

OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE



REPORT OF MANAGEMENT REVIEW

Review of OIG Investigation #2016-0001
regarding former Affordable Housing
Coordinator Darrell Griffin.

MATTHEW J. LASCELL
INSPECTOR GENERAL

JUNE 8, 2022

DATE ISSUED

"Enhancing Public Trust in Government Through Independent and Responsible Oversight"



OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE

MANAGEMENT REVIEW CASE NUMBER: 2022-0011

Matthew Lascell
Inspector General

“Enhancing Public Trust in Government Through Independent and Responsible Oversight”

EXECUTIVE SUMMARY

In January of 2022, the City of Jacksonville (COJ) Office of Inspector General (OIG) initiated a Management Review regarding OIG Investigation #2016-0001, an investigation into Darrell Griffin, former Affordable Housing Coordinator, Housing and Community Development Division (HCDD), COJ. Specifically, the OIG reviewed the case to determine if the investigation was handled appropriately and if Griffin was disciplined for actions that were the result of conflicting, yet approved, division guidelines.

The OIG reviewed, in-part, documents and testimony related to OIG investigation #2016-0001 (the Investigation), the Office of the Council Auditor (CAO) State Housing Initiative Project (SHIP) Audit #769 (the Audit), and the COJ Labor Relations Fact-Finding investigation (Fact-Finding) regarding Griffin’s discipline.

Based on this review, the OIG determined Griffin was disciplined for actions that were commonplace and performed by other employees within HCDD, that were the result of conflicting, yet approved, division guidelines.

The OIG acknowledges this OIG investigation into Griffin was not conducted in accordance with the Florida Commission For Florida Law Enforcement Accreditation, Inc. (CFA)¹ standards, and offers the following as a corrective action:

Since Griffin’s investigation, the OIG became Accredited through the CFA. The OIG is under new leadership and is committed to conducting investigations in accordance with CFA standards that hold this office accountable to standards regarding case management, timeliness, relevance, independence, and impartiality. Some requirements of the standards include annual independence attestations, case-specific independence attestations, Code of Ethics acknowledgements, and annual ethics training.

BACKGROUND

Griffin was employed as Affordable Housing Coordinator for the Housing and Community Development Division (HCDD) and worked for the City in various positions since March of 1989.

¹ According to the Florida Inspectors General Standards Manual, “The Florida accreditation process is designed to reflect best practices in the areas of law enforcement, inspectors general, corrections and pretrial management, administration, operations, and support services. The Commission expects agencies to maintain compliance and presumes agencies operate in compliance with their established directives.”

HCDD is a division within the COJ Neighborhoods Department. According to the COJ website:

The [HCDD] manages affordable housing and community development related initiatives on behalf of the City of Jacksonville to increase the availability of affordable housing to low-and moderate-income persons within the Jacksonville community through public and private partnerships.

Griffin oversaw the COJ Rental Rehabilitation Program, an affordable housing program funded in-part by State Housing Initiative Partnership (SHIP) Program funds,² available to for-profit or not-for-profit developers to increase or maintain affordable housing units for low and moderate-income families.

In October of 2012, the CAO initiated an audit of the SHIP Program. The scope of the audit covered a period of October 1, 2009 to September 30, 2012, and covered the following eligible activities: Homeowner Occupied Rehabilitation [Limited Repair/Utility Tap-In (LRP/UTIP) Program]; Rental Rehabilitation; Down Payment Assistance; Foreclosure Prevention; and Home Buyer's Counseling. The audit concluded on April 25, 2014, and the report was released on September 23, 2015.

Regarding one of the Audit objectives, "To determine if the SHIP projects were completed in accordance with the provisions of the contracts," the CAO issued a finding regarding a conflict of interest:

"...that in four out of nine Rental Rehabilitation project files reviewed, the owners of two different construction companies that were chosen to do the rehabilitation work were also officers of two of the NFP's [Not-For-Profits] that had been awarded the funds for the projects."

