

**Memorandum**

Date .SEP 27 1993

From Bryan B. Mitchell *Bryan Mitchell*
Principal Deputy Inspector General

Subject Review of the Office of Community Services Grant to the Haitian Task Force (A-12-93-00017)

To Laurence J. Love
Acting Assistant Secretary for
Children and Families

Attached is our final report on the Administration for Children and Families (ACF) oversight of an Office of Community Services (OCS) \$472,500 discretionary grant. The grant was awarded on September 29, 1990 to the Haitian Task Force, Inc. (HTF) located in Miami, Florida. The OCS is a component within the ACF tasked with awarding grants for program activities that result in direct benefits to low-income people. We reviewed the grant in response to allegations initially reported to your office by a former HTF employee regarding possible fraudulent use of Federal funds.

We concluded that this grant ineffectively used taxpayer dollars because the HTF did not achieve the ultimate objective of creating viable enterprises that could have employed 106 low-income individuals. The grantee used over \$200,000 for unaccountable and unallowable purposes; however, through our audit tests, we were unable to confirm that Federal funds were used fraudulently. The case has been referred to our investigative staff for further review. An audit report has been issued to the grantee. However, and more importantly, the HTF grant is an example of a continuing weakness in ACF's discretionary grants process.

In our opinion, the ACF's program and financial management staff did not effectively manage the grant, monitor grantee actions, and provide adequate oversight. Within the Headquarters files, we found indications of grantee problems that should have been detected through proper monitoring and should have caused ACF to devote increased oversight and technical assistance to this project early in the grant period. For example, the ACF staff did not ensure the accomplishment of the land purchases and employment projects which the grantee agreed to do in accepting this grant. Further, the ACF did not validate that the HTF filed documents evidencing the Federal Government's reversionary interest in the properties when the deeds were recorded. The documenting of the reversionary interest enables the government to recover the Federal grant investment in the event the properties are resold. The ACF staff made a site visit to this grantee; however, the monitoring was not thorough and the oversight was

Page 2 - Laurence J. Love

ineffective in turning the project around and encouraging the grantee to achieve the grant objectives. The trip report made no reference to some of the specific, significant problems that were already evident regarding the grantee's performance.

This review was coordinated with the audit work performed by our regional audit staff at the HTF in Miami. Our report provides observations on ACF's oversight for this grant and Attachment 2 is our regional office's report to the grantee. The audit of the grantee showed the HTF had not: (1) purchased half of the planned properties, (2) obtained committed community support and accomplished the commercial marketplace expansion, or (3) created business opportunities and employment for 106 low-income individuals as planned in the approved grant. Further, we found that HTF used \$200,207 of grant funds for unaccountable or unallowable expenses.

A draft of this report was provided to ACF officials and their comments have been incorporated where appropriate. In responding to the draft (Attachment 1) the ACF agreed with the recommendations and indicated some improvements have been initiated already. The ACF agreed to implement the remainder of the recommendations within the limitations of current resources.

We would appreciate receiving a written response on any further actions taken with regard to this report within the next 60 days. Should you wish to discuss this report, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

Attachments

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE OFFICE
OF COMMUNITY SERVICES GRANT
TO THE HAITIAN TASK FORCE**



A-12-93-00017

**Memorandum**

Date SEP 27 1993

From Bryan B. Mitchell *Bryan Mitchell*
Principal Deputy Inspector General

Subject Management of the Office of Community Services Grant to the Haitian Task Force (A-12-93-00017)

To Laurence J. Love
Acting Assistant Secretary for
Children and Families

This report presents the results of our review of the Administration for Children and Families (ACF) oversight of an Office of Community Services (OCS) \$472,500 discretionary grant. The grant was awarded September 29, 1990 to the Haitian Task Force, Inc. (HTF) in Miami, Florida. We made the review in response to an ACF request based on allegations by a former HTF employee of HTF's fraudulent use of Federal funds. We were unable to substantiate fraud through our audit steps but have referred the case to our investigative staff for additional review. We determined that HTF did not achieve the grant objective of purchasing several properties, expanding business opportunities in the marketplace, and employing more than 100 low-income people. Over \$200,000 of the grant was used for unaccountable or unallowable purposes. However, we prepared this report to highlight our continuing concern over ACF's weaknesses in managing grants of this type.

The Headquarters' files contain early indications of the grantee's failure to comply with grant terms, problems obtaining community support, and little progress accomplishing grant objectives. These conditions should have led ACF staff to devote increased oversight and technical assistance to this grantee or to take action to minimize the loss of Federal funds. However, our review found no indication that the ACF program and financial management staff provided coordinated oversight sufficient to encourage the grantee to achieve the grant objectives and protect the Government's investment in the project. In our opinion, the ACF's program staff and their Office of Financial Management (OFM) personnel should have identified the problems associated with this grantee in the early months of the grant period and focused sufficient attention to address the risks.

