

Northwest Jacksonville Economic Development Trust Fund Audit

April 13, 2009

Report #672

Released on: October 15, 2009

EXECUTIVE SUMMARY

AUDIT REPORT #672

INTRODUCTION - 1 -

STATEMENT OF OBJECTIVES - 2 -

STATEMENT OF SCOPE AND METHODOLOGY - 2 -

STATEMENT OF AUDITING STANDARDS - 3 -

AUDITEE RESPONSES - 3 -

AUDIT CONCLUSIONS - 3 -

AUDIT OBJECTIVE #1 - 4 -

AUDIT OBJECTIVE #2..... - 18 -

OTHER FINDINGS..... - 22 -

EXECUTIVE SUMMARY

AUDIT CONCLUSIONS

By Objective

1. Overall, payments made from the Northwest Jacksonville Economic Development Trust Fund (NWJEDF) were properly authorized and distributed in accordance with applicable contractual agreements, laws and regulations; however, we did note several findings and internal control weaknesses which need to be addressed.
2. Overall, the JEDC and Housing & Neighborhoods Department each have a process in place to collect and record loans repaid to the City in accordance with redevelopment agreements. However, we did note several internal control weaknesses related to cash controls.

SIGNIFICANT INTERNAL CONTROL WEAKNESSES (ICW) & AUDIT FINDINGS

- **ICW # 1-1-** No formal, written standard operating procedures (SOPs)
- **ICW #1-2-** No standard funding structure
- **ICW #1-3-** Facade grants were not approved by Board
- **ICW #1-4-** Recommendations from a third-party underwriter subject to change
- **ICW #1-5-** Checks picked up in person
- **ICW #1-6-** Canceled checks not required as support for expenditures
- **ICW #1-7-** Grant monitoring deficiencies
- **Finding #1-1-** “Technical amendments” without Council approval
- **Finding #1-2-** No final lien waiver
- **Finding #1-3-** Insufficient/missing documentation for eligible expenditures
- **Finding #1-4-** Delinquent tangible property taxes
- **Finding #1-5-** Job creation and reporting requirements not met
- **Finding #1-6-** Missing/incomplete grant applications
- **Finding #1-7-** No evidence of active operating business status
- **Finding #1-8-** No evidence to indicate project completion for facade grants
- **Finding #1-9-** Advisory Board did not meet regularly
- **ICW #2-1-** Cash control deficiencies
- **Finding #2-1-** Loan receivable accounts not recorded
- **Finding #2-2-** Late fees not properly assessed
- **Other Findings #1 & #2-** Reporting requirements were not met
- **Other Finding #3-** Project files were unorganized

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



April 13, 2009

Report #672

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Jacksonville Municipal Code, we examined the Northwest Jacksonville Economic Development Trust Fund (NWJEDF). The Northwest Jacksonville Economic Development Trust Fund was established in 1986 by Executive Order of the Mayor. The Better Jacksonville Plan appropriated \$25 million to provide targeted economic development within the Northwest area. Ordinance 2001-1164-E divided the \$25 million into four separate programs.

The Business Infrastructure Grant (BIG)/Loan program had a beginning balance of \$8 million, and was designed to attract development by providing access to capital for infrastructure improvements to commercial business that increase the tax base. This program allowed for a maximum grant/loan amount of \$250,000 based on project needs.

The Facade Renovation program had a beginning balance of \$1 million, and was designed to provide commercial or retail Facade renovation funding assistance for existing businesses within the target area. This program provided up to \$10,000 for each business with the first \$7,500 being a grant.

The Small Business Development Initiative had a beginning balance of \$8 million, and was designed to stimulate small business investment within the targeted area that would add to the tax base. Funding for this program could be in the form of a grant or a loan with a maximum amount of \$250,000 or 30% of the total project cost.

Finally, the Large Scale Economic Development program had a beginning balance of \$8 million, and was designed for commercial projects that add to the tax base, employ or project employment in excess of one hundred people or make a significant impact within the targeted area, and exceed the sales and revenue limits of the Small Business Development Initiative. This program allowed for incentives to be formalized as a grant or loan and then approved by City Council.

Ordinance 2003-423-E established the Small Business Corridor Loan program by transferring \$1,000,000 from the Business Infrastructure Grant (BIG)/Loan and Small Business Development

Initiative programs. This program was designed to retain and attract small business development within certain defined commercial corridors of the Northwest area.

From 2001 through 2006, the Jacksonville Economic Development Commission (JEDC) was responsible for overseeing the NWJEDF. Ordinance 2006-356-E transferred the administration and responsibility for the NWJEDF from the JEDC to the Housing & Neighborhoods Department (HAND).

Ordinance 2007-281-E consolidated the five programs to facilitate the funding of, and accounting for, loaned or granted funds, as well as establish new project evaluation criteria as a guiding policy for the extension of loans and grants from the NWJEDF.

Of the \$25 million originally established in the NWJEDF, \$18,032,311 was awarded for non-facade projects and \$1,605,101 was awarded for facade projects. Given that several projects awarded have not yet been paid to the recipients, as of September 30, 2008, there was a balance of \$6,110,723 in the trust fund. In total, per JEDC and Housing & Neighborhoods Department, four non-facade projects have defaulted on various terms of their redevelopment agreements. The original dollar value of the loans or grants provided to the recipients totaled \$2,313,500.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. Determine whether payments made from the Northwest Economic Development Trust Fund were properly authorized and distributed in accordance with applicable contractual agreements, laws and regulations.
2. Determine whether loan recipients repaid the City in accordance with their redevelopment agreements.

STATEMENT OF SCOPE AND METHODOLOGY

- We obtained a listing of all grants and loans distributed from the Northwest Jacksonville Economic Development trust fund (NWJEDF) since receiving the \$25 million from the Better Jacksonville Program in 2001 through September 30, 2008.
- We verified that all non-Facade grants and loans distributed from the NWJEDF were approved by City Council.
- We reviewed the project files maintained by JEDC and the Housing and Neighborhoods department for a random sample of Facade grants and non-Facade projects, and a judgmental sample of all projects funded at over \$500,000. In total, we reviewed 23 out of 47 non-Facade projects and 20 out of 213 Facade projects.
- We reviewed project files for completeness.
- We examined cash receipts records to determine if loan recipients repaid the City according to the terms of their redevelopment agreement.