The Audit report also included a finding, *"Improper Number of Quotes for Rental Rehabilitation Projects."*

The Audit report included the following recommendation for the above findings, quoted in-part:

"...that the Administration investigate and determine whether any disciplinary action of the Program Manager [Griffin] would be warranted for allowing this conflict of interest to occur. Also, the Division should work with the Office of General Counsel and the Procurement Division to determine whether the contract violations committed by these two not-for-profit entities would warrant removal from the City's approved vendor list, barring them from engaging in any future City contracts, as well as canceling any current contracts."

As a result of the Audit recommendation, Labor Relations conducted a Fact-Finding, during which Griffin was demoted, then referred the matter to the OIG for investigation. In addition, the Grantee (Wealth Watchers) was denied future funding from the COJ.

² SHIP is administered by the Florida Housing Finance Corporation and provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low, and moderate income families.

After an approximate four-year OIG investigation, during which Griffin retired, the report of investigation concluded Griffin (1) allowed Developers to hire construction companies owned by their officers (a practice known as self-performing), in violation of the Conflict of Interest provision contained in each project contract and (2) failed to ensure the Developers adhered to the Procurement provision within each contract (for not obtaining the required number of quotes). The investigation also supported findings regarding minor technology use infractions.

ISSUES AND FINDINGS

Issue:

Whether Griffin's investigation was handled appropriately and whether Griffin was disciplined for actions that were the result of conflicting, yet approved, division guidelines.

Finding:

The following issues were identified:

- The investigation was not handled appropriately and Griffin was disciplined for actions that were the result of conflicting, yet approved, division guidelines.

OIG Investigation #2016-0001

- The OIG acknowledged (1) other HCDD employees violated the same Conflict of Interest provision by allowing self-performing; however, the OIG named Griffin as the only subject of the investigation.
- The OIG acknowledged (2) the division-wide conflicts of interest issue appeared to have ceased after June of 2011 when HCDD policies changed (prior to the Audit, Fact-Finding, and OIG Investigation), and (3) the 2008 Rental Rehabilitation program guidelines were not in agreement with the solicitation requirements per the 2008 Procurement Manual.
- OIG records and testimony disclosed HCDD staff confirmed they had also failed to obtain the required number of quotes per the COJ Procurement Code, and that previous HCDD policies allowed self-performing.
- Despite supporting documentation and testimony regarding the policy deficiencies within HCDD, the Investigation emphasized substantiated findings against Griffin.
- According to the Investigation case notes, the same OGC Attorney who represented the City in Griffin's lawsuit against the City conducted the legal sufficiency review for the investigation and provided a request regarding the timing of Griffin's OIG interview relative to Griffin's deposition.

- The OIG investigation was not completed timely. The OIG investigation was opened on October 2, 2015, and closed on September 19, 2019.

SHIP Audit and HCDD Response to Audit Findings

- According to the Auditor’s testimony, the Auditor used only the signed Rental Rehabilitation Contracts for the Audit and did not use the HCDD Rental Rehabilitation Program guidelines. The Auditor obtained HCDD records from Laura Stagner-Crites, former HCDD Director of Finance and Dayatra Coles, former HCDD Housing Manager (SHIP Administrator) and assumed he had been provided with all available and applicable records. The Auditor testified that if HCDD staff had provided additional records or information regarding the findings for the Rental Rehabilitation Program, prior to the release of the SHIP audit, the CAO would not have released the Audit report until the additional information had been investigated. However, this would not necessarily have changed the findings.
- The HCDD internal guidelines were updated in June of 2011 (within the scope of the Audit period) to resolve the conflict of interest issue.
- The Record of Audit Findings for the Rental Rehabilitation Program (Finding 3-2) reflected a recommendation, “*The Housing Division should work with the Office of General Counsel to amend the contract wording to allow Housing to choose the contractors per the Procurement Code*”

For Finding 3-3, the recommendation was, “*The Housing Division should work with the Office of General Counsel to amend the contract wording to allow Housing to choose the contractors per the Procurement Code.*”

However, during the CAO review process, the recommendations were changed for 3-2 and 3-3 to “*...recommend that the Administration investigate and determine whether any disciplinary action of the Program Manager would be warranted...*” and “*...the Division should work with the Office of General Counsel and the Procurement Division to determine whether the contract violations committed by these two not-for-profit entities would warrant removal from the City’s approved vendor list, barring them from engaging in any future City contracts, as well as canceling any current contracts.*”

