



Memorandum

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To: George M. Burgess, County Manager

From: Christopher R. Mazzella, Inspector General

Date: August 24, 2006

Subject: FINAL AUDIT REPORT of MDHA's HOPE VI Revitalization Program Contract No. 251 with H.J. Russell & Company for Community and Supportive Services Program Management Services IG05-141A

Attached please find the Office of the Inspector General's (OIG) FINAL AUDIT REPORT on the above-captioned item. The OIG distributed a draft version of this report to the Miami-Dade Housing Agency (MDHA) and H.J. Russell & Company (H.J. Russell) on August 9, 2006. The OIG's draft report comprised fifteen findings. When we issued the draft report, the OIG deferred making any recommendations pending its receipt and review of auditee responses. We received MDHA and H.J. Russell's responses and have concluded that in light of the contractual posture of the parties, and the corrective actions already initiated by MDHA, the OIG is not rendering any recommendations. MDHA's response, which includes DHS' response, is attached to this report as APPENDIX A and the H.J. Russell's response is attached to this report as APPENDIX B.

Essentially, the OIG was disturbed by MDHA's inability to have effectively implemented and monitored this contract to ensure that there was a complete accounting of all affected residents, the supportive services provided to these residents and the successes achieved by the residents. We are not saying that the residents did not receive benefits or that there were no resident successes. Our concern is the overriding issue that MDHA cannot document, with any degree of certainty, actual program outcomes. Available program records of resident participation in or uses of services are unreliable, do not report all services provided and do not provide a reasonable basis upon which program successes can be measured and reported. Thus, it is also virtually impossible to determine whether there is some reasonable relationship between the services provided and successes achieved and the amounts of money spent under the subject agreement. We believe that a major contributor to this condition was that the MDHA's HOPE VI program manager—H.J. Russell—did not perform adequately. MDHA's actions and this report's findings reaffirm a tried and true management adage that one cannot manage what one does not measure.

Audit Background

Our audit fieldwork began in January 2006 because of two anonymous complaints received by our Office in late 2005. In brief, these complaints were that MDHA was paying H.J. Russell for work performed under the HOPE VI Program without adequate supporting documentation of the invoiced amounts. Our preliminary work included obtaining contract documents, payment records and the like, as well as holding introductory meetings with MDHA's HOPE VI staff. We prepared schedules of County payments to H.J. Russell under the subject contract, for each month showing a breakdown of the payments by the various contract-defined pay items—stages, milestones, addenda—and by payee, including MDHA, H.J. Russell, the Department of Human Services (DHS), and the various supportive services providers.

We observed that most of the contract funds spent (through December 31, 2005) totaling almost \$6 million, were for Community Supportive Services Program (CSS Program) expenses. There were lesser amounts spent on construction and construction-related activities, including the Beautification Program. Thus, we set out first to audit CSS Program expenditures and, based on our audit results, we will further evaluate whether to continue auditing the remaining contract expenditures.

Results

Almost immediately after beginning our audit, we determined that there appeared to be a large disparity between what MDHA was spending on administrative/overhead and case management costs versus supportive service provider costs. As described in Finding No. 1 (see attached FINAL AUDIT REPORT), by the time we compiled the various amounts paid under the contract, we determined that MDHA has spent \$0.85 of every dollar for administrative and case management expenses and only \$0.15 for the supportive service providers. One component of the \$0.85 resulted from MDHA's paying H.J. Russell \$299,857, under contract Addendum No. 4, for performing services already required by and paid for under the base contract (See Finding No. 2).

Furthermore, as part of the total overhead cost, we do not think that the \$1,695,914 paid out under this contract to DHS obtained for the County adequate case management services (See Finding No. 5). As mentioned in our report, the OIG thinks that case management services were a vital component to the CSS Program and unambiguously anticipated as a contract-funded service. The contract's *Scope of Services*, Appendix A, clearly states, "[T]he Contractor [H.J. Russell] will be responsible for self-sufficiency and supportive services case management for each resident eligible for HOPE VI benefits . . ." Contract payment item labeled Stage 3 is from "Start-up of provision for CSS Services and case management work" to "Completion of relocation of residents" and contract milestone numbers 5 through 8 are grouped under the subheading "CSS Case Management" (See OIG Report Attachment B for contract exhibits C-3 and C-4.). Moreover, throughout the CSS Work Plan, there are numerous references to the need for the H.J. Russell, or designee, to provide these services. The OIG objection relates to how MDHA ultimately funded these services via Addendum No. 4.

These, and the other findings, led the OIG to conclude that MDHA did not provide effective contract monitoring despite using over \$900,000 of contract funds to pay for the salary and benefits of two MDHA employees dedicated solely to providing CSS Program oversight and monitoring (See Finding No. 4).

In other audit findings, the OIG describes how we learned of some other troubling issues regarding MDHA's contract implementation and administration. MDHA contract and payment files contained little, if any, documentation supporting the amounts and performance measures shown on the H.J. Russell invoices (See Finding No. 8). Records do show that one MDHA employee attempted to obtain adequate support from H.J. Russell, although there was no evidence that this individual ever succeeded or that senior-level MDHA management supported these efforts. On the negative side, however, another MDHA employee manipulated H.J. Russell data to show conformity with a contract milestone goal (See Finding No. 9). H.J. Russell did not provide us with much in the way of authoritative documentation either. Both MDHA and H.J. Russell blamed the inadequate files on employees that were no longer working for them.