The audit of the files at ACF headquarters was coordinated with the audit work performed by our regional staff at the HTF in Miami. The information for the report at Attachment 2 (CIN: A-04-93-00051) on grantee activities is addressed to the grantee. The audit found the HTF failed to: (1) purchase 50 percent of the properties, (2) obtain committed community support and complete

the market expansion project, and (3) create business opportunities and employment for 106 low-income individuals. We determined that the HTF used \$200,207 of grant funds for unaccountable or unallowable expenses.

We are recommending that the ACF:

- Track the receipt and filing of the grantee's reports and monitor grantees through these reports.
- Where cash requirements can be predicted, ensure cash draw downs are in accordance with schedules approved in the grant applications.
- Incorporate stronger controls over the grantee for responding to terms and conditions of the grant by monitoring the achievement of those terms and conditions.
- Conduct coordinated site visits that assess both program and financial issues.
- Include tests of validation of filings in the ACF planned corrective action review for the reversionary interest material weakness.

In responding (Attachment 1) to a draft of this report, the ACF accepted the recommendations and agreed to take steps to implement them within the limitations of current staffing resources.

INTRODUCTION

Background

The OCS is a component within the ACF tasked with awarding grants for program activities which will result in direct benefits to low-income people. The OCS awarded a \$472,500 grant to the HTF on September 29, 1990 and the grant period extended from October 1, 1990 through February 29, 1992. The purpose of the grant was to enable the HTF to: (1) purchase several parcels of real estate and expand an open air market known as the Caribbean Marketplace, operating in Miami, Florida and (2) create business opportunities and employ an additional 106 low-income individuals. The expansion was to be accomplished by purchasing 5 properties (later changed to 4 properties), demolishing existing structures, paving parking areas, constructing a small building to accommodate additional vendors and provide storage space, and expanding employment for low-income staff. The OCS award covered the Federal share of property and acquisition costs. Although matching was not a condition of this grant, the HTF had received commitments from several other sources to provide additional

funding for portions of the expansion effort. In response to allegations regarding the fraudulent use of the Federal funds, the Director of the OCS requested that the Office of Inspector General (OIG) conduct a review of the grant.

Two offices within ACF have management responsibilities for this grant: the ACF program office and the OFM. The program staff are tasked with overseeing and assisting the grantee in achieving the grant objectives. The OFM staff are responsible for fiscal oversight of the grant funds, timeliness of draw downs, and receipt of grantee correspondence and financial reports.

Scope and Methodology

The audit was performed in accordance with generally accepted government auditing standards. The objective of our review was to determine the effectiveness of the ACF management of this grant and oversight provided to this grantee. The Attachment 2 review, CIN: A-04-93-00051, also assessed the achievement of the grant objectives, the allowability of expenses, and the status of properties purchased with Federal funds including whether grant requirements for recording reversionary interests were followed. Audit work was performed from November 1992 through May 1993 in Washington, D.C. at the ACF Headquarters, at the HTF offices, the HTF's Caribbean Marketplace, and the Dade County Courthouse in Miami, Florida.

The review which was conducted at the Headquarters included interviewing ACF staff, reviewing related program and OFM grant file documentation, testing relevant internal controls, and assessing correspondence to and from the grantee and related reports. Also, to assess the timeliness of cash drawn down, we analyzed transactions recorded in the Department's payment management system which enables grantees to draw grant funds as needed to meet expenditures. The control weaknesses we observed precluded our reliance on the internal control system specifically as related to the tracking of grantee reports, the draw down of grant funds, and the Federal Government's reversionary interest in properties purchased with grant funds. Our testing confirmed the continuation of weaknesses we identified in "Management of Community Services Discretionary Grants (A-12-90-00022)." The continuation of these findings may indicate that additional attention is needed before the grant related material weaknesses identified in accordance with the Federal Managers' Financial Integrity Act can be reported as corrected. For details on the methodology used by the regional audit staff at the grantee, see the Attachment 2 report.

RESULTS OF REVIEW

The ACF did not adequately manage the HTF grant. Management of the grant includes: tracking and analyzing grantee reports, monitoring progress, and providing oversight and assistance to ensure the grantee accomplishes objectives and complies with the terms and conditions of the grant. We found that the HTF failed to submit required reports, drew down the grant funds before needed to purchase the land, did not obtain the community funding described in the grant application, failed to complete the market expansion, hired few additional low-income workers, and expended grant funds for unapproved purposes; however, we were unable to confirm that the HTF had defrauded the ACF. In our opinion, the ACF should have done more to get the grantee into compliance with the grant terms or considered action against the grantee earlier. As a result of ACF inattention, the OCS grant funds were used to purchase and improve only half of the planned lots, the project has not resulted in a viable commercial enterprise, and \$200,207 was used for unaccountable or unallowable expenses. Furthermore, a substantial amount of the remaining grant funds (about \$272,000) is tied up in real estate that has either a mortgage or a lien against it even though the grant provided sufficient funds to pay for them in full. None of the properties had the required reversionary interest clause in the deed to protect the Federal Government's investment.