- We reviewed controls surrounding check payments issued to loan/grant recipients and revenues collected on loans.

Our report is structured to identify Internal Control Weaknesses, Opportunities for Improvement and Audit Findings as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that the NWJEDF achieves its objectives in relation to the effectiveness and efficiency of operations, compliance with applicable laws and regulations, and reporting. An Internal Control Weakness is therefore defined as either a defect in the design or operation of NWJEDFs' internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Opportunity for Improvement is a suggestion that we believe could enhance the operations of the NWJEDF. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures.

Suggested Additional Audit Work

In limiting the scope of this audit, we did not pursue the State Housing Initiatives Partnership (SHIP) program, and as such, this should be considered for future audit work.

STATEMENT OF AUDITING STANDARDS

We conducted this performance 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Housing and Neighborhoods Department via Wight Greger, Director of Housing and Neighborhoods in a memorandum dated September 3, 2009 and from Ron Barton, Executive Director of JEDC in a memorandum dated September 8, 2009.

AUDIT CONCLUSIONS

By Objective

1. Overall, payments made from the Northwest Jacksonville Economic Development Trust Fund were properly authorized and distributed in accordance with applicable contractual agreements, laws and regulations; however, we did note several findings and internal control weaknesses which need to be addressed.
2. Overall, the JEDC and Housing & Neighborhoods Department each have a process in place to collect and record loans repaid to the City in accordance with redevelopment

agreements. However, we did note several internal control weaknesses related to cash controls.

AUDIT OBJECTIVE #1

Determine whether payments made from the Northwest Economic Development Trust Fund were properly authorized and distributed in accordance with applicable contractual agreements, laws and regulations.

INTERNAL CONTROL WEAKNESSES

Internal Control Weaknesses 1 – 1 *No Formal Standard Operating Procedures*

We noted an overall lack of formal written Standard Operating Procedures (SOPs) related to the Northwest Jacksonville Economic Development Trust Fund (NWJEDF). Although the establishing legislation and subsequent ordinances provided general guidelines for the NWJEDF, there are no formal written policies and procedures that specifically address areas such as the application process, loan approval, credit and underwriting policies, contract compliance monitoring, payment remittance, applications involving loan software and delinquent payments. Standard Operating Procedures provide guidance to employees, ensure consistency over time, provide role clarification, and are a useful training tool.

Recommendation to Internal Control Weakness 1 – 1

We recommend implementing a formal, written set of SOPs for the NWJEDF to ensure consistency and comparability among all aspects of the fund, as well as to assist any new employees in their job duties.

Auditee Response to Internal Control Weakness 1 – 1

HAND Ordinance 2007-281-E established new guidelines for the NWJEDF. While these guidelines provide the foundation for the receipt of, and processing of NWJEDF applications, a more standardized SOP is being developed and will be presented to the NWJEDF Advisory Board for approval.

Internal Control Weaknesses 1 – 2 *No Standard Funding Structure*

There are no standard guidelines or benchmarks currently in place for determining if applicants will be offered a grant, loan, or combination of both. During the initial meetings with applicants, NWJEDF staff recommends available funding based on the individual project's circumstances. This approach could lead to preferential treatment and also results in less funding available for future applicants if a grant is awarded rather than a loan.

Recommendation to Internal Control Weakness 1 – 2

We recommend implementing guidelines that will better define the criteria for determining whether a loan, grant or combination of the two should be awarded to a particular applicant. Criteria could include the income of the applicant, overall financial strength of the applicant, such as total years the organization has been in existence and the organization's ability to repay the City, and economic impact to the community, such as the number of jobs to be created. We also recommend that staff be required to document in the project folder the rationalization and criteria for determining the funding to be provided to an applicant, especially when an applicant is provided a significant amount of grant funding.

Auditee Response to Internal Control Weakness 1 – 2

HAND Each NWJEDF application, in general, is unique in nature and need. Ordinance 2007-281-E established guidelines which provide the general structure that funding must fall within. We would prefer to use these guidelines as opposed to a formal and rigid matrix to determine funding structure for NWJEDF projects. In addition, staff relies heavily upon the report and recommendations from our outside third party underwriter to develop the funding structure proposed to the NWJEDF advisory board and City Council for approval. Utilizing this method allows maximum flexibility to make a project successful, meet the desires and wishes of City Council members, and still maximize protection of taxpayer interests. Going forward, the project file will include information outlining the rationalization and criteria used in determining the recommended funding structure.

Internal Control Weakness 1 – 3 *Facade Grants Not Approved by Advisory Board*

Facade grants were approved internally by JEDC employees and did not require the approval of the Northwest Advisory Board, a board established to review and approve all other expenditures from the NWJEDF. This deficiency in the approval process could have been a contributing factor in the fraud scheme committed by a JEDC employee who misappropriated nearly \$100,000 of Facade grant funding. Obtaining outside authorization enhances the level of controls required to obtain access to funding and minimizes the risk that misappropriation will occur.

Recommendation to Internal Control Weakness 1 – 3

Although Facade grants are no longer awarded, we recommend that in the future, all NWJEDF projects require Advisory Board approval at a minimum.

Auditee Response to Internal Control Weakness 1 – 3

JEDC The JEDC followed the provisions outlined in Ordinance 2001-1164-E when approving the Facade grants. There was not a requirement for advisory board approval; however, we do agree that such approval should be obtained for all future projects.

HAND HAND practices currently provide for the approval of the NWJEDF Advisory Board. In addition, all NWJEDF projects also currently require City Council approval.

Internal Control Weakness 1 – 4 *Recommendations From a Third-Party Underwriter Subject to Change*

Currently, the Housing & Neighborhoods Department utilizes a third-party underwriter to conduct a thorough examination of the applicant's financial status. This third-party underwriter is in the best position to independently recommend funding terms and evaluate the financial stability of the applicant. However, loan/grant terms ultimately approved may vary from the underwriter's recommendations based on changes made by management or the Northwest Advisory Board. This could result in biased or preferential loan/grant terms, increased risk for default from extending repayment terms too far into the future, or the loan term may exceed the useful life of the asset that is being funded.

