



OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE

MANAGEMENT REVIEW CASE NUMBER: 2014-0002WB

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"Enhancing Public Trust in Government"

Small Businesses Go Unserved As “Access To Capital” Program with an Available Loan Pool In Excess Of \$932,000 Becomes Effectively Dormant Since Fall 2012

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) received a complaint alleging that the \$1.2 million loan pool from the City of Jacksonville's, Jacksonville Small Emerging Business Access to Capital Program, Jacksonville Ordinance Code, Section 126.602 was missing and/or unaccounted for. The complainant was designated as a Whistle-blower based on the information provided. The allegations were coordinated with the State Attorney's Office for possible theft of funds, however, the OIG discovered that the loan pool funds (totaling \$932,032.65) had been returned to the City in 2014, and subsequently initiated a Management Review in April 2015.

Per the City's website and testimony, the Access to Capital Program was established to provide capital to Jacksonville Small Emerging Business vendors in order to successfully perform construction, contractual service/supply and professional jobs with the City of Jacksonville or one of its participating independent agencies (Independent Authorities).

The Management Review disclosed the following:

- Office of Economic Development (who by Jacksonville Ordinance Code, Section 55.201(f) are to operate the Access to Capital Program as defined in Section 126.602), did not understand its responsibilities under the Ordinance. (Issue 1)
- The last Access to Capital Program loan was issued in July 2012 by First Coast Micro Loan, Inc., a subsidiary of Essential Capital. (Issue 1)
- The City was notified in March 2013 that Essential Capital's desire was to terminate its relationship with the Access to Capital Program. (Issue 2)
- Funds totaling \$932,032.65 (returned during the months of July and August 2014) by Essential Capital Finance, Inc., formerly known as Jacksonville Economic Development Company, Inc. has been sedentary in the City of Jacksonville's “unidentified remittance liability account.” (Issue 2)

- Office of Economic Development officials were not forthright with the return of the Access to Capital Program loan pool with various Independent Authorities, who contributed. (Issue 2)

BACKGROUND

Per a review of the City of Jacksonville (COJ), 2004 Jacksonville Ordinance Code, Chapter 126, Part A, Section 126.602 (a), "Access to Capital Program" (hereafter referred to the AC Program), the COJ was required in part to:

Create a pool of resources, in conjunction with lending institutions to assist MBEs (minority business enterprises) and JSEBs with obtaining access to capital (the "AC Program"). JEDCO or a similar private entity approved by the lending institutions shall manage the distribution of said funds, in accordance with guidelines adopted by the lenders and approved by the City in order to ensure proper administration and monitoring and to ensure continuity for the program.

Additionally, Ordinance 2004-602-E, amending Chapter 26, Section 26.102, (Procurement Department), in part, specified that the City's Ombudsman was tasked to work closely with the existing business specialist to ensure that the Jacksonville Small Emerging Businesses (JSEB) were receiving recommended assistance. Further, the Ordinance provided for the Director (Procurement) to be responsible for the reporting requirements.

Per Ordinance 2005-734-E, the COJ adopted guidelines for the management of the City's AC Program (Jacksonville Ordinance Code, Section 126.602), and the COJ and Jacksonville Economic Development Company, Inc. (JEDCO) (the "Consultant") entered into an agreement effective July 29, 2005 (hereafter the "master contract") for the management of the AC Program for a ten year period which is due to expire on or about July 29, 2015.

Since April 2005, the AC Program has provided in excess of \$2.7 million in capital to JSEBs through loans that were secured by over \$29.6 million in COJ and/or Independent Authority contracts from April 2005 through July 2012.¹ Of the \$2.7 million in capital loans provided to JSEBs through the AC Program, less than \$138,500 of these loans defaulted.²

The AC Program was administered by First Coast Micro Loan, Inc. (FCML), the 501(3) "Not for Profit" subsidiary of Essential Capital Finance, Inc. (EC). Cleve Warren served as EC's President.

¹ Figures based on Essential Capital Finance, Inc. February 2013 Loan Report. OIG did not independently verify this information.

² Figures based on Essential Capital Finance, Inc. February 2013 Loan Report. OIG did not independently verify this information.

In substance, the Essential Capital Program Summary, Key Program Features³ document describes the AC Program as follows:

1. The funding source is a \$1.2 million loan pool funded by the COJ (\$500,000); Jacksonville Electric Authority (JEA) (\$75,000), Jacksonville Transit Authority (JTA) (75,000), Jacksonville Aviation Authority (JAA) (\$100,000), Jacksonville Port Authority (JAXPORT) (\$50,000) and First Coast Micro Loan, Inc. via contributions from financial institutions (\$415,000).
2. Eligible applicants for AC Program had to be certified as either a “Minority Business Enterprise” (MBE) as defined in Section 126.609(f) Jacksonville Ordinance Code, or a JSEB as defined in Section 126, Part 6B Jacksonville Ordinance Code.
3. The identification of need, and the award of a contract with the City or one of its various agencies, was the requisite consideration for a loan under the AC Program.
4. Underwriting and Program Administration were applied by Essential Capital.
5. The loans requested were for short-term working capital purposes. The repayment of each loan was timed to be consistent with the term of the contract with the City or less, and all remittances were made payable to Essential Capital and the borrower through a joint payment process agreement.

The AC Program master contract (effective July 29, 2005), states that the COJ's level of indebtedness to the AC Program was not to exceed \$900,000, and was comprised in the chart below as follows:



³ Provided to the COJ in March 2013 by Cleve Warren.

In 2006, the COJ entered into Interlocal Agreements with JEA, JAXPORT, JTA, and JAA which specified different funding level commitments to the AC Program loan pool. A review of the Interlocal Agreements indicates the Independent Authorities were able to utilize the services of the AC Program in turn for their funding level contributions. The Independent Authorities were also able to utilize the dispute resolution services of the COJ Office of the Ombudsman related to the AC Program.⁴

The chart below summarizes the dates and the funding level contributions pursuant to the Interlocal Agreements between the COJ and the Independent Authorities:

JEA

Enters Interlocal Agreement 09/01/2006

- Payment to JEDCO - \$75,000 on 09/08/2006

JAXPORT

Enters Interlocal Agreement 10/01/2006

- Payment to JEDCO - \$50,000 on 02/13/2007

JTA

Enters Interlocal Agreement 10/12/2006

- Payment to JEDCO - \$75,000 on 10/01/2006

JAA

Enters Interlocal Agreement 12/08/2006

- COJ Paid JAA's \$100,000 to JEDCO on 01/17/2007 (Note: Refer to Issue 2)

In general, from April 2005 to June 2015, AC Program administrative oversight within the COJ was as follows:



The AC Program master contract, Section 3.2 Termination by the Consultant Prior to Expiration of Term, Section 3.2.2, Without Cause, states: "Consultant may terminate this Agreement prior to the expiration of the Term by giving not less than sixty (60) days prior written notice to the City." Both the master contract and Interlocal Agreement(s)

⁴ Information provided by former Ombudsman Dinah Mason.

set forth the manner in which, upon termination of the AC Program, any funds are to be distributed to the City and the Independent Authorities.

The Office of Economic Development (OED) was established per Ordinance 2012-212-E, substituted and enacted June 26, 2012 (Chapter 55, Part 1, Section 55.101). Under Part 2, Section 55.203, the Equal Business Opportunity Office (EBO,) which included the JSEB function, was merged into the OED. Ordinance 2012-212-E, Section 55.203 (f) reads:

Provide support services to assist certified vendors in their efforts to secure training, bonding and access to capital pursuant to Sections 6A and 6B in Chapter 126; Jacksonville Ordnance Code.

EBO was removed from OED by Ordinance 2013-209-E, and the attachment to the Ordinance, substituted and enacted as of February 25, 2014; however the responsibility for managing the access to capital program remained under OED per the Jacksonville Ordinance Code Section 55.201.

The current Jacksonville Ordinance Code, Section 55.201, Economic Development reads, in part, as follows:

(f) Operating the access to capital program as defined in Section 126.602.

The current Jacksonville Ordinance Code, Chapter 126, Part A, Section 126.602 (a), "Access to Capital Program" reads, in part, as follows:

The City shall create a pool of resources, in conjunction with lending institutions to assist JSEBs with obtaining access to capital (the "AC Program"). A private entity approved by the lending institutions shall manage the distribution of said funds, in accordance with guidelines adopted by the lenders and approved by the City in order to ensure proper administration and monitoring and to ensure continuity for the program.

(1)The City's Office of the Director of Economic Development (OED) and the Office of the Ombudsman, set forth in section 126.617, shall work to ensure that certified JSEBs are receiving recommended assistance.