ACF Oversight of the Grant

The program and the OFM staff provided weak and uncoordinated management over the HTF grant. The terms of the grant required the HTF to submit quarterly performance or progress reports and quarterly financial reports. We found the ACF's grant file was missing five of six progress reports and four of six financial reports. However, in our work at the grantee, we noted the grantee had file copies of most of the required financial reports.

Our review of the Washington files identified little documentation that ACF had attempted to effectively manage the HTF grant. The grant file contained no documentation of ACF concern that required grantee reports were not available, or that ACF had acted to request the missing reports. The ACF files contained the first (and only) progress report which covered the period from October 1, 1990 through December 31, 1990. Additionally, we found two financial reports covering the periods October through December 1990 and January through February 1992. Sufficient action was not taken to contact the grantee for the reports and if the specified reports were not forthcoming, consider restricting the grantee from continuing to draw down the remainder of the \$472,500 grant until the reports were submitted. While we could not determine whether HTF failed to submit the required reports or ACF lost or misplaced the reports from the HTF's

grant file at the Headquarters, the files do not document action on the part of ACF to administer this grant.

In addition, Headquarters grant files were inadequate to document oversight of the grantee. In our opinion, the staff did not adequately oversee the HTF grantee for deviations from the grant objectives. For example, in our review of the files we found the program officials were unaware or had not reacted to the fact that the grantee had failed to: (1) purchase properties needed for the grant objective, (2) file the reversionary interest documentation, and (3) create the business opportunities and employ 106 low-income individuals.

The program staff made a site visit to the grantee in July 1991. The trip report indicates some technical assistance was provided to the grantee; however, the site visit did not include a compliance assessment of the use of grant funds and achievement of objectives. The files indicate that the primary focus of the trip involved a substitution of lots proposed by the HTF. Additionally, our analysis of the trip report indicates the ACF staff did not have an accurate understanding of the progress of the grantee at that time. Specifically, the trip report indicated that the grantee had acquired three pieces of property, and was on schedule as related to its time line tasks. Our review found that at the time, only one property had been purchased, and the grantee was behind on its time line tasks. Further, our analysis of the trip report could not validate that compliance with grant objectives regarding the creation of business opportunities and employment of low-income individuals was evaluated by the ACF staff on site.

Monitoring Grantee Progress

The files do not document that the progress report that was received was effectively used for monitoring the grantee. When we analyzed the information contained in the progress report in light of other information available to the ACF staff at that time, indications of grantee problems were evident. For example, the financial records showed that the grantee had drawn over half of the grant funds (\$250,000) on December 3, 1990, about a month after the grant was awarded, ostensibly to purchase property. While the ACF had placed no restriction or schedule on the amounts the grantee could draw through the grant, the financial plan submitted with the grant application indicated the cash would be drawn down throughout the grant period based on a projected schedule of land purchases.

Further, the progress report states that HTF was having problems purchasing the required lots. In fact, no parcels had been purchased by the end of the first reporting period, December 31, 1990. The financial status report for the same period indicates the grantee had disbursed about \$36,000 of the \$250,000 drawn. The financial reports showed the grantee was continuing to hold excess grant

funds. Both the program and OFM staff should have noted the problem and increased monitoring of this grantee.

Approximately 9 months after the grant period began, a site visit was undertaken by the program staff. We noted in the program staff's trip report that ACF and HTF discussed the problems the grantee was having obtaining the land; however, the staff member neglected to address the issues related to missing reports, excess cash, what use the grantee had made of the Federal funds already expended, or the fact that the community support addressed in the grant application had not materialized.

Compliance with Grant Terms

The grant files lacked documents that would evidence the HTF had complied with the major grant terms and conditions. For example, the grant terms and conditions provided that statements indicating the Federal Government's reversionary interest in the HTF properties were to be made part of the property deeds when filed at the county recording office. While the HTF did purchase two properties with grant funds, the ACF had not received the required verification documentation nor followed up with the HTF to ensure that the reversionary interest was filed with the deeds. We could find no record that this compliance issue was discussed with the grantee during the site visit. We noted that the one parcel of land now has a lien recorded against it for demolition and construction and the second parcel has a mortgage on it. As a result, the Federal interest in these properties may be subjugated to the other lenders.

Additionally, the grant terms specified that the grantee must submit an audit report to the Department within 90 days after the expiration of the grant period. The OIG regional review found two audits had been completed, but no evidence the reports were submitted to ACF as required. Neither the OIG nor the ACF had received copies of the audit reports. The final audit report is overdue by almost a year.

CONCLUSIONS AND RECOMMENDATIONS

The HTF failed to achieve objectives specified in the grant application of expanding the marketplace, employing 106 low-income individuals, and creating business opportunities in the area. The cognizant ACF staff need to provide more effective administration by improving monitoring and oversight of grantee activities. Better administration of the grant would have identified and acted on missing grantee reports timely. Improved monitoring could have analyzed available information and identified that the grant objectives were not being achieved. More effective oversight and technical assistance should have aided the grantee with its program early in the grant, before fund abuse occurred. If the

grantee failed to respond to the assistance, consideration could have been given to other actions that might have minimized losses to the Federal Government.