In addition, OIG auditors quickly became aware of a relatively recent, but on-going dispute between MDHA and H.J. Russell about how to measure and report milestone completion, or performance-based, contract measures (See Finding No. 10). Additional inquiry, however, determined that MDHA had paid H.J. Russell, for the last three years, based on the same previously unquestioned performance measures. The OIG inquired further and was astounded to learn that the two parties—MDHA and H.J. Russell—after years of contract performance, were disagreeing about the most fundamental of all data elements used as the base in a number of the contract's performance measures—the “head of household” count at the contract's onset.

Additionally, we learned that H.J. Russell apparently did not have a CSS database, which we later confirmed during the audit (See Finding No. 6). This database was the one tangible contract deliverable for which MDHA paid \$212,597 to H.J. Russell without ever verifying that H.J. Russell had established the database. As a substitute for this database, MDHA accepted a lesser product than what we believe was due under the contract. In fact, part of the \$212,597 resulted from MDHA's agreeing to restructure the contract payment schedule by reallocating almost \$93,000 to this contract pay item knowing that there was no database (See Finding No. 13).

In another finding, the OIG reports that MDHA did not comply with a key CSS Work Plan and USHUD requirement to hire an independent program evaluator to provide periodic, formal assessments of MDHA efforts (See Finding No. 12). A related finding is that H.J. Russell, as part of its required services, was to monitor and oversee supportive service providers. Pursuant to the contract, H.J. Russell would conduct or have conducted periodic audits to verify service provider incentive-based numbers (See Finding No. 4). H.J. Russell did not provide the OIG with any records showing that it ever conducted or had another conduct such audits. H.J. Russell did not provide the required progress schedules that would have been supportive of over \$1.5 million of period-based payments (See Finding No. 14).

Conclusion

This audit report identifies serious deficiencies in the Hope VI Revitalization Program contract with H.J. Russell. Of particular concern were our findings relating to the poor contract administration and lack of oversight for this contract, which, unfortunately, as our broader on-going investigations are clearly establishing, were deeply entrenched within MDHA. Nevertheless, the OIG is encouraged by the pro-active stance MDHA has taken to institute corrective actions relative to this contract. Consequently, the OIG is classifying this audit as Closed.

On another related matter, I want to express our satisfaction with the on-going efforts of County management to impose a culture of accountability at the Miami-Dade Housing Agency. These efforts are unprecedented and will, if successful, effectuate positive, constructive changes that will promote the needs of those most disadvantaged in our community. Recently, in a directive to County senior staff, the County Manager said that management must “take responsibility for our work and do things for the right reason without fear.” In the course of our oversight of the Housing Agency, we see evidence that this challenge is being firmly imposed.

We will continue to work closely with the new MDHA administration, through independent oversight, to promote this blueprint to reform. So as to ensure prompt reaction, in the course of our on-going investigations, as we find unacceptable practices, we will continue to bring them to the attention of the MDHA Director for her consideration.

Attachment

Distribution List

c: The Honorable Carlos Alvarez, Mayor, Miami-Dade County
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MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL



FINAL AUDIT REPORT

Miami-Dade Housing Agency
HOPE VI Revitalization Program Contract No. 251
Professional Services Agreement with H.J. Russell
& Company for Community and Supportive
Services Program Management Services
IG05-141A

August 24, 2006

**OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Miami-Dade Housing Agency
HOPE VI Revitalization Program Contract No. 251
Professional Services Agreement with H.J. Russell & Company
for Community and Supportive Services Program Management Services
IG05-141A**

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- OIG ATTACHMENT B** Supplemental Agreement No. 2, dated October 24, 2002, with accompany revised Exhibits C-3 and C-4
- OIG ATTACHMENT C** OIG Analysis of May 17, 2006 Resubmitted CSS HOH Milestone 8 Report
- OIG ATTACHMENT D** BCC Resolution (R-139-99) authorizing County Manager to begin the redevelopment of Sector I of Scott Homes And Carver Homes . . . enter into a contract with a HOPE VI Consultant . . . and execute any necessary agreements. (Approved February 2, 1999)
- OIG ATTACHMENT E** BCC Resolution (R-132-06) ratifying H.J. Russell's Professional Services Agreement for Program Management Services (Contract NO. 251) and Addenda; waiving the competitive bidding process, approving County Manager's recommendations for award of contract to H.J. Russell to include additional services required to complete the program . . . (Approved January 24, 2006)
- APPENDIX A** MIAMI-DADE HOUSING AGENCY'S RESPONSE TO THE OIG'S DRAFT AUDIT REPORT
- APPENDIX B** H.J. RUSSELL & COMPANY'S RESPONSE TO THE OIG'S DRAFT AUDIT REPORT

MIAMI-DADE OFFICE OF THE INSPECTOR GENERAL

Final Audit Report

Miami-Dade Housing Agency's HOPE VI Revitalization Program Contract No. 251

Audit of the Professional Services Agreement with H.J. Russell & Company

For Community and Supportive Services Program Management Services

I. INTRODUCTION

The Office of the Inspector General (OIG) conducted an audit of the Miami-Dade Housing Agency's (MDHA) Housing Opportunity for People Everywhere (HOPE) VI Revitalization Program Contract No. 251, entered into by Miami-Dade County (the County) and H.J. Russell & Company (H.J. Russell), the HOPE VI Program Manager.