Recommendation to Internal Control Weakness 1 – 4

The recommended funding terms from the third-party underwriter should be incorporated into all redevelopment agreements between the City and the applicant to protect the City's best interests. We recommend that the Housing & Neighborhoods Department adopt a standard operating procedure to implement the underwriter's recommendation for funding terms. If any departures from the underwriter's recommendations are made, project files should include documentation as to why the departures are deemed necessary. The underwriters have the financial knowledge to make the best well-informed decision and other parties should not have the power to change aspects like the amount of funding offered and loan terms (amortization period, interest rate, etc). This policy negates the purpose of utilizing an underwriter to provide such services.

Auditee Response to Internal Control Weakness 1 – 4

HAND It is the current practice of HAND to rely upon the report from the credit underwriter to frame a recommendation for project approval to the NWJEDF Board. The underwriter's recommendation is often incorporated directly into the Redevelopment Agreement; however, some flexibility may be needed in order to ensure the success of the project, within certain parameters. The SOP being developed will establish these parameters. Project files will also include documentation indicating the rationale for any departure from the underwriter's recommendations.

Internal Control Weakness 1 – 5 *Checks Picked up In Person*

City employees as well as NWJEDF recipients are permitted to pick up NWJEDF payments at the City's Treasury Division, rather than having the payment sent by the Treasury Division through routine mail service or electronically as a wire. Approximately 23% of all checks issued from the NWJEDF from October 1, 2006 through September 30, 2008 were picked up by a NWJEDF recipient or Housing and Neighborhoods Department employee directly from the Treasury Office. It is considered a good business practice to safeguard an organization's assets by limiting access to cash and cash equivalents. The practice of directly mailing out checks or sending payments electronically is done to minimize the risk that inappropriate vendors will be paid.

Recommendation to Internal Control Weakness 1 – 5

We recommend implementing a policy that fund recipients must receive checks through the standard means, including US Mail service and electronic payments. Exceptions to this policy should be a rare occurrence rather than the norm and should require management approval.

Auditee Response to Internal Control Weakness 1 – 5

JEDC It is not the practice of the JEDC for vendors to be able to pick the payments up in person. The JEDC requests that all payments be mailed to the vendor with the exception of initial loan advances. The first loan advance is typically picked up in person so that it can be hand delivered to the closing attorney for the loan closing. The checks that were picked up outside of these parameters were done so by arrangement between the vendor and Treasury and not at the request of the JEDC.

HAND It is the current practice of HAND to wire the funds electronically when possible. If that option is unavailable, the practice is to mail NWJEDF checks directly to the developer, their contractor or financial institution. Where a check(s) is needed for mortgage or loan closing, it is picked up by OGC staff for distribution at the closing.

Internal Control Weakness 1 – 6 *Canceled Checks Not Required as Support For Expenditures*

Redevelopment Agreements between the City and each NWJEDF recipient vary in that some monies are advanced and for other projects, the funding is provided on a reimbursement basis. Nonetheless, standard language within each of the redevelopment agreements, whether for advanced or reimbursed funding, requires that “the Company, the Company’s general contractor or the Company’s construction lender shall submit invoices, contractor’s affidavits and/or receipts that are acceptable to the Housing and Neighborhoods Department”. There is no requirement that cancelled checks be provided to evidence that payments were actually made to the appropriate parties. Also, we noted during our review of project files that while some businesses did submit canceled checks as support for a portion of the expenditures incurred related to the project, they failed to submit copies of cancelled checks to account for 100% of the expenditures.

Current informal, unwritten policies and procedures followed by staff allow businesses to submit either copies of cancelled checks or signed contractors’ affidavits in order to either receive reimbursement funding or demonstrate how the funding was spent in the case of advanced funding. Signed contractor affidavits provide less assurance that all payments have actually been made by the developer. Businesses that receive funding from the NWJEDF and don’t make timely payments to contractors reflect negatively on the City, undermine the City’s investment, and erode the public’s trust.

Recommendation to Internal Control Weakness 1 – 6

We recommend that the language in the redevelopment agreements be revised to require NWJEDF recipients provide invoices, canceled checks, bank statements and any other evidence

necessary to demonstrate that funds have been properly expended. By providing the City with such supporting documentation, staff could better monitor expenditures to verify compliance and help ensure that expenditures have been spent appropriately.

Auditee Response to Internal Control Weakness 1 – 6

HAND In many cases the developer has a general contractor for the project. In those instances an AIA or contractor’s affidavit has been used as proof of work that has been completed as well as paid for. Banks that provide construction lending often rely upon this method. A contractor would be putting his reputation as well as his license in jeopardy by giving false information.

In the case of a small business with no general contractor, paid invoices and cancelled checks have been allowed as backup documentation.

Even though paid invoices and cancelled checks are implied in the redevelopment agreements, we will make sure that the language is changed to include the word paid invoices and cancelled checks or contractors AIA/affidavit.

Internal Control Weakness 1 – 7 *Grant Monitoring Deficiencies*

Deficiencies exist in the current policies and procedures involving grant and loan monitoring as there are no formalized, written policies and procedures currently in place to ensure that consistent monitoring occurs. In addition, aspects of the agreement that should be monitored for compliance vary from one agreement to the next, making it even more challenging for the Housing & Neighborhoods Department to develop consistent monitoring criteria.

However, despite the challenge of varying terms in each agreement, documentation in the project folders does not reflect the application of common grant monitoring tools, such as conducting regularly scheduled site visits, verifying information submitted by the recipient on the number of jobs created, obtaining before and after pictures of the project’s progress or ensuring that no liens have been posted that would affect the City’s lienholder position. This makes it difficult to determine with certainty that the developer is utilizing the City’s funds for the intended purposes.

Recommendation to Internal Control Weakness 1 – 7

We recommend implementing thorough monitoring procedures to ensure each project is fulfilling the requirements of its redevelopment agreement and the overall goals of the trust fund. We recommend formalizing monitoring procedures into written SOPs so that an employee with no prior knowledge would be able to perform the duties. We also recommend that the funding recipient be required to submit photo documentation of reported expenditures, including before and after pictures of the project site, as well as quarterly payroll returns or other means that substantiate the existence of employees. Additionally, Housing & Neighborhoods staff should be required to conduct site visits and document these physical inspections, and also perform a periodic search for liens to ensure that the City does not lose its status as the second lien holder.

Auditee Response to Internal Control Weakness 1 – 7

HAND The NWJEDF serves a unique purpose. Each redevelopment agreement is tailored to the individual project. The majority of the funding recipients are small businesses and the projects would not be able to be completed without the City’s help.