We recommend that ACF:

- Track the receipt and filing of the grantee's reports. Monitor grantees through these reports. If required reports are not received timely, provide follow-up and oversight for grantees that have continuing problems complying with the reporting requirements and achieving grant objectives. Restriction of cash draw downs should be considered if grantee persistently fails to report as required.
- Where cash requirements can be predicted, ensure cash draw downs are in accordance with schedules approved in the grant applications.
- Incorporate stronger controls over the grantee for responding to terms and conditions of the grant by monitoring the achievement of those terms and conditions.
- Conduct coordinated site visits that assess both program and financial issues for compliance with program requirements.
- Include tests in the planned corrective action review for the reversionary interest material weakness to validate whether grantees are properly filing the reversionary interest statements and submitting copies of the documentation to ACF.

ACF COMMENTS AND OIG RESPONSE

The ACF agreed (Attachment 1) with the findings and recommendations of the report and will work towards implementation of all recommendations to the extent existing staff and other resources allow. While concurring with our third recommendation, the ACF questioned an example we provided in the draft report exemplifying the need for stronger controls over grantee responses to terms and conditions of the grant. The recommendation remains; however, we deleted the example.



ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

DATE : August 23, 1993
TO : Bryan B. Mitchell
Principal Deputy Inspector General
FROM : *Laurence J. Love*
Laurence J. Love
Acting Assistant Secretary for
Children and Families

SUBJECT: Response to OIG Draft Report: "Review of the Office of
Community Services Grant to the Haitian Task Force,"
(A-12-93-00017)

Thank you for the opportunity to comment on this draft report. As previously discussed at the exit conference, we generally agree with the recommendations contained in the draft report and will work towards implementation of all recommendations to the extent existing staff and other resources allow.

Following are our comments to the specific recommendations on page 7 of the report.

OIG Recommendation #1

That ACF track the receipt and filing of the grantee's reports. Monitor grantees through these reports. If required reports are not received timely, provide follow-up and oversight for grantees that have continuing problems complying with the reporting requirements and achieving grant objectives. Restriction of cash draw downs should be considered if grantee persistently fails to report as required.

ACF Comment

We concur with this recommendation. ACF will continue to monitor grantees through progress and financial reports and restrict cash draw downs if delinquency is persistent.

OIG Recommendation #2

Where Cash requirements can be predicted, ensure cash draw downs are in accordance with schedules approved in the grant applications.

ACF Comment

ACF concurs with this recommendation. Where cash requirements can be predicted, cash draw downs will be monitored to see that they confirm to schedules approved in the grant.

OIG Recommendation #3

We recommend that ACF incorporate stronger controls over the grantee for responding to terms and conditions of the grant by monitoring the achievement of those terms and conditions. For example, require grantees purchasing real property with grant funds to submit deeds showing reversionary interest when the grantee submits financial reports.

ACF Comment

We concur with this recommendation and will provide stronger controls over grantee response to terms and conditions, within the limits of available resources. However, we question the example given in the recommendation: "...require grantees purchasing real property" There is a standard condition which requires that grantees purchasing real property with grant funds file a Notice of Record and, when that notice has been recorded, send a copy to ACF. We believe that this requirement is adequate to protect the federal interest. Also, it should be noted that this is a one time submission which is unrelated to the submission of financial reports.

OIG Recommendation #4

That ACF conduct coordinated site visits that assess both program and financial issues for compliance with program requirements.

ACF Comment

We concur with this recommendation and will work toward the conduct of site visits involving both the program office and the financial office to assess program requirements.

OIG Recommendation #5

That ACF include tests in the planned corrective action review for the reversionary interest material weakness to validate whether grantees are properly filing the reversionary interest statements and submitting copies of the documentation to ACF.

ACF Comment

We concur with this recommendation. The OCS has initiated action to assure that grantees have properly filed and submitted documentation pertaining to reversionary interests.

We will initiate closeout of this grant after the OIG report is final. The closeout will include the deobligation of grant funds commensurate with the findings of the audit and any other applicable records.

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE HAITIAN TASK FORCE,
INCORPORATED
GRANT NO. 90-1-UR-FL-014**



AUGUST 1993 A-04-93-00051



AUG 27 1993

REGION IV
P.O. BOX 2047
ATLANTA, GEORGIA 30301

Common Identification Number A-04-93-00051

Mr. Yves Vielot, Executive Director
Haitian Task Force, Inc.
8101 Biscayne Blvd., Suite 500
Miami, Florida 33138

Dear Mr. Vielot:

This report provides the Results of our Review of the Haitian Task Force, Inc. Grant 90-1-UR-FL-014 covering the period October 1, 1990 through February 28, 1992. We initiated this review at the request of the Office of Community Services (OCS). The OCS had received complaints alleging misuse of grant funds by the Haitian Task Force, Inc. (HTF). The purpose of our review was to find out if the HTF met the terms and conditions of the \$472,500 grant. Specifically, our objectives were to find out:

- (1) whether grant objectives were met;
- (2) what properties were purchased by the HTF with grant funds and if the deeds for the properties included statements that the Federal government has a reversionary interest in the properties;
- (3) if expenditure reports were prepared and whether an audit by a public accounting firm was completed; and
- (4) if funds were drawn down and expended appropriately.