The purpose of the OIG audit is to determine if MDHA has effective processes to oversee H.J. Russell's activities and to ensure the propriety of amounts paid to it for providing contract services. In addition, we evaluated the quality of H.J. Russell's submitted documentation supporting the amounts invoiced to MDHA for completeness, accuracy and reliability.

On November 23, 2005, the OIG issued an audit engagement letter addressed to the Director of Miami-Dade Housing Agency advising him that the Office was conducting an audit of the Agency's HOPE VI contract with H.J. Russell for program management services. During the early audit fieldwork, we reviewed the original contract, supplemental agreements and addendums.¹ We selected the Community and Supportive Services Program (CSS Program) to be the initial focus of our audit work because of the large dollar amounts budgeted for this Program under the original contract (over \$834,000 out of \$2,550,530) and under contract Addendum No. 4 (\$5,163,788). This program is aimed at making the Scott/Carver Homes residents self-sufficient, which would enable them to qualify for home ownership. This report addresses the results of our audit of the CSS Program.

II. RESULTS SUMMARY

MDHA's weak administration of the CSS Program permitted a number of improper or abusive transactions to occur that resulted in unnecessary costs and unreliable reports of program activities. An overriding feature was the insufficient documentation supporting MDHA's decision-making process, program oversight and monitoring activities, and approval of contractor invoices. Dominating our findings are those related to unnecessary costs that were either excessive or for duplicative payments for the same services. A major finding is that MDHA spent \$0.85 out of every dollar for inadequate program administration and case management versus only \$0.15 for the supportive service providers benefiting directly the client population.

¹ Notwithstanding their labeling, "supplemental agreements" and "addendums" are change orders to the contract. There are two supplemental agreements and nine addendums to the contract. The Miami-Dade County Board of County Commissioners, during its meeting held on January 24, 2006, approved a resolution that, in part, ratified the original contract and the first eight addenda. There was no mention of the two supplemental agreements in the agenda item.

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Other findings highlight the unnecessary costs and their many components, some of which are overlapping. MDHA paid H.J. Russell \$299,857, under Addendum No. 4, for performing services already required by and paid for under the base contract. MDHA paid itself \$900,149 for the salary and benefits of two individuals dedicated solely to providing what turned out to be seriously ineffectual CSS program oversight and monitoring. MDHA paid H.J. Russell over \$920,000, for providing program management services that can be noted more for what they were not than for what they were. MDHA paid DHS \$1,695,914 for inadequate case management services.² MDHA paid H.J. Russell \$212,597 for not providing the one tangible, contract deliverable—the CSS database. Almost \$93,000 of the \$212,597 resulted from an after-the-fact MDHA decision to increase the funding for the item that it made knowing that H.J. Russell had not created the database. MDHA paid H.J. Russell \$163,536 accomplishing the specified contract milestones absent any supportive documentation indicating milestone completions. MDHA paid H.J. Russell \$1,530,308 of period-based payments absent contract required monthly progress schedules and despite knowing, even without the schedules that certain program activities were substantially behind schedule. Aggravating this situation was MDHA's decision to re-schedule \$255,052 of milestone-base (performance) payments as period-based (fixed) payments.

In addition, serious programmatic issues plagued MDHA and H.J. Russell's performance. Despite the fact that the original contract period is nearing its completion date (August 15, 2006), there is still no agreement between MDHA and H.J. Russell of how to measure CSS Program performance milestones, which are key measures of H.J. Russell's performance. One example of this is that the parties still do not agree on how many "head of households" were present, as of the contract date five years ago. MDHA staff manipulated H.J. Russell's data to show conformity with the 80% completion goal for Milestone 8. MDHA did not complete a key CSS Work Plan and USHUD requirement to contract for a Revitalization Program evaluator. MDHA did not timely submit for BCC ratification the original contract, the two supplemental agreements and the first eight change orders. Not until January 24, 2006, were these items submitted for BCC action.³ As a result, the period between approval of the first resolution to the latest resolution, which ratified the contract and eight change orders, was 84 months. From contract execution to contract ratification 53 months elapsed.

² As of the date of this draft, \$1,695,914 less \$274,676 has been paid. The remaining \$274,676 (for January through June 2006) has been encumbered and invoiced by DHS but the actual inter-departmental payment is in the process of being paid.

³ Addendum No. 9 was entered into on March 14, 2006 and thus was not covered by the aforementioned resolution ratifying County Manager actions.

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III. AUDITEE COMMENTS AND OIG REJOINDERS

SUMMARY OF MDHA'S COMMENTS AND OIG REJOINDER (APPENDIX A)

Generally, MDHA agrees with the OIG's audit findings as these relate to the lack of program oversight and record keeping. Also, MDHA, in its response, continually refers to its letter dated August 11, 2006 to H.J. Russell notifying the consultant of the County's non-renewal of the contract and requirement to cure deficiencies.

However, notably, MDHA disagrees with OIG Finding No. 1 wherein we classify case management costs with administrative costs. According to MDHA, case management services provided by DHS are direct services to the client.

Notwithstanding MDHA's rebuttal, we justify our inclusion of DHS' case management costs with other administrative costs incurred by H.J. Russell and MDHA because the original scope of program management services as delineated in the base contract, Appendix A, Scope of Services, Section 2.6, prescribes "as will be required by the RP [Revitalization Program], the contractor [H.J. Russell] will be responsible for self-sufficiency and supportive services case management for each resident eligible for HOPE VI benefits." (Emphasis added.)

Clearly by this provision, case management is included in H.J. Russell's overall program management services. The fact is that case management is already accounted for in the description for monies to be paid under Period Based Stage 3: "Start-up provision of CSS services and case management work" [\$428,778] and Performance Milestones 5 - 8: "CSS Case Management—[percentage] of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed." [\$169,536]. (Emphasis added.) But not only did H.J. Russell collect its fees under these base contract payment items, additional monies were budgeted and paid for under Addendum No. 4 for someone else—DHS—to perform these functions. As such, the OIG included the DHS' costs with H.J. Russell's program service fees.

If it is contended that case management service costs should be excluded from what is covered by H.J. Russell's program management fees, then it must be asked what H.J. Russell did for \$598,314 that it was paid other than to supervise, coordinate and monitor the direct service providers, which themselves only were paid \$639,970. Again, the OIG finds it reasonable to categorize case management along with other administration.

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SUMMARY OF DHS'S COMMENTS AND OIG REJOINDER (APPENDIX A, INCLUDED IN MDHA'S RESPONSE)

Generally, DHS takes exception to the OIG's description that case management was inadequate. As stated in the report, our finding is based upon a review of a small sample of case files. Nonetheless, based upon our review of the files, we noted the lack of referral follow-up.

SUMMARY OF H.J. RUSSELL'S COMMENTS AND OIG REJOINDER (APPENDIX B)

In short, H.J. Russell "respectfully, but unequivocally, objects to each and every Finding of the Report as it relates to Russell." As it relates to other findings in the report, H.J. Russell attributes the adverse findings to "MDHA's internal disarray, which cannot be attributed to Russell."

In summary, H.J. Russell contends that MDHA's payment of its invoices is proof that it performed to the satisfaction of its client—MDHA. H.J. Russell, in its response to the OIG, specifically states: "The simple fact is, Russell would not receive payment from MDHA had it failed to execute its contractual obligations to its client's satisfaction."

To each of the specific findings, H.J. Russell provides an explanation of the services that were provided in accordance with the client's instructions, maintains that adequate documentation was provided, and/or explains that there was "critical, unexpected, additional work in the program" that justified additional funds.

Notwithstanding its assertions, neither H.J. Russell nor MDHA was able to provide the OIG with the invoice support, change in scope justifications, and other documentation that might have explained why certain contract and payment decisions were made.

The OIG, throughout the report, acknowledges MDHA's poor contract administration. However, MDHA's payment of H.J. Russell's invoices should not preclude an independent assessment of the contract's administration, the contractor's performance and the reasonableness of payments made under the contract.

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IV. CONTRACT BACKGROUND/HOPE VI PROGRAM OVERVIEW

In August 1999, the United States Department of Housing and Urban Development (USHUD) awarded the County a \$35 million HOPE VI Grant. The purpose of the grant was to facilitate the implementation of the Miami-Dade HOPE VI Revitalization Program (MDHRP), for the revitalization of the Scott/Carver Homes.

The Board of County Commissions (BCC), on February 2, 1999, approved a resolution authorizing the County Manager to, among the various tasks, begin the necessary activities for the redevelopment of the Scott/ Carver Homes and to execute the necessary agreements. To carry out this program, the County and H.J. Russell executed Contract No. 251 for program management services on August 16, 2001. The contract calls for H.J. Russell to provide program management services for the implementation and completion of the HOPE VI Revitalization Program.

The Executive Summary of the Miami-Dade HOPE VI Revitalization Program 1999 Grant Application states that the MDHRP is designed to “end the physical, social and economic isolation of obsolete and distressed public housing by recreating and supporting sustainable communities, and lifting residents from dependence and persistent poverty.”

Exhibit B of the Miami-Dade HOPE VI Revitalization Program 1999 Grant Application states that seven (7) activities categories are required for the completion of HOPE VI Revitalization Program: (1) relocation and counseling services, (2) planning and design, (3) HOPE VI Program Services Manager, (4) developers-contractors, (5) construction of in-fill homes, (6) Comprehensive Grant Program rehabilitation work, (7) administration, financing and marketing.

Of note, the MDHRP states that the HOPE VI Program Services Manager function and activities would not be contracted out. However, Contract No. 251, the subject of this audit, grants the authority to perform these functions to H.J. Russell. When questioned by the OIG at the onset of the audit, the MDHA Assistant Planning Director stated that the MDHRP did not preclude the Department from later changing its plan and to contract for program management services.

The base contract for the services is valued at \$2,550,530 (approximately 7% of the total USHUD grant) and the original period of performance is for five years, commencing on August 16, 2001 and ending on August 15, 2006. The County has an option to renew the contract for up to two (2) additional years on a year-to-year basis. The contract's fee structure establishes six stages with corresponding period-based payments and seventeen milestones with

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corresponding performance-based payments. These period-based and performance-based contract measures are laid out in Exhibits C-3 and C-4, respectively, in the original 2001 contract. (See **OIG Attachment A.**)

There have been two (2) supplemental agreements and nine addenda (change orders) to the original contract. Supplemental Agreement No. 1, dated May 10, 2002, includes additional documentation stipulations such as bar chart timelines (progress schedules) and progress reports to be submitted by the HPM, partial completion of milestones, retainage and modifications to Exhibits C-3 and C4 (Period-Based Progress Payments and Performance-Based Progress Payments), respectively. Supplemental Agreement No. 2, dated October 24, 2002, modifies the 50/50 original payment allocation for period-based / performance-based progress payments to a 60/40 allocation. As such, the budgeted amounts for all six stages and 17 milestones were changed. (See **OIG Attachment B** and Finding No. 13 for OIG comments on Supplemental Agreement No. 2.)

The program management work scope related to the CSS Program is provided for in Stages 2 and 3 and Milestones 2 through 8. Our audit focused on these activities and costs, which are shaded in orange in the below table depicting all contract stages and milestones.

TABLE 1 Period-Based and Performance Milestone Budget and Payment Amounts as of June 30, 2006 (as Revised by Addendum No. 2)

Stage	Milestone	Stage From or Milestone Description	Stage To	Revised Budget Amounts	Actual Payments Through June 30, 2006
1	1	Day of execution of HPM contract	Close-out of HOPE VI grant	\$349,427	\$329,044
2	2, 3, 4	Day of execution of HPM contract	Completion of CSS Database System and procurement of CSS providers	\$127,829	\$127,829
3	5, 6, 7, 8	Start-up of provision of CSS services and case management work	Completion of relocation of residents	\$428,778	\$428,778
4	9, 10	Start-up of work of Coordinating Planner and Designer	Completion and approval of site-work engineering and building construction plans and specs	\$89,572	\$87,770
5	11, 12, 13, 14, 15	Completion and approval of site-work engineering and building construction plans and specs	Completion of site-work and construction	\$474,702	\$431,342
6	16	Completion of draft of Homeownership Marketing Plan	Close-out of HOPE VI grant	\$60,000	\$60,000
Subtotal Monthly Period-Based Payments				\$1,530,308	\$1,464,763

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Stage	Milestone	Stage From or Milestone Description	Stage To	Revised Budget Amounts	Actual Payments Through June 30, 2006
1	1	USHUD approval of MDHRP, CSS Work Plan, HOPE VI Budget, and Section 32 (or 5h or Nehemiah, whichever applicable) public housing rent-to-own plan		\$36,008	\$36,008
2	2	Submittal of list of recommended service providers as per Section 2.6 and approval by MDHA		\$23,255	\$23,255
2	3	CSS Database—Completion of CSS Database as per Section 2.6		\$48,760	\$48,760
2	4	CSS Database—100% of Residents now on CSS Database		\$36,008	\$36,008
3	5	CSS Case Management—20% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed		\$36,008	\$36,008
3	6	CSS Case Management—40% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed		\$36,008	\$36,008
3	7	CSS Case Management—60% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed		\$48,760	\$48,760
3	8	CSS Case Management—80% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed		\$48,760	\$42,760
4	9	Completion of participatory charettes to obtain input from residents and community		\$36,008	\$36,008
4	10	Completion and approval by MDHA of sitework engineering and building construction design criteria and parameters per Section 2.4		\$87,018	\$79,752
5	11	Successful completion of 20% of total value of construction (sitework and buildings) not including homeownership units		\$66,614	\$20,578
5	12	Successful completion of 40% of total value of construction (sitework and buildings) not including homeownership units		\$66,614	\$-0-
5	13	Successful completion of 60% of total value of construction (sitework and buildings) not including homeownership units		\$66,614	\$-0-
5	14	Successful completion of 80% of total value of construction (sitework and buildings) not including homeownership units		\$66,614	\$-0-
5	15	Successful completion of 100% of total value of construction (sitework and buildings) not including homeownership units		\$66,614	\$-0-
1	16	Completion of homeownership Marketing Plan		\$36,007	\$36,007
	17	Close-out of HOPE VI grant (Retainage)		\$214,544	\$-0-
Subtotal Monthly Milestone-Based Payments				\$1,020,214	\$479,912
Totals				\$2,550,522	\$1,944,675

In addition to Stages 2 and 3 and Milestones 5 through 8, Addendum No. 4, dated December 22, 2002, was intended to pay the selected service providers to deliver the CSS services contracted for by H.J. Russell. Addendum No. 4 allocated an additional \$5,163,788 to the CSS Program's overall budget. As will be discussed throughout this audit, these additional monies overwhelmingly supported the administrative costs for this program, as opposed to funding actual service provider costs.

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V. TERMS USED IN THIS REPORT

BCC	Miami-Dade County Board of County Commissioners
CSS Program	Community and Supportive Services Program
DHS	Miami-Dade Department of Human Services
FSSP	Family Self-Sufficiency Program
HOH	Head of Household
MDHA	Miami-Dade Housing Agency
MDHRP	Miami-Dade HOPE VI Revitalization Program
OIG	Miami-Dade Office of the Inspector General
USHUD	United States Housing and Urban Development

VI. OIG'S JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to investigate county affairs and the power to review past, present and proposed County and Public Health Trust Programs, accounts, records, contracts and transactions. The Inspector General has the power to analyze the need for, and the reasonableness of, proposed change orders. The Inspector General is authorized to conduct any reviews, audits, inspections, investigations or analyses relating to departments, offices, boards, activities, Programs and agencies of the County and the Public Health Trust.

The Inspector General may perform, on a random basis, audits, inspections and reviews of all County contracts. The Inspector General shall have the power to audit, investigate, monitor, oversee, inspect and review County operations, activities and performance and procurement process including, but not limited to, project design, establishment of bid specifications, bid submittals, activities of the contractor and its officers, agents and employees, lobbyists, and of County staff and elected officials, in order to ensure compliance with contract specifications and detect corruption and fraud.

The Inspector General shall have the power to review and investigate any citizen's complaints regarding County or Public Health Trust projects, Programs, contracts or transactions. The Inspector General may exercise any of the powers contained in Section 2-1076, upon his or her own initiative.

The Inspector General shall have the power to require reports from the Mayor, County Commissioners, County Manager, County agencies and instrumentalities, County officers and employees and the Public Health Trust and its officers and employees regarding any matter within the jurisdiction of the Inspector General.

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VII. OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of the OIG audit is to determine if MDHA has effective processes to oversee H.J. Russell activities and to ensure the propriety of amounts paid to H.J. Russell for providing contract services. In addition, we evaluated the quality of H.J. Russell-submitted documentation supporting the amounts invoiced to MDHA for completeness, accuracy and reliability.

Our audit period was from August 16, 2001 (effective date of the Revitalization Program Contract No. 251) and concluded on June 30, 2006, corresponding to the end of our fieldwork.

We reviewed the base contract, including the Scope of Services (Contract Exhibit A) subsection related to the CSS Program, Addendum No. 4, the inter-departmental agreement between MDHA and Miami-Dade Department of Human Services (DHS) for case management services as well as the professional service agreements for each of the support service providers, under contract with H.J. Russell. Additionally, we reviewed the final CSS Work Plan dated April 17, 2003, the Miami-Dade Hope VI Revitalization Program 1999 Grant Application, and H.J. Russell's technical and cost proposals dated March 2, 2001 responding to the Hope VI Program Manager Request for Proposal, No. 251.

Our scope included interviewing MDHA, DHS and H.J. Russell personnel to gain an understanding of the activities and procedures related to the program administration and record keeping. We also reviewed MDHA's files and the documentation submitted by H.J. Russell substantiating their invoices for work performed. We examined the documentation for both the period-based and milestone-based progress payments made to H.J. Russell. In addition, we examined the invoices and supporting documentation submitted by H.J. Russell for Addendum No. 4 as well as those invoices and supporting documentation submitted by the service providers contracted to provide support services (pass-through payments). In addition, we sampled 30 case management files maintained by DHS HOPE VI CSS Unit personnel pursuant to the aforementioned inter-departmental agreement.

We visited one service provider—D.A. Dorsey—to interview staff and review its records, including invoices and supporting documentation, regarding the enrollment of Scott/Carver Homes residents referred to this educational center.

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VIII. FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 MDHA has spent \$0.85 out of every one dollar for inadequate program administration and case management services versus only \$0.15 for program services that benefit directly the client population.

MDHA paid itself, H.J. Russell and DHS \$3,509,697 between August 2001 and June 2006 for performing administrative services, including case management. During the same period, MDHA paid, via H.J. Russell invoices, only \$639,970, to the service providers. Thus, out of every one dollar spent under the contract for CSS Program-related services, MDHA paid \$0.85 (85%) for administrative services costs and only \$0.15 (15%) for service provider costs, as depicted in the following Table No. 1.

TABLE 2 Analysis of CSS Program Payments

Payment Description	Contract CSS Stages and CSS Milestones or Addendum No. 4 CSS Program	Total Amount Paid as of 6/30/06	Percentage of Total Amount Paid
Administration – H.J. Russell	Contract CSS Stages 2 & 3	\$342,218	8.3 %
Administration – H.J. Russell	Contract CSS Milestones 2-8	\$271,559	6.5 %
Administration – H.J. Russell	Addendum No. 4	\$299,857	7.2 %
	<i>Subtotal – H.J. Russell</i>	<i>\$913,634⁴</i>	<i>22.0 %</i>
Case Management – DHS	Addendum No. 4	\$1,695,914	40.9 %
Oversight, Monitoring and Liaison – MDHA	Addendum No. 4	\$900,149	21.7 %
Subtotal Administrative & Case Management Costs		\$3,509,697	84.6 %

⁴ The OIG contends that \$299,857 of the amount is for redundant service requirements and another \$212,597 for a non-existent CSS database. The OIG will discuss these issues in Finding No. 2 and Finding No. 6, respectively. Additionally, the OIG questions \$163,536 paid for H.J. Russell achieving milestones 5 – 8, which is discussed in Finding No. 8.

