulated unspent fund balance of \$2,245,468 and \$1,291,288, respectively.

Furthermore, from the appropriations totaling \$3,982,835, for Business Incentive Programs and General Façade Programs, NWPF CRA has distributed only 7.76% and 16.61% respectively, to the eligible businesses within the CRA.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. And from the points of focus within Principle 12, the applicable points include number:

- 58. Establishes policies and procedures to support deployment of management's directives;
- 59. Establishes responsibilities and accountability for executing policies and procedures;
- 60. Performs in a timely manner;
- 61. Takes corrective action.

Under the COSO framework, Monitoring Activities, Principle 16: The organization selects, develops, and performs ongoing and /or separate evaluations to ascertain whether the components of internal control are present and functioning. And from the Points of Focus within Principle 16, the applicable points include number:

- 82. Integrates with business processes;
- 83. Adjusts scope and frequency;
- 84. Objectively evaluates.

Cause

There are various reasons that the NWPF CRA Programs are not being managed in an effective and efficient manner, which include, but are not limited to:

- NWPF CRA did not evaluate the programs and adjust the level of funding annually to reduce or eliminate the unspent fund balances at year end.
- The NWPF CRA may not aggressively advertise and promote the business incentives and grant programs.
- The application process may not be simple and eligibility requirements may be too complex or confusing, resulting in fewer applicants.
- Turnover in the corresponding departments related to CRA actives; such as Legal, Finance, and the Budget Office, as they provide support and guidance

Impact

Programs in the NWPF area are not being performed and opportunities for revitalization and development are potentially being lost or delayed. In addition, the City is not achieving the overall goals of the CRA area, which is to eliminate slum and blight and promote economic development.

Recommendation

1. The CRA Executive Director should require management to evaluate the programs and to adjust the level of funding annually to reduce or eliminate the unspent fund balances at year end.
2. The CRA Executive Director should require management to aggressively advertise and promote all programs so that eligible businesses and homeowners could take advantage of what the programs have to offer.
3. The CRA Executive Director should require management to simplify the application process and standardize the eligibility requirements and/or conduct training to assist potential applicants in submitting viable applications.

Management Response

Staff agrees with the City Auditor's observation. Additional CRA staff has been hired to help process the incentive requests and the application has been revised.

In an effort to establish a greater focus on the desired results necessary for the NWPF CRA, staff further believes that revisions are necessary to the NWPF CRA Advisory Board Ordinance. These revisions should be more in line with the mission and vision of the CRA.

The types of revisions recommended are as follows:

- The size of the NWPF Advisory Board should be reduced (current board has 15 members). The size should be no more than nine members.
- Change in the current NWPF Advisory Board Ordinance to align their current roles and responsibilities to the Commission's desired role.
- The make-up of the Advisory Board was based on (in part) a certain number of residents from each area of the CRA (Flagler, Progresso and Sistrunk). The Advisory Board should be more knowledge and skill based and should be reserved for individuals who can provide the greatest level of assistance related to redevelopment. Since we will be analyzing incentive project requests, staff proposes the following Advisory Board composition:
 1. A member with a financial background to analyze financial statements and project projections.
 2. A member with General Contractor or Architect License.
 3. An Attorney
 4. A member from the Civic Association Board member from Flagler Heights Civic Association.
 5. Two members from member from Progresso Village Civic Association.
 6. Two members from member from the Sistrunk Home Owners Association.
 7. A member with a marketing and advertising background

Observation 3

Condition

In the past three years the NWPF CRA did not meet their established benchmarks as it applies to the disposal of properties.

Criteria

The 2013 5-Year Program "Strategic Objectives, Goals and Measurements" states:

- Strategically redevelop all vacant, underutilized sites to be compatible with the overall vision of the CRA.
 - Agency goal – Dispose of 20% of city-owned and CRA owned properties within the NWPF CRA each year.
 - Measure – success to be measured by the number of properties disposed of with CRA Board or City Commission approval.

Cause

There was a lack of monitoring, measurement, and corrective action of the aforementioned goal.

Impact

Holding onto property without a plan for timely redevelopment is not in furtherance of the NWPF CRA goals of fostering economic development. Additionally, TIF revenue for the CRA is lost as long as the property stays off the tax roll.