During our review, we found that:

- (1) Grant objectives were not met. Grant funds were to be used by the HTF to expand the Caribbean Marketplace and create 46 new entrepreneurial/ownership opportunities and 106 jobs for low income residents in Miami's Haitian Community. Currently, there are 10 employees and only one new merchant.
- (2) The HTF did not comply with the special terms and conditions of the grant concerning properties purchased with grant funds. The grant terms required HTF to have deeds recorded that include a statement that the Federal government has a reversionary interest in the properties. Deeds recorded by the HTF at the Dade County Courthouse did not include the required reversionary interest statement.

- (3) The HTF did not usually submit required financial reports timely. The HTF did not submit timely three of the six required Financial Status Reports and none of the eight required Federal Cash Transaction reports. For the Fiscal Years (FYs) ended June 30, 1991 and June 30, 1992, independent public accounting firms conducted financial and compliance audits at the HTF. Both audits revealed several reportable conditions.
- (4) The HTF did not comply with restrictions on the use of grant funds. The OCS restricted the use of grant funds to the acquisition of property, including associated acquisition costs. Based on our review of grant expenditures, we identified \$200,207 in unallowable expenditures made by the HTF. Moreover, HTF retained excess cash during most of the grant period. The Federal government's cash management policy restricts grantees from keeping excess cash. If a grantee receives its cash by Treasury check, the grantee cannot hold drawn down cash longer than 30 days.

We recommend that the HTF repay the Federal government \$200,207 expended on unallowable costs. We also recommend that HTF amend the deeds to include a statement showing that the Federal government has a reversionary interest in the properties purchased with grant funds.

Except for our recommendation that the HTF refund to the Federal government \$200,207, the HTF agreed with our findings and recommendations. The HTF officials believe that because they have received a \$150,000 grant from Dade County they probably can complete the project and meet the grant objectives by November 1993. We summarized and incorporated the HTF comments into the Auditee Comments section of this report. The APPENDIX contains the comments in their entirety.

BACKGROUND

The HTF is a non-profit, private, locally initiated community development corporation, which owns the Caribbean Marketplace. As a commercial shopping center, the Caribbean Marketplace operates within the Haitian Community in Miami, Florida. It serves the Haitian Community by selling goods associated with the Caribbean Islands and by drawing commerce to Miami's Haitian Community.

On October 1, 1990, the OCS awarded the HTF a grant (90-1-UR-FL-014) for \$472,500 to expand the Caribbean Marketplace. According to HTF officials, the Caribbean Marketplace was successful and they wanted to build upon that success by expanding it. Expansion would generate more business for the existing merchants and provide opportunities for new entrepreneurs to test the market at low risk.

The project proposed to accomplish the objectives by purchasing five parcels of land that were either next to or across the street from the Caribbean Marketplace. The land was to be used to provide space for a parking lot, an additional sheltered area for new merchants, and a weekend festival area. With this project, the HTF expected to create an economic enterprise that would provide 46 new entrepreneurial/ownership opportunities and 106 jobs for low income residents in the geographic area.

SCOPE

In response to allegations regarding the misuse of Federal funds, the Director of the OCS requested that we conduct a review of the grant. The Administrations for Children, Family, and Aging Audits Headquarters Division (the Division) did a review at the Administration for Children and Families, OCS and Office of Financial Management in Washington, D.C.. Work by the Division suggested that the HTF may not have met significant terms and conditions of the grant. Based on their findings, the Division asked us to review the grant at the HTF in Miami, Florida.

The purpose of our audit was to find out if the HTF met the terms and conditions of the \$472,500 grant awarded to the HTF by OCS. Specifically, our objectives were to find out if:

- (1) grant objectives were met;
- (2) properties were purchased by the HTF and if deeds for the properties included statements that the Federal government has a reversionary interest in the properties;
- (3) expenditure reports were prepared and whether an audit by a public accounting firm was completed; and
- (4) funds were drawn down and expended appropriately.

We did our review following generally accepted government auditing standards. We obtained an understanding of relevant internal controls and performed substantive testing of financial reports and accounting records.

To achieve our objectives, we met with the HTF and Caribbean Marketplace officials and discussed grant expenditures and property acquisitions. We reviewed contracts, property deeds, financial reports, and accounting records. Also, we examined property and other public records at the Dade County Courthouse.

Our review covered the period October 1, 1990 through February 28, 1992. For that period, we reviewed all grant expenditures (\$472,500). We conducted our review at the HTF offices, the Caribbean Marketplace, and the Dade County Courthouse in Miami, Florida.