Each redevelopment agreement may be unique; however, each project is monitored per the specific requirements contained within the agreement. HAND will add periodic site inspections as a regular monitoring tool within the SOP being developed. In addition, we will include the requirement that before, during and after construction pictures be included within project files. By requesting a Certificate of Completion or Certificate of Occupancy as documentation that the project is complete, we have been assured that the intent of a completed project was realized. Going forward we will conduct periodic lien searches (annually, at a minimum) with the information to be maintained in the project files. If needed, we will consult with the Office of General Counsel to determine resolution.

FINDINGS

Finding 1 – 1 *Technical Amendments Without Council Approval*

The open-ended definition of a “technical amendment” in each of the redevelopment agreements allows for changes to be made to the redevelopment agreements without obtaining the City Council’s approval.

In one instance out of 23 non-Facade projects reviewed in our sample testing, changes were made to the scope or terms of the original Council-approved project that were considered to be technical in nature and therefore, were not brought back to the City Council for approval. These changes included the following:

1. The applicant was initially approved for a \$250,000 grant from the NWJEDF and a separate Recaptured Enhanced Value (REV) Grant of \$520,000 to expand their existing facility and construct a new facility. The scope of the project was reduced from 88,000 square feet to 60,000 square feet. In a technical amendment to the redevelopment agreement, the recipient did lose the \$520,000 REV grant.
2. The “Completion of Construction Date” was extended two years.
3. The “payback” provision to protect the City’s interest in the event the developer did not create and maintain a certain number of jobs was reduced from \$10,000 to \$3,300 per job. The redevelopment agreement required that 117 jobs be retained and in addition, that 77 new jobs be created.

Redevelopment agreements contain clauses that allow for “technical” amendments. A technical amendment is defined as follows: “No modification to the Redevelopment Agreement may increase the financial obligations or the liability to the City and any such modification shall be technical only and shall be subject to appropriate legal review and approval of the General Counsel, or his designee, and all other appropriate action required by law (“technical” is herein defined as including, but not limited to, legal descriptions and surveys, ingress and egress,

easements and rights of way, schedule of performance and development, design standards, access and site plan).”

Recommendation to Finding 1 – 1

Because the definition of a “technical amendment” is so broad in scope, we recommend that all technical amendments be disclosed to the City Council Finance Committee in HAND’s annual report to ensure that Council Members are made aware of all such changes. The annual report is an existing requirement specified in Ordinance 2006-356-E.

Auditee Response to Finding 1 – 1

JEDC In this particular instance an extension was granted to complete the project within the authority given to the JEDC by City Council. The Amendment was drafted and approved by the Office of General Counsel. While there was a reduction to the scope of the projection there was a corresponding reduction to the grant available to the project. The JEDC agrees that such substantial technical amendments should be disclosed to the City Council Finance Committee.

HAND The definition of “technical amendment” has been approved by the appropriate boards as well as City Council. The majority of NWJEDF projects are construction in nature and often times the schedule of performance needs to be extended due to weather conditions, material availability, man power and/or other forces which may not be on the developer’s control. By making a developer stop the project and go through the eight week process of appearing before the appropriate board as well as City Council would have major financial, as well as performance, implications.

HAND recommends that the language stay as is and that intent of the “technical amendment” be carried out. Per the redevelopment agreement, technical amendment is defined as “non-material modifications to legal descriptions and surveys, ingress and egress, easements and rights of way, performance schedules, and design standards, as long as such modifications do not involve any increased financial obligation or liability to the City or the NWJEDF Advisory Board.” At any time there are any changes which will increase the financial obligations or liability of the City, the project will be brought back before the appropriate board and City Council. This is done in full consultation with the Office of General Counsel, with appropriate amendments drafted under their consultation and review. Going forward, any technical amendments made to redevelopment agreements will be outlined in the annual report presented to the City Council Finance Committee.

Further, we believe the standard Agreement language adequately covers appropriate reductions in funding should the size of a project be reduced. The current language states in the event the Developer fails to invest the stated amount of private funding in the project that the Grant will be proportionately reduced by the same amount.

Finding 1 – 2 *No Final Lien Waiver*

In one instance out of the 23 non-Facade projects that we reviewed, we were unable to obtain evidence that the City received a lien waiver before disbursing the final payment as required by the redevelopment agreement. The project folder only contained the “Application and Certification for Payment” form, which is an affidavit the trust fund recipient submits to reflect the total cost of work performed to date, but the form does not address whether all subcontractors received payment for work performed. If subcontractors are not paid, liens filed against the project could expose the City to greater risk in the event of default, and smaller contractors may face financial challenges.

Recommendation to Finding 1 – 2

We recommend that lien waivers be received from all contractors before the final cash disbursement is made to the developer at project completion to ensure that public funds are spent appropriately.

Auditee Response to Finding 1 – 2

JEDC The Redevelopment Agreement did not require that the Developer provide the city with a lien waiver before the final payment was made. The JEDC followed the guidelines for payment set forth in the Agreement. For large projects receiving a lien waiver may be prudent however for some small projects in which a lot of the work is completed by smaller one man businesses a lien waiver may not be available as the transactions may be cash based.

HAND The Redevelopment Agreement currently requires the developer to provide documentation that the required private capital investment has been made prior to the release of city funds. In addition, a Certificate of Occupancy or Completion is required, if appropriate, as well as a Release of Lien from the General Contractor. This documentation sufficiently ensures the project is completed and there are no outstanding liens.

Finding 1 – 3 *Insufficient/Missing Documentation for Eligible Expenditures*

Initially we found that three out of 20 Facade grants and two out of 23 non-Facade projects received NWJEDF funding even though the developers did not submit sufficient supporting documentation to verify that payments were for eligible expenditures. Typically each project folder contained memos from the design contractor requesting reimbursement to the grant recipient or an Excel file listing the expenditures made. However, no canceled checks and invoices were included. As a result, we were unable to determine if the City’s payments were used for eligible expenditures, as specified in Ordinances 2001-1164-E and 2003-423-E.

In addition, one of the 23 non-Facade projects received reimbursement totaling \$123,241 for matching expenditures despite the fact that the invoices supporting the reimbursement contained within the project file totaled only approximately \$22,000. All of the invoices indicated that they were paid in cash; therefore, no canceled checks were available as additional support.