Recommendation

The CRA Executive Director should require CRA management to develop an action plan to assure benchmarks are being met.

Management Response

Staff agrees with the City Auditor's opinion that holding onto property without a plan for timely redevelopment is not a goal of the CRA. As a result, staff believes that the best way to ensure that the properties are on the tax role is via a competitive process. The competitive process should require that all respondents to the Request for Proposal (RFP) to present a project that would be consistent with the vision of the CRA and is the highest and best use for the property.

In order to ensure success, the CRA will need to secure City-owned lots (that are within the NWPF CRA) and establish a process that would be consistent with the goals of redevelopment and the CRA Plan. Staff has completed the appraisals on the City-owned lots that are within the NWPF CRA and will schedule an item for City Commission discussion in November or December 2016. At that time, staff will request that certain City-owned lots be donated to the CRA, in furtherance of redevelopment.

Lastly, staff has begun visioning discussions with the CRA Advisory Board. The discussions are centered on the types of industries and businesses to attract to the CRA and the best locations in the CRA for those businesses. Through these discussions, staff will develop a marketing plan that will address our planned use for each CRA-owned and City-owned lot and identify the types of businesses and developers which to target our marketing.

Objective 3

Establish that the CRA is spending TIF revenue within three years of appropriating it, or repurposing the money in accordance with Chapter 163, Part III, Florida Statute

Finding 11*Condition*

The CAO noted from 2012 through June 2016, five projects in our sample have accumulated unspent fund balance totaling \$41,770,583 without the projects being completed within the required three-year timeframe.

AUDITOR NOTE:

CAO selected five capital projects from the “Adopted Community Investment Plan – fiscal year 2013 through 2016” for Fund 346 (Beach CRA). As such, the New Aquatic Center (P10948) and SR A1A Streetscape Improvements Westside (P11681) have accumulated \$24,030,608 and \$6,511,971, respectively, of unspent fund balances without either completing the projects or un-appropriating and re-appropriating the funds annually as recommended by the Florida League of Cities.

Criteria

Florida Statutes, Section 163.387(7), states “On the last day of the fiscal year of the community redevelopment agency, any money which remains in the trust fund after the payment of expenses pursuant to subsection (6) for such year shall be:

- (a) Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year;
- (b) Used to reduce the amount of any indebtedness to which increment revenues are pledged;
- (c) Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or
- (d) **Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation.”**

Cause

There are various reasons for the delay of CRA Beach Projects not being completed within three years from the date of such appropriation.

- The City’s complex procurement, design, and due diligence processes.
- Evolving vision between the elected officials and other stakeholders involved in project acceptance

- Unexpected escalations in cost.
- The City's concern over the negative economic impact, and visual and traffic impact of any construction projects.
- The lack of communication between departments to manage the project from beginning to end and in accordance with Florida Statutes. (i.e. Project Management).

Impact

The Beach CRA may be required to return the money to each of the taxing authorities which paid into the TIF. In addition, with less than five years remaining before the Beach CRA sunsets on September 30, 2020, the Beach CRA may not be able spend all the available TIF money.

Recommendation

The CRA Executive Director should require management to focus their efforts to complete the planned beach projects on time. In addition, the CRA Board should consider requesting an extension to complete the projects with available TIF funds or un-appropriate and re-appropriate the funds at the end of each year to their respective projects.

Management Response

Staff agrees with this recommendation. With the FY2017 Budget, the CRA began the procedure of re-appropriating unspent project balances. Management has made the completion of CRA projects a high priority and will ensure that appropriate resources are dedicated to these projects.

Objective 4

Ascertain whether the CRA is independent in governance and operations.

Finding 12

Condition

Expenditures are being incurred on behalf of the CRA by the City that do not show evidence of having been approved separately by the CRA Board. In addition, they lack execution by CRA management, or of the authority for the execution of the instruments having been delegated by resolution to another person in accordance with the By-Laws of the Fort Lauderdale CRA. Some examples of non-compliance contracts include, but are not limited to:

- East Coast Mulch Corp.
- Prototype, Inc.
- Toilet Taxi Corp.