As of June 30, 2015, the COJ website for the Equal Business Opportunity, Jacksonville Small Emerging Business, Access to Capital Program contains the following:

"The Access to Capital (AC) program was established to help Jacksonville Small Emerging Business (JSEB) firms hit the ground running. AC loans are short-term and project specific. The loan pool offers working capital funds to a JSEB vendor and in turn allows them to successfully perform construction, contractual service/supply and professional jobs with the City of Jacksonville or one of its participating independent agencies. Underwriting and administration of the

Access to Capital loan is performed through Essential Capital Finance, Inc. (ECFI)."

ISSUES REVIEWED AND FINDINGS

Issue (1):

- **Office of Economic Development (who by Jacksonville Ordinance Code, Section 55.201(f) are to operate the Access to Capital Program as defined in Section 126.602), did not understand its responsibilities under the Ordinance.**
- **The last Access to Capital Program loan was issued in July 2012 by First Coast Micro Loan, Inc., a subsidiary of Essential Capital.**

Governing Directives:

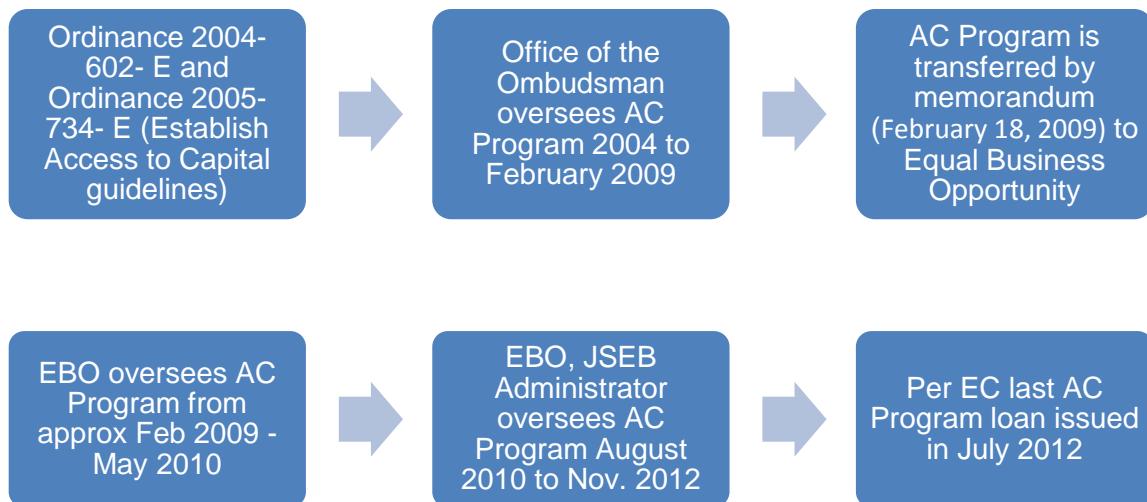
Section 126.602 (a) and (b), Part A, Small Business Capital, Bonding and Outreach Program, Chapter 126, Procurement Code, Title V, Administration and Personnel, Jacksonville Ordinance Code; Section 55.201 (f), Part 2, Functions and Activities, Economic Development, Chapter 55, Title IV, Boards and Commissions, Jacksonville Ordinance Code; also refer to *Ordinance 2004-602-E amended and enacted August 10, 2004, Section 126.602 (a) and (b); full text of Ordinance 2005-734-E, amended June 28, 2005 (Access to Capital Program guidelines); Ordinance 2012-212-E substituted and amended June 26, 2012, Part 1 Sections 55.101, and Part 2 Sections 55.201 (h) and 55.203 (f), and Ordinance 2013-209-E substituted and enacted February 25, 2014, pages 53, section 55.201 (h), and accompanying attachment Exhibit 1, page 3 of 5, Section 21. 203 (c), bullet 5.*

Findings:

The Equal Business Opportunity (EBO) was under the Office of Economic Development (OED) from June 26, 2012 until February 25, 2014 (Ordinance 2012-212-E and Ordinance 2013-209-E, respectively). Although EBO was removed from OED, the responsibility for the AC Program remained per Jacksonville Ordinance Code Section 55.201, (f) operating access to capital program as defined in Section 126.602. Per testimony, OED staff did not realize the AC Program remained under their purview pursuant to Jacksonville Ordinance Code, Section 55.201 when EBO was removed from OED.

The last Access to Capital Program (AC Program) loan was issued by Essential Capital (EC), through its 501(3) subsidiary, First Coast Micro Loan, Inc. (FCML) in July 2012. Per testimony, the program went dormant in Fall 2012.

According to information and witness statements, the following highlights significant events relating to the oversight of the AC Program:



Statement of Dinah Mason, former COJ Ombudsman

Ms. Mason stated that per Ordinance 2005-734-E, the COJ entered into a ten year master contract with the Jacksonville Economic Development Company (JEDCO), later known as Essential Capital (EC). JEDCO served as the consultant to manage the AC Program with a maximum indebtedness for the COJ in the amount of \$900,000 (refer to Background section, page 3).

Ms. Mason stated that once the ordinance was established there were efforts to obtain capital for the AC program through a loan pool. She advised that during 2005, she was involved in obtaining contributions from the financial institutions and the Independent Authorities (IA). In exchange for the contribution, the IAs would be able to use the services of the Office of the Ombudsman for noncompliance issues related to the AC Program, and also be able to refer JSEB vendors to the AC program for capital loans. The AC Program loan pool was approximately \$1.2 million after funding by the banks, the IAs and the COJ.

As the Ombudsman during 2005, Ms. Mason was responsible for creating the policies and procedures related to the AC Program. She received and reviewed the applications from JSEB borrowers. After reviewing the applications, she forwarded them to the EC. She advised that she worked closely with Karen Rose, EC's Chief Financial Officer, and that Cleve Warren was the President of EC.

Ms. Mason stated that the AC Program loans were short term and would have to be paid back within six to eight months. She advised that contracts with either the COJ or the IAs served as collateral for the AC Program loan. Ms. Mason advised that one of the objectives of the AC Program was to help the small businesses establish some credit.

According to Ms. Mason, once the applicants were referred to EC, Ms. Rose ran their credit report and processed the loans. As part of the loan requirement, the borrower entered into a “joint payment process” agreement. Payments issued on any of the COJ or IA contracts were made jointly to Essential Capital and to the borrower.

Ms. Mason stated that once a payment was issued by either the COJ or IA, Ms. Rose would pick up the checks from the respective agency and then notify the contractor. Ms. Rose would first withhold the payment amount due on the access to capital loan, and then Ms. Rose would issue a JEDCO/Essential Capital check to the contractor for the remaining amount paid on the contract.

Ms. Mason advised that Ms. Rose sent monthly reports to Ms. Mason which included a list of the AC Program outstanding loans and the AC Program loan pool summary.

Ms. Mason requested that the AC Program be transferred over to EBO due to conflicts of interest in February 2009.⁵ The memorandum was directed to her then supervisor, Devin Reed, Director of Central Operations. Ms. Mason stated that even though the program was working effectively, it was becoming clear that the loan oversight and non-compliance responsibilities were conflicts for the Office of the Ombudsman.

According to Ms. Mason, once the transfer occurred in February 2009, the monthly reports sent by Ms. Rose shifted to the EBO entirely. She believed that the reports were sent to then Chief of EBO, Ivy Johnson.⁶

Ms. Mason stated she provided a list of the active loans she had received from Ms. Rose to EBO. At the time of the transfer, there were \$746,533 in contracts which served as collateral for \$198,450 in AC Program loans, with a cumulative balance owed at that time of \$158,945. Ms. Mason stated that eventually, all these loans were paid in full. There were no defaults during the period that she had the oversight for AC Program.

Statement of Angie Dixon, Ombudsman, Office of Ombudsman, Intra-Governmental Services, COJ

Ms. Dixon came to the Office of the Ombudsman in June 2009, originally as the Deputy Ombudsman, and later became the Ombudsman. Ms. Dixon advised that the Office of Ombudsman serves as a neutral and impartial party to contractors, vendors, and using agencies by handling any type of non-payment or non-compliant issues concerning contracts awarded by the COJ.

Ms. Dixon stated that in June 2009, the AC Program had already been transferred to EBO. She also stated that Ivy Johnson, Chief, EBO, was the responsible party for AC

⁵No supporting ordinance could be found or was provided during OIG’s Management Review, by any COJ employees interviewed to reflect the transfer of duties from the Office of Ombudsman to EBO other than the February 2009 memorandum. [Ordinance 2013-209-E, full text version, assigns the oversight responsibility to the Office of Economic Development, effective February 25, 2014.]

⁶Ms. Johnson was no longer with the COJ as of May 24, 2010.

Program. The Ombudsman's office continued to handle any conflict resolution matters relating to the AC Program.

Statement of Derrick Willoughby, former JSEB Coordinator, Equal Business Opportunity (EBO), COJ

Derrick Willoughby advised that he held the position of Jacksonville Small and Emerging Business (JSEB) Administrator from August 2010 through November 2012, and was responsible for the oversight of the AC Program. In that role, the AC Program was included in his oversight responsibilities. He understood that the AC Program started off in the Ombudsman's office and was later transferred to the EBO.⁷

Mr. Willoughby advised that when vendors called in for the AC Program, the JSEB office provided an application to the vendor. When applications were returned to the JSEB office, they were either reviewed by Mr. Willoughby or a member of his staff. The applications were forwarded to EC for underwriting and funding. Their office notified the COJ Finance about any AC Program loans.

According to Mr. Willoughby, JSEB did not keep a log of vendors that applied for AC Program loans, but they did receive monthly loan status reports from Karen Rose, EC. Ms. Rose served as the coordinator between the COJ and EC for the AC Program. Mr. Willoughby stated that he had never met Mr. Warren, President, EC.

Mr. Willoughby recalled after Mayor Brown's transition, the JSEB office became housed under the Office of Economic Development (OED) once the reorganizing took place.⁸ There were no outstanding AC Program loans at that time, and he believed that the loan pool was approximately \$1.3 million.⁹ Mr. Willoughby stated (no recollection of the specific date) that he provided a PowerPoint presentation to Ronnie Belton, CFO; one of Mayor Brown's executive team (whose name he could not recall); and the entire OED team, to include Paul Crawford regarding the JSEB, which included the AC Program.

Mr. Willoughby stated that he believed that he was responsible for implementing the JSEB quarterly and annual reports that were posted on the website. Mr. Willoughby stated that shortly before he was leaving the COJ (November 2012) he had difficulty getting a hold of Karen Rose, EC and stated that he could never reach her in the fall of 2012. Mr. Willoughby stated that the last contact with Ms. Rose was sometime during August 2012 after she had sent the last monthly report. He stated that he had not had any contact with Cleve Warren.

Per Mr. Willoughby, no one from the COJ has reached out to contact him concerning the AC Program since he left the COJ in November 2012. Mr. Willoughby stated that he has heard (no specific names mentioned) that "no one knows where the money is now" and that the AC Program went away, and that no one talks about the program.

⁷ Based on testimony, there appears to have been a gap between May 2010 when Ms. Johnson was released to August 2010 when Mr. Willoughby became the EBO JSEB Administrator and oversaw the AC Program.

⁸ JSEB, a function of EBO was under OED per Ordinance 2012-212-E , effective June 26, 2012.

⁹ Per Essential Capital Loan Spreadsheets reviewed by OIG, the loan pool remained at \$1.2 million.

Statement of Charlie McNeil, former Management and Budget Analyst, EBO, COJ

Mr. McNeil stated that in August 2010, he became the Business Analyst, EBO and reported to Derrick Willoughby, JSEB Administrator. He worked in the EBO office until he accepted a promotion in January 2015 with the COJ Regulatory Compliance Division.

Mr. McNeil stated that as part of his duties with the EBO, he became familiar with Procurement Code 126, part A and part B, and gained familiarity with the AC Program (Jacksonville Ordinance Code Section 126.602). Mr. McNeil recalled (no recollection of date) that Mr. Willoughby presented the JSEB program as a whole, which included the AC Program to Mayor Brown's administration.

Mr. McNeil explained that the primary difference between the previous 2004 ordinance (referring to Ordinance 2004-602-E) and the current 2013 ordinance was the change in the ownership of the AC Program to the OED.¹⁰ Under the older ordinance (2004) it was never clear to him whether the JSEB office or the Ombudsman had the oversight of the AC Program when he came to EBO.¹¹ He believed that it was the JSEB office that was responsible for the reporting of the program.

Mr. McNeil advised that EBO was responsible for providing the JSEB program information to small businesses within the community. The JSEB office would also inform the vendors that the AC Program was available. The AC Program was on the COJ's website as well as listed on JSEB office correspondence.

In general, Mr. McNeil stated that when the small business owners called or emailed the office, the AC Program application was forwarded to the small business. When vendors returned their application to the JSEB office, the application was reviewed and forwarded to EC for underwriting.

Mr. McNeil advised that through Mr. Willoughby, he received monthly copies of AC Program monthly reports which had been sent from EC. These reports listed the names of the vendors with corresponding AC Program loan amounts. Mr. McNeil stated that annual reporting was required under the 2004 ordinance (2004-602-E). The AC Program was listed in the annual reports that were posted online.¹² He stated that he prepared the JSEB quarterly reports, which were posted on COJ's website. The JSEB quarterly reports provided updates on the availability of the loan pool, and the vendors who had obtained capital through the program.¹³

Mr. McNeil provided a copy of an email from Mr. Willoughby dated April 12, 2012, related to the AC Program, which included a copy of the local bank participation

¹⁰ Per Ordinance 2013-209-E, substituted and enacted February 25, 2014, OED was to operate the AC Program.

¹¹ In February 2009, the Ombudsman's office transferred the AC Program by memorandum to EBO.

¹² OIG reviewed the COJ's website and verified that JSEB annual report for 2010-2011 includes the AC Program. There is no JSEB 2011-2012 annual report posted on the website. The JSEB 2013-2014 annual report does not include the AC Program.

¹³ Per a review of the COJ's website, the last JSEB quarterly report that mentions AC Program is 1st quarter JSEB Report for FY 2013. The 2nd quarter JSEB Report for FY 2013 is missing from the website, and 3rd Quarter JSEB Report for FY 2013 does not mention AC Program.

spreadsheet and a monthly loan report titled “JSEB Access to Capital Program as of January 31, 2012”, which reflected the AC Program loan pool value as of January 2012 to be \$1.2 million.

Mr. McNeil stated that he knew that the AC Program was still active when he received the monthly loan reports from Karen Rose, EC. He stated that he had never met Cleve Warren (President, EC).

Mr. McNeil advised that Ms. Rose attended every monthly JSEB orientation meeting for newly approved small business owners since he came to EBO in August 2010. Ms. Rose provided a briefing on the AC Program during every meeting. Mr. McNeil stated that at some point (no recollection of the date) Ms. Rose stopped attending the monthly meetings. Mr. McNeil stated that he and/or Mr. Willoughby attempted to call Ms. Rose but could not get a hold of her (no specific date provided).¹⁴

Approximately one year after Mr. Willoughby left the COJ;¹⁵ Mr. McNeil believed that he learned during another meeting from Ken Middleton, JTA that Karen Rose had left EC. He had also heard (no specific date) that EC had dissolved or closed down.¹⁶

Mr. McNeil stated that to the best of his knowledge from the time Mr. Willoughby left (November 2012) and Ms. Baker coming on board in February 2013, he believed that the AC Program was in the process of transferring over to the OED. He further stated that Ms. Baker told him that the OED was now responsible for the reporting requirements, and that inquiries were to be referred to Joe Whitaker. Mr. McNeil advised that during 2013 and 2014, he had no data to capture information relating to the AC Program for his annual reports. When Ms. Baker and he spoke several months after she became the JSEB Administrator, Ms. Baker told him that per the new ordinance that he was to refer the Independent Authorities to OED.

Mr. McNeil recalls that at least 15 vendors called during September 2010 through January 2015, (when Mr. McNeil transferred to Regulatory Compliance Division) asking questions about how to get access to the AC Program. He remembers that at least two or three calls came in asking about the AC Program while Mr. Whitaker was interim JSEB administrator.¹⁷ Calls from vendors asking for AC Program never stopped while he was with EBO.

At no time was he ever told that there was no money for the AC Program nor was he told that the AC Program was no longer active, other than what he had heard from Ken Middleton (JTA) sometime during the summer or fall 2013. Mr. McNeil stated that according to Mr. Middleton, in the fall of 2013, Ms. Rose had informed Mr. Middleton that that she had left EC.

¹⁴ Per testimony, Mr. Willoughby placed this about August 2012.

¹⁵ Mr. Willoughby left in November 2012.

¹⁶ Per the email that Ms. Baker forwarded on June 17, 2014, all the Independent Authorities were notified that EC was shutting down. Mr. McNeil attended the joint Independent Authority meetings.

¹⁷ Mr. Whitaker was the interim JSEB Administrator from December 3, 2012 through February 8, 2013.

Statement of Karen Rose, former Accountant, Essential Capital, Jacksonville, FL

Ms. Rose became employed with the Jacksonville Economic Development Company, Inc. (JEDCO) as an Accountant from 2008 through the end of 2012. During that period she was responsible for the administration of the AC Program through Essential Capital's subsidiary, First Coast Micro Loan, Inc. (FCML).

She stated that sometime during 2010, JEDCO changed their name to Essential Capital (EC). Ms. Rose advised that the name change was primarily to distinguish JEDCO from the City of Jacksonville.

According to Ms. Rose, the COJ, JEA (Jacksonville Electric Authority), Jacksonville Transportation Authority (JTA), Jacksonville Port Authority (JAXPORT), and some financial institutions all contributed to the AC Program loan pool. The AC Program loan pool had already been established when she took on the duties of the AC Program in 2008, and the balance was at approximately \$1.2 million. She stated that some of the money contributed to the AC Program loan pool (maintained by FCML) was routed through the COJ, and some was directly paid to FCML.

According to Mr. Rose, EC's point of contact with the COJ was Ombudsman Dinah Mason with whom she worked regularly. Her relationship with Ms. Mason was related to occasionally meeting with Ms. Mason concerning the borrowers, and also to provide all reports to Ms. Mason including monthly loan logs and the monthly reports of all funds and the source of those funds for ACP loan pool.

After reviewing a memorandum dated February 18, 2009, provided by OIG, Ms. Rose recalled that she worked with Ivy Johnson, Chief, Equal Business Opportunity, (EBO), relating to the transfer of the AC Program from Ms. Mason, Ombudsman to EBO. Ms. Rose advised that she continued to deal with Ms. Mason in the Ombudsman's office, and stated that she recalled sending some of the AC Program reports to Ivy Johnson, EBO.

The last loan she processed on behalf of the AC Program was in March/April 2012 for a company named Synot Construction.¹⁸ According to Ms. Rose the loan process stopped because EC was not getting any requests for loans.

The AC Program loan pool funds remained in the same financial institutions until she left in September 2012. Mr. Warren was still running FCML when she left; however, Ms. Rose stated that no one took over handling the AC Program with EC or on behalf of FCML after she left.

Statement of Cleve Warren, former President, Essential Capital, Jacksonville, FL

Mr. Warren stated that he provided a loan report to Cynthia Solomon, OED, which had the loan details to include when the last loan was issued on the AC Program. Per Mr. Warren, from March 2012 to mid-June 2013, when he left EC, no loans were issued on

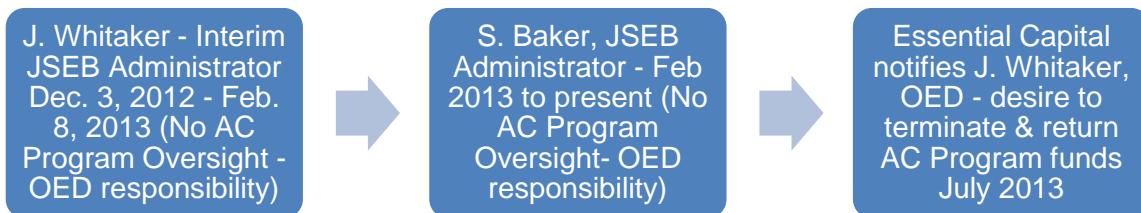
¹⁸ Per EC records this loan was issued on March 19, 2012. The records reflect a later loan was issued to Eagle Mountain on July 30, 2012. The COJ received repayment on both of these loans in April and June 2015 respectively.

behalf of the AC Program by FCML.¹⁹ Mr. Warren further stated that no loans were issued on behalf of the AC Program by FCML after he left EC in mid-June 2013 to join the Florida State College at Jacksonville.

Mr. Warren stated that he spoke to Joe Whitaker (OED) in 2012²⁰ about terminating the agreement and informing him that EC was getting out of all their loan programs (refer to Issue 2 for details regarding Mr. Warren's desire to terminate the consultant role for AC Program).

OIG reviewed records obtained during the Management Review which disclosed the following:

Per the Essential Capital's Access to Capital Program as of February 28, 2013 Loan Report; the last loan funded by EC/FCML on July 30, 2012 was to Eagle Mountain. According to the loan report, the last payment made on the Eagle Mountain loan was in February 2013; until the COJ received a payment in the amount of \$11,414 on June 18, 2015, which paid off the loan.²¹



Statement of Joe Whitaker, Part-Time Business Development Manager, OED, COJ
Mr. Whitaker advised that from December 3, 2012 through February 8, 2013, per the request of Mr. Crawford, he served during the three week period as the interim JSEB Administrator. He became the interim JSEB Administrator after Derrick Willoughby left (approximately November 2012) and until Shamika Baker was appointed (approximately February 2013).

Mr. Whitaker advised that during 2010, and prior to Mr. Willoughby (August 2010), the AC Program was being handled by Chief Ivy Johnson, EBO, who has since left employment with the COJ.²²

After being asked to be the interim JSEB Administrator, Mr. Whitaker stated that he met with JSEB employees and learned through Chuck McNeil, (Analyst with JSEB in 2012) that the AC Program was dormant. Mr. Whitaker then took it upon himself to contact Mr. Warren to discuss the program, and determine the status of the AC Program loan pool.

¹⁹ Per EC records as of February 28, 2013, which by testimony was provided to the COJ in March 2013, the last loan was funded to Eagle Mountain on July 30, 2012.

²⁰ Per records provided by EC it appears to have occurred in 2013 rather than 2012.

²¹ OIG verified with COJ Finance records.

²² OIG independently verified that Ms. Johnson has not been with the City since May 2010.

He believed that the oversight of the AC Program was the responsibility of the Ombudsman's office, and was not familiar with the ordinance that changed the oversight responsibility to OED.²³

Statement of Shamika Baker, JSEB Administrator, EBO, Intergovernmental Services, COJ

Ms. Baker had held the position of the JSEB Administrator since January 2013, but reported to the JSEB office in February 2013, as she was transitioning out of the Mayor's office.

Ms. Baker stated that she has not dealt with the AC program, but advised that she has been asked a lot of questions about the AC Program. When she came on board in this position she understood that the AC Program no longer existed. In March 2013, she was directed or told by Theodore Carter, Executive Director OED,²⁴ to let Mr. Whitaker handle the program, and hence she has deferred everything to Mr. Whitaker since that time.

Statement of Paul Crawford, Deputy Director, OED, COJ

Mr. Crawford stated that OED has never had ownership of the AC Program. Mr. Crawford stated the oversight responsibility falls to the Ombudsman. After reviewing the Jacksonville Ordinance Code, Section 55.201, paragraph (f), Mr. Crawford stated that he did not recall ever seeing Section 55.201(f), or being made aware that the OED was responsible for operating the access to capital program.

Issue (2):

- The City was notified in March 2013 that Essential Capital's desire was to terminate its relationship with the Access to Capital Program.
- Funds totaling \$932,032.65 (returned during the months of July and August 2014) by Essential Capital Finance, Inc., formerly known as Jacksonville Economic Development Company, Inc. has been sedentary in the City of Jacksonville's "unidentified remittance liability account."
- Office of Economic Development officials were not forthright with the return of the Access to Capital Program loan pool with various Independent Authorities, who contributed.

²³ Ordinance 2013-209-E, substituted and enacted February 25, 2014, and Jacksonville Ordinance Code Section 55.201 (f).

²⁴ Mr. Carter confirmed subsequent to leaving employment (July 1, 2015) with the COJ.

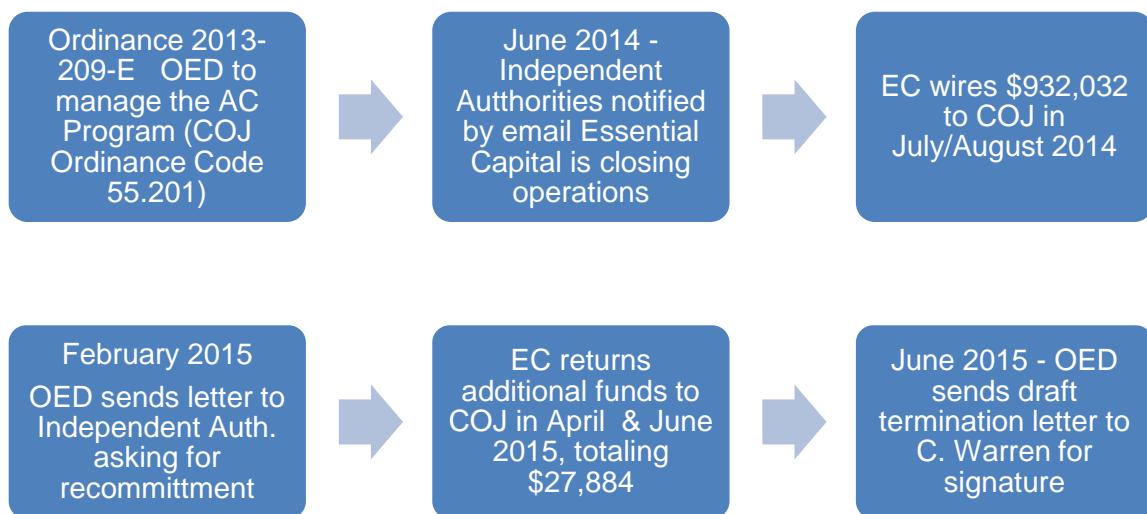
Governing Directives:

Section 126.602 (a) and (b), Part A, Small Business Capital, Bonding and Outreach Program, Chapter 126, Procurement Code, Title V, Administration and Personnel, Jacksonville Ordinance Code; Section 55.201 (f), Part 2, Functions and Activities, Economic Development, Chapter 55, Title IV, Boards and Commissions, Jacksonville Ordinance Code; also refer to *Ordinance 2004-602-E amended and enacted August 10, 2004, Section 126.602 (a) and (b); full text of Ordinance 2005-734-E, amended June 28, 2005 (Access to Capital Program guidelines); Ordinance 2012-212-E substituted and amended June 26, 2012, Part 1 Sections 55.101, and Part 2 Sections 55.201 (h) and 55.203 (f), and Ordinance 2013-209-E substituted and enacted February 25, 2014, pages 53, section 55.201 (h), and accompanying attachment Exhibit 1, page 3 of 5, Section 21. 203 (c), bullet 5.*

Findings:

The Office of Economic Development (OED) was originally notified in March 2013, by Cleve Warren, then President of EC, of his desire to terminate its consultant role as specified in the AC Program master contract (July 2005), as well as his intention to return the AC Program loan pool funds to the COJ.

OIG learned the following during the Management Review:



All of the Independent Authorities were notified in June 2014 that EC was shutting down through an email written by Mr. Whitaker. The email was sent directly by Mr. Whitaker to some of the Independent Authorities, and some of the Independent Authorities received a copy of the same email from Ms. Baker who forwarded Mr. Whitaker's email.

OIG independently verified that EC wired \$932,032.65 during July and August 2014, and remains in the City's "unidentifiable remittance liability account" as of July 1, 2015.

Per COJ Finance records, OIG independently verified that during 2015 EC has paid the COJ an additional \$27,884.31 for AC Program loans that were repaid by Synot Construction and Eagle Mountain in 2015. Additionally, OIG has independently verified that these funds remain in the City's "unidentifiable remittance liability account" as of July 1, 2015.

Per testimony to the OIG, OED has not notified the Independent Authorities (JEA, JTA, JAXPORT or JAA), Angie Dixon, Ombudsman or Shamika Baker, JSEB Administrator that the AC Program loan pool was returned in July and August 2014.

The OIG Management Review further disclosed that OED sent written correspondence in February 2015 to each of the Independent Authorities (JEA, JTA, JAXPORT and JAA), in general asking for recommitment to a program similar to the AC Program. Per OIG's review of the content of the letter, there is no mention that any of the AC Program loan funds were returned during July and August 2014.

Per a review of correspondence obtained from various representatives of the Independent Agencies, OIG learned that JEA, JTA, JAXPORT, and JAA have asked that their respective AC Program loan pool funds be returned per correspondences listed below:

- JEA, correspondence dated March 10, 2015, requesting \$75,000²⁵ be returned;
- JTA, correspondence dated March 17, 2015, requesting \$75,000²⁶ be returned;
- JAXPORT, correspondence dated June 19, 2015, requesting \$50,000²⁷ be returned; and
- JAA, correspondence dated March 5, 2015, requesting \$100,000²⁸ be returned (and previously requested in June 2014).

On June 24, 2015, Mr. Whitaker, OED provide OIG with a copy of a letter prepared on OED letterhead dated June 18, 2015, which bears a signature above the signature line intended for Cleve Warren, Essential Capital Finance, Inc., in an effort to coordinate termination without cause, by the "Company", effective as of September 30, 2014.²⁹

As of June 30, 2015, these funds have not been made available to the AC Program, and/or returned in accordance with the terms of the Independent Authorities' Interlocal Agreements.

²⁵ Per JEA records, OIG independently verified that JEA contributed \$75,000

²⁶ Per JTA records, OIG independently verified that JTA contributed \$75,000

²⁷ Per JAXPORT records, OIG independently verified that JAXPORT contributed \$50,000.

²⁸ JAA **was not able** to substantiate that they reimbursed the COJ for the \$100,000 paid on their behalf.

²⁹ OIG has not independently verified the signature represented is that of Cleve Warren.

According to information and witness statements, the following was disclosed:

Statement of Cleve Warren, former President, Essential Capital Finance Inc.

Mr. Warren served as the President of Essential Capital Finance Inc. (EC) (formerly known as Jacksonville Economic Development Company (JEDCO)), from May 2004 to until June 2013, when he became employed with the Florida State College at Jacksonville.

Mr. Warren stated one responsibility of EC was the management of the AC Program which was conducted by its subsidiary, FCML, a 501c (3) corporation.

Mr. Warren stated that he spoke to Joe Whitaker, OED in 2012³⁰ about terminating the master contract and informed him that EC was getting out of all their loan programs. Mr. Warren offered to return the AC Program loan pool, except for retaining some capital to pay some expenses. At the request of Mr. Whitaker, he prepared and provided a letter and other program information related to the AC Program.³¹ (Mr. Warren advised during the interview that he would research his records and provide to the OIG).

Subsequent to being interviewed, via email on May 13, 2015, Mr. Warren provided the OIG with copies of the aforementioned documents which included: a cover letter dated March 13, 2013 addressed to Joe Whitaker; Essential Capital Program Summary (undated); Capital Reconciliation dated March 15, 2013; and Loan Report for the AC Program as of February 28, 2013.

In addition to the attachments sent by email on May 13, 2015, Mr. Warren provided the following clarification:

“Attached is a copy of the March 2013 letter from Essential Capital to COJ regarding the status of the Access to Capital JSEB loan program. The letter followed, as I recall, a telephone inquiry from Joe Whitaker who had been recently assigned responsibility for the program, and was aware that ECFI³² was terminating all of its various loan programs. We subsequently discussed the nature of the operating agreement between ECFI and COJ and ECFI's desire to terminate its management of the program, and to return COJ's net investment in the loan pool along with the net investment of the independent authorities and the net contributions to First Coast Micro Loan by various banks in accordance with the agreement.”

Mr. Warren stated that he initiated the return of the AC Program loan pool back to the COJ in March 2013. He stated that no time had the COJ ever asked for the money to be returned.

³⁰ Per records provided by EC it appears to have occurred in 2013 rather than 2012.

³¹ Per COJ records, the program in formation was provided on March 19, 2013.

³² Essential Capital Finance, Inc. (ECFI)

During the interview, Mr. Warren provided a copy of the FCML Balance Sheet dated September 30, 2013, as well as other documents. Per a review of the documents provided by Mr. Warren the total assets listed for FCML as of September 30, 2013 were \$1,034,188.72.

Mr. Warren stated that during July and August 2014, approximately \$931,991 was returned to the COJ by wire transfer. He advised that approximately \$102,197 was retained for operating expenses, and will not be returned.

Mr. Warren worked directly with Mr. Whitaker regarding the return of the AC Program funds to the COJ. Mr. Warren liquidated all the accounts, and per wire instructions provided to him by Mr. Whitaker had the money wired to the COJ.

Mr. Warren stated that the first \$425,000³³ of the AC Program loan pool was donated by the banks to FCML. Mr. Warren stated that the \$931,991, which he returned to the City in July and August 2014, was all of the AC Program loan pool that remained, minus operating expenses (approximately \$102,197).

The OIG contacted various COJ employees and learned the following:

Statement of Judy Garard, Finance Administrative Manager/Treasury, COJ

At the request of OIG, Ms. Garard researched and provided copies of the Essential Capital (EC) wires received by the COJ during July and August 2014, and provided the following information:

EC has returned to the COJ a total of **\$959,916.96** since July 2014 as listed below:

July 18, 2014	\$ 760,893.61
August 5, 2014	\$ 100,773.64
August 5, 2014	\$ 70,365.40
April 7, 2015	\$ 16,470.31
June 23, 2015	\$ 11,414.00
Total Returned	\$ 959,916.96

Ms. Garard stated that when money first came into the COJ, it was wired into the City's General Deposit account where all revenues coming into the City are initially deposited. Per Ms. Garard the money was posted to the City's "unidentifiable remittance liability account", and is considered a liability until the appropriate account can be identified.

Since July 2014, Ms. Garard has been awaiting direction from OED on where to properly code the money from unidentified deposits/miscellaneous. She stated and verified that the money has remained continuously in the unidentified deposit account since it was wired to the COJ in July 2014.

³³ Per EC's Capital Reconciliation spreadsheet dated March 15, 2013 this figure is listed as \$415,000, and not \$425,000.

Ms. Garard advised that in an effort to determine what account the money was to be posted when the wires were received during July/August 2014, she was informed by Joe Whitaker, OED, per an email on July 21, 2014, that:

“The proceeds of the wire is a partial transfer of funds from First Coast Micro Loan, Inc. which was part of the Jacksonville Access to Capital Program. We are spearheading the return of all the funds to be reused for a City sponsored small business financing program. My understanding is that CFO Belton set up a specific account to deposit the funds pending review of an audit that is being prepared on behalf of Essential Capital and First Coast Micro Loan, Inc.”

Ms. Garard advised that \$27,884.31 in additional deposits had been received from EC in 2015. Ms. Garard stated and provided documentation that these additional deposits were for the repayment of loans. The \$27,884.31 has also been posted to the “unidentifiable remittance liability account” with the other \$932,032.65 previously received in 2014 from EC.

Statement of Joe Whitaker, Part-Time Business Development Manager, OED, COJ
Mr. Whitaker advised that from December 3, 2012 through February 8, 2013, at the request of Mr. Crawford, he served as the interim JSEB Administrator. He became the interim JSEB Administrator after Derrick Willoughby left (approximately November 2012) and until Shamika Baker was appointed (approximately February 2013).

Mr. Whitaker stated that after being asked to be the interim JSEB Administrator, he met with JSEB employees and learned through Chuck McNeil, (Analyst with JSEB in 2012) that the AC Program was dormant. Mr. Whitaker then took it upon himself to contact Mr. Warren to discuss the program, and determine the status of the AC Program loan pool.

Mr. Whitaker recalled that on or about March 13, 2013, he telephoned Mr. Warren and asked for information relating to the background of the AC Program. In response to the telephone conversation, Mr. Warren provided Mr. Whitaker with correspondence dated March 13, 2013, that included a cover letter, a table of contents, and attachments (a program summary, capital reconciliation (dated March 15, 2013), and a loan report dated as of February 28, 2013). During this conversation, Mr. Whitaker expressed his concern to Mr. Warren that he wanted an accounting of the AC Program loan pool for the COJ.

On June 22, 2015, Mr. Whitaker provided copies to OIG of OED correspondences sent to Mr. Warren during February through April 2013.³⁴ OIG reviewed each letter and a brief summary is provided below:

- Correspondence from Mr. Whitaker dated February 13, 2013, signed by Whitaker, requesting an accounting of the Access to Capital program, status of loans,

³⁴ OIG did not verify if these letters had been actually sent to Mr. Warren.

pending loan application information, and request for information concerning an annual financial report or financial statement.

- Correspondence from Theodore Carter, Executive Director, OED dated March 19, 2013, signed by Carter, requesting a current accounting of AC Program through February 28, 2013, including the current bank balance, the funding balance, the summary of outstanding loans, and the annual report for each year 2005-2012.
- Correspondence from Mr. Carter dated April 17, 2013, unsigned by Carter³⁵ and requesting: financial information relating to the program and lending entities including EC and FCML, the most recent bank statement and documentation of the capital remaining to fund the AC program.

Mr. Whitaker stated that he met Mr. Warren on July 7, 2014 in person.³⁶ During this meeting, Mr. Warren communicated to Mr. Whitaker that he had given up his small business 504 portfolio to Gulf Coast Financial (west coast Florida), and informed him that (he) Mr. Warren was going to be shutting down EC as a corporation, and that he was not in a position to handle the administrative portion related to running the AC Program. Mr. Whitaker stated that during this meeting he asked Mr. Warren to return the money to the COJ.

Mr. Whitaker stated that after this meeting he updated Mr. Carter regarding Mr. Warren's intentions to terminate his involvement in the AC Program. He did not recall if he notified Paul Crawford, Deputy Director, OED about Mr. Warren's intent to terminate. Mr. Whitaker advised that he did not notify the COJ Office of General Counsel (OGC).

Mr. Whitaker worked with Mr. Warren (after the July 2014 meeting) to return the loan pool and provided the routing numbers obtained from Finance, as Mr. Warren desired to wire the money back to the COJ. Per his review of an email chain, Mr. Whitaker stated that the COJ received three wires totaling \$932,032.85 from Mr. Warren during July and August 2014 as follows: \$760,893.61 on July 18, 2014; and two wires on August 5, 2014 in the amounts of \$100,773.64, and \$70,365.40.

Mr. Whitaker stated that he asked Ronnie Belton, Chief Financial Officer (CFO), COJ to set up an account to keep the funds separate, and stated that Cynthia Solomon, Financial Analyst, OED would have the account number.³⁷ He did not know the details of the COJ's account to which the loan pool money had been deposited.

³⁵ Mr. Carter is no longer employed with the COJ, and OIG did not verify if the letter went out under Mr. Carter's signature.

³⁶ Per a review of his notes subsequent to providing his statement to OIG, Mr. Whitaker provided July 7, 2014 as the date that he met with Mr. Warren and also Ron Baker (working with Mr. Warren on the financial gathering of information) at Chamblins Coffee Shop, Jacksonville, FL.

³⁷ Per Ms. Solomon's testimony no specific account was set up, and the funds remained in the COJ's "unidentifiable remittance liability account." OIG independently verified this with Ms. Garard, Finance.

Mr. Whitaker stated that he retired from the COJ in September 2014, and that Cynthia Solomon, OED has been working with OED and the administration regarding the AC Program until he returned part time in March 2015.

Mr. Whitaker advised that during April 2015, the COJ received an additional payment in the amount of \$16,470.31 related to the AC Program for a repayment of a loan in default.³⁸

Mr. Whitaker could not explain OED's time delay from July/August 2014 in deciding what to do with the funds other than stating that often city government has too many tasks to accomplish and some things lapse along the way. He stated that OED and the administration have been discussing what to do with the loan pool money for some time, and stated that there are several different schools of thought depending on the different divisions about what to do with the loan pool money and the ACP moving forward.

OIG reviewed a written copy of a string of text messages which were dated July 25, 2013 through June 17, 2015, provided by Mr. Whitaker on June 23, 2015 and subsequent to Mr. Whitaker's statement on June 15, 2015.

These text messages pertained to Mr. Whitaker requesting contact with Mr. Warren or requesting updates concerning the transition process for the AC Program. More specifically:

From July 25, 2013 to July 3, 2014, Mr. Whitaker sent ten texts to Mr. Warren. Mr. Whitaker wrote that he received no response from Mr. Warren on eight out of ten texts sent from July 25, 2013 through April 25, 2014. Per a review of the July 3, 2014 text, Mr. Whitaker requested to meet with Mr. Warren on July 7, 2014.

Statement of Cynthia Solomon, Financial Analyst, OED, COJ

Ms. Solomon advised that sometime in August 2014, she was asked by Mr. Whitaker to research whether or not funds from EC (or its subsidiary FCML) had actually been returned to the City. She obtained verification from Ms. Garard on August 12, 2014, via email about the wires and the respective amounts that had been received in both July and August 2014 from FCML (July 18, 2014 for \$760,893.61; August 5, 2014 for 100,773.64, and August 5, 2014 for \$70,365.40) and provided that information to Mr. Whitaker.

Ms. Solomon stated that on October 14, 2014, she attended a meeting with Ronnie Belton, CFO and Paul Crawford, Deputy Director OED, which she described as a preliminary meeting, to discuss and follow up on the account assignment for the funds that had been returned to City from FCML (as provided by Ms. Garard).

During the October 14, 2014 meeting they discussed what account they should assign the funds to, however by the end of the meeting no decision was made because they collectively agreed that additional research was needed to determine what to do with

³⁸ Mr. Whitaker's statement was provided before the COJ received an additional \$11,414 deposit on June 23, 2015.

the funds received from FCML, which included needing to make decisions regarding the AC program, and discussing ordinances related to appropriating the funds.

Ms. Solomon stated that as of June 16, 2015 (date Ms. Solomon's statement was obtained) there still had not been a decision as to where to assign the funds received from FCML, and stated that the funds are still in an "undefined account."³⁹

Statement of Paul Crawford, Deputy Director, OED, COJ

Mr. Crawford stated that after Mr. Willoughby left the COJ; he had Joe Whitaker run the JSEB office for approximately thirty to forty-five days until Shamika Baker was appointed to take over the JSEB program. He asked Mr. Whitaker to "poke his head under the hood" to see what was going on in the JSEB office.⁴⁰ He advised that Mr. Whitaker's focus was more an administrative focus over the JSEB, and not focused on the AC Program itself.

Mr. Crawford stated that OED has never had ownership of the AC Program. Mr. Crawford also stated the oversight responsibility falls to the Ombudsman. OIG showed Mr. Crawford the Jacksonville Ordinance Code Section 55.201, and stated after reviewing Section 55.201, paragraph (f), that he did not recall ever seeing Section 55.201(f), or being made aware that the OED was responsible for operating the access to capital program. Mr. Crawford advised that he very rarely reviews the Jacksonville Ordinance Code Section 55.201.

He stated that per Ordinance 2013-209-E the JSEB (EBO) was removed from OED, and he recalled being informed that JSEB would be removed under this ordinance.⁴¹ He thought that everything attached to JSEB transferred out with JSEB. Mr. Crawford stated that he did not know that the AC Program remained under OED. He was never directed by Mr. Carter or Mayor Brown's Administration to oversee the Access to Capital Program on a daily basis.

Mr. Crawford had never seen any documents verifying that AC Program loan pool had been returned to the COJ. He learned (no specific date) that EC had returned money through Mr. Whitaker and Ronnie Belton, CFO.⁴² He did not know where the money was or what account it was in within the COJ. He stated that OED had never advised the City Council that the loan pool was returned to the COJ.

Mr. Crawford advised that Mr. Whitaker has been involved with the majority of the communications with Mr. Warren. Mr. Crawford stated Mr. Whitaker was hired back on a part time basis in January 2015,⁴³ and his part time responsibilities include trying to

³⁹ Per testimony, Ms. Garard verified that the funds remain in the account named "unidentifiable remittance liability account," which is where they were initially wired.

⁴⁰ JSEB, a part of EBO was under OED per Ordinance 2012-212-E , effective June 26, 2012.

⁴¹ EBO was transferred to Intra-Governmental Services per Ordinance 2013-209-E, effective February 25, 2014. JSEB's AC Program would have been under OED from June 26, 2012 to February 25, 2014. Per testimony AC Program went dormant during the fall 2012.

⁴² Per Ms. Solomon's testimony the funds were discussed with Mr. Crawford and Mr. Belton during an October 14, 2014 meeting.

⁴³ Per Mr. Whitaker, he returned as part time employee with the COJ on March 21, 2015.

figure out what was going with EC so that OED could make recommendations to both the Ombudsman and the Administration regarding AC program.

Mr. Crawford approximated that about June 2014, Mr. Whitaker informed him that Cleve Warren, (President Essential Capital) was shutting down Essential Capital.

Statement of Shamika Baker, JSEB Administrator, EBO, Intergovernmental Services

Ms. Baker had held the position of the JSEB Administrator since January 2013, but reported to the JSEB office in February 2013, as she was transitioning out of the Mayor's office.

She stated that she has not dealt with the AC program, but advised that she has been asked a lot of questions about the AC Program. When she came on board in this position she understood that it no longer existed. In March 2013, she was directed or told by Mr. Carter⁴⁴ to let Mr. Whitaker handle the program, and hence she has deferred everything to Mr. Whitaker since that time.

Ms. Baker stated that she could not explain the gap from March 2013 to June 2014 because she did not have any additional email traffic about the AC Program. Per a review of her email records by the OIG, during June 2014, the Independent Authorities were asking questions about whereabouts of the AC Program funds.

Ms. Baker stated that at no time did anyone state to her that Mr. Warren (EC) had returned the AC loan pool. Ms. Baker advised that she does not know about the status of the loan pool. She also indicated that she does not know if the loan pool has been actually returned to the COJ. Ms. Baker stated that last meeting she attended regarding AC Program with OED, to include Mr. Whitaker, Mr. Crawford and Mr. Carter, and other COJ staff on April 7, 2015, no mention was made that the AC Program loan pool had been returned to the COJ.

Ms. Baker stated that she expressed during that meeting that once the COJ received the funds, she wanted to start the program back up again. Ms. Baker stated that she has never had the opportunity to utilize the program since she became the JSEB Administrator.

OIG reviewed records provided by Ms. Baker, JSEB Administrator, relevant to the Independent Authorities, and learned the following:

A review of an email dated June 17, 2014, from Ms. Baker, to representatives of JAXPORT, JTA, and JAA, read as follows: "FYI", Ms. Baker forwarded an email originally sent from Mr. Whitaker to Nadine Carswell, JEA on June 16, 2014, which reads as follows:

⁴⁴ Mr. Carter confirmed subsequent to leaving employment (July 1, 2015) with the COJ.

"Ms. Carswell – Essential Capital is closing down. We are working with Essential Capital and in the process of transferring the funds and the First Coast Micro-Loan entity back to the City. Once we have completed the transition we will be in a position to reactive the program. Until the funds are transferred back to us we are unable to complete any financial transaction. If you have any questions don't hesitate to contact me. Joe."

Statement of Angie Dixon, Ombudsman, Office of Ombudsman, Intra-Governmental Services

Ms. Dixon advised that she had not been included in any AC Program meetings with OED, and that she had no knowledge that EC had returned any of the AC Program money to the COJ.

Independent Authorities staff

The OIG met individually with representatives from each Independent Authority (JEA, JAXPORT, JTA and JAA) and learned the following:

1. All four stated that they had entered Interlocal Agreement with the COJ concerning the AC Program (detailed in the background section, page 4) and provided copies of the Interlocal Agreements to OIG.
2. JEA, JAXPORT, and JTA provided verification of their contributions (\$75,000, \$50,000 and \$75,000, respectively) to the AC Program. JAA was unable to provide verification of their \$100,000⁴⁵ funding participation.
3. All four stated that they did not receive notification from any COJ official that any portion of the AC Program loan pool had been returned to the COJ.
4. All four stated and acknowledged that they received correspondence from Paul Crawford, Deputy Director, OED, dated February 26, 2015,⁴⁶ which stated in part:

"Recently, Essential Capital Finance Inc. and their subsidiary First Coast Micro Loan, Inc., (formerly Access to Capital) has contacted the City to give notice that they are dissolving their entity and desire to transfer their assets back to the City of Jacksonville or a Not-For-Profit Corporation...."

RECOMMENDED CORRECTIVE ACTIONS

Based on the Findings of the OIG Management Review, the following corrective actions are recommended:

⁴⁵ OIG independently verified that the COJ paid the \$100,000 directly to JEDCO on January 17, 2007. Exhaustive efforts by OIG to locate any reimbursement by JAA to the COJ proved unsuccessful.

⁴⁶ This correspondence does not indicate that any portion of the AC Program loan pool had been returned to the COJ. Mr. Crawford stated he only signed this letter. Per testimony, Ms. Solomon stated that she was in part the author of this letter.

1. Determine whether the Access to Capital Program should continue and take appropriate steps based on the decision, and update the COJ website accordingly. (Issue 1)
2. Pursuant to the future of the Access to Capital Program, appropriately address any distribution of funds per the terms of the Access to Capital Program master contract and the Interlocal Agreements. (Issue 2)
3. Based on the findings of this Management Review take any corrective action deemed appropriate.

IDENTIFIED, QUESTIONED, AND AVOIDABLE COSTS

Identified Costs:⁴⁷ \$100,000.00

Questioned Costs:⁴⁸ \$859,916.96

Avoidable Costs:⁴⁹ Not applicable

ARTICLE XVI, CHAPTER 602, Part 3, SECTION 303 (v)

Pursuant to § 112.3189, Florida Statutes, on July 9, 2015, the WB was provided the opportunity to review the OIG Management Review within 20 calendar days. On July 9, 2015, the WB advised the OIG that he/she had “No Comments.”

This Management Review has been conducted in accordance with the ASSOCIATION OF INSPECTORS GENERAL Principles & Quality Standards for Investigations.

⁴⁷ Identified Costs are those dollars that have the potential of being returned to offset the taxpayer's burden.

⁴⁸ Questioned Costs can include costs incurred pursuant to a potential violation of a provision of law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds, and/or a finding that such costs are not supported by adequate documentation, and/or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable in amount. As such not all questioned costs are indicative of potential fraud or waste.

⁴⁹ Avoidable costs is a value that represents the dollars any entity will not have to spend, and/or the increase in revenue over the next three years if the OIG's recommendations are implemented. If the entity does not implement the OIG recommendations, the entity will continue to incur the costs.

GOVERNING DIRECTIVES
CASE NUMBER: 2014-0002WB

- I. Florida Statutes contain the following pertinent information:**
§112.3189, Whistle-Blower Act
- II. City of Jacksonville, Code of Ordinances contain the following pertinent information:**

Jacksonville Ordinance Code, Chapter 55, Part 2, Functions and Activities, Section 55.201(f), Economic Development, reads in part:

The functions and activities of the Office of Economic Development shall include, but not be limited to: (f) operating the access to capital program as defined in Section 126.602.

Jacksonville Ordinance Code, Chapter 126, Part A, Sections 126.602 (a) and (b), "Access to Capital Program", reads:

(a)The City shall create a pool of resources, in conjunction with lending institutions to assist JSEBs with obtaining access to capital (the "AC Program"). A private entity approved by the lending institutions shall manage the distribution of said funds, in accordance with guidelines adopted by the lenders and approved by the City in order to ensure proper administration and monitoring and to ensure continuity for the program.

(1)The City's Office of the Director of Economic Development (OED) and the Office of the Ombudsman, set forth in section 126.617, shall work to ensure that certified JSEBs are receiving recommended assistance.

(2)The Office of the Ombudsman shall gather information on all available programs for access to capital, including but not limited to local bank liaisons and programs, SBA programs, and any other program which assists small and or minority businesses to obtain capital.

(3)The OED Director shall provide biannual reports to the Mayor, with a copy to City Council Auditor, identifying the size and number of businesses assisted in the two preceding quarters. Said reports shall include the nature of the service or product provided; the program; the nature of the contracts awarded and the dollar value of each contract awarded.

(4)The OED Director, working with the SBCG and the FCAACC shall also hold biannual open houses or workshops to showcase available assets and obtain information from JSEBs on available programs.

(b)The OED Director or his designee shall staff a series of meetings initiated by the Mayor between the City and any Financial Institutions with offices in Jacksonville who wish to participate in the creation of JSEBs banking managers who will assist JSEBs in obtaining credit.

(2004) Jacksonville Ordinance Code, Chapter 126, Part A, Section 126.602
(a) and (b), "Access to Capital Program", reads:

(a)The City shall create a pool of resources, in conjunction with lending institutions" to assist MBEs and JSEBs with obtaining access to capital (the "AC Program"). JEDCO or a similar private entity approved by the lending institutions shall manage the distribution of said funds, in accordance with guidelines adopted by the lenders and approved by the City in order to ensure proper administration and monitoring and to ensure continuity for the program.

(1)The City's ombudsman, set forth in section 126.619, shall work closely with the existing business specialist and other key Ch.A.S.E. members or similar private entity to ensure that certified JSEBs are receiving recommended assistance.

(2)The Ombudsman, working with the Small Business Center at Gateway ("SBCG") and the First Coast African-American Chamber of Commerce ("FCAACC") or similar private entities shall gather information on all available programs for access to capital, including but not limited to local bank liaisons and programs, SBA programs, BBIC, JEDCO, JEDC and any other program which assists small and or minority businesses to obtain capital.

(3)The Director shall provide biannual reports to the Mayor, with a copy to City Council Audit Committee, identifying the size and number of businesses assisted in the two preceding quarters. Said reports shall include the nature of the service or product provided; the program (whether JSEB, MBE, or Majority); the nature of the contracts awarded and the dollar value of each contract awarded).

(4)The Director and Ombudsman, working with the SBCG and the FCAACC shall also hold biannual open houses or workshops to showcase available assets and obtain information from JSEBs and MBEs on available programs.

(b)The Ombudsman shall staff a series of meetings initiated by the Mayor between the City and any Financial Institutions with offices in Jacksonville who wish to participate in the creation of JSEBs banking managers who will assist JSEBs in obtaining credit. The Ombudsman may be the Director or staff, as may be required, to support applications for various City, state, or federally-funded programs including New Market Tax Credits.

III. City of Jacksonville, Ordinances contain the following pertinent information:

Ordinance 2004-602-E, amended and enacted August 10, 2004, Sections (a) and (b), Access to Capital, reads:

(a)The City shall create a pool of resources, in conjunction with lending institutions" to assist MBEs and JSEBs with obtaining access to capital (the "AC Program"). JEDCO or a similar private entity approved by the lending institutions shall manage the distribution of said funds, in accordance with guidelines adopted by the lenders and approved by the City in order to ensure proper administration and monitoring and to ensure continuity for the program.

(1)The City's ombudsman, set forth in section 126.619, shall work closely with the existing business specialist and other key Ch.A.S.E. members or similar private entity to ensure that certified JSEBs are receiving recommended assistance.

(2)The Ombudsman, working with the Small Business Center at Gateway ("SBCG") and the First Coast African-American Chamber of Commerce ("FCAACC") or similar private entities shall gather information on all available programs for access to capital, including but not limited to local bank liaisons and programs, SBA programs, BBIC, JEDCO, JEDC and any other program which assists small and or minority businesses to obtain capital.

(3)The Director shall provide biannual reports to the Mayor, with a copy to City Council Audit Committee, identifying the size and number of businesses assisted in the two preceding quarters. Said reports shall include the nature of the service or product provided; the program (whether JSEB, MBE, or Majority); the nature of the contracts awarded and the dollar value of each contract awarded).

(4)The Director and Ombudsman, working with the SBCG and the FCAACC shall also hold biannual open houses or workshops to showcase available assets and obtain information from JSEBs and MBEs on available programs.

(b)The Ombudsman shall staff a series of meetings initiated by the Mayor between the City and any Financial Institutions with offices in Jacksonville who wish to participate in the creation of JSEBs banking managers who will assist

JSEBs in obtaining credit. The Ombudsman may be the Director or staff, as may be required, to support applications for various City, state, or federally-funded programs including New Market Tax Credits.

Ordinance 2005-734-E, amended June 28, 2008, full text reads:

An ordinance approving the guidelines adopted by participating lending institutions to manage the city's access to capital program (the "program"); authorizing the mayor and corporate secretary to execute an agreement between the City of Jacksonville and JEDCO for management of the access to capital program; providing for a carryover of funds; providing an effective date.

WHEREAS, pursuant to Section 126.602, representatives of participating lending institutions (the "Lenders") have approved guidelines for management of the City's Access to Capital Program (the "Program"); and

WHEREAS, Section 126.602, *Ordinance Code*, requires City Council approval of guidelines for management of the Program; now therefore

BE IT ORDAINED by the Council of the City of Jacksonville:

Section 1. Guidelines for Access to Capital Program **Approved**.

There is hereby approved the guidelines adopted by participating lending institutions for Management of the Access to Capital Program substantially the same form as is on file with the Legislative Services Division as Exhibit 1.

Section 2. Agreement for Management of the Access to Capital Program Approved. There is hereby approved and the Mayor, or his designee, and the Corporate Secretary are authorized to execute on behalf of the City of Jacksonville, An Agreement for Management of the Access to Capital Program between the City of Jacksonville and JEDCO, attached hereto as Exhibit 1, and all other contracts and documents related thereto and to otherwise take all necessary action in connection therewith.

Section 3. Carryover of Funds. Pursuant to Section 12 of Ordinance 2004-602-E, for the 2004-2005, Fiscal Year, within the City's budget, there has been appropriated \$500,000 to assist Jacksonville Small Emerging Businesses (JSEBs) pursuant to Chapter 126, Part 6A, Section 126.602, *Ordinance Code*, and to assist such businesses in obtaining capital. Such funds shall not lapse at the end of the 2004-2005 fiscal year, but shall carry over into fiscal year 2005-2006 and thereafter until such funds have been expended pursuant to Section 126.602.

Section 4. Effective Date. This Ordinance shall become effective upon signature by the Mayor or upon becoming effective without the Mayor's signature.

Ordinance 2012-212-E, substituted and amended June 26, 2012, Part 1, Sections 55.101, and Part 2, 55.201 (h) and 55.203 (f), reads in part:

Chapter 55. Economic Development,

Part 1. Office of Economic Development, Section 55.101, Office of Economic Development Established. There is hereby established the Office of Economic

Development (“OED”) within the Office of the Mayor (the “Office”). The functions and activities of the Office are set forth in Part 2, Chapter 55, *Ordinance Code*.

Part 2. Functions and Activities, Section 55.201, Economic Development. The functions and activities of the Office of Economic Development shall include, but not be limited to (in part):

(h) operating the Equal Business Opportunity Office;

Part 2. Functions and Activities, Section 55.203, Equal Business Opportunity Office. The Equal Business Opportunity Office is hereby merged into the OED, and the responsibilities set forth below shall be managed by the OED officer. All employees within the EBO office shall become employees within OED, which shall be responsible for deployment and administration of Chapter 126, Part 6, and shall (in part):

(f) Provide support services to assist certified vendors in their efforts to secure training, bonding and access to capital pursuant to Sections 6A and 6B in Chapter 126; *Jacksonville Ordinance Code*.

Ordinance 2013-209-E, substituted and enacted February 25, 2014, Page 53, Section 55.201 (h), reads:

Chapter 55, Economic Development, Part 2. Functions and Activities, Section 55.201, Economic Development. The functions and activities of the Office of Economic Development shall include, but not be limited to:

(h) Operating the Equal Business Opportunity Office access to capital program as defined in Section 126.602;

Ordinance 2013-209-E, accompanying attachment Exhibit 1, page 3 of 5, Section 21.203(c), bullet 5, reads:

Amending Chapter 55 (Economic Development) to manage the access to capital program as defined in Section 126.602.