Subsequent to the end of our audit fieldwork, we received sufficient supporting documentation for eligible expenditures for one of the Facade grants and two of the non-Facade projects.

Recommendation to Finding 1 – 3

As mentioned above in Internal Control Weakness 1-6, we recommend that the language in the redevelopment agreements be revised to require NWJEDF recipients provide invoices, canceled checks, bank statements and any other evidence necessary to demonstrate that funds have been properly expended. By providing the City with such supporting documentation, staff could better monitor expenditures to verify compliance and help ensure that expenditures have been spent appropriately. Additionally, the practice of Developers paying invoices with cash should be discouraged whenever practical as it provides no means of independent verification, such as a canceled check, to ensure that the funding was indeed paid to the appropriate party for work related to the project. Finally, we recommend that the City's Engineers certify completion of infrastructure improvements since a Certificate of Occupancy would only be issued for projects involving the construction of a new structure and not improvements to an existing structure.

Auditee Response to Finding 1 – 3

JEDC The documentation used to make payments included paid invoices, contractor affidavits, and lien releases as required by the agreement. The JEDC followed the requirements outlined in the agreement before making any payment of grant or loan funds. Canceled checks were not required to be submitted as documentation. Paid invoices were required to be submitted and have been included in the project files and were reviewed by the JEDC prior to making grant and loan payments. As far as payments with cash, many of the businesses that were approved for Northwest funding were small businesses that were adding vitally important services to the Northwest community. These were small business people that employed other small businesses to do the improvements. Many of these small tradesmen only deal in cash making it unfeasible in many instances to ask that payments only be made by check. Future Agreements will require that businesses that do not have a general contractor provide invoices along with cancelled checks as backup documentation.

For the one non-Facade project, invoices totaling \$123,241 were not required before disbursement of the loan and grant proceeds. While not explicitly required by the Agreement, better documentation should have been provided by the Developer to substantiate the evidence of Developer Equity in the project before disbursement of the loan and grant.

HAND In many cases the developer has a general contractor for the project. In those instances an AIA or contractor's affidavit has been used as proof of work that has been completed as well as paid for. Banks that do construction lending use this method. A contractor would be putting its reputation as well as his license in jeopardy by giving false information.

In the case of a small business with no general contractor paid invoices and cancelled checks have been allowed as backup documentation.

Even though paid invoices and cancelled checks was implied we will make sure that the Redevelopment Agreement (RDA) language is changed to include the word paid invoices and cancelled checks or contractors AIA/affidavit.

Finding 1 – 4 *Delinquent Tangible Property Taxes*

One out of 23 of the non-Facade projects that received a loan from the NWJEDF had delinquent taxes. The developer had \$1,307.62 in overdue tangible property taxes assessed in 2003. This project was approved by City Council in 2003 and the loan payment was not issued to the Developer until December 14, 2004. Article IV of the Redevelopment Agreement states, “The City’s obligation to pay the SBDI loan to Developer or its designee is conditioned upon the prior occurrence of the following....All property taxes on the subject property must be current or paid current at the loan closing...” Per the Northwest Jacksonville Economic Development Fund guidelines attached to Ordinance 2006-356-E, projects will be deemed in default for non-payment of property taxes. JEDC staff interpreted the term “property taxes” to mean “real property taxes”, thus excluding Tangible Property Taxes.

Recommendation to Finding 1 – 4

Recent redevelopment agreements executed by the Housing and Neighborhoods Department define property taxes as “real property taxes.” Although failure to pay tangible property taxes is not considered a default provision within the redevelopment agreements, we recommend that delinquent tangible personal property taxes be reported to the City Council Finance Committee in HAND’s annual report on the NWJEDF.

Auditee Response to Finding 1 – 4

JEDC The interpretation of only real property being included was based on the wording in the agreement that the City’s loan was secured by the project parcel and the improvements thereon. The security did not include the tangible personal property therefore, there was no additional risk to the city as the property taxes were current on the City’s security and loan payments were being made.

HAND HAND concurs with the JEDC interpretation of property taxes. The City’s interest is in the project parcel and the improvements to them. A review of the feasibility of the project and the financial stability of the applicant is done in the credit underwriting process. If deemed necessary, additional personal guaranties are placed on the project to further secure the City’s interest. Proof that real property taxes on the secured parcel will continue to be required prior to the disbursement of funding.

In addition, going forward HAND will identify if there are any delinquent tangible personal property taxes on NWJEDF projects during our annual review of real estate taxes and include that information in its annual report to the City Council Finance Committee.

Finding 1 – 5 *Job Creation and Reporting Requirements Not Met*

Two out of 23 non-Facade projects did not meet the job creation requirement set forth in the redevelopment agreement and two non-Facade projects failed to provide sufficient documentation (i.e. Job Reports) confirming job creation. Each redevelopment agreement specifies the number of jobs to be created, length of time new jobs must be maintained, and payback amount for not creating specified jobs. One company only created eight jobs but was required to create approximately twenty jobs per the redevelopment agreement. Although this shortfall was recognized by JEDC staff, no default action was pursued, including an increase to the interest rate charged on the loan repayment or early repayment of the loan as permitted per the default action in the redevelopment agreement. Another company created no jobs because the project defaulted prior to completion, but they did receive City funding of nearly \$1.8 million. The other two companies indicated that they met the job requirements, but the City was never able to obtain supporting documentation even after repeated attempts. No action was taken against these companies for their noncompliance.

Recommendation to Finding 1 – 5

We recommend that the level of monitoring over contract compliance be increased and that recipients be required to submit more detailed documentation to verify job creation, such as payroll tax returns. We also recommend that the remedies for failing to meet the job creation requirement be consistently pursued as a default, as specified in the redevelopment agreements. This type of information should also be submitted to the City Council in the reports required to be submitted to the Finance Committee. (See Finding #1 under “Other Findings”)

Auditee Response to Finding 1 – 5

JEDC The JEDC monitored the projects according to the guidelines in the Redevelopment Agreements. When the jobs reported were insufficient, communications would begin with all parties to attempt to reach a resolution prior to sending a formal notice of default. In this instance, during negotiations towards a resolution the Developer decided to refinance the project and made an early repayment of the full loan amount. Unfortunately due to a number of circumstances, some projects are not going to be completed and therefore, will not create the required number of jobs. Sometimes the terms of the agreement are such that some loan disbursements will be made however, the City’s investment is secured in the project parcel. In this case, the City did make disbursements of \$1.8 million before terminating the project and received a deed in lieu of foreclosure for the project parcel which has been appraised at over \$1.8 million. Finally, sometimes the costs of enforcing the provisions of the agreement outweigh any possible return that the City may receive. In the final two cases on the advice of OGC, the JEDC did not pursue the remedies for noncompliance with the agreement as the costs to pursue would far outweigh any potential penalties that the City would recover.