- Stagner-Crites, the main point of contact for the Audit, was provided an opportunity to report any information that would “clear up” issues after being provided a copy of the draft report. The CAO provided Stagner-Crites a letter requesting she review the draft report and mark whether she agreed with the findings. The letter also indicated she was afforded an opportunity to respond, and the CAO may need to have a close-out meeting to “*work out any possible misunderstandings before the issuance of the final report.*” Stagner-Crites did not clear up the issues regarding the Rental Rehabilitation Program and the final report indicated HCDD agreed with findings 3-2 and 3-3.

Labor Relations Fact-Finding

- On August 3, 2015, Griffin was placed on paid Administrative Leave, while the City conducted a “workplace investigation of alleged misconduct.” On September 5, 2015, Griffin was removed from his position as Affordable Housing Coordinator and demoted to Recreation Planning and Grants Manager, which included a salary reduction of \$36,673.
- During the Fact-Finding, prior to the SHIP Audit release, and prior to the OIG investigation, Labor Relations confirmed other HCDD Program Managers allowed developers to self-perform and self-performing was commonplace within HCDD.
- Labor Relations also confirmed self-performing was in accordance with HCDD internal policies, guidelines, application forms, and training materials, and the internal policies had been updated to prohibit self-performing.

Additional Finding:

During the course of OIG Investigation #2016-0001, the Grantee (Wealth Watchers) approved by Griffin in the audited Rental Rehabilitation contract, was suspended from receiving COJ funds and recommended to be denied future funding from the COJ due to a “pending investigation.”

A review of the OIG investigation file for Investigation #2016-0001 disclosed the COJ defunded Wealth Watchers after the OIG sent a communication to the former COJ Chief Administrative Officer stating the Florida Housing Finance Corporation OIG was investigating Wealth Watchers. However, there was no investigation.³

Note: According to the City’s Disqualified/ Probationary Vendor List, Wealth Watchers is currently not prohibited from doing business with the City.

RECOMMENDED CORRECTIVE ACTIONS

The OIG recommends the following corrective actions:

The Office of Inspector General:

- Conduct investigations in accordance with the Florida Commission For Law Enforcement Accreditation standards.
- Obtain a signed attestation of independence from OGC if/when legal sufficiency is necessary for investigations.
- Include this report as an attachment to OIG Investigation #2016-0001.

³ Efforts to locate the Florida Housing Finance Corporation OIG investigative report, yielded none, and notes within the OIG Investigation file suggest there was no investigation by the Florida Housing OIG regarding Wealth Watchers.

- Note: The OIG has updated its Directives Manual from requiring the OGC to review all OIG draft reports (at a minimum) for legal sufficiency and work product integrity, to utilizing legal counsel, when necessary, in the event the OIG is unsure of jurisdiction and/or proof of conclusion of fact.

The Council Auditor:

- Report potential violations of fraud, waste, abuse, or COJ policy violations directly to the OIG.
- Consider adding an addendum to SHIP Audit #769 to include consideration of HCDD internal policies during the Audit period.

The Chief of Employee and Labor Relations:

- Include the OIG on future Fact-Finding investigations per the IG memo dated June 7, 2022 [Attachment A].
- Include a copy of this report in Griffin's personnel file.

ATTACHMENT A

MANAGEMENT REVIEW #2022-0011



OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE

TRANSMITTAL MEMORANDUM

DATE: June 7, 2022

TO: Charles Moreland, Deputy Chief Administrative Officer
Office of the Mayor

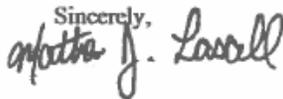
FROM: Matthew J. Lascell, Inspector General
Office of Inspector General

SUBJECT: Inspector General Notifications of Fact-Finding Investigations

Dear Dr. Moreland,

On June 2, 2022, I sent a memorandum to the Independent Authorities and Agencies, requesting notification when fact-finding investigations are undertaken. I would like to extend this request for notification to include all City of Jacksonville Departments. It is my intention to foster inter-agency cooperation while ensuring all policy, ordinance and statutory considerations are being considered. This initiative will allow my office to interact with city department leaders in an advisory capacity prior to an incident rising to the level of a formal Inspector General investigation.

Should you have any questions, please contact our office at (904) 255-5800. I appreciate your assistance in this matter and please distribute this memorandum as deemed appropriate.

Sincerely,


Matthew J. Lascell
Inspector General

"Enhancing Public Trust in Government Through Independent and Responsible Oversight"

231 E Forsyth Street, Suite 470, Jacksonville, FL 32202
Email: InspectorGeneral@coj.net Website: <http://www.coj.net/oig>
Office: (904) 255-5800 Fax: (904) 255-5813

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



June 28, 2022

Matthew J. Lascell
Inspector General
231 East Forsyth Street, Suite 470
Jacksonville, FL 32202

Dear Mr. Lascell,

We received your Report of Management Review named "Review of OIG Investigation #2016-0001 regarding former Affordable Housing Coordinator Darrell Griffin" on June 8, 2022. This report had two recommended corrective actions specific to the Council Auditor's Office to which responses were requested by June 28, 2022. I appreciate you meeting with us on June 13, 2022, to discuss the report. Given that we did not have the opportunity to respond prior to the issuance of the Inspector General's report, I respectfully request that our responses be included in the report.

Below are our responses for each of the two recommendations and comments that we have related to specific aspects of the Inspector General's report that relate to Report #769 - State Housing Initiatives Partnership Audit issued by the Council Auditor's Office September 23, 2015. We have also attached as Appendix A, the portion of Report #769 - State Housing Initiatives Partnership Audit that was referenced in the Office of Inspector General Report.

Council Auditor Responses to Recommended Corrective Actions

- **Office of Inspector General Recommendation 1:**
Report potential violations of fraud, waste, abuse, or COJ policy violations directly to the OIG.

Council Auditor's Office Response to Recommendation 1:

The Office of Inspector General was notified on September 23, 2015, via inclusion on the email release of the report. We will continue to include the Office of Inspector General on all report releases and to notify the Office of Inspector General and the State Attorney's Office immediately upon an instance where a potential fraud has been detected.

- **Office of Inspector General Recommendation 2:**
Consider adding an addendum to SHIP Audit #769 to include consideration of HCDD internal policies during the Audit period.

Council Auditor's Office Response to Recommendation 2:

An addendum to the report is not warranted or appropriate. The items that the Inspector General's report indicates could be impacted are Findings 3-2 and 3-3. These items related to

Objective 3 which was, "to determine if the SHIP projects were completed in accordance with the provisions of the contracts."

The criteria utilized for these two findings were found in the contracts, which were the signed and executed legal documents that governed the terms of the rental rehabilitation performed on certain properties. Therefore, internal policies would not have impacted the findings. With that said, policies were considered for other sections of the report and were provided to us in an email on October 5, 2012, from the Manager of Housing Services at the time (Dayatra M. Coles). The guidelines related to the Housing and Rehabilitation Program were marked as revised June 8, 2010. If guidelines had been relied upon for testing in Objective 3, the guidelines provided to us by the auditee (not the updated ones noted below) would have been utilized given that the effective date of the latest contract related to rental rehabilitation during our audit scope was April 15, 2011.

On June 13, 2022, we received two internal policies from the Office of Inspector General that they deemed relevant in their recommendation to the Council Auditor's Office to consider adding an addendum to the report. We did not consider these policies relevant to our audit report for the following reasons:

- One policy was on the Housing Rehabilitation Guideline dated April 2013, which was issued after the scope of our audit, and therefore not applicable. Additionally, this policy stated that bids are to be received by the Housing and Community Development Division. While this process would have partially addressed our finding and helped avoid future conflicts of interest, our recommendation was to have the bidding process handled by the Procurement Division since this is their area of expertise.
- The other policy was on the Neighborhood Stabilization Program. Based on information provided by the Housing Division, this program was only related to federal and not state funds; therefore, this policy was not applicable to the program that we audited. Additionally, this policy was dated June 29, 2011, which was outside of the effective dates for the contracts we tested. Furthermore, the referenced policy stated the following, which would not have allowed the conflict of interest that occurred:

A GC who is affiliated, owned or controlled by a Developer will not be eligible to bid on any projects owned by that same Developer. These affiliated GCs can however, bid on NSP projects for other Developers provided that they are an NSP approved GC.

Based on the above, nothing indicates that we had insufficient or inappropriate evidence which would be the basis for making a change to the report as required by Section 9.68 of Government Auditing Standards¹.

¹ Requirement: Discovery of Insufficient Evidence after Report Release

9.68 If, after the report is issued, the auditors discover that they did not have sufficient, appropriate evidence to support the reported findings or conclusions, they should communicate in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the entities requiring or arranging for the audits, and other known users, so that they do not continue to rely on the findings or conclusions that were not supported. If the report was previously posted to the auditors' publicly accessible website, the auditors should remove the report and post a public notification that the report was removed. The auditors should then determine whether to perform the additional audit work necessary to either reissue the report, including any revised findings or conclusions, or repost the original report if the additional audit work does not result in a change in findings or conclusions.

Council Auditor Comments on Other Section

In addition to the two recommendations, we have comments regarding the section titled “SHIP Audit and HCCD Response to Audit Findings.”

- **Language in Office of Inspector General in Report – Bullet 1**

According to the Auditor’s testimony, the Auditor used only the signed Rental Rehabilitation Contracts for the Audit and did not use the HCDD Rental Rehabilitation Program guidelines. The Auditor obtained HCDD records from Laura Stagner-Crites, former HCDD Director of Finance and Dayatra Coles, former HCDD Housing Manager (SHIP Administrator) and assumed he had been provided with all available and applicable records. The Auditor testified that if HCDD staff had provided additional records or information regarding the findings for the Rental Rehabilitation Program, prior to the release of the SHIP audit, the CAO would not have released the Audit report until the additional information had been investigated. However, this would not necessarily have changed the findings.

Council Auditor Comment – Bullet 1

The auditors involved in the audit requested policies and procedures and reviewed all policies and procedures provided. Policies were provided to us in an email on October 5, 2012, from the Manager of Housing Services at the time (Dayatra M. Coles). These policies and procedures were utilized as the basis for criteria for different findings in the report as applicable, but not Findings 3-2 and 3-3 since those findings were specific to Objective 3 of the audit. The policies were not relevant to Objective 3 since this objective was, “*To determine if the SHIP projects were completed in accordance with the provisions of the contracts.*”

While we would review any policies and procedures to determine relevance, the policies and procedures provided to our office on June 13, 2022, would not have changed anything in the report for reasons noted above. If we had them at the time, we would have come to the same findings, conclusions, and recommendations.

Additionally, the specific audit findings were discussed at a meeting (October 2014) that included Elaine Spencer, Laura Stagner, Devin Carter, Dayatra Coles, and Darrell Griffin of the Housing Division. There was no mention of how any other guidelines would impact or clear these items from any of the employees present at the meeting. In the end, no guideline would have been able to supersede the contractual requirements.

Additional Point

It is our understanding that when the Council Auditor’s Office employee was being interviewed, and shown the policy from June 2011, the employee pointed out that the guideline presented to him did not appear to address the subject matter of the audit. It would not have been appropriate for the auditor being interviewed to request a copy of the policy at that time. Once we received the Office of Inspector General Report requesting our responses, we reached out and obtained a copy of the guidelines from the Office of Inspector General. That is when we were provided two documents:

- Policy 1 - Neighborhood Stabilization Program policy dated June 29, 2011
- Policy 2 - Housing Rehabilitation Guideline dated as final April 4, 2013

As noted above, both documents were reviewed and determined to not impact the report due to being outside of scope. Policy 1 was not related to the SHIP program and Policy 2 was outside of the time period being audited.

- **Language in Office of Inspector General in Report – Bullet 2**

The HCDD internal guidelines were updated in June of 2011 (within the scope of the Audit period) to resolve the conflict of interest issue.

Council Auditor Comment – Bullet 2

As referenced above, the guidelines that changed in June of 2011 were not applicable to the program under audit and thus were not within the scope of the audit.