RESULTS OF AUDIT

GRANT OBJECTIVES

The HTF failed to meet grant objectives. The OCS awarded the \$472,500 grant to the HTF to expand the Caribbean Marketplace. Expansion was to create forty-six (46) new entrepreneurial or ownership opportunities and 106 jobs for low income residents in Miami's Haitian Community. The HTF planned to:

- Have 40 weekend vendors, each vendor operating for 24 hours on the weekend and employing two people, creating 80 part-time jobs.
- Add six permanent vendors, each vendor employing two people, creating 12 jobs.
- Have the existing vendors add one part-time person, if business on weekends increased by 20 percent and parking was available, creating 13 jobs.
- Add a weekend security/parking guard creating one job.

We found that currently there are only 10 employees and only one new vendor.

The HTF's inability to meet grant objectives can be attributed to a lack of operating capital. Two of the HTF's expected sources of funding did not meet their commitments. The HTF did not receive a \$75,000 grant from the Local Initiatives Support Corporation or a \$50,000 loan from a private investor. Both the grant and the loan were shown on the HTF's grant application as sources of funds. Also, the HTF was counting on revenue from operations at the Caribbean Marketplace to provide operating funds. However, the Marketplace was having severe cash flow problems caused by an embargo on goods from Haiti.

Unexpected financial problems continued at the HTF. They had cost overruns on construction work on the expansion project. As a result, the HTF halted work on the parking lot and the weekend festival area before completion.

Recommendation

We recommend that the HTF notify the granting agency promptly when expected sources of funding do not materialize.

Auditee Comments

The HTF officials agreed with the recommendation and noted that they anticipate meeting the grant objectives by November 1993.

PROPERTY PURCHASED WITH GRANT FUNDS

We found that the HTF did purchase properties; however, the purchase of the properties did not comply with the special terms and conditions of the grant. Though the grant provided funds to purchase properties outright, the HTF purchased one property with a mortgage. Another property has a lien filed against it. Moreover, the government's reversionary interest in the properties has not been recorded.

The approved grant proposal originally called for purchasing five parcels of land called parcels A, B, C, D and E. The HTF paid \$132,015 cash for parcel A. Subsequently, a construction company filed a lien for \$43,401 against parcel A. The construction company had furnished drainage, electric, plumbing, site clearing, trash removal, paving, sub-base and base on parcel A for a total cost of \$98,483. According to construction company officials, \$43,401 of the \$98,483 remains unpaid.

The HTF asked for and received a grant modification to purchase parcel F as a substitute for parcels C and D. The HTF purchased parcel F for \$161,500. They paid \$100,510 cash and obtained a mortgage from the seller for the balance of \$61,000. The mortgage has a rate of 10 percent. Payment is to be made in monthly installments of \$587 and a balloon payment of \$47,750 at the end of ten years. There is an additional provision in the mortgage deed that establishes a \$39,000 debt owed by the Caribbean Marketplace to the mortgagee. This additional \$39,000 debt is for a State liquor license at the Oasis Lounge/Restaurant on property owned by the Caribbean Marketplace. A default by the Caribbean Marketplace on the \$39,000 debt would result in foreclosure by the seller on parcel F.

The special terms and conditions of the OCS grant required the HTF to have deeds recorded. The deeds must include a statement that the Federal government has a reversionary interest in the properties. This statement provides notice that the sale or other transfer of the properties is subject to the Federal government's reversionary interests as set forth in Code of Federal Regulations (CFR) 45, Part 74, Subpart O.

We found that the deeds recorded at the Dade County Courthouse for the properties the HTF purchased with grant funds did not have the required reversionary statement. An HTF official said that he was not aware of the requirement for a reversionary interest statement on the deeds.

Recommendation

The HTF should amend the deeds for properties purchased with grant funds to include a statement about the reversionary interest of the Federal government.

Auditee Comments

Agreeing with our recommendation, the HTF officials instructed their attorney to amend the deeds for properties purchased with grant funds.

FINANCIAL AND INDEPENDENT AUDIT REPORTS

The HTF often failed to submit Federal Cash Transaction Reports (PMS 272) and Financial Status Reports (SF 269) timely. The HTF's failure to submit financial reports timely may have prevented OCS from taking any actions to help the HTF in meeting the grant objectives.

The time limits specified by OCS followed CFR 45 Parts 74.74 (d) and 74.73 (d). Part 74.74 (d) requires a grantee to submit a Federal Cash Transaction Report (PMS 272) within 15 working days following the end of each quarter. Part 74.73 (d) requires a grantee to submit a Financial Status Report (SF 269) within 30 days after the reporting period. The final SF 269 report is due 90 days after the expiration of grant support.

The HTF submitted seven of the eight required PMS 272 reports. The seven reports were an average of 12 days late with delinquencies ranging from 3 to 21 days. The HTF submitted six of the seven required SF 269 reports. Three of the six reports were filed timely; the remaining three reports were delinquent by 49, 9 and 2 days.