Finding 1 – 6 *Missing/Incomplete Grant Applications*

Based on our review of the application process as evidenced within the Facade and non-Facade project files, we noted the following:

- For one of the 20 businesses that received a Facade grant, no application could be located. Per Ordinance 2001-1164-E and 2003-423-E, “applications must be submitted and reviewed for eligibility by Northwest Business Development Division staff.” Three out of twenty three non-Facade projects did not have all required application documents on file.
- Two of the 20 businesses that received Facade grants submitted applications without completing all required fields. Per Ordinances 2001-1164-E and 2003-423-E, applications must contain the following information: location of business, type of business, business and/or property history, type of improvement and amount of investment, and grants will be awarded “based on a completed application...”
- Nine of the 20 businesses that received Facade grants did not submit required financial information concerning annual sales and net worth. Per Ordinance 2003-423-E, existing businesses must have gross sales/revenues of less than \$3 million and a net worth under \$1 million to qualify for a Facade grant. Failure to submit the required information may indicate that the recipients were unable to comply with the requirements to receive a Facade grant.

Recommendation to Finding 1 – 6

Missing information may lead to uninformed decisions regarding project approval and increases the risk that businesses who may not qualify are still approved to receive funding. Therefore, we recommend that applicants not be approved for funding until all application documents have been submitted and verified to be complete. In addition, the Northwest Advisory Board as well as the City Council should be provided a complete application packet for their review prior to approving any funding requests. Staff should never have the sole authority to award funding without obtaining additional authorization, as was the case with Facade grants. A lack of formal approval authorization was a major factor in the misappropriation by a former JEDC employee of Facade grant funds totaling approximately \$100,000 several years ago.

Auditee Response to Finding 1 – 6

JEDC While some of the projects may not have completed every line of the application for the Facade grant the information that was in the file and provided by the applicant would be sufficient to determine whether or not the project would meet the program guidelines for approval. Additionally, during the course of the program the guidelines for the program changed and some projects that were missing information were approved prior to changes to the guidelines and therefore were grandfathered in. We agree that future programs similar to the Facade Grant program should be approved by a formal board.

HAND Applications for funding are reviewed upon receipt. If sufficient information is not received in order to make an objective assessment during the underwriting process, the application is held until such information is received. In addition, further information or clarifying information is often requested during the underwriting process. As previously stated,

current HAND procedures require the approval of the NWJEDF Advisory Board and City Council.

Finding 1 – 7 *No Evidence of Active Operating Business Status*

For two of the 20 businesses receiving Facade grants through the NWJEDF, we were unable to verify that they were registered with the State of Florida either as corporations, limited liability companies, or partnerships. Additionally, using the Florida Department of Business & Professional Regulation website, we were unable to verify that these same two businesses were officially licensed as active businesses. These applicants were approved without providing support that they were active, licensed businesses at the time their application was approved. Per Ordinance 2001-1164-E, “this grant program is designed to provide commercial or retail Facade renovation funding assistance for existing businesses...”

In addition, one of the twenty businesses that received a Facade grant did not submit documentation to confirm that it was either the property owner or lease holder of the building in which it operated. Per Ordinances 2001-1164-E and 2003-423-E, the Facade grant program was designed to “provide funding assistance for existing businesses, whether property owner or leaseholder (with minimum lease of two years).” Failure to submit a copy of the lease or deed may indicate that the recipient is not an active operating business.

Recommendation to Finding 1 – 7

We recommend that all applicants be required to provide evidence of being an active and licensed business prior to receiving City funds. This should be a requirement of the application process before the request is even presented to the Northwest Advisory Board.

Auditee Response to Finding 1 – 7

JEDC We agree that all applicants should provide evidence of being an active licensed business prior to receiving City Funds.

HAND Exhibit 12 of the application requires provision on the latest Florida Corporate Annual Report. This will be expanded to include further proof that the applicant is an active and licensed business. In addition, prior to the execution of any contract for funding, HAND Finance & Compliance staff verify that a business is active on the Florida Department of State, Division of Corporations website.

Finding 1 – 8 *No Evidence to Indicate Project Completion for Facade Grants*

We were unable to locate documentation, such as before and after photos, in project files to confirm that improvements were made for 15 of the 20 Facade grants that we reviewed. Photo documentation was not submitted by the grant recipient or taken by JEDC staff members during the monitoring process to confirm that improvements made. As a result, we were unable to confirm with certainty that City funding provided through the NWJEDF was used for its intended purpose.

Recommendation to Finding 1 – 8

As previously stated in our recommendation on enhancing the level of grant monitoring performed by the City (ICW 1-7), we recommend that all applicants be required to submit before and after photos to support how the City funds were utilized to make improvements. This verification is especially critical when assessing changes made to a property that are smaller in nature such as renovations or improvements, rather than the construction of a new facility which would be more evident.

Auditee Response to Finding 1 – 8

JEDC There was no requirement in the Facade program guidelines that before and after pictures be taken. Although not documented, site visits were performed by the staff person in charge of the program but no photographs were taken. In hindsight, we agree that future such programs should require that before and after photographs are taken to document the City's investment.

HAND Before, during and after pictures taken of NWJEDF projects will be incorporated as a required procedure in the SOP currently being developed.

Finding 1 – 9 *Advisory Board Did Not Meet Regularly*

The NWJEDF Advisory Board did not meet on a regularly scheduled basis as required by the Mayor's Executive Order 2006-08. Based on the review of available meeting minutes, three meetings were held in 2007 and three meetings were held in 2008. The Mayor's Executive Order 2006-08 states, "the Committee shall meet at least once a month, provided at least one application for public improvements funding has been submitted for consideration in regard to a proposed project, otherwise, the committee shall meet at least quarterly."