Further there is no legal document acknowledging a joint venture or interlocal agreement when the CRA is sharing the cost of a project with the City (tri-party agreement between vendor, City and CRA). Examples include, but are not limited to:

- Interlocal Agreement between City of Fort Lauderdale and Downtown Fort Lauderdale TMA – Community Bus Service
 - Both the Northwest Progresso Flagler Heights area and the Central Beach area of the CRA contribute to this program
- Agreement between South Florida Regional Transportation Authority, Section 7 (WAVE - North Loop) and the Northwest Progresso Flagler Heights CRA
- Aquatic Center project contract
 - Recreational Design & Construction, Inc.

AUDITOR NOTE:

As per Transportation and Mobility management, “the Agreement with SFRTA is going to go to Commission in the future to be dissolved, with a new Agreement to be heard by Commission at the same time.”

Criteria

In accordance with Florida Statutes section 163.357 “Governing body as the community redevelopment agency”:

(1)(b) The members of the governing body shall be the members of the agency, but such members constitute the head of a legal entity, separate, distinct, and independent from the governing body of the county or municipality. If the governing body declares itself to be an agency which already exists, the new agency is subject to all of the responsibilities and liabilities imposed or incurred by the existing agency.

In accordance with the By-Laws of Fort Lauderdale Community Redevelopment Agency, Article 4 Contracts:

4.1 Execution of Instruments. Legal instruments of the CRA shall be executed by the Chair and the Executive Director, attested to by the Secretary and the form of any such instrument shall be previously approved by the General Counsel or the General Counsel's designee provided; however, that where by Motion or Resolution of the Board of Commissioners, the execution of instruments is delegated to another person, such instrument may be executed in the manner provided by such resolution. In the absence of the Chair, such instruments may be executed by the Vice-Chair.

Cause

CRA staff and City personnel are not being mindful of the fact that the CRA is a separate legal entity, distinct and independent of the governing body of the City, when participating in procurement activities.

Impact

Without clear oversight by the CRA Board and management, the CRA may be paying for items that are inconsistent with the Community Redevelopment Plan, outside the boundaries of the redevelopment area, or which are City obligations, not CRA obligations.

Recommendation

The City Manager should require CRA management to work more closely with the City Attorney's Office and the Procurement Office in reviewing legal documents to ascertain that they are being executed by the proper governing bodies with appropriate documentation.

AUDITOR NOTE:

The City Attorney's Office and the Procurement Office is currently looking into using an interlocal agreement between the City and the CRA to address this issue.

Management Response

Staff agrees with the City Auditor's observation. In order to establish clear authority and delegation of authority, the Finance Department will prepare a Resolution by March 31, 2017 for the CRA Board of Commissioners establishing delegation of authority and execution of instruments and documents, in accordance with the By-Laws of the Fort Lauderdale CRA, to be approved by the CRA Board.

Objective 5

*Verify that the CRA is in compliance with Florida Statute Chapter 163, Part III –
Community Redevelopment*

Observation 4

Condition

For all three areas of the CRA, there is no formal process in place to verify that the property tax roll information is accurate.

Criteria

Under the COSO framework, Control Activities, Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action: And from the Points of Focus within Principle 12, the applicable points include number:

58. Establishes policies and procedures to support deployment of management's directives

59. Establishes responsibility and accountability for executing policies and procedures

Cause

The City and the CRA rely upon the Broward County Property Appraiser "BCPA" for providing accurate CRA tax roll information. The City is responsible for verifying the accuracy of the information.

AUDITOR NOTE:

In November 2006 the City was advised by the BCPA that they had conducted an audit of their files and discovered that there were a number of parcels in their system not designated as being within the CRA boundaries, but should have been. The City received additional TIF revenues for FY2006, but was not able to recoup millions in lost revenue from prior years that were misstated.

Impact

The CRA may not receive all of the funds to which it is entitled, reducing the amount available to achieve the objectives of the Community Redevelopment Plans.

Recommendation

The Executive Director of the CRA should require the establishment of policies and procedures for the verification of changes to CRA tax rolls. The City Manager should require the Budget Office to receive verified information from CRA staff before finalizing form DR-420 (Tax Increment Adjustment Worksheet).

Management Response

Staff agrees with the City Auditor's observation. The CRA is in the process of securing an agreement with a consultant that will complete an annual review of the tax roll for each CRA District.