- **Language in Office of Inspector General in Report – Bullet 3**

The Record of Audit Findings for the Rental Rehabilitation Program (Finding 3-2) reflected a recommendation, “The Housing Division should work with the Office of General Counsel to amend the contract wording to allow Housing to choose the contractors per the Procurement Code”

For Finding 3-3, the recommendation was, “The Housing Division should work with the Office of General Counsel to amend the contract wording to allow Housing to choose the contractors per the Procurement Code.”

However, during the CAO review process, the recommendations were changed for 3-2 and 3-3 to “...recommend that the Administration investigate and determine whether any disciplinary action of the Program Manager would be warranted...” and “...the Division should work with the Office of General Counsel and the Procurement Division to determine whether the contract violations committed by these two not-for-profit entities would warrant removal from the City’s approved vendor list, barring them from engaging in any future City contracts, as well as canceling any current contracts.”

Council Auditor Comment – Bullet 3

Record of audit finding forms are completed by audit staff and are utilized to assist in writing the report. However, the recommendation on the form will rarely, if ever, be verbatim the same language in the report as audit reports are ultimately issued by the Council Auditor. The portions of the audit report that are the most likely to change are in fact the recommendations based on the facts presented and the historical knowledge and professional judgment by the Council Auditor. In this instance, the audit manager and Council Auditor at the time felt it was not enough to just address the problem going forward. There was an issue identified that they felt needed to be further reviewed, which is why the report included the recommendations noted below. It is important to note that the recommendations on the record of audit finding forms are part of the second paragraph of the recommendation and the first paragraph was added after review by the audit manager and the Council Auditor at the time based on the facts and circumstances. See recommendations below and Findings 3-2 and 3-3 in their entirety in Appendix A.

We recommend that the Administration investigate and determine whether any disciplinary action of the Program Manager would be warranted for allowing this conflict of interest to

occur. Also, the Division should work with the Office of General Counsel and the Procurement Division to determine whether the contract violations committed by these two not-for-profit entities would warrant removal from the City's approved vendor list, barring them from engaging in any future City contracts, as well as canceling any current contracts.

In addition, in order to provide greater oversight and transparency, the Division should work with the Office of General Counsel to amend the contract to require the Division follow the Procurement Code, which would utilize the buyers within the Procurement Division to solicit quotes from contractors for project costs over \$2,500. (See Finding 3-8). This would help to protect against any future conflict of interest problems that have occurred in the past and utilize the expertise of the Procurement Division.

- **Language in Office of Inspector General in Report – Bullet 4**

Stagner-Crites, the main point of contact for the Audit, was provided an opportunity to report any information that would “clear up” issues after being provided a copy of the draft report. The CAO provided Stagner-Crites a letter requesting she review the draft report and mark whether she agreed with the findings. The letter also indicated she was afforded an opportunity to respond, and the CAO may need to have a close-out meeting to “work out any possible misunderstandings before the issuance of the final report.” Stagner-Crites did not clear up the issues regarding the Rental Rehabilitation Program and the final report indicated HCDD agreed with findings 3-2 and 3-3.

Council Auditor Comment – Bullet 4

The Administration/Department selects the person(s) deemed to be our point of contact on audits we conduct. The report was sent to the contact for the audit, which was the practice under the Mayor's Administration at that time. Additionally, responses were received and then input into the report. However, this is not the only time that these items were discussed with the Division. This occurred throughout the audit. In particular, as mentioned above, there was a meeting in October 2014, with five employees from the Housing Division (Elaine Spencer, Laura Stagner, Devin Carter, Dayatra Coles, and Darrell Griffin) where there was an opportunity to provide information and support that could resolve an item. No additional information was provided that would have cleared Findings 3-2 and 3-3.

We appreciate the opportunity to respond to the Office of Inspector General Report of Management Review named “Review of OIG Investigation #2016-0001 regarding former Affordable Housing Coordinator Darrell Griffin” issued on June 8, 2022.

Respectfully submitted,



Kim Taylor, CPA
Council Auditor

Appendix A

Excerpt from Council Auditor Report 769 – State Housing Initiatives Partnership Audit

Finding 3 – 2 *Conflict of Interest for Rental Rehabilitation Work*

For Rental Rehabilitation programs, the City awards funds to not-for-profit entities (NFP) in order to rehabilitate multi-family housing units. It is then the responsibility of the NFP's to receive quotes from different contractors for the rehabilitation work. The number of quotes needed is based on the amount of the funds awarded (see Finding 3-3).

We discovered that in four out of nine Rental Rehabilitation project files reviewed, the owners of two different construction companies that were chosen to do the rehabilitation work were also officers of two of the NFP's that had been awarded the funds for the projects. In one instance, for three of the four projects, the person that was the president of the construction company was also the vice president of the NFP. As president of the construction company, this individual submitted a quote for the rehabilitation work to the president of the NFP. As vice president of the NFP, this individual received competing quotes for the same construction project, therefore having full knowledge of what the competing quotes were. In a separate second instance for the fourth project, an individual who was the president of another NFP receiving the funds to rehabilitate a rental unit was also the president of the construction company that submitted a quote for the project. One other quote was received, however the president of the NFP's construction company was awarded the project. In both instances, the construction companies that were owned by the individuals who were also officers in the NFPs were awarded the contracts to rehabilitate the rental units. This appears to be a significant conflict of interest. It also appears that the Program Manager for the Rental Rehabilitation programs had knowledge of this conflict of interest and did nothing to stop this from occurring, as all of the records we reviewed were from the files maintained by the Program Manager.

Section 12.15 (Conflict of Interest) of the Rental Rehabilitation Program Grant Agreement between the City of Jacksonville and the NFP states, "The parties hereto shall follow the provisions of Section 126.110, Jacksonville Ordinance Code, with respect to required disclosures by public officials who have or acquire a financial interest in a bid or contract with City, to the extent the parties are aware of the same. No person who is an employee, agent, consultant, officer, or elected official or appointed official of the City, or of any designated public agencies, or contractor or subcontractors which are receiving Grant funds or who exercise or have exercised any functions or responsibilities with respect to Program activities or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or for one year thereafter. In addition, in the procurement of labor, supplies, equipment, construction and services by Grantee or by any general contractor, subcontractor, materialman, laborer or other persons working on the Improvements, the conflict of interest provisions of any applicable federal, state or local law, rule, regulation or policy shall be adhered to by the same."

Finding 3 – 3 *Improper Number of Quotes for Rental Rehabilitation Projects *

For all nine Rental Rehabilitation files reviewed, the NFPs did not appear to follow the agreement with the City in regard to the number of written quotes to be received on the projects. All nine Rental Rehabilitation projects only received quotes from two prospective contractors. Based on the Rental Rehabilitation Program Grant Agreement, eight of the projects should have received four written quotes and one should have received three written quotes.

Recommendation to Findings 3 – 2 and 3 – 3

We recommend that the Administration investigate and determine whether any disciplinary action of the Program Manager would be warranted for allowing this conflict of interest to occur. Also, the Division should work with the Office of General Counsel and the Procurement Division to determine whether the contract violations committed by these two not-for-profit entities would warrant removal from the City’s approved vendor list, barring them from engaging in any future City contracts, as well as canceling any current contracts.

In addition, in order to provide greater oversight and transparency, the Division should work with the Office of General Counsel to amend the contract to require the Division follow the Procurement Code, which would utilize the buyers within the Procurement Division to solicit quotes from contractors for project costs over \$2,500. (See Finding 3-8). This would help to protect against any future conflict of interest problems that have occurred in the past and utilize the expertise of the Procurement Division.

Auditee Response to Findings 3 –2 and 3 – 3

Agree Disagree Partially Agree

We acknowledge the information regarding Finding 3 – 2, Conflict of Interest for Rental Rehabilitation Work. We are currently pursuing disciplinary action against this employee which may include up to termination.

Additionally, while program contracts have always contained the appropriate procurement thresholds, staff agrees that using the buyers within the Procurement Division to solicit bids for construction exceeding \$2,500 would provide additional assurance that no actual or perceived conflicts exist. The Division has begun meeting with legal counsel and the Procurement Division to develop a new procurement process to be implemented as soon as possible.