Recommendation to Finding 1 – 9

An active Board provides a good control for ensuring that projects are properly reviewed and approved. We recommend that the Advisory Board comply with the Executive Order and meet at least quarterly to ensure interested parties stayed informed and that proper authorizations are obtained for all projects.

Auditee Response to Finding 1 – 9

HAND The Mayor's Executive Order 2006-08 states, "the Committee shall meet at least once a month, provided at least one application for public improvements funding has been submitted for consideration in regard to a proposed project, otherwise, the committee shall meet at least quarterly." The NWJEDF Advisory Board was convened, as required by Executive Order 2006-08, if there was a proposed project for consideration or if there was other action required. It is our position that the intent of the Executive Order was carried out. Our intent is to continue this practice. As this is a volunteer board, it is our recommendation to revise the quarterly meeting

requirement to “as needed with a minimum of twice per year”. We will consult with the Mayor’s Office as to the need for a revised Executive Order.

OPPORTUNITIES FOR IMPROVEMENT

Opportunity for Improvement 1 – 1 *Adopt Advisory Board Bylaws*

Currently, the Northwest Advisory Board does not have formal bylaws. It is considered a good business practice to adopt bylaws as they provide a useful reference for officers and directors to verify that their actions comply with applicable legislation and internal policies and procedures.

Recommendation to Opportunity for Improvement 1 – 1

We recommend that the NWJEDF Advisory Board develop written bylaws to govern the conduct and record keeping of board meetings. Bylaws address various key issues for the operation of the fund to ensure compliance with policies and procedures.

Auditee Response to Opportunity for Improvement 1 – 1

HAND Bylaws will be presented to the NWJEDF Advisory Board for adoption.

AUDIT OBJECTIVE #2

Determine whether loan recipients repaid the City in accordance with their redevelopment agreements.

INTERNAL CONTROL WEAKNESSES

Internal Control Weakness 2 – 1 *Cash Control Deficiencies*

Several cash control deficiencies were noted during our interviews of staff members and observations throughout the course of the audit.

- Access to Check Log- Although a check log is maintained of all loan repayments received through the mail, employees that have physical custody over the revenue collections and process the recording of the checks also have access to the check log. Allowing employees that process checks to have access to the check log compromises the reliability of the check log, increasing the risks that checks are diverted without detection.
- CR Preparation- For all revenue collections, the Department receiving any revenue must enter a Cash Receipt (CR) into the Tax Collector System before physically depositing the funds. We noted that the person who generally prepares the CR is the same person who deposits the funds. Per the City’s Standard Operating Procedures for cash receipts, the

person who prepares the Deposit Receipt (CR) in Tax Collector System must be performed by a person not handling cash receipts.

- Safekeeping of Cash/Checks- Checks stored overnight are kept in an employee's desk drawer. The City's Standard Operating Procedures for cash receipts state, "money should be locked in a safe or cash box with adequate security." The Housing & Neighborhoods Department has a safe available for securing receipts, but staff informed us that the safe is broken and needs to be rekeyed.
- Restrictive Endorsements- Checks are not immediately endorsed by the receptionist upon receipt in the mail. Per the City's Standard Operating Procedures for cash receipts, "If a check is received through the mail, mail handler is to use restrictive endorsement, verify check is completed properly and initial."
- Segregation of Duties- There are no adequate segregation of duties currently in place surrounding revenue collections. Employees serve as backups to each other, giving employees access to all phases surrounding cash, including the creation of the deposit in the Tax Collector's system, the physical custody of funds, and the reconciliation of the deposit to the City's Accounting System (FAMIS). The City of Jacksonville's Standard Operating Procedures for cash receipts state, "A segregation of duties has to be established to avoid the same employee receiving, receipting, maintaining custody, and reconciling the cash receipts.

In addition, the employee responsible for preparing the deposit and recording payments in the mortgage tracking software also reconciles the deposit to what is posted in FAMIS. Proper segregation of duties reduces the risk that a single employee can carry out and conceal errors/ irregularities in the course of performing daily activities.

Recommendation to Internal Control Weakness 2 –1

We recommend that the Housing & Neighborhoods Department comply with all aspects of the City's Cash Receipts SOPs to ensure that adequate internal controls are in place to safeguard all revenue collections. Employees must be provided the proper training to ensure that they are aware of and understand the requirements set forth in these SOPs. To specifically address the deficiencies noted above, we recommend the following:

- Access to the check log should be restricted to employees who receive checks in the mail. An employee who is not responsible for receiving checks or preparing the deposit should reconcile the check log to actual deposits posted to FAMIS.
- Cash and checks stored overnight should be kept in a safe or cash box with restricted access.
- Employees who handle cash should not be able to record payments in the mortgage tracking software. The duties of recording cash receipts and reconciling the deposits should be performed by two different employees to reduce the likelihood that errors or theft of funds will remain undetected.

Auditee Response to Internal Control Weakness 2 – 1

HAND The Housing and Neighborhoods Department is currently working with the Administrative Services Division (ASD) to strengthen internal controls over cash receipts. The proposed new process will have all cash receipts being received by the Administrative Services Division where they will be logged by ASD staff. Once logged, the checks will be delivered to HAND staff for posting to the proper accounts. Copies of all Tax Collector cash receipts will be forwarded to ASD so that the area responsible for logging receipts can verify that all items received were deposited.

FINDINGS

Finding 2 – 1 *Loan Receivable Accounts Not Recorded*

Before July 2007, the Jacksonville Economic Development Commission (JEDC), the department responsible for overseeing the NWJEDF, did not record loan receivables totaling over \$1.6 million in FAMIS. JEDC utilized a stand-alone mortgage software to track its receivables, which did not interface with FAMIS, thereby understating assets in the City's Comprehensive Annual Financial Report. Because there was not a receivable on the City's general ledger, when recipients made loan payments back to the City, these payments were recorded as a liability called "Unearned Revenue" rather than being reflected as a reduction in a receivable balance.

In 2001, our audit of the Duval County Housing Finance Authority, which operates as part of the Housing and Neighborhoods Department, also revealed that mortgage loans were not being recorded as a receivable on the City's general ledger. It is proper accounting practice to record receivables when loans are made. This ensures that outstanding balances owed to the City are properly collected by recipients.

Recommendation to Finding 2 – 1

Receivables are now recorded properly. Therefore, no additional action is necessary.