For the FYs ended June 30, 1991 and June 30, 1992, the HTF had financial and compliance audits done by independent public accounting firms as required by the general terms and conditions of the grant. The accounting firms issued the audit reports for FYs 1991 and 1992 on September 10, 1991 and December 2, 1992, respectively. Both reports revealed several reportable conditions.

Reportable conditions relating to the management of Federal funds included:

- the untimely disbursement of Federal grant funds (FY 1991);
- the lack of documentation to support transactions (FYs 1991 & 1992); and
- the questionable ability of the HTF to remain a going concern (FY 1992).

The FY 1992 report also disclosed a material instance of noncompliance: the expenses for a City of Miami construction grant and the expenses for the OCS grant were combined and thus could not be readily tested. We noted the same problem in our review.

Recommendation

We recommend that on any future grants, the HTF submit all required reports within specified time limits.

Auditee Comments

The HTF officials agreed with the recommendation.

GRANT EXPENDITURES AND DRAWDOWNS

The terms and conditions of the OCS grant restricted the use of grant funds to the acquisition of property, including associated acquisition cost. Associated costs, stipulated in the approved grant application, included: appraisals, legal fees, permits, insurance costs, tax escrows and other closing costs. We found that the HTF used grant funds for purposes other than the acquisition of property.

Of the \$472,500 in grant expenditures, \$272,293 were allowable. Allowable expenditures included:

- \$132,015 for parcel A;
- \$100,510 for parcel F; and,
- \$ 39,768 for associated acquisition costs.

The remaining \$200,207 of the \$472,500 grant was used for unallowable expenditures. Unallowable expenditures included:

- \$118,556 for improvements and repairs to the Caribbean Marketplace;
- \$50,850 for "technical assistance" consisting of salary and fringe benefits for the Business Liaison Specialist;
- \$17,000 transferred to the HTF's operating account and not supported by documentation;
- \$4,576 for payments on a loan from the Local Initiatives Support Corporation;
- \$4,150 for architectural services;
- \$1,400 for travel expenses for the Executive Director; and,
- \$3,675 for loan payments to the bank and bank service charges.

Beyond the unallowable expenditures, we found that the HTF asked for and received money before they needed it. As a result, they maintained an excess cash balance during most of the grant period. The Federal government's cash management policy restricts grantees from keeping excess cash. If a grantee receives its cash by Treasury check, the grantee cannot hold drawn down cash longer than 30 days.

The HTF made its first cash drawdown by Treasury check on December 3, 1990. This drawdown of \$250,000 was to be used to purchase several parcels of property. However, the HTF had problems that resulted in delays in purchasing the property. The first parcel wasn't purchased until January 25, 1991 and the other parcels were never purchased. It was August 30, 1991 before a substitute property was bought. As a result, the HTF maintained an excessive cash balance from December 1990 through August 1991.

Recommendations

We recommend that the HTF repay \$200,207 in unallowable expenditures to the Federal government. We also recommend that the HTF restrict its drawdowns of Federal grant funds to immediate cash needs. Grant funds, which cannot be used in a reasonable length of time, should be returned to the Federal government.

Auditee Comments

The HTF officials did not agree that the \$200,207 in unallowable costs should be refunded to the Federal Government. The HTF's written comments stated "HTF was successful in obtaining a grant of \$150,000 from Dade County Office of Community Development to complete the project; that will allow HTF to meet the grant objectives by November 1993."

The HTF officials agreed with the recommendation concerning the restriction of drawdowns of Federal grant funds.

OIG Response:

The amount we recommended for disallowance was \$200,207 or \$50,207 more than the HTF is getting from Dade County. It is not clear to us how the HTF is going to spend the \$150,000 grant from Dade County to meet the grant objectives.

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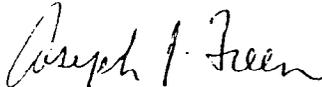
According to the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise.

Page 9 - Mr. Yves Vielot

We request that you respond within 30 days from the date of this letter to the HHS action official named below. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

To ease identification, please refer to the Common Identification Number A-04-93-00051 in any correspondence related to this report.

Sincerely yours,



Joseph J. Green
Regional Inspector General
for Audit Services, Region IV

Enclosure

Direct Reply To:

Director, Office of Community Service
5th Floor Aerospace Building
370 L'Efant Promenade
Washington, D.C. 20447

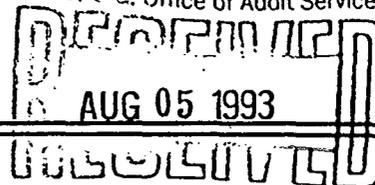
cc: Mr. Charles L. Lester
Auditor General
State of Florida
P.O. Box 1735
Tallahassee, Florida 32302

HAITIAN

TASK

FORCE, INC.

DHHS. OIG. Office of Audit Services



AUG 05 1993

REGION IV, ATLANTA, GEORGIA

Common Identification Number A-01-93-00051

Mr. Joseph J. Green
Regional Inspector General
Region IV
Atlanta, Georgia 30301

Dear Mr. Green:

Attached you will find our written comments regarding the draft report results of the Haitian Task Force, Inc. (HTF), [Grant 90-1-UR-FL-014, covering the period October 1, 1990 through February 28, 1992.]

I hope you will understand the challenge that an organization like the Haitian Task Force, with limited resources face in trying to make a project such as the Caribbean Marketplace successful. The area is totally depressed and has a high crime rate.

The Haitian Task Force is almost there in achieving this objective.

Please assist and help us.

If you need additional information, please call me at (305) 751-2251 or (305) 751-9783.

Sincerely yours,

Yves Vielot
Executive Director

Common Identification Number A-01-93-00051

Mr. Joseph J. Green
Regional Inspector General
Region IV

Dear Mr. Green,

This is in response to the draft report results of your review of the Haitian Task Force, Inc. (HTF) Grant 90-1-UR-FL-014, covering the period October 1, 1990 through February 28, 1992.

During your review the following determinations were made:

- = I) Grant objectives were not met. Grant funds were to be used by HTF to expand the Caribbean Marketplace in order to create 46 new entrepreneurial/ownership opportunities and 106 jobs for low income residents in Miami's Haitian Community. We found that currently there were 10 employees and only one new merchant.

HTF Response:

Even though the grant objective were not met within the time frame specified in our proposal, Haitian Task Force will be able to complete the expansion of the Caribbean Marketplace (CM), open the Week-end Flea Market by November 1993. HTF has signed a lease with a medical center that will be hiring 17 low income residents in the Miami's Haitian Community. The medical center will start operating in November 1993.

- 2) The Haitian Task Force did not comply with the special terms and conditions of the grant pertaining to properties acquired with grant funds. The HTF was required to have deeds recorded that include a statement that was to serve as notice to all interested parties that the Federal government has a reversionary interest in the properties. The deeds that HTF had recorded at the Dade County Courthouse did not include the required reversionary statement.

HTF Response:

Haitian Task Force has instructed its attorney to include the required reversionary statement in all of the deeds.

- 3) The HTF did not, in most instances, submit required financial reports timely. The HTF did not submit three of the six Financial Status Reports within the time frames specified by OCS and did not submit any of the eight required Federal Cash Transaction reports timely.

HTF Response:

Although, Haitian Task Force did not submit some of the Financial reports on a timely basis, all of them have been submitted.

- 4) The HTF did not comply with restrictions on the use of grant funds. The OCS restricted the use of grant funds to the acquisition of property, including associated acquisition costs. Based on our review of grant expenditures, we identified \$200,207 in allowable expenditures made by HTF. Moreover, excess cash had been retained by HTF during most of the grant period. The Payment Management System restricts a grantee from holding cash longer than 30 days if by Treasury check and three days if by wire transfer or direct deposit.

HTF Response:

The HTF did not receive a \$75,000 grant from the Local Initiative Support Corporation (LISC) which was the architect of the failed business plan for the Caribbean Marketplace. LISC stopped providing technical assistance to the organization after the previous Executive Director resigned due to the failure of the initial business plan he and LISC designed. HTF obtained a grant of \$150,000 from Dade County Office of Community Development to do the parking and complete the expansion of The Caribbean Marketplace.

Haitian Task Force does not agree with the recommendation that HTF refund to the Federal Government \$200,207 expended because HTF was able to secure the additional fundings that will allow it to complete the project and meet the grant objectives.

RESULTS OF AUDIT**GRANT OBJECTIVES**

The Haitian Task Force will be meeting the grant objectives by November 1993. The HTF will complete the expansion of the Caribbean Marketplace and will be able to create forty six (46) new entrepreneurial/ownership opportunities and 106 jobs for low income residents in Miami's Haitian Community as outlined in the details of its proposal.

Haitian Task Force agrees with the recommendation that on any future grant proposals, HTF should be sure that expected funding sources commit themselves in a more formal agreement. If expected funding does not materialize, the granting agency would be notified promptly so that plans can be adjusted accordingly.

SPECIAL TERMS AND CONDITIONS

Haitian Task Force agrees with the recommendation and has instructed its attorney to amend the deeds for properties purchased with grant funds to include a statement pertaining to the reversionary interest of the Federal Government.

FINANCIAL AND INDEPENDENT AUDIT REPORTS

Haitian Task Force agrees with the recommendation that on any future grants, HTF should submit all required reports within specified time limits.

GRANT EXPENDITURES AND DRAWDOWNS

Haitian Task Force does not agree that it should refund \$200,007 to the Federal Government. HTF was successful in obtaining a grant of \$150,00 from Dade County Office of Community Development to complete the project; that will allow HTF to meet the grant objectives by November 1993.

Haitian Task Force agrees with the recommendation that it restricts its drawdowns of Federal grant funds to immediate cash needs; However, we want to stress that this occurred only once.