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Payment Description	Contract CSS Stages and CSS Milestones or Addendum No. 4 CSS Program	Total Amount Paid as of 6/30/06	Percentage of Total Amount Paid
Youth Activities	Addendum No. 4	\$205,517	5.0 %
Job Readiness Cohort	Addendum No. 4	\$227,841	5.5 %
Outreach/ Motivation / Visioning	Addendum No. 4	\$123,333	3.0 %
Employment/Job Training	Addendum No. 4	\$67,107	1.6 %
Small Business Development	Addendum No. 4	\$16,172	0.3 %
Community Center Rehabilitation	Addendum No. 4 (not contracted yet)	\$ -0-	0%
Subtotal Service Provider Costs		\$639,970	15.4 %
Total CSS Program Expenditures as of June 30, 2006		\$4,149,667	100 %

The OIG acknowledges that a certain amount of overhead expenses will be incurred during the life of any social services or similar program. In addition, the OIG acknowledges that it has no benchmark, standard, or the like that would indicate that the above spending ratio is “bad” or too high or otherwise inappropriate. Nonetheless, in all likelihood, the OIG would have questioned this ratio based on reasonableness alone regardless of other circumstances. However, the circumstances show disarray among the three parties primarily manifested by their inability, after five years, to develop a reliable system that completely tracks, accurately measures and timely reports resident status and participation in the various self-sufficiency programs. (See Finding No. 10.)

Thus, a reliable system was critical to the success of the HOPE VI CSS Program. Without such a system, the County could not provide reasonable assurance that program funding was spent appropriately; that program objectives were successfully accomplished; and that reliable information was disseminated to decision makers and the public. In addition, the system would have provided an authoritative basis for justifying payments to H.J. Russell, DHS and MDHA. Even without this system, however, senior program managers had knowledge of the above financial data indicating the growing disproportionate ratio between administrative service costs and service provider costs. Armed with this knowledge alone, these managers should have taken action to investigate the circumstances and implement remediative action to correct the imbalance.

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It bears pointing out that eventual contract/addendum funding was highly skewed towards paying overhead expenses related to the CSS Program. The original contract budget, valued at \$2,550,530, provided for program management services, i.e., overhead, including \$619,777 budgeted for CSS Program-related services.⁵ The OIG contends, however, that this original funding should have been the full extent of the County's program management/administrative costs under this contract. These funds correlate to the contract requirements that H.J. Russell procure, supervise and coordinate the CSS Program service providers, as well as all of the other tasks assigned to H.J. Russell under the contract. There was no contract provision to fund any other such costs or any other such services. However, under the contract's Appendix A, *Scope of Services*, Section 2.6, it contemplates that:

[T]he Contractor will enter into contract(s) with the selected service providers and the contract sum will be increased by a change order to reflect the additional cost of the service providers contracted directly by the Contractor.

The referred to change order later was issued as Addendum No. 4, dated December 2, 2002, for \$5,163,788. Out of this amount, only \$2,474,520 was dedicated to fund "the additional cost of the service providers contracted directly by the Contractor." The remaining \$2,689,268 of Addendum No. 4 was budgeted for non-service provider costs.

Notwithstanding these budgeted funds, when we paired the Addendum No. 4 service provider costs with the \$619,777 base contract amount for project management, the resultant funding ratio would have been that out of every one dollar budgeted, \$.20 would go to overhead and \$0.80 would go to service providers (see Table 3, Case A). This was the only scenario developed by the OIG that showed a "positive" ratio of service provider cost to non-service provider cost.

TABLE 3 CSS Program Funding Amounts Comparison

Description	Amount	Percentage	Ratio
A. Base Contract w/ Addendum #4			
Administrative/Overhead (Base Contract)	\$619,777	20 %	1
Service Provider per Addendum # 4	\$2,474,520	80 %	4.0
Total	\$3,094,297	100 %	

⁵ MDHA has actually paid H.J. Russell \$613,777, for CSS Program-related services that it provided, under the original contract.

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Description	Amount	Percentage	Ratio
B. Addendum No. 4 Budget			
Administrative/Overhead	\$2,689,268	52 %	1.1
Service Provider	\$2,474,520	48 %	1
Total	\$5,163,788	100 %	
C. Collective (A+B)			
Administrative/Overhead	\$3,309,045	57 %	1.3
Service Provider	\$2,474,520	43 %	1
Total	\$5,783,656	100 %	
D. Actual CSS Program Costs			
Administrative/Overhead	\$3,509,697	85 %	5.67
Service Provider	\$639,970	15 %	1
Total	\$4,149,667	100 %	

Note: Case D are **ACTUAL** amounts while Cases A, B and C are **BUDGET** amounts.

For whatever its reasons, MDHA accepted H.J. Russell's proposed budget for Addendum No. 4 that included the aforementioned costs that were not "the additional cost of the service providers contracted directly by the Contractor." In fact, \$2,689,268 (over 52%) of Addendum No. 4 funds were dedicated to non-service provider costs that went to pay MDHA, DHS, and H.J. Russell program management costs. As a result, out of every one dollar budgeted under Addendum No. 4, \$0.52 would go for overhead and \$0.48 to the service providers (Table 3, Case B).

We note that MDHA's inclusion of its own, DHS', and H.J. Russell's administrative costs directly contradict the above-mentioned contract provision, under which this change order was awarded. Moreover, this restriction was restated in the first "Whereas" statement in Addendum No. 4. We are perplexed about why MDHA would ignore clearly stated criteria when awarding the subject order.

The OIG does not dispute the need for program oversight and case management services. The OIG questions in this finding, however, the manner in which such services were funded under this contract. The OIG acknowledges MDHA's need to employ qualified staff to provide the desired services and that certain staff salaries may be allowable, reimbursable expenses, under the HOPE VI Program. The OIG, however, does question the appropriateness of how MDHA went about obtaining these monies to pay for the staff by using what is, in essence, a change order to the H.J. Russell contract, as a vehicle to obtain the funds.