Auditee Response to Finding 2 – 1

JEDC The loan receivables were tracked in a separate stand alone mortgage software database known by GAD. Until recently there was not a separate account setup for the Northwest receivables to be segregated from the other Northwest accounts due to bond regulations. The loans have all been properly recorded.

HAND All mortgages for the Northwest Jacksonville Economic Development Fund are recorded in a specialized software from Applied Business Systems called The Mortgage Office™. This software provides subsidiary detail for all projects within the Fund. The Housing and Neighborhoods Department is working toward separating the NWJEDF from the former JEDC structure which will involve City Council Action. Until then, the mortgages are set up in the City's accounting system under JEDC accounts which are used as a control.

Finding 2 – 2 *Late Fees Not Properly Assessed*

Two non-Facade projects submitted late loan payments but were not assessed late fees, resulting in lost revenue of approximately \$1,000. One of the projects submitted multiple late payments. Promissory notes state “if any scheduled payment hereunder is ten (10) or more days late, the borrower shall pay a fee equal to ten percent (10%) of the unpaid portion of the scheduled payment. The fee is not a penalty, but liquidated damages to defray administrative and related expenses due to such late payment. The fee shall be immediately due and payable and shall be paid by the borrower to the lender without notice or demand...” Promissory notes do not include provisions for “grace periods”.

Recommendation to Finding 2 – 2

Late fees should be applied consistently. Loan recipients are aware of the terms of their loan and the penalty for late payments, which are specified in the signed promissory notes. Coupon books given to the loan recipients also serve as a reminder of payment due dates.

Auditee Response to Finding 2 – 2

HAND In the two cases mentioned, the Compliance Manager made a judgment call to not enforce the late fee. Although rarely done, and only in extenuating circumstances, the Lender may waive late fees, when it is in the best interest of the City to do so. When this is done, both the payment file and monitoring file will be fully documented.

Going forward, all payment coupons will indicate the date on which the loan will be deemed late and the late fee will be assessed. Also, when the payment coupon books are provided, the borrower will be sent a letter with an attachment detailing the Late Fee Policy as stated in the note.

OPPORTUNITIES FOR IMPROVEMENT

Opportunity for Improvement 2 – 1 *Use of Balloon Payments*

We noted that balloon payments are permitted under current policies and procedures as well as within redevelopment agreements. These balloon payment terms allow loan recipients to make smaller monthly payments throughout the life of the loan repayment with a larger “balloon” payment at the end of the loan term. Although balloon payments are allowed, if a loan recipient were to default on their loan, the City would not recover as much as if equal monthly payments had been made. The City could recover loans faster if balloon payments were not permitted, enabling more funds to be available to grant additional loans to other approved businesses.

Recommendation to Opportunity for Improvement 2 – 1

The City is already placing itself in more risk by putting itself in a second lienholder position. The use of balloon payments should be discontinued to minimize the risk of nonpayment, enable a more timely recovery of loans receivable, and facilitate funding loans to other businesses.

Auditee Response to Opportunity for Improvement 2 – 1

HAND We respectfully disagree with this recommendation. The use of balloon payments allows the project to gain some financial stability in an effort to ensure the payment can be made. In addition, the NWJEDF funding is often “gap” financing. In most instances, the borrower is expected to secure conventional financing, if needed, in order to sustain the project’s viability

OTHER FINDINGS

Although outside of our audit objectives, we felt that the following findings noted during our audit should be addressed by management.

Finding #1 *Ordinance 2001-1164-E Reporting Requirement Not Met*

JEDC did not comply with the reporting requirement established by Section 4 of Ordinance 2001-1164-E. Section 4 states “The Jacksonville Economic Development Commission shall administer the programs set forth on Exhibit ‘A’ and shall submit to the City Council’s Finance Committee a report on all of the programs on a periodic basis (at least quarterly for the first year and at least annually thereafter).” Pursuant to our requests for these reports, JEDC indicated that copies were not retained in their office. JEDC also indicated that they did not file the reports with the City Council Finance Committee, but instead met with individual Council members.

Recommendation to Finding #1

In the future, we recommend that any new legislation related to the appropriation of the Northwest Economic Development Trust Fund be deferred until such time as the appropriate department provides the required reports necessary for City Council to stay abreast of the status of projects funded by the Northwest Economic Development Trust Fund.

Auditee Response to Finding #1

JEDC The JEDC issues an Annual Report on the accomplishments of the Commission during the previous year. These reports give an overall update on all of JEDC’s projects as a whole but do not address individual projects or programs.”

Finding # 2 *Ordinance 2006-356-E Reporting Requirement Not Met*

The Housing and Neighborhoods Department did not comply with the reporting requirement established by Section 14 of Ordinance 2006-356-E. Section 14 states “The Housing and Neighborhoods Department shall provide a report to City Council regarding the effectiveness of the Housing and Neighborhoods Department as contemplated by this ordinance, applicable studies, and the Executive orders, within six months from the effective date of this ordinance.”

Recommendation to Finding #2

Although this time period has expired, we recommend that the Housing and Neighborhoods Department comply with this requirement and provide the reports to the City Council with an update on how effective the reorganization has been since the transition from JEDC.

Auditee Response to Finding #2

HAND HAND will endeavor to correct this finding beginning with the 2009-10 fiscal year by reporting to the Finance Committee as required by the ordinance.

Finding #3 *Project Files Were Unorganized*

We reviewed all project files related to our sample and found that non-Facade project files were unorganized and in some cases, incomplete. The documents in some files were in no particular order. In many cases, it would have been difficult for a loan officer who was unfamiliar with the loans to review the files and ascertain the existence of all required documents. Multiple copies of the same document and unnecessary documents are kept in project files.

Recommendation to Finding #3

We recommend that the Housing & Neighborhoods Department organize and update all project files and adopt the use of a documentation checklist. Supplementary information should be kept separate from required documentation.

Auditee Response to Finding #3

HAND Going forward HAND will develop a filing system that will include a file for all original closing documents associated with a loan, one for monitoring and one that holds the information gained during the processing stage, but not necessary for monitoring purposes. The payment file will continue to remain separate.

We appreciate the assistance and cooperation we received from the Jacksonville Economic Development Commission and Housing & Neighborhoods Department throughout the course of this audit.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor