

DEPARTMENT OF INSPECTOR GENERAL

OKALOOSA COUNTY, FLORIDA



JD PEACOCK II, CLERK OF CIRCUIT COURT AND COMPTROLLER

January 12, 2018

Graham W. Fountain, Chairman
Okaloosa County Board of County Commissioners
302 N. Wilson Street Suite 302
Crestview, FL 32536

Dear Chairman Fountain,

Please find enclosed the final report on our review of Okaloosa Community Development Corporation. Our work came out of a request from the Board during their meeting on February 7, 2017.

We were initially contacted by the County Administrator's office regarding the need to conduct such an audit after concerns were raised based on a cursory review of OCDC expenditures conducted by the County Administrator's office.

During this review, we worked closely with OCDC staff and members of the County's Growth Management Department.

Feel free to contact our office should you have any questions.

Respectfully,

Samuel S. Scallan, Inspector General

Cc: Board of County Commissioners
J D Peacock, Clerk of Courts
John Hofstad, County Administrator
Elliot Kampert, Director Growth Management
Mike Kent, Chairman, Okaloosa Community Development Corporation
Jim Robins, Executive Director, Okaloosa Community Development Corporation

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**OKALOOSA COUNTY
CLERK OF THE CIRCUIT COURT
AND COMPTROLLER**

INSPECTOR GENERAL DEPARTMENT

**REPORT ON REVIEW OF OKALOOSA COMMUNITY
DEVELOPMENT CORPORATION**

REPORT NO. BCC-17-02

REPORT ISSUED JANUARY 12, 2018

AUDIT CONDUCTED BY: JAMIE WOLFE, INSPECTOR GENERAL AUDITOR

REPORT ISSUED BY: SAMUEL SCALLAN, INSPECTOR GENERAL

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REPORT ON REVIEW OF OKALOOSA COMMUNITY DEVELOPMENT CORPORATION

Executive Summary

We have conducted an audit of the Okaloosa Community Development Corporation (OCDC). The assignment comes out of preliminary work conducted by our office requested by County management in response to concerns raised by them regarding expenditures by OCDC.

OCDC is a Florida Not-for-Profit Corporation and is under contract with Okaloosa County to administer the SHIP and NSP funds. For the period covered by our review, OCDC managed approximately \$1.8 million in grant funds on behalf of Okaloosa County. In addition, OCDC managed 69 low-income residential rental units generating in excess of \$400,000 annually.

Our work covered the period of October 1, 2015 through September 30, 2016 and included a comprehensive review of related Florida Statutes, contract language, controls, accounting records, cash-flows, potential conflicts of interests, related-party transactions, meeting minutes, etc. In addition, we interviewed OCDC staff and management and performed “walk-throughs” of various key processes.

Our work disclosed that the manner in which OCDC operates and is governed could be improved. We found problems with the management of day to day operations, errors in accounting, lack of adequate documentation to support charges to rental units, inattentiveness to vacancies in rental units resulting in loss revenue, as well as weaknesses in internal controls and a lack of adequate oversight by its governing Board.

In management’s response to this report (see exhibit B) they have indicated their intent to correct most of the deficiencies contained herein. In addition, we recommend that the Board of Directors implement additional oversight through additional monitoring reports and regular meetings with OCDC management. In addition, the Board should review periodic monitoring activity reports prepared by Okaloosa County’s Growth Management Department.

We have conducted an audit of the Okaloosa Community Development Corporation (OCDC). The assignment comes from a request made by the Okaloosa County Board of County Commissioners during their meeting on February 7, 2017. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, generally accepted principles and quality standards approved by the Association of Inspectors General.

Purpose and Scope

The purpose of our audit was to test compliance with the State Housing Initiative Partnership Program (SHIP) and the Neighborhood Stabilization Program (NSP) contracts with Okaloosa County. Our work included examining the manner in which SHIP funding is awarded to recipients by OCDC. In addition, we tested contract compliance with significant contract terms and conditions for the SHIP and NSP contracts between OCDC and Okaloosa County and a review of the bid process for awarding contracts for construction and other expenditures made by OCDC. Finally, we evaluated related party transactions for reasonableness.

The scope of our work covers contracts between OCDC and Okaloosa County currently in effect and including activity occurring between October 1, 2015 and September 30, 2016.

Background

Okaloosa County Development Corporation (OCDC) was organized as a not-for-profit corporation under the laws of the State of Florida. Its purpose is to provide for redevelopment, promotion, and rehabilitation of the cultural, historical, social, physical, and economic aspects of Okaloosa County, Florida. Okaloosa County has contracted with OCDC to administer the State Housing Initiatives Partnership (SHIP) program and the Neighborhood Stabilization Program (NSP).

State Housing Initiatives Partnership (SHIP)

SHIP was created by the State Housing Initiative Partnership Act, which is administered by the Florida Housing Finance Corporation. SHIP provides funds to local governments as an incentive to create partnerships to produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low and moderate-income families. Very low income is defined as annual household income which does not exceed 50 percent of the Area Median Income (AMI) adjusted for family size. Low income is defined as annual income not exceeding 80 percent of

AMI and moderate income is defined as annual income not exceeding 120 percent of AMI. SHIP dollars may be used to fund emergency repairs, new construction, rehabilitation, down payment and closing cost assistance, impact fees, construction and gap financing, mortgage buy-downs, acquisition of property for affordable housing, matching dollars for federal housing grants and programs, and homeownership counseling.

The SHIP grants cover three-year periods. The contract we reviewed, C14-2115-GM, covered the years 2013/2014, 2014/2015, and 2015/2016. The County entered into this agreement November 13, 2013.

Okaloosa County, through OCDC, utilizes three main strategies for SHIP:

- Purchase Assistance with or without Rehabilitation,
- Rehabilitation and
- Special Needs Housing Strategy

Purchase Assistance to income eligible homebuyers provides funds to support down payment, closing costs, gap financing, and substantial rehabilitation of existing or newly constructed affordable housing units on a one-time basis. Each homebuyer can only receive the minimum level of assistance required to enable the purchase. The maximum award amount is \$30,000.

The Rehabilitation strategy is to complete substantial rehabilitation of substandard, homeowner occupied housing. The maximum per unit cost for rehabilitation cannot exceed \$50,000.

The Special Needs Housing Strategy provides funds to non-profit organizations to acquire, develop and/or rehabilitate affordable housing for very-low to low income special needs populations. Fund limits are \$50,000 per unit for new construction and \$40,000 per unit for existing structures.

Neighborhood Stabilization Program (NSP)

NSP was created by the Housing and Economic Recovery Act of 2008 (HERA). The purpose is to stabilize communities that have suffered from foreclosures and abandonments through the purchase and redevelopment of foreclosed and abandoned homes and residential properties. The program was funded by the U.S. Department of Housing and Urban Development (HUD) and the State of Florida Department of Economic Opportunity (FDEO). NSP funds must be used to create affordable rental and homeownership opportunities for households at or below 120 percent of AMI with a minimum of 25 percent of funds used for households at or below 50 percent of AMI. Rental units acquired with NSP funds must remain affordable through the affordability period. The period of affordability is 15 years for existing structures and 20 years for new construction.

Okaloosa County entered into agreement C10-1798-GM with OCDC on April 20, 2010 for the administration of the NSP funds. The original agreement was to expend all NSP funds within 18 months. However, the County was able to receive extensions from FDEO which extended the term to use NSP funds to May 31, 2016. OCDC purchased 69 existing units to rent to low income households and purchased a land bank in Fort Walton Beach for the future building of 24 units with the NSP funds Okaloosa County received. The 69 units consist of two units on Dahlquist Drive in Crestview, 61 units in the Rolling Pines subdivision in Crestview and six units in the Palm Village subdivision in Fort Walton Beach. An additional six units have been built on the land bank in Palm Village utilizing NSP funds. Under the contract OCDC is responsible for managing the rental units. They are also required to build 18 additional units in Palm Village no later than May 31, 2026.

Methodology

To accomplish the objectives of our audit we:

- Researched relevant Florida Statutes and State Board Rules
- Reviewed contracts between Okaloosa County and OCDC for significant terms and conditions
- Interviewed the OCDC Board Chairman, Executive Director and staff
- Reviewed agendas and minutes of meetings of the OCDC Board of Directors
- Evaluated the existence and effectiveness of OCDC policies and procedures related to the work performed under contracts with the County
- Reviewed NSP rental property policies
- Examined tenant files for eligibility documentation
- Examined expenditures for reasonableness, accuracy and supporting documentation
- Examined internal controls in place to ensure compliance with contract terms and conditions.
- Performed a walkthrough of the bid process used to award construction projects funded by SHIP for rehabilitation
- Examined accounting controls including appropriate segregation of duties
- Assessed the method and supporting documentation used by OCDC for awarding SHIP funds
- Traced payments made by Okaloosa County to OCDC
- Reviewed related party transactions for reasonableness.
- Coordinated and compared our work with monitoring activities performed by Okaloosa County Growth Management to eliminate duplication of effort.

Our work also included assessing the effectiveness of Okaloosa County management's monitoring and contract administration.

Results of Our Work

Compliance

SHIP Rehabilitation

The SHIP contract outlines six levels of accomplishment for the Rehabilitation strategy. Activity One is to prove homeowner's program eligibility, as evidenced by the application, income and asset verifications, and executed income certification. Activity Two is to perform an inspection of the home (with homeowner) and prepare a written Statement of Work. Activity Three is to schedule a Pre-Bid site conference with interested contractors. Then, request from those contractors in attendance a written proposal within 10 business days. Activity Four is to select a contractor to perform the repairs and issue a Notice to Proceed. Activity Five is to prepare a mortgage deed and Note for the client including obtaining required signature(s), notarizing and filing with Okaloosa County Clerk of Courts. Activity Six is to monitor work in progress which involves four steps: prepare a progress report based on inspection of work performed, approve all draw requests and any change orders, forward draw requests to OCDC Executive Director for final approval and forward approved request plus all documentation to Director of Finance for payment. Although, the contract states payment requests should be sent to the Director of Finance, OCDC sends all payment requests to the Growth Management Department. Growth Management reviews, prepares contract payment request forms and forwards to Finance for payment.

Originally the contract was set up so that OCDC was reimbursed for SHIP costs expended. Due to cash flow issues experienced by OCDC, the contract was modified so that the County pays OCDC for the cost of work completed by contractors when they receive an invoice from the contractor. Administration costs are still reimbursed as costs are expended.

OCDC keeps one file per project. The file includes applicant information and eligibility as well as all construction information. During the review period rehabilitation projects were paid in five draws. Upon request for completed files, the SHIP Inspector for OCDC provided us with two project files as samples.

Activity One-Eligibility

OCDC could improve its process for eligibility verification.

Out of two files examined, the income certification form for one homeowner was not signed by OCDC staff. In addition, the application for assistance submitted by the homeowner indicated that they lived with a significant other. However, they did not apply as a co-applicant or provide income information as required by SHIP rules. We cannot determine if the homeowner would have been eligible for SHIP funds had the other adult's income been included as household income in the income certification.

Activities Two and Three-Home Inspection/Develop Scope of Work and Pre-bid Meeting

OCDC was in compliance with Activities Two and Three of the Rehabilitation strategy.

Activity Four-Selection of Contractor and Notice to Proceed

Contract Award

Methods used to select contractors could be improved. According to OCDC staff, bids are received mainly via email by the SHIP Inspector. There is no formal process for recording bids received or for opening bids. The SHIP Inspector opens bids as they are received. The decision to award a contract to a bidder is at the sole discretion of the SHIP Inspector. From conversations with him we learned that he uses such factors such as price, number of projects contractors are working on and timeframe for completion in deciding who to award contract work to. Based on the files we reviewed, there is no documentation to support the decision to award the contract.

Bid Notice

According to SHIP Policies and Procedures provided by OCDC, a bid notice must be sent to at least three qualified contractors. If three quotes are not received, the proof of solicitation must be kept within the client file. Neither of the client files reviewed had this documentation. In one project file, only one bid was included in the file and it was not dated. It is not clear if the bid was the only one received.

In the other file reviewed, two bids were received from the same contractor one was for \$26,800 and the other was for \$32,300. The third bid was received from a different contractor in the amount of \$25,700. The bid for \$32,300 was selected. There was no documentation in the file that would explain why one contractor submitted two bids or why the highest bid was chosen.

We spoke with the SHIP Administrator regarding the decision made to accept the highest bid. She was unable to provide an explanation.

We recommend that OCDC develop written procedures to ensure compliance with this activity. Such procedures should ensure there is an open and transparent process for awarding construction contracts and that contracts are awarded based on identifiable measurable criteria and that documentation be kept supporting decisions made.

Activity Five-Mortgage Deed and Note

OCDC is not in compliance with Activity Five. We selected three SHIP projects randomly and checked public records to ensure Mortgage Deeds were being filed with the Okaloosa County Clerk of Courts. Mortgages were not filed for any of these projects. In discussions with the County Program Monitor, we did find one example of a project where proper documentation was filed.

Activity Six-Monitor Work in Progress

As mentioned previously Activity Six involves monitoring work in progress including preparing a progress report, approving all draw requests and change orders, and forwarding draw requests and supporting documentation to the Growth Management Department for payment.

OCDC does not consistently comply with Activity Six. During interviews with Growth Management staff, we found that the County often has to hold or return payment requests due to lack of required information. In addition, although the draw payment information is provided to the County prior to payment, OCDC does not always maintain this information in files supporting the SHIP program. One file reviewed lacked support for three of the five draw requests and information and invoices for two change orders. When questioned regarding the missing supporting documentation, the SHIP Administrator stated that she had not yet reviewed those files.

OCDC is not timely in submitting payment requests to Okaloosa County. We reviewed OCDC's processing of payment requests as well as the County's process for review and payment of these requests. From October 1, 2015 through December 20, 2016, the County received 60 draw requests for payments of SHIP *rehabilitation projects*. The average length of time between the date of the draw request from the contractor and the invoice date created by OCDC's was 18 days.

Similarly, we reviewed Okaloosa County's processing of payment requests received from OCDC. The County's process includes an initial review of the invoice and related supporting documentation by Growth Management Department. Per Growth Management staff, many times OCDC has to be contacted to provide additional required information in order for the payment request to be processed. After Growth Management approves the payment request it is sent to the Clerk of Courts Finance Department for approval and payment. The Finance Department's Contracts and Grants Department reviews the request for compliance with contract terms and conditions and then forwards the payment request to the Accounts Payable Department for review and processing. Checks are issued once per week on Thursdays. The average length of time between OCDC's invoice date and the date of the check issued by Okaloosa County was 11 days.

For the same time period, the County received 18 requests for payments of SHIP *down payment and closing cost assistance*. The average time between the date the homeowner signed the SHIP disclosure form and the date of OCDC's invoice to the County was 24 days. The average length of time between OCDC's invoice date and the date of the check issued by Okaloosa County was 13 days.

We recommend that OCDC establish written policies and procedures that would require documentation in files detailing the bid selection process and criteria used. Policies should be developed to ensure the accuracy and completeness of eligibility requirements for SHIP funding to recipients. Verification documents should be complete and accurate and should support the award decisions. Bid files should also include information on draws, change orders as well as documentation on draw inspections performed. OCDC should establish policies and procedures that address timely filing of SHIP payment requests.

NSP Rentals

The NSP contract requires OCDC manage the rental units purchased with NSP funds. The contract specifies that managing the units includes but is not limited to enforcing leases, collecting rent, filling vacancies and maintaining records to include but not limited to income, expenses, renter qualifications, leases, inspections and maintenance and repair of each unit. We reviewed the files for 10 rental units.

Tenant Files

As stated above OCDC is responsible for keeping records of renter qualifications. OCDC keeps files for each tenant for each year they reside in one of the NSP units. OCDC has created a checklist of what is required in each tenant file.

Based on the checklist, each tenant file should include a copy of the signed lease agreement, application, social security cards for all members of the household including minor children, driver's license or birth certificates for all members of the household, the most recent year's tax return, a verification sign off sheet, an income eligibility form, four pay stubs, two months of bank statements for all bank accounts, Social Security award letter, Access Florida documentation, child support documentation, unemployment documentation, Section 8 award letter, CWHIP Income Limits, Home Income Limits, & Home Rent Limits, utility allowance worksheet, background check and unit inspection list.

Each year, tenants' income must be reverified to ensure they are still eligible. A new file is made for each unit each year even if the same tenant is in the unit.

We reviewed 11 tenant files. Two files were for one unit but were for different tenants. Only one file of the 11 reviewed had all required documentation. For that file, the OCDC staff signature for Income Verification was missing.

Seven files were missing key information used to verify tenants' income. Two of the tenant files reviewed were for OCDC employees. Although, one of these employees was married, the spouse's income was not included, no tax return was provided and no explanation was provided as to why the spouse's income was not included. Another employee's file did not include bank statements or a tax return. It is not clear how OCDC was able to verify income eligibility without tax returns or bank statements.

Monitoring Activity by Okaloosa County Yields Similar Results

Okaloosa County's program monitor in the Growth Management Department also conducted reviews of the NSP tenant files. The following summarizes their findings and is provided here to further emphasize the need for improvement in accountability for these funds.

For 2015, their report found tenant files were missing signatures and key documentation. There was lack of review by a second person for income verification and eligibility forms, and incomplete lease agreements. They also discovered many times non-payment notices were in files but no follow up documentation. Okaloosa County Growth Management also reviewed 16 tenant files in May of 2017. They found 10 out of the 16 files to be incomplete; five files were missing signatures, four had missing documentation and one did not include all the tenant's income. In that instance, had that tenant included all of their income they would have been ineligible. When asked, OCDC staff said they were aware of the issue and that the tenant was not eligible but they had not notified the tenant or taken any other corrective action. The County could be liable to repay NSP funds if tenants are found to be ineligible by FDEO or HUD.

We recommend that OCDC follow established Federal, State, and contract requirements as well as established internal policies and procedures to ensure tenants' eligibility is properly determined and tenant files have all required documentation.

Rental Unit Expenses

OCDC is required under contract terms to keep a record of expenses by unit. OCDC tracks expenses by writing unit numbers on receipts/invoices. The invoice/receipt is then attached to a copy of the check and filed by date. The expenses are posted to the accounting system, QuickBooks, referencing the unit number so unit expenses can be identified and separated. From the 10 units selected for testing, 75 expenses were examined. We noted discrepancies in 29 of those tested.

- Five of the expenses referenced two payments to Home Depot. We were unable to determine what was purchased because the online confirmation amount did not match the statement or the receipts attached.
- Three payments had receipts but no rental unit was identified on the receipt even though a unit number was referenced in the accounting system. We were unable to verify that unit expenses posted were charged to the correct unit.
- Three payments had no receipts provided. Again, although the rental unit number was referenced in the accounting system, we were unable to verify the accuracy.
- Six payments were incorrectly charged to rental units.
- Two payments relating to one check referenced a check number but that check number was found on blank check stock in the file.
- One payment indicated the check was payable to the Okaloosa County Board of County Commissioners (BCC) but notes in the files we examined indicated that the check was issued to an employee for an out-of-pocket purchase.

The remaining eight payments were related to payroll.

- Six of the payroll expenses had no documentation or work orders showing what work was done on rental units to support charges.
- Support for one payment indicated an employee worked 18 hours but was paid for 28 hours.
- Another payment charged a rental unit for 10 hours for two employees to change a ceiling fan.

Okaloosa County's Requirement to Monitor Programs

As program monitor for both the NSP and SHIP contracts the Okaloosa County Growth Management Department conducted desk reviews of rental unit files in 2015 and 2016.

In 2015, the program monitor reviewed 15 units. For the units examined, the program monitor indicated that they had difficulty determining what repairs or upgrades were made to various rental units and what actual costs were, due to insufficient documentation. Included in findings contained in their report they noted that OCDC was expensing tools to rental units instead of capitalizing such expenses as equipment. OCDC is required by the NSP Contract to maintain an inventory list of all equipment purchased with NSP funds. The Program Monitor requested an equipment list from OCDC but has yet to receive a complete and accurate list of tools and equipment purchased with NSP funds.

The program monitor also found inconsistencies in the costs of appliances and fixtures purchased for rental units. A refrigerator for one rental unit was purchased for \$2,000 whereas a refrigerator for another rental unit cost \$800.

For the 2016 review, 28 rental unit files were examined with similar results. The program monitor had difficulty in clearly identifying repairs and upgrades for rental units examined. They also found that \$28,146 of expenditures were recorded to either the wrong unit or wrong classification. In a review of payroll amounts submitted for reimbursement, discrepancies totaling \$1,331.82 were noted. OCDC could not provide an explanation and subsequently repaid the County for payroll discrepancies.

Copies of these reports including actions taken to correct the deficiencies noted are available through Okaloosa County's Growth Management Department.

Rental Unit Expenses-Maintenance Hours Charged to Rental Units

OCDC is responsible for maintenance and repair of all NSP rental units. This includes any repairs and maintenance needed to prepare units for a new tenant after the previous tenant moves out. OCDC refers to this as a "turn" as in a turn-around or turnover of a rental unit. OCDC NSP Policies and Procedures require utilities should be turned on for no more than two weeks to complete a rental unit turn. In addition, policies require the Director of Programs or Executive Director should be notified if utilities are needed longer than two weeks. The Executive Director has stated that the "turn" of a rental unit should take approximately 160 hours. Rental units are charged for labor costs through the use of manually written work orders whereby maintenance employees' time expended on rental unit repairs is recorded on a work order. This information is used to allocate their time and related payroll costs to the appropriate unit.

We performed an analysis on maintenance hours charged to the NSP program rental units for fiscal year 2016. We found that 70% of maintenance hours (5,394) for the entire year were charged to 13 units. These units had an average of 292 maintenance hours charged, well over the 160-hour average provided to us. One unit was billed for 476 hours. To support the payroll expenses that we reviewed, either no work order was provided or notations on the work order merely referenced "turn."

During Growth Management's review of 2016 expenses, they also found excessive maintenance hours charged in 14 of 28 units. OCDC was unable to provide an accounting or any documentation regarding the work performed in those units.

We recommend OCDC keep detailed work orders and timesheets for each maintenance employee. OCDC should set up guidelines as to the acceptable amount of time repairs should take. If an employee is going to spend more time than that, such should require management's review and approval.

Rental Unit Income

Section 27 of Amendment 4 the NSP contract with Okaloosa County requires OCDC to advertise, promote and conduct outreach activities to maintain rental unit occupancy at acceptable levels. This section also requires that OCDC collect all rent and other amounts due in a timely manner and deposit into appropriate bank accounts.

The County's Program Monitor in Growth Management tracked unit income, expenses, net income and occupancy for 2016. We compiled this information and note that for 816 potential rental income months for the year, 159 months or 19.5% of the units were either vacant or rent was not collected. For the 10 units examined during our review:

- One unit had no income for 8 months. For this unit, OCDC staff stated that payment arrangements were made several times without success, however OCDC policy only allows for payment arrangements to be made once each year.
- Another unit only collected rent twice between January and July. Eviction proceedings did not begin until July 2016 and the tenant did not move out until October 2016. OCDC staff we spoke to did not have an explanation why it took so long to begin eviction.
- During review of tenant/unit files we noted one rental unit where the tenant moved out in March 2016, the same tenant moved back into that unit in October 2016. There was no rent collected between March 2016-September 2016. OCDC staff said that they were not able to rent the unit because the maintenance staff was not able to turn the unit during that time period.
- Regarding rent due dates and late fees, OCDC staff stated that rent is due by the first of each month. A late fee is applied if payment is not received by the fifth of the month. If rent is not received by the sixth day, a three-day notice is issued which gives the tenant three days to pay. OCDC staff indicated that the tenant generally will contact their office to set up payment arrangements. If the tenant does not respond within 3 days, eviction proceedings begin. According to OCDC staff, less than 10 evictions have been filed with the Court and less than 5 tenants have been evicted.
- The OCDC maintenance employee who occupied one of the rental units referenced previously did not pay rent for three months during the lease period. On several other occasions rent was paid well past the fifth of the month, however, no late fees were assessed as required in policy. Upon termination of the lease, the employee was allowed to leave with unpaid rent owed. OCDC staff were unable to explain why an employee was permitted to move out with a balance due.

We recommend that OCDC establish and follow policies and procedures to ensure maximum rental income by ensuring timely payments while maximizing unit occupancy. Rental of units to citizens should be made equitably avoiding even the appearance of favoritism shown to tenants.

Rental Property Monitoring Plan

The NSP contract with Okaloosa County contains a Rental Property Monitoring Plan that outlines reporting requirements. OCDC is required to provide the County with a complete intake application packet, including completed conflict of interest forms on all proposed tenants. According to the plan occupancy is not granted until they receive written approval from the County. This applies to the initial occupancy as well as subsequent occupancies for all NSP properties through the end of the affordability period.

Annually, OCDC is to provide an independent audit and a pro-forma showing actual income and expenses for each NSP property. The pro-forma must include, at a minimum, the amount of all rents collected on each NSP property during the calendar year, all security deposits, by address, currently held by OCDC, all expenses incurred on each NSP property during the calendar year, all expenses associated with managing the property and the amount of funds in the reserve accounts at the beginning and end of the calendar year. Additionally, OCDC is to provide proof of tax exemption for each NSP property from the Property Appraiser's office and evidence of property insurance for full replacement value with the County named as additional insured on each property. Monthly, OCDC is to provide the County at a minimum the following information:

- a summary of NSP properties to include how many units are rented,
- how many and which units are vacant,
- which units if any required repairs and the dollar amount of those repairs,
- status of Macedonia Community Development and Greg Chapel AME Church involvement (these are religious organizations that OCDC has contracted with to manage 11 of the 69 NSP units),
- profit and loss statements for each unit,
- status of any ongoing County or State requests and any complaints received.

The Monitoring Plan also requires OCDC to arrange for a County representative to inspect each NSP unit within sixty days of the completion of the calendar year. The inspection report, at a minimum, must contain information on the condition of the exterior elevation, condition of walls and floor covering, condition and operation of exterior doors, interior doors and windows, condition of light fixtures and ceiling fans, condition of cabinetry, condition and operation of plumbing fixtures, and condition of all appliances.

OCDC does not provide the County with information on potential tenants (intake application packet). The County has not enforced this provision. OCDC does not provide the County with an annual pro-forma, proof of tax exemptions or evidence of property insurance and the County has not requested this information from them.

OCDC does provide Okaloosa County with a monthly report for NSP units. However, they do not include which units are vacant and do not provide information on which units need repair or the cost of repairs per contract requirements. Additionally, they report what the rent amounts are supposed to be but do not always disclose which units are not paying rent. They also do not provide information on the Macedonia or Greg Chapel involvement.

We examined the reports for December 2015 and June 2016. In June 2016, one unit had not paid rent for 4 months and OCDC was preparing to start the eviction process. However, this information was not disclosed to the County. The County does not perform an annual inspection of units. Neither the County nor OCDC is in compliance with the Rental Property Monitoring Plan.

We recommend that OCDC ensure that all reports required by contract are completed accurately and timely filed and include all required information. Okaloosa County should ensure that OCDC is filing all required reports. Okaloosa County should implement a process to inspect NSP units each year. Monitoring of such reports on rental units by Okaloosa County may serve to assist them in evaluating the reasonableness of amount of funds expended on individual rental units including labor costs.

Required Financial Reporting

OCDC is required to submit an audit of their financial statements conducted by an independent certified public accountant by March 31st of each year. The audit for the year ending June 30, 2015 which was due March 1, 2016 was not submitted to the County until November 10, 2016. Other quarterly and annual reports required to be submitted to the Finance Department have been late an average of 48 days.

In the most recent audit (FY2014-15) conducted by an independent external auditor, OCDC received an audit finding reported as a significant deficiency regarding filing of audited financial statements. OMB Circular A-133 requires that audited financial statements and the single audit reporting package be submitted to the Federal Audit Clearinghouse no later than 9 months after the fiscal year end. As mentioned in the preceding paragraph, the audit report was due no later than March 31, 2016. However, the financial statement audit did not begin until July 2016 and was not submitted to the County until November 10, 2016, well after the report due date.

In response to the finding, OCDC anticipated meeting future financial reporting deadlines however the audit for the subsequent fiscal year (FY2015-16) did not commence until August 2017 well past the reporting deadline.

OCDC is responsible for providing appropriate and accurate information so that the County can submit a quarterly NSP report to Florida Department of Economic Opportunity (FDEO). The report for the quarter ending September 30, 2017 was due to FDEO no later than October 13, 2017. The required information from OCDC was not submitted to the County until October 11. An initial County review, revealed a \$108,310.64 discrepancy between program income shown on report and the balance in bank accounts. Although an \$80,000 accounting error was identified, the report was submitted to FDEO with a \$27,547.63 discrepancy due to time constraints.

We recommend that OCDC take appropriate actions throughout year to ensure all required reporting is completed timely and accurately.

Management

Accounting

OCDC fiscal staff do not possess sufficient knowledge and training required to follow Generally Accepted Accounting Principles (GAAP). Because of this, external auditors had to make numerous material adjustments to the financial statements. Significant adjustments to accounts payable and accrued expenses, allowance for bad debt, deferred revenues, depreciation, and receivables and related revenues were made by the external auditors. This resulted in an audit finding deemed to be a material weakness in its internal controls over financial reporting in the most recent audit of OCDC for FY 2014-15, discussed previously.

OCDC should consider additional formal training for its financial staff to ensure compliance with professional accounting standards. OCDC management should follow existing policies and procedures that provide for appropriate management oversight of the accounting function.

Internal Control

Bank Reconciliations

As defined in OCDC's Financial Responsibilities narrative, the bookkeeper shall reconcile each QuickBooks company account to corresponding bank statements and provide these to the Executive Director for review and approval. Such is a key control necessary to ensure appropriate oversight of financial operations.

We reviewed two months of bank reconciliations, December 2015 and June 2016. During December 2015, OCDC had 11 bank accounts to reconcile. The reconciliation was missing for one account. Four accounts were not approved by the Executive Director. Two of the reconciliations were not completed until March 2016. There were 12 bank accounts to reconcile June 2016. The reconciliation was missing for one account. One reconciliation did not include a bank statement. The bank statement was provided in June 2017. Seven of the accounts were not approved by the Executive Director. One reconciliation was not completed until October 2016 and three accounts were not reconciled until December 2016. Reconciliations are not being done in timely manner and are not following policy for the Executive Director to approve. This is a significant control weakness given the executive director's review of bank reconciliations performed by the bookkeeper/accountant is a key control.

Receipts by Mail

The bookkeeper opens all checks/mail and routes to the Executive Director for review. The Executive Director then distributes mail/checks to appropriate staff. All NSP checks are given to NSP Administrator and SHIP checks are given to the SHIP Administrator. The Administrators prepare their deposits. A check log is not created at time of receipt. In effect, management does not track checks to know if any checks are missing. We recommend all checks be logged when received and the appropriate administrator signs the check log confirming receipt of checks.

Segregation of Duties-Accounting System

As mentioned previously, OCDC uses a well-known automated accounting system, QuickBooks© to process accounting entries and to produce financial statements. QuickBooks employs a User Rights and Rules system for segregating rights to the various accounting functions to ensure appropriate separation of duties over the accounting function.

We reviewed these user rights and rules and learned that all users have full access to all areas in QuickBooks including critical areas such as payroll and vendor setup. Such circumvents designed controls.

We recommend that OCDC management perform a comprehensive review of its accounting function and create appropriate segregation of duties.

Policies and Procedures-Compensation

We reviewed OCDC Policies and Procedures also referred to as the employee handbook. This document is approved by the Board of Directors. These policies address, among other things, paid time off accrual rates for employees with varying lengths of service. Leave is accrued at the rate of 1 week each year for employees who have worked for OCDC at least one year. The maximum amount that can be earned is 3 weeks of vacation for employees who have been employed five years or longer.

During our review of accounting transactions, we noted several questionable compensation expenditures that are not authorized in policies adopted by the Board. These include paying utility bills for OCDC staff and providing pay advances.

We noted four employees who have a negative balance in their leave balances meaning that they have been paid for time not worked. In the instances noted the negative balances ranged from 42 hours to 354 hours. When questioned about these practices we were informed that such is at the discretion of the Executive Director.

We believe that such compensation decisions should be authorized by the Board of Directors. We recommend that the Executive Director seek approval for all compensation decisions from the Board of Directors.

NSP Funding

As mentioned previously, Okaloosa County entered into agreement C10-1798-GM with OCDC on April 20, 2010 for the administration of the NSP funds. This agreement included funds to purchase a land bank in Fort Walton Beach for the future construction of 24 rental units. Six units have been built on the land bank in Palm Village utilizing NSP funds. Construction delays in completing these rental units resulted in a completion date after the expiration of the grant, May 31, 2016. Due to those delays the County and OCDC lost \$279,124.75 of NSP grant funding.

NSP Obligations

As mentioned previously, OCDC is required to build 18 additional rental units in Palm Village no later than May 31, 2026. The only funding source for this construction is rental income generated from the NSP rental units. In 2016, OCDC received \$460,426.86 in rent income. Related rental expenses were \$410,435.70. In addition, OCDC deducted management fees of \$46,352.78. Net Income from NSP rental units in 2016 was \$3,638.38.

What effect this has on OCDC's ability to meet its obligation to fund and construct the additional 18 rental units is unclear.

Governance

Articles of Incorporation

The Okaloosa Community Development Corporation is a 501(c)(3) corporation incorporated in the State of Florida on January 26, 1993. According to the Articles of Incorporation filed with the Secretary of State, OCDC was originally organized for charitable and educational purposes including the redevelopment, promotion, up-grade and rehabilitation of cultural, historic, social, physical and economic aspects of Okaloosa County. Those bylaws were amended on October 18, 2000 to include provision for *decent housing that is affordable in Okaloosa County*.

OCDC has no members and so all decisions affecting the business, property and affairs of the corporation are made by its board of directors. According to the Articles of Incorporation the number of board members, qualifications and manner of their election or appointment shall be established in the Bylaws of the corporation, but the number of board members may not be less than three. In addition, those articles provide that officers of the corporation (Chairperson, Vice-Chairperson, Secretary and Treasurer) shall be elected by its Board of Directors each year.

Articles of Incorporation also provide that amendments to the Articles may be made by a vote of two-thirds of the Directors present at any regular or special meeting, a majority being assembled. Because the Articles provided that the Board of Directors may be comprised of as few as three members, in effect, Articles can be changed with as little as two board members.

By-laws “Quorum”

According to the bylaws of the corporation, there shall be up to 17 board members (directors). The presence of a majority of the total number of Directors shall constitute a quorum. Based on minutes of the board meeting held on June 16, 2016 there were 14 directors and yet only 6 were present. There was no quorum.

We examined a series of board meeting minutes for the most recent 12 months ending September 2017. The number of directors listed in the minutes varied between 12 and 14. No meetings were held in two of the 12 months examined. For the remaining 10 meeting minutes, no quorum was present with six members at most being in attendance.

Subsequent to the conclusion of our field work and in response to the previous comments, OCDC management provided us with minutes of a meeting of the Board of Directors held October 16, 2014 wherein bylaws addressing quorum requirements for the corporation were amended. Contrary to statements made by management in their written response (included at the end of this report), these changes were not filed with the Florida Secretary of State.

According to that amendment a quorum of directors necessary to conduct business of the non-profit is defined as: “*the total present at any meeting and participating in the meeting of the Board of Directors shall constitute a quorum for the transaction of Corporate business*”. In effect, the corporation can be managed with oversight of as little as two persons. While we do not offer an opinion regarding the appropriate number of directors necessary to adequately oversee, monitor and make decisions regarding the operations of the corporation, we do believe that the quorum requirements as amended create an opportunity for errors and mismanagement to occur and may have been a contributing factor to the items addressed in this report.

Bylaws provide for the automatic removal of a Director who fails to attend any three (3) consecutive meetings without Board approved excuse. Four directors did not attend any meetings during this time. In addition, based on our review of those meeting minutes it appears that there is a core group of five or six directors who regularly attend and make decisions affecting the corporation.

Approval of Minutes

We noted in minutes of the February 23, 2017 meeting that the Board approved the minutes of the meeting held on February 23, 2016, one year previous.

Meeting Advertising and Florida’s Public Records law

In conversations with the Executive Director and Chairman of the Board of OCDC we learned that meetings of the Board are not publicly advertised.

In our research regarding the need to advertise board meetings of not-for-profits we learned that OCDC serves as the SHIP administrator for Okaloosa County and is granted such authority through their contract with Okaloosa County. Because of this, OCDC has been granted authority to administer the local housing assistance plan by Okaloosa County. By delegating the Board’s statutory decision-making authority to OCDC they become a sub-recipient for the SHIP program under Part VII, Chapter 420, Fla. Stat. Because of this they are an agency within the scope of the Government in the Sunshine and the Public Records Law.

We are concerned that Articles of Incorporation can be changed with as little as two board members. In addition, although bylaws require a majority of board members be present to conduct business we know that generally, a quorum was never present. Meetings of the Board are not advertised and attendance by board members at these meetings is problematic.

We recommend that the board of directors for Okaloosa Community Development Corporation take steps to improve governance activities and controls of the corporation.

Related Party Transactions

The NSP contract specifically addresses conflicts of interests several times in that document. Section 22 of Amendment 4 states that no member of OCDC's governing body shall have any financial interests in any property acquired using NSP funds including property management services. In addition, the Chairman of the Board at that time signed a letter in April of 2010 stating that neither he nor any company that he was affiliated with would receive any funds from NSP.

As fully disclosed in the most recent external audit of OCDC (FY 2014-15), a member of the Board is the owner of the rental management company that manages the homeowners' association for Rolling Pines Townhomes. 61 of the 256 rental units covered under the homeowner's association were acquired using NSP funds and operated by OCDC. For the period covered by this audit the company received over \$25,000 from NSP funds for HOA dues and received a monthly fee for performing the accounting for the homeowners' association.

We note that the Executive Director for OCDC sits on the Board of Directors of the Rolling Pines Homeowner's Association (HOA) and serves as Treasurer.

Conflicts of Interests

The NSP Housing Assistance Plan addresses conflicts of interest. OCDC is to provide the County with a list of qualified applicants with proof of eligibility and proof no conflict of interest exists between the applicant and members of the Community Advisory Task Force (CATF), Okaloosa BCC, County Staff or OCDC staff. Any member of the CATF, County Commission, local government employee, board member or employee of a sub-recipient or developer organization or a contract worker that are directly related to anyone working in the NSP Program or relatives of this individuals are ineligible for program participation unless they are granted a waiver by local government and FDEO. Prohibition against participation shall continue for one year after an individual's relationship with the local government, sub-recipient, or contract worker has terminated.

During our review, we noted that two OCDC maintenance employees lived in NSP units. This fact was not disclosed to the County or approved by Okaloosa County or FDEO.

The Housing Assistance Plan also states contractors who have a potential conflict of interest with any recipients, sub-recipients or potential beneficiaries will not be allowed to submit bids or perform any work under the NSP program. The SHIP Administrator for OCDC who is also the NSP Palm Village property manager worked for the plumbing contractor who performed the plumbing work for the new construction at Palm Village.

OCDC should ensure all conflicts of interest are disclosed and approved by the County and FDEO. Conflicts of interest of this nature could result in the County repaying grant funds or potentially jeopardize future grant receipts.

Please see Okaloosa County's and Okaloosa Community Development Corporation's response to this report following.

End of Report

Exhibit A Management's Response



State of Florida

County Administrator's Office

December 1, 2017

Sam Scallan
Inspector General
302 N. Wilson Street, Suite 203
Crestview, Florida 32536

OKALOOSA COUNTY'S RESPONSE TO THE REPORT ON REVIEW OF OKALOOSA COMMUNITY DEVELOPMENT CORPORATION COMPLIANCE AUDIT

The County is in receipt of the Report on the Review of Okaloosa Community Development Corporation Compliance Audit (the "Report") prepared by the Clerk of Court Inspector General. Please find the County's response to the finding and recommendation contained in the Report that was applicable to the County. The County defers to Okaloosa Community Development Corporation to address the remainder of the findings.


Rental Property Monitoring Plan

FINDING: Neither the County nor OCDC is in compliance with the Rental Property Monitoring Plan.

RECOMMENDATION: Okaloosa County should ensure that OCDC is filing all required reports. Okaloosa County should implement a process to inspect NSP units each year. Monitoring of such reports on rental units by Okaloosa County may serve to assist them in evaluating the reasonableness of amount of funds expended on individual rental units including labor costs.

RESPONSE: The County agrees that it is important for the County and OCDC to evaluate the Rental Property Monitoring Plan within the Agreement between the two parties. The County will review the Rental Property Monitoring Plan and consider revisions thereto as appropriate. In addition to the finding addressed to the County, Staff will work with OCDC to make necessary changes in the Agreements and procedures to ensure compliance with both SHIP and NSP.

Regards,


John Hofstad
Okaloosa County Administrator

Okaloosa County Administration Building
1250 N Eglin Parkway, Suite 102
Shalimar, Florida 32579
(850) 651-7515 • FAX: (850) 651-7551
Email: managerinfo@co.okaloosa.fl.us



Okaloosa Community Development Corporation

*Community Housing of Okaloosa County, LLC
Okaloosa Housing Partners*

December 28, 2017

Samuel Scallion
Inspector General- CIG, CPA, CIA, CFE Okaloosa County Clerk of Courts
602 B. North Pearl Street
Crestview, Florida 32536

RE: IG Report Responses

Dear Mr. Scallion,

Our formal written responses address Staff and Governance deficiencies contained in the IG Report.

State Housing Initiatives Partnership (SHIP)

Okaloosa Community Development Corporation recognizes that areas of our SHIP program could and will be improved upon. Several changes have been implemented in order to successfully continue to serve eligible residents of Okaloosa County.

- OCDC has implemented the use of a check list for all files to ensure all documentation that is needed is identified for each file. (Action Complete) (Attachment 1)
- Staffing changes were made in July of 2017 to include adding a second inspector to improve the timelines of project dates. (Action complete)
- OCDC shall implement the procedure of the SHIP Administrator to review the file upon intake completion and income verification to verify that no contract is executed to begin repairs prior to client approval.
- OCDC has implemented the addition of a BID process document in the file to track the bid process. The inspector must place a copy of any and all bids in the file along with the bid form. Amended written procedures include the use of this form.(Action complete) (Attachment 2). The SHIP program currently has five contractors; each contractor is given the opportunity to attend the Bid conference / inspection and subsequently to submit a bid. Bid analysis and bid award notes will be kept in the file. OCDC shall solicit annually for contractors to participate in the SHIP Rehab process.

- OCDC will implement a scoring system to the Bid process. Estimated completion April 2018.
- OCDC has implemented the practice of the SHIP Administrator reviewing the file upon the last draw of the project, no longer at the closeout year. The Promissory Note shall be initiated at the time of contractual agreement between the Client and the Contractor to include contract amount, inspection fees and recording fees; this document is updated if needed to reflect the full amount of funding utilized for the project and subsequently filed in the official court records. OCDC has implemented the practice of a more stringent review of the draw documentation prior to submission to Okaloosa County in order to ensure all documentation is accurate and included. (Action complete)
- The revised Policies and Procedures have been attached. (Attachment 3)

Neighborhood Stabilization Program (NSP)

OCDC recognizes that areas of our NSP program could and will be improved upon. Several changes have been implemented and are in process to ensure compliance with Okaloosa County and OCDC agreement C10-1798-GM for the administration of the NSP funds.

- OCDC is in the process of reviewing its contracts with Okaloosa County and shall begin to request amendments in order to remove and or add program requirements as needed; it is expected to be a lengthy process (up to six to nine months) due to the timelines of all parties involved in the approval process). Estimated time to complete these actions: May 2018.
- In September 2017, OCDC implemented a streamlined Policy and Procedures manual to clearly define the documentation to be retained in each tenant / unit file. Tenant files will be reviewed by a second staff person prior to move-in to ensure compliance with the policies in place. Rental Unit Income policies and procedures are contained in the OCDC Board approved CHOC NSP Program Overview and Procedures Manual (Attachment 4). (Action complete)
- OCDC has begun the process of amending the Policies and Procedures to include the processing a Conflict of Interest when applicable, rental property monitoring plan, as well as any other items necessary to further streamline the process and avoid overlooking possible Conflicts of Interest; it is expected this change to take up to two months until implementation. Estimated date to complete this action: March 2018.
- OCDC has rearranged its staff to make the SHIP Administrator and the NSP Administrator standalone positions; this ensures the necessary time allowance for each position to be aligned with the job details, work performance, and provide for a separation of duties to create required checks and balances.

- Unit files are maintained to include the tenant file as well as any expenses charged to the particular unit. OCDC has implemented more stringent oversight of expense items as well as their classification in QuickBooks. (Action complete)
- OCDC has implemented a detailed work order and time sheets for each maintenance employee that includes acceptable amount of time repairs should take for work performed in units. The work order has full explanations of what was done. OCDC shall monitor the hours being accumulated on each unit by selecting deadlines and assuring that all work is completed properly by utilizing a checklist for each unit. (Action Complete)
- The estimated normal turnaround time for each unit will not exceed established time allotments, unless the condition of the unit requires additional repairs, and these repairs will be identified and reported. Additional time to complete repairs require management's review and approval. This action will assist in time management of maintenance employees and the repair of units. (Action complete)
- OCDC has provided the appliance specifications listing to Okaloosa County Grants Specialist; OCDC shall ensure the appliances purchased are within the specifications or variances shall be reported with explanations. (Action complete)
- OCDC is in the process of adopting a tool list and appliance serial numbers which will meet our contractual obligations to maintain a complete inventory of all personal a complete inventory of personal property and equipment. Estimated date to complete this action: March 2018.
- Rental Property Monitoring Plan requires evaluation by Okaloosa County and OCDC; subsequently amended accordingly. Neither County nor OCDC is in compliance with the established requirements of the monitoring plan. Amendment action is expected to be a lengthy process (up to six to nine months due to the timelines of all parties involved in the approval process). Estimated time to complete these actions: May 2018.

Financial Reporting

OCDC recognizes the need to improve our current financial reporting and oversight procedures. The BOD is reviewing the policies for financial oversight and will closely monitor compliance with reporting deadlines at monthly BOD meetings.

- Timely auditing of financial statements was impacted due to funding availability. Timely payments of audit costs were delinquent due to delays in receiving Admin funding; the audit could not begin until the past due amount was paid in full. OCDC has developed a

preliminary month-end close checklists deadlines for getting the reporting done timely. Implementation of the financial reporting process begins January 1, 2018.

**Management
Accounting**

- OCDC fiscal staff does not possess the required skills and training to fulfill all required accounting processes and reports. OCDC will engage an external accounting vendor to complete quarterly accounting oversight of the office financials. This action is in process with an anticipated completion date of January 1, 2018. (Attachment 6)

Internal Control

- Bank reconciliations are reviewed and approved by the Executive Director and are current. The bank reconciliations shall be completed monthly by the accounting vendor. Action completed.

Receipt by Mail

- The Executive Director has reassumed the duty of opening all mail received. Action complete.

Segregation of Duties – Accounting System

- The QuickBooks® user rights and rules system for segregating duties and responsibilities of the various accounting functions to ensure appropriate separation over the accounting function has been corrected. Accounts payable, accounts receivable and general accounts administrator functions have been established and will be separated.

Policies and Procedures

- Formulas used in QuickBooks to calculate employee leave time have been corrected; an audit of accrued leave of employees has been completed, and employees with zero leave accrual shall not be paid creating negative paid time off.
- OCDC Policies and Procedures Manual shall be revised to include the terms for payroll advances to employees. The Executive Director shall approve a pay advance of one per year per employee; additional advances shall require approval from the Board of Directors. The estimated time to complete this action is January 17, 2018.

NSP Obligations

- OCDC is aware of the timeline for build-out of the land bank at Palm Village; it is OCDC's intent to utilize the net rental income, additional SHIP dollars, other Florida Housing grants that come available, as well as Grant funding from Federal Home Loan banks Affordable Housing Program shall be applied for, or a joint venture with a larger affordable housing developer will be pursued.

By-Laws Quorum

- The Director membership of this Not for Profit organization has fluctuated for the past several years with a maximum number of 14 assigned at any given time.
- On occasion, a quorum could not be established to conduct the business of the Corporation, resulting in "Conference Calls" as a remedy to complete timely board action(s) on various agenda items. The action to correct the "quorum" requirement resulted in the approval Resolution 2014-02, October 2014 (Attachment 6), which was an amendment to the by-laws to change the quorum requirement to state "*the total present at any meeting and participating in the meeting of the Board of Directors shall constitute a quorum for the transaction of Corporate business.*" The By-Laws requirements for a "quorum" of Directors shall be reviewed by the Board of Directors, and changed as required. The estimated completion date for this action is April 2018. At this time OCDC wishes to have this item stricken from the Audit.
- A review of the Board of Directors minutes for October 2016 – September 2017 revealed that only one meeting was not held during that time; the April 2017 meeting was cancelled, with approval from the Board Chairman. The Board members were given official notice of the cancellation. At this time OCDC wishes to have this item stricken from the Audit.

Approval of Minutes

- The typo error in the February 2017 meeting minutes erroneously listed the board meeting minutes for February 23, 2016 has been corrected to read to the correct years date.

Meeting Advertising and Florida's Public Records Law

- The OCDC monthly Board meetings shall be advertised using the BOCC web page beginning January 2018.

Related Party Transactions

- When the 61 units were purchased out of foreclosure with NSP funds, the association had been dissolved for failure to file annual reports and the former developer had stolen all funds from association accounts. Progressive Management reactivated the Association, formed an interim Board of Non OCDC owners and subsequently held an election of permanent Board Members/Owners. All of this activity was completed with no charges to the Association.
- The management of the Homeowners Association by Progressive Management has been reported in the notes of the OCDC audit for the applicable year. No further action is required.
- The new Board only agreed to serve if Progressive Management would agree to provide accounting services to the Association. It was agreed that this service would be provided for a nominal fee or \$350 per month. The Board Members served as volunteer association managers. The Board quickly determined that managing an association of 256 unit owners and tenant families was an extremely difficult task. Three Presidents resigned in the first three years as a result.
- The Board subsequently determined that outside association is required; Progressive Management was requested to provide this service. Again, a nominal fee of \$1000 per month was established and accepted by the Board. That agreement is still in place. The market rate association management fee for this type and size property would be \$2500 per month. All Association fees paid from rental income are paid directly to the association and quarterly financial statements are provided to the Association Board of Directors for review and acceptance.
- On December 2, 2017 the Annual Meeting and election of officers for the Rolling Pines Homeowner's Association was held. The Executive Director withdrew his nomination and no longer holds the position of Treasurer of the Rolling Pines HOA.

Conflict of Interest

- The conflict of interest policy approved by County, FDEO, and OCDC has been reviewed. OCDC is in Compliance with the Conflict of Interest policy.

- OCDC had three employees who resided in the units, one tenant no longer resides the unit, and two remain.
- OCDC staff will fully disclose to the Board of Directors the maintenance employee who resides in Rolling Pines. This employee has a qualifying income; and pays the current rent rate applicable to the income.
- The OCDC employee residing in one of our Palm Village has a qualifying income and receives rent approved concession. . This employee has an approved Conflict of Interest form from DEO; dated March 28, 2012. The employee is married and has legal separation from spouse; the estranged spouse maintains separate residence and file separate tax returns. OCDC wishes to have this item stricken from the Audit due to the approved Conflict of Interest dated March 28, 2012. (Attachment 7)
- The SHIP Administrator worked with the contractor for the period of January 2017-March 2017. The employee is no longer employed by the Contractor and the project is closed.

Please refer any questions or concerns to the undersigned.

Humble Regards,



Jim Robbins
Executive Director
Okaloosa CDC

5. Atch

1. SHIP File Checklist
2. Bid Form
3. SHIP Policies and Procedures
4. NSP Program Overview & Procedures Manual
5. Financial Closeout Checklist
6. Resolution 2014-02, October 2014
7. DEO Conflict of Interest Approval

Attachment 1 SHIP Checklists

Report on Review of Okaloosa Community Development Corporation
 January 12, 2018

DP/CC CHECKLIST

CLIENT NAME: _____

		Date C/W M/D/Y
Lender Initial Request	Lenders Referral to OCDC	
	Signed Loan Application (1003)	
	Loan Estimate	
OCDC	Receipt of above documents	
	Application Mailed to client	
	Application Returned	
	All requested docs returned with application	
	Missing Information Letter sent to client (if applicable)	
	Income Verification Started	
	Income Verification Completed	
	Income Verification Signed by Client	
OCDC	Award Letter	
	Sent to Client	
	Sent to Lender	
Real Estate Agent	Purchase Contract to OCDC	
Lender (or Real Estate Agent)	Inspection Request to OCDC	
OCDC	Inspection Scheduled	
	Inspection Report sent to Lender	
	Inspection Report sent to Client	
Lender	Closing Date = _____	
	SHIP Funds Breakdown and Check Request Form	
	Closing Statement or Closing Disclosure	
	Home Buyers Class Certificate provided to OCDC	
	Appraisal	
	SHIP Inspection Report Disclaimer	
	Purchase Contract	
	Title Commitment	
OCDC	Submit Check Request	
	Check Request/Funds Breakdown	
	Purchase Contract	
	Closing Statement or Closing Disclosure	
Closing Agent	Post Closing Docs Required to OCDC	
	Copy of 1st Mortgage and Note	
	Closing Disclosure	
	Recorded SHIP Mortgage and Note	
	Certificate of Occupancy (If New Construction)	

Attachment 2 SHIP Bid Form

Bid Documentation

Job Address:

Project Completion Target Date:

Client:

Bid Due Date:

Contractors Invited to Bid	Pre Bid Attendee	Date Bid Turned In	Timeline Received	Amount of Bid	Awarded

Bid Selection Date:

Bid Process Notes:

Prepared By:

BID Discussion Participants

Attachment 3 SHIP Policies & Procedures



State Housing Initiatives Program Policy and Procedures

All persons are responsible to have knowledge of Florida Housing Finance Corporation SHIP Program Guidelines.

- Intake Specialist
 - Provide information to inquiries via phone or email.
 - Maintain wait list.
 - Send out Applications when funding becomes available.
 - Utilize the file check list to ensure all pertinent documentation is obtained and collected.
 - Determine Income eligibility by utilizing the income calculation sheet.
 - Send out verification of Income to Employers
 - Gather Paycheck stubs
 - Gather Bank Statements
 - Enter Information in the appropriate spaces on the income eligibility sheet
 - Determine Property Eligibility
 - Gather Warranty Deed
 - Check for Homeownership on Property Appraisers website
 - Ensure the status of Mobile home vs. non mobile home eligibility
 - Provide the file to Tracking Specialist for review and tracking data entry
- SHIP Administrator
 - Review Income Eligibility and Property Eligibility- review the file check list to ensure all pertinent documentation is obtained and collected.
 - Determine which fiscal year to allocate funding from based on availability of funds- enter the client mini info on County SHIP spreadsheet- use maximum dollars amount per LHAP for Encumbrance.
 - Enter all client information contained in the file for tracking purposes on Tracking Spreadsheet. Carry over the encumbered amount from the County Spreadsheet
 - Provide the file to SHIP Inspector for inspection and contracting.
- SHIP Inspector
 - Review *Income Property Eligibility*
 - Set up initial inspection with client

- Prepare a scope of work to be bid on by contractors
 - Prepare Bid Form- provide copy of such to ED when completed
 - Contact via email a minimum of three Contractors for pre-bid inspection
 - Conduct Pre-Bid Inspections, provide contractors with bid deadline dates
 - Compile notes on bids received- provide feedback to Executive Director and SHIP Administrator. Discuss and determine contractor for the job
 - Place a copy of all bid process documentation to include the initial notification to bid as well as any bids received in the client file
 - Maintain contact with contractors and home owners to insure satisfaction and that SHIP eligible items are completed
 - Provide draw requests and inspection invoices to SHIP Administrator for tracking and review
 - Work closely with lenders, borrowers, realtors to gather funding documentation for Down Payment Closing Cost Assistance
- SHIP Administrator
 - Prepare the SHIP Mortgage and Promissory Note for execution by Client
 - File with Clerk of Courts Official Records. Amend the Promissory Note as needed upon completion of project
 - Enter per fiscal year to the client draw information and invoice number on County SHIP spreadsheet- adjust the maximum dollars amount per LHAP for Encumbrance upon receipt of first draw request using the contracted amount.
 - Review draw request for completeness and accuracy.
 - Review draw request for completeness and accuracy
 - Prepare Invoice to Okaloosa County in Quickbooks
 - Submit both copies to Jim final signature
 - Review payments for completeness and accuracy
 - Respond to any invoicing inquiries from Ok County
 - Deposit checks into bank
 - Prepare checks for contractor
 - Update the file with the check numbers paying the draw request, copying for the file and Delivery to Contractor
 - Executive Director
 - Review Bid Form for accuracy and compliance
 - Review draw request for completeness and accuracy
 - Sign Invoices and deliver to Okaloosa County
 - Route payments received to SHIP Administrator for review prior to processing

**Re: SHIP Responsibilities- in house- Annual Reporting Responsibilities – Due to the OCDC BOD
July 15, Due to City and County August 1**

- SHIP Administrator
 - Compare County SHIP Spread Sheet with totals per client on tracking Sheet
 - Email copy of the tracking Spreadsheet to Sheri for initial review and assist in the preparation of the Annual Report
 - Review tracking spreadsheet for completeness and accuracy.
 - Complete the Annual report
 - Initial review with Okaloosa County for accuracy and completeness
 - Submit to Executive Director for final review and submission to CDC BOD

- Executive Director
 - Preparation of Agenda item requests and Submission to OCDC BOD for final approval and signature of Resolution
 - Preparation of Agenda item requests and Submission to City of FWB and Okaloosa County for final approval and signature of Resolution


James Robbins
Executive Director

Attachment 4 NSP Policies & Procedures

Attachment 5

Financial Closeout Checklist

**Okaloosa Community Development Corporation
 FINANCIAL CLOSE OUT CHECKLIST
 Month Ending _____**

	Procedure	Due By	Done
Monthly			
1	Enter all cash receipts (deposits) into QuickBooks	5th	
2	Enter all unpaid vendor invoices into QuickBooks	5th	
3	Enter all credit card transactions into QuickBooks	8th	
4	Reconcile credit card accounts with month-end statements	8th	
5	Reconcile line(s) of credit, notes payable accounts	8th	
6	Reconcile bank accounts with month-end statements	10th	
7	Make adjusting journal entries, if any	10th	
8	Generate and review the general ledger	10th	
9	Review and print monthly financial statements	15th	
Quarterly			
1	Payroll tax returns		

Attachment 6

Resolution 2014-02, October 2014

**OKALOOSA COMMUNITY DEVELOPMENT CORPORATION
204 CLOVERDALE BOULEVARD
FORT WALTON BEACH, FLORIDA 32547**

RESOLUTION

2014-02

Amendment to the Bylaws

WHEREAS, the Bylaws of the Okaloosa Community Development Corporation, Inc. state that “the presence at any meeting of the Board of Directors of a majority of the total number of Directors shall constitute a quorum for the transaction of Corporate business. Such business may be transacted only while a *sufficient number of directors to constitute a quorum is present at and participating in the meeting* “ and

WHEREAS, the Board of Directors recognize that an Amendment to the Bylaws is needed to state that “*the total present at any meeting and participating in the meeting* of the Board of Directors shall constitute a quorum for the transaction of Corporate business. Now therefore;

BE IT RESOLVED, by the Board of Directors, of the Okaloosa Community Development Corporation that it approves this Amendment to the Bylaws of the Articles of Incorporation, filed September 13, 2013 with the Secretary of State, Tallahassee Florida.


Chairman

Board of Directors of the
Okaloosa Community Development Corporation

Date: 11/16/14

“Exerpt”

Bylaws

Of

OKALOOSA COMMUNITY DEVELOPMENT CORPORATION

Article VIII – Board of Directors

Section 8.13 Quorum. “Quote” The presence at any meeting of the Board of Directors of a majority of the total number of Directors shall constitute a quorum for the transaction of Corporate business. Such business may be transacted only while a sufficient number of directors to constitute a quorum is present at and participating in the meeting. After a quorum has been established, a subsequent withdrawal of directors so as to reduce the number present below a quorum shall not affect the validity if any action taken at the meeting prior to such withdrawal A majority if Directors who are present at a meeting at which there is no quorum, may by resolution, adjourn the meeting, for a period not exceeding ten (10) days. At the resumption of any duly adjourned meeting, any business may be transacted as could have been transacted at the meeting as originally called. Unquote”

Section 8.14. Voting: “Oquote” At all meetings of the Board of Directors, all matters shall be decided by a majority vote of the Directors present at the meeting, a quorum being assembled. Elected and Appointed Directors have equal voting rights. “Unquote”

Attachment 7

DEO Conflict of Interest Approval

Report on Review of Okaloosa Community Development Corporation
January 12, 2018

Rick Scott
GOVERNOR



Cynthia R. Lorenzo
INTERIM EXECUTIVE DIRECTOR

March 28, 2012

Ms. Brenda L. Bailey
Contracts and Grants Manager
Okaloosa County
1804 Lewis Turner Blvd., Suite 206
Fort Walton Beach, Florida 32547

Re: Conflict of Interest – Reply to Request for Waiver
Neighborhood Stabilization Program (NSP)
Contract Number 10DB-4X-01-56-01-F 18

Dear Ms. Bailey:

We have reviewed your letter dated March 13, 2012, requesting a conflict of interest waiver concerning Sheri Albright and Uwe Albright, employees of the County's Developer, Okaloosa Community Development Corporation (CDC) for the referenced grant agreement. Review of the documentation submitted with the request appears to indicate that they did not participate in reviewing their own determination and proper procedures were followed. The documentation also indicates that there is no direct involvement by the applicants in the selection process or grant administration. Therefore, the Department has concluded that there is no conflict of interest with these individuals and waivers for Sheri Albright and Uwe Albright are not necessary.

Please include a copy of this letter in each individual's project-related file for review during future monitoring visits or audit.

If there are any questions, please call Garry Thomas, Community Assistance Consultant, at (850) 717-8407, or contact him via e-mail at garry.thomas@deo.myflorida.com.

Sincerely,

Bob Dennis
Community Program Manager

BD/JMR/gt
Cc: Elliot Kampert, Director of Growth Management
Abra McGill, Grants Specialist

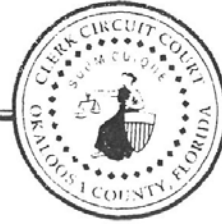
The Caldwell Building 107 E. Madison Street Tallahassee, Florida 32399-4120 850.245.7105
www.FloridaJobs.org | www.twitter.com/FLDEO | www.facebook.com/FLDEO

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DON W. HOWARD

CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



March 13, 2012

Florida Department of Economic Opportunity
Attn: Garry Thomas
107 East Madison Street, MSC-400
Tallahassee, FL 32399-6508

RE: DCA Grant # 10DB-4X-01-56-01-F 18 Neighborhood Stabilization Program request for
Waiver of Conflict of Interest

Dear Mr. Thomas:

We have enclosed one signed original letter from the Okaloosa County Attorney, John R. Dowd,
and one signed original letter from the Okaloosa County Chairman, Don R. Amunds, requesting
a waiver of conflict of interest for the above captioned grant.

If I may be of further assistance, please call me at (850) 651-7200 ext# 4381 or via email at
bbailey@clerkofcourts.cc.

Sincerely,

Brenda L. Bailey
Contracts and Grants Manager

Enclosure

cc: Elliot Kampert
Abra McGill

REPLY TO: 101 E. JAMES LEE BLVD. • CRESTVIEW, FLORIDA 32536 • (850) 689-5000
 SHALIMAR ANNEX • 1250 N. EGLIN PKWY, SUITE B-110 • SHALIMAR, FLORIDA 32579 • (850) 651-7200
 BRACKIN BUILDING • 302 NORTH WILSON ST., SUITE 203 • CRESTVIEW, FLORIDA 32536 • (850) 689-5000



Board of County Commissioners

State of Florida

March 6, 2012

Garry Thomas
107 East Madison Street
MSC-400
Tallahassee, Florida 32399-6508

RE: NSP Contract # 10DB-4X-01-56-01-F 18

Dear Mr. Thomas:

The Okaloosa County Board of County Commissioners herein requests a Conflict of Interest Waiver concerning Sheri Albright and Uwe Albright, employees of the County's Developer, Okaloosa Community Development Corporation (CDC).

Sheri Albright and Uwe Albright are both employees of Okaloosa Community Development Corporation and they are also tenants of NSP purchased properties where they provide on call management services. The County has reviewed their files and involvement and has determined that both individuals do qualify for the program and the proper procedures were followed. Therefore no conflict is present.

The County will continue to monitor both Sheri Albright and Uwe Albright to make sure all policies and procedures are followed and that no conflict of interest is present.

Please provide us with a Waiver of Conflict of Interest that can be maintained in grant files for review during the next on-site monitoring visit.

Sincerely Yours,

Don R. Amunds,
Chairman



Courthouse
101 E. James Lee Blvd. • Crestview, FL 32536
(850) 689-5030 • Fax: 689-5059

Courthouse Annex
1250 N. Eglin Pkwy. • Shalimar, FL 32579
(850) 651-7100

1804 Lewis Turner Blvd., Suite 100
Fort Walton Beach, FL 32547
(850) 651-7105 • FAX: 651-7142



Board of County Commissioners

March 1, 2012

Garry Thomas
Community Assistance Consultant
Department of Economic Opportunity
MSC 400
107 East Madison Street
Tallahassee, Florida 32399

Re: Request Legal Opinion Regarding Potential Conflict of Interest Arising From Sheri Albright and Uwe Albright (husband and wife and Employees of Okaloosa Community Development Corporation- CDC) Residing at CDC-owned Property Purchased with NSP Funds

Dear Mr. Thomas:

I have reviewed what I feel to be the relevant documents concerning the above. At first glance, I felt that there was a definite violation of Subsections 112.313 (3), and (7) Florida Statutes. However, after further review of the definition of employee found in Subsection 112.313(9)(a)2 a., copy attached, I am of the opinion that the statute is not applicable and proceeding with the potential participant's residence would not violate any state or local law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John R. Dowd".

John R. Dowd
County Attorney

P. O. Box 404, Shalimar, FL 32579
Office (850) 651-1679
Fax (850) 651-2626

Westlaw.

West's F.S.A. § 112.313

Page 1



Effective: May 5, 2011

West's Florida Statutes Annotated Currentness

Title X. Public Officers, Employees, and Records (Chapters 110-123)

Chapter 112. Public Officers and Employees: General Provisions (Refs & Annos)

Part III. Code of Ethics for Public Officers and Employees (Refs & Annos)

→ → **112.313. Standards of conduct for public officers, employees of agencies, and local government attorneys**

(1) **Definition.**--As used in this section, unless the context otherwise requires, the term "public officer" includes any person elected or appointed to hold office in any agency, including any person serving on an advisory body.

(2) **Solicitation or acceptance of gifts.**--No public officer, employee of an agency, local government attorney, or candidate for nomination or election shall solicit or accept anything of value to the recipient, including a gift, loan, reward, promise of future employment, favor, or service, based upon any understanding that the vote, official action, or judgment of the public officer, employee, local government attorney, or candidate would be influenced thereby.

(3) **Doing business with one's agency.**--No employee of an agency acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, shall either directly or indirectly purchase, rent, or lease any realty, goods, or services for his or her own agency from any business entity of which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor or in which such officer or employee or the officer's or employee's spouse or child, or any combination of them, has a material interest. Nor shall a public officer or employee, acting in a private capacity, rent, lease, or sell any realty, goods, or services to the officer's or employee's own agency, if he or she is a state officer or employee, or to any political subdivision or any agency thereof, if he or she is serving as an officer or employee of that political subdivision. The foregoing shall not apply to district offices maintained by legislators when such offices are located in the legislator's place of business or when such offices are on property wholly or partially owned by the legislator. This subsection shall not affect or be construed to prohibit contracts entered into prior to:

(a) October 1, 1975.

(b) Qualification for elective office.

(c) Appointment to public office.

(d) Beginning public employment.

(4) **Unauthorized compensation.**--No public officer, employee of an agency, or local government attorney or his or her spouse or minor child shall, at any time, accept any compensation, payment, or thing of value when such public officer, employee, or local government attorney knows, or, with the exercise of reasonable care, should know, that it was given to influence a vote or other action in which the officer, employee, or local government attorney was expected to participate in his or her official capacity.

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(5) **Salary and expenses.**—No public officer shall be prohibited from voting on a matter affecting his or her salary, expenses, or other compensation as a public officer, as provided by law. No local government attorney shall be prevented from considering any matter affecting his or her salary, expenses, or other compensation as the local government attorney, as provided by law.

(6) **Misuse of public position.**—No public officer, employee of an agency, or local government attorney shall corruptly use or attempt to use his or her official position or any property or resource which may be within his or her trust, or perform his or her official duties, to secure a special privilege, benefit, or exemption for himself, herself, or others. This section shall not be construed to conflict with s. 104.31.

(7) **Conflicting employment or contractual relationship.**—

(a) No public officer or employee of an agency shall have or hold any employment or **contractual** relationship with any business **entity** or any agency which is subject to the regulation of, or is doing business with, an agency of which he or she is an officer or employee, excluding those organizations and their officers who, when acting in their official capacity, enter into or negotiate a collective bargaining contract with the state or any municipality, county, or other political subdivision of the state; nor shall an officer or employee of an agency have or hold any employment or **contractual** relationship that will create a continuing or frequently recurring conflict between his or her private interests and the performance of his or her public duties or that would impede the full and faithful discharge of his or her public duties.

1. When the agency referred to is that certain kind of special tax district created by general or special law and is limited specifically to constructing, maintaining, managing, and financing improvements in the land area over which the agency has jurisdiction, or when the agency has been organized pursuant to chapter 298, then employment with, or entering into a **contractual** relationship with, such business **entity** by a public officer or employee of such agency shall not be prohibited by this subsection or be deemed a **conflict** per se. However, conduct by such officer or employee that is prohibited by, or otherwise frustrates the intent of, this section shall be deemed a **conflict** of interest in violation of the standards of conduct set forth by this section.

2. When the agency referred to is a legislative body and the regulatory power over the business **entity** resides in another agency, or when the regulatory power which the legislative body exercises over the business **entity** or agency is strictly through the enactment of laws or ordinances, then employment or a **contractual** relationship with such business **entity** by a public officer or employee of a legislative body shall not be prohibited by this subsection or be deemed a **conflict**.

(b) This subsection shall not prohibit a public officer or employee from practicing in a particular profession or occupation when such practice by persons holding such public office or employment is required or permitted by law or ordinance.

(8) **Disclosure or use of certain information.**—A current or former public officer, employee of an agency, or local government attorney may not disclose or use information not available to members of the general public and gained by reason of his or her official position, except for information relating exclusively to governmental practices, for his or her personal gain or benefit or for the personal gain or benefit of any other person or business entity.

(9) **Postemployment restrictions; standards of conduct for legislators and legislative employees.**—

(a) 1. It is the intent of the Legislature to implement by statute the provisions of s. 8(c), Art. II of the State Constitution relating to legislators, statewide elected officers, appointed state officers, and designated public employees.

2. As used in this paragraph:

a. "Employee" means:

(I) Any person employed in the executive or legislative branch of government holding a position in the Senior Management Service as defined in s. 110.402 or any person holding a position in the Selected Exempt Service as defined in s. 110.602 or any person having authority over policy or procurement employed by the Department of the Lottery.

(II) The Auditor General, the director of the Office of Program Policy Analysis and Government Accountability, the Sergeant at Arms and Secretary of the Senate, and the Sergeant at Arms and Clerk of the House of Representatives.

(III) The executive director and deputy executive director of the Commission on Ethics.

(IV) An executive director, staff director, or deputy staff director of each joint committee, standing committee, or select committee of the Legislature; an executive director, staff director, executive assistant, analyst, or attorney of the Office of the President of the Senate, the Office of the Speaker of the House of Representatives, the Senate Majority Party Office, Senate Minority Party Office, House Majority Party Office, or House Minority Party Office; or any person, hired on a contractual basis, having the power normally conferred upon such persons, by whatever title.

(V) The Chancellor and Vice Chancellors of the State University System; the general counsel to the Board of Governors of the State University System; and the president, provost, vice presidents, and deans of each state university.

(VI) Any person, including an other-personal-services employee, having the power normally conferred upon the positions referenced in this sub-subparagraph.

b. "Appointed state officer" means any member of an appointive board, commission, committee, council, or authority of the executive or legislative branch of state government whose powers, jurisdiction, and authority are not solely advisory and include the final determination or adjudication of any personal or property rights, duties, or obligations, other than those relative to its internal operations.

c. "State agency" means an entity of the legislative, executive, or judicial branch of state government over which the Legislature exercises plenary budgetary and statutory control.

3. No member of the Legislature, appointed state officer, or statewide elected officer shall personally represent another person or entity for compensation before the government body or agency of which the individual was an officer or member for a period of 2 years following vacation of office. No member of the Legislature shall personally represent another person or entity for compensation during his or her term of office before any state agency other than judicial tribunals or in settlement negotiations after the filing of a lawsuit.

4. An agency employee, including an agency employee who was employed on July 1, 2001, in a Career Service System position that was transferred to the Selected Exempt Service System under chapter 2001-43, Laws of Florida, may not personally represent another person or entity for compensation before the agency with which he or she was employed for a period of 2 years following vacation of position, unless employed by another agency of state government.

5. Any person violating this paragraph shall be subject to the penalties provided in s. 112.317 and a civil penalty of an amount equal to the compensation which the person receives for the prohibited conduct.

6. This paragraph is not applicable to:

- a. A person employed by the Legislature or other agency prior to July 1, 1989;
- b. A person who was employed by the Legislature or other agency on July 1, 1989, whether or not the person was a defined employee on July 1, 1989;
- c. A person who was a defined employee of the State University System or the Public Service Commission who held such employment on December 31, 1994;
- d. A person who has reached normal retirement age as defined in s. 121.021(29), and who has retired under the provisions of chapter 121 by July 1, 1991; or
- e. Any appointed state officer whose term of office began before January 1, 1995, unless reappointed to that office on or after January 1, 1995.

(b) In addition to the provisions of this part which are applicable to legislators and legislative employees by virtue of their being public officers or employees, the conduct of members of the Legislature and legislative employees shall be governed by the ethical standards provided in the respective rules of the Senate or House of Representatives which are not in conflict herewith.

(10) Employees holding office.--

(a) No employee of a state agency or of a county, municipality, special taxing district, or other political subdivision of the state shall hold office as a member of the governing board, council, commission, or authority, by whatever name known, which is his or her employer while, at the same time, continuing as an employee of such employer.

(b) The provisions of this subsection shall not apply to any person holding office in violation of such provisions on the effective date of this act. However, such a person shall surrender his or her conflicting employment prior to seeking reelection or accepting reappointment to office.

(11) Professional and occupational licensing board members.--No officer, director, or administrator of a Florida state, county, or regional professional or occupational organization or association, while holding such position, shall be eligible to serve as a member of a state examining or licensing board for the profession or occupation.

(12) Exemption.--The requirements of subsections (3) and (7) as they pertain to persons serving on advisory boards may be waived in a particular instance by the body which appointed the person to the advisory board, upon a full disclosure of the transaction or relationship to the appointing body prior to the waiver and an affirmative vote in favor of waiver by two-thirds vote of that body. In instances in which appointment to the advisory board is made by an individual, waiver may be effected, after public hearing, by a determination by the appointing person and full disclosure of the transaction or relationship by the appointee to the appointing person. In addition, no person shall be held in violation of subsection (3) or subsection (7) if:

(a) Within a city or county the business is transacted under a rotation system whereby the business transactions are rotated among all qualified suppliers of the goods or services within the city or county.

(b) The business is awarded under a system of sealed, competitive bidding to the lowest or best bidder and:

1. The official or the official's spouse or child has in no way participated in the determination of the bid specifications or the determination of the lowest or best bidder;

2. The official or the official's spouse or child has in no way used or attempted to use the official's influence to persuade the agency or any personnel thereof to enter such a contract other than by the mere submission of the bid; and

3. The official, prior to or at the time of the submission of the bid, has filed a statement with the Commission on Ethics, if the official is a state officer or employee, or with the supervisor of elections of the county in which the agency has its principal office, if the official is an officer or employee of a political subdivision, disclosing the official's interest, or the interest of the official's spouse or child, and the nature of the intended business.

(c) The purchase or sale is for legal advertising in a newspaper, for any utilities service, or for passage on a common carrier.

(d) An emergency purchase or contract which would otherwise violate a provision of subsection (3) or subsection (7) must be made in order to protect the health, safety, or welfare of the citizens of the state or any political subdivision thereof.

(e) The business entity involved is the only source of supply within the political subdivision of the officer or employee and there is full disclosure by the officer or employee of his or her interest in the business entity to the governing body of the political subdivision prior to the purchase, rental, sale, leasing, or other business being transacted.

(f) The total amount of the transactions in the aggregate between the business entity and the agency does not exceed \$500 per calendar year.

(g) The fact that a county or municipal officer or member of a public board or body, including a district school officer or an officer of any district within a county, is a stockholder, officer, or director of a bank will not bar such bank from qualifying as a depository of funds coming under the jurisdiction of any such public board or body, provided it appears in the records of the agency that the governing body of the agency has determined that such officer or member of a public board or body has not favored such bank over other qualified banks.

(h) The transaction is made pursuant to s. 1004.22 or s. 1004.23 and is specifically approved by the president and the chair of the university board of trustees. The chair of the university board of trustees shall submit to the Governor and the Legislature by March 1 of each year a report of the transactions approved pursuant to this paragraph during the preceding year.

(i) The public officer or employee purchases in a private capacity goods or services, at a price and upon terms available to similarly situated members of the general public, from a business entity which is doing business with his or her agency.

(j) The public officer or employee in a private capacity purchases goods or services from a business entity which is subject to the regulation of his or her agency and:

1. The price and terms of the transaction are available to similarly situated members of the general public; and
2. The officer or employee makes full disclosure of the relationship to the agency head or governing body prior to the transaction.

(13) County and municipal ordinances and special district and school district resolutions regulating former officers or employees.--The governing body of any county or municipality may adopt an ordinance and the governing body of any special district or school district may adopt a resolution providing that an appointed county, municipal,

special district, or school district officer or a county, municipal, special district, or school district employee may not personally represent another person or entity for compensation before the government body or agency of which the individual was an officer or employee for a period of 2 years following vacation of office or termination of employment, except for the purposes of collective bargaining. Nothing in this section may be construed to prohibit such ordinance or resolution.

(14) Lobbying by former local officers; prohibition.--A person who has been elected to any county, municipal, special district, or school district office may not personally represent another person or entity for compensation before the government body or agency of which the person was an officer for a period of 2 years after vacating that office. For purposes of this subsection:

(a) The "government body or agency" of a member of a board of county commissioners consists of the commission, the chief administrative officer or employee of the county, and their immediate support staff.

(b) The "government body or agency" of any other county elected officer is the office or department headed by that officer, including all subordinate employees.

(c) The "government body or agency" of an elected municipal officer consists of the governing body of the municipality, the chief administrative officer or employee of the municipality, and their immediate support staff.

(d) The "government body or agency" of an elected special district officer is the special district.

(e) The "government body or agency" of an elected school district officer is the school district.

(15) Additional exemption.--No elected public officer shall be held in violation of subsection (7) if the officer maintains an employment relationship with an entity which is currently a tax-exempt organization under s. 501(c) of the Internal Revenue Code [FN1] and which contracts with or otherwise enters into a business relationship with the officer's agency and:

(a) The officer's employment is not directly or indirectly compensated as a result of such contract or business relationship;

(b) The officer has in no way participated in the agency's decision to contract or to enter into the business relationship with his or her employer, whether by participating in discussion at the meeting, by communicating with officers or employees of the agency, or otherwise; and

(c) The officer abstains from voting on any matter which may come before the agency involving the officer's employer, publicly states to the assembly the nature of the officer's interest in the matter from which he or she is abstaining, and files a written memorandum as provided in s. 112.3143.

(16) Local government attorneys.--

(a) For the purposes of this section, "local government attorney" means any individual who routinely serves as the attorney for a unit of local government. The term shall not include any person who renders legal services to a unit of local government pursuant to contract limited to a specific issue or subject, to specific litigation, or to a specific administrative proceeding. For the purposes of this section, "unit of local government" includes, but is not limited to, municipalities, counties, and special districts.

(b) It shall not constitute a violation of subsection (3) or subsection (7) for a unit of local government to contract with

a law firm, operating as either a partnership or a professional association, or in any combination thereof, or with a local government attorney who is a member of or is otherwise associated with the law firm, to provide any or all legal services to the unit of local government, so long as the local government attorney is not a full-time employee or member of the governing body of the unit of local government. However, the standards of conduct as provided in subsections (2), (4), (5), (6), and (8) shall apply to any person who serves as a local government attorney.

(c) No local government attorney or law firm in which the local government attorney is a member, partner, or employee shall represent a private individual or entity before the unit of local government to which the local government attorney provides legal services. A local government attorney whose contract with the unit of local government does not include provisions that authorize or mandate the use of the law firm of the local government attorney to complete legal services for the unit of local government shall not recommend or otherwise refer legal work to that attorney's law firm to be completed for the unit of local government.

(17) **Board of governors and boards of trustees.**--No citizen member of the Board of Governors of the State University System, nor any citizen member of a board of trustees of a local constituent university, shall have or hold any employment or contractual relationship as a legislative lobbyist requiring annual registration and reporting pursuant to s. 11.045.

CREDIT(S)

Laws 1967, c. 67-469, § 3; Laws 1969, c. 69-106, §§ 10, 35; Laws 1969, c. 69-335, § 2; Laws 1974, c. 74-177, § 3; Laws 1975, c. 75-208, §§ 4, 11; Laws 1977, c. 77-174, § 1; Laws 1977, c. 77-349, § 1; Laws 1982, c. 82-98, § 4; Laws 1983, c. 83-26, § 2; Laws 1983, c. 83-282, § 6; Laws 1985, c. 85-80, § 14; Laws 1986, c. 86-145, § 12; Laws 1988, c. 88-358, § 1; Laws 1988, c. 88-408, § 1; Laws 1990, c. 90-502, § 3; Laws 1991, c. 91-85, § 3; Laws 1991, c. 91-292, § 4; Laws 1992, c. 92-35, § 1. Amended by Laws 1994, c. 94-277, § 1, eff. Jan. 1, 1995; Laws 1995, c. 95-147, § 1406, eff. July 10, 1995; Laws 1996, c. 96-311, § 3, eff. Nov. 5, 1996; Laws 1996, c. 96-318, § 34, eff. Oct. 1, 1996; Laws 1999, c. 99-2, § 41, eff. June 29, 1999; Laws 2001, c. 2001-266, § 29, eff. July 1, 2001; Laws 2002, c. 2002-1, § 20, eff. May 21, 2002; Laws 2002, c. 2002-387, § 894, eff. Jan. 7, 2003; Laws 2005, c. 2005-285, § 2, eff. June 22, 2005; Laws 2006, c. 2006-275, § 2, eff. Oct. 1, 2006; Laws 2007, c. 2007-217, § 10, eff. July 1, 2007; Laws 2011, c. 2011-34, § 16, eff. May 5, 2011.

[FN1] 26 U.S.C.A., § 501.

Current through Chapter 236 (End) of the 2011 First Regular Session of the Twenty-Second Legislature

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