In addition, there is no question that the Miami-Dade Department of Human Services (DHS) has been providing case management services, in support of the CSS Program objectives.

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There is an inter-departmental agreement between MDHA and DHS memorializing the terms and conditions of what services DHS will provide and at what cost. However, the second “Whereas” statement in Addendum No. 4 specifically excludes funding for this arrangement:

WHEREAS, MDHA is excluding the funding amount for case management services from this change order, to take into consideration the pre-existing interdepartmental agreement between MDHA and the Department of Human Services (DHS) for these services . . . (Emphasis added.)

As with MDHA’s funding of its own operations with contract funds, the OIG again questions the appropriateness of how MDHA used the H.J. Russell contract as a vehicle to obtain the funds for case management services when funding for such services were specifically excluded by Addendum No. 4 (a.k.a. change order 4). The level and quality of DHS services are discussed in Finding No. 5.

Similarly, the OIG questions the appropriateness of how MDHA went about budgeting and extra \$328,000 in additional “administrative fees” for H.J. Russell, under Addendum No. 4. We will discuss this issue in Finding No. 2.

Because of the above-mentioned questionable overhead costs added on by Addendum No. 4, the collective budget amounts (See Table 3, Case C) meant that for every one dollar of budgeted funds, \$0.57 would go for overhead and \$0.43 would go to service providers. This condition, in and of itself, was contrary to what we believe to be the original contract intent. The condition was exacerbated by what appears to be lower than anticipated service provider spending levels and by questionable payments to H.J. Russell for meeting contract milestones. (See Finding No. 8.)

Another cause may be that the service provider budgets were overestimated. A contributing factor to this condition was that H.J. Russell did not complete the contract required CSS database. This database would have provided more accurate and useful data on which to base projected resident use of and budgets for the services. H.J. Russell’s failure to produce the CSS database is discussed in Finding No. 6. Thus, in total, the actual amounts paid reflect the disproportionate spending ratio that is the basis of this finding—out of every one dollar spent for CSS Program services, MDHA paid \$0.85 for administrative services/overhead costs and only \$0.15 for service provider costs (Table 3, Case D).

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FINDING NO. 2 MDHA has paid the H.J. Russell \$299,857, under Addendum No. 4, for performing administrative services already required by and paid for under the contract.

MDHA has paid H.J. Russell \$913,634 for providing program management and administrative services. The OIG contends that \$299,857 of this amount is for redundant contract service requirements pursuant to Addendum No. 4.

The following contract terms and conditions describe, in part, H.J. Russell's originally stated scope of services, starting with the contract's Appendix A, *Scope of Services*, Section 2.6, *Self-Sufficiency and Supportive Services* that states, in relevant part:

The Contractor will be responsible for the procurement, supervision and coordination of all self-sufficiency service providers, including, but not limited to, service providers for job training, job placement, job creation, transportation to jobs, clothes for jobs, business development, remedial education, computer training, homeownership training, day-care, after-school care, post-employment training and skills building, post-employment case management, and any other program specified in the CSS Work Plan.

[T]he Contractor will submit, for MDHA's approval, a list of the designated supportive service providers (i.e. organizations) recommended by the Contractor to fill one or more of the needs identified in the CSS Work Plan . . . In the list, the Contractor will specify, for each organization, a detailed description of its program, with an estimated start-up date, the estimated costs over each year of the implementation of the HOPE VI program, its objectives, the number and class of residents benefited, and the proposed performance based-contract and monitoring system for quality control and compliance with the contract.

[T]he Contractor will enter into contract(s) with the selected service providers and the contract sum will be increased by a change order to reflect the additional cost of the service providers contracted directly by the Contractor.

As will be required by the RP [Revitalization Program], the Contractor will be responsible for self-sufficiency and supportive services case

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management for each resident eligible for HOPE VI benefits and for creating and maintaining a Community and Supportive Services (CSS) database⁶ containing up-to-date information . . . The CSS database will be used by the Contractor to prepare the USHUD-required Quarterly Management Service Level Reports . . .

The Contractor will proceed to supervise, coordinate, and monitor all service providers and all aspects of the CSS Work Plan up through successful completion and will submit the Quarterly Management Service Level Reports . . . referred to above, to USHUD as required each quarter.

Section V of the CSS Work Plan (the approved final version dated April 17, 2003), states in relevant part:

[H.J. Russell] will review monthly invoices. Monthly reports will be required to contain information that reflects milestones for the measurement of outcomes. [H.J. Russell] will either conduct or have conducted periodic audits of all reports to verify service provider incentive-based numbers. Report will include recommendations in areas where goals and milestones are not met.

Develop an audit system for verifying results, particularly in the incentive-based contracts.

The parties agreed in Supplemental Agreement No. 1, dated May 10, 2002, that “in furtherance of [H.J. Russell’s] performance of its obligations, under the Agreement, the County and [H.J. Russell] agree to the stipulations set forth below:”

A. Bar Chart Timelines Pursuant to Sub-Section 2.9.3 of the Agreement,⁷ the Contractor shall submit for the County’s review and approval a comprehensive, CPM [Critical Path Method] or PERT [Program Evaluation and Review Technique], computer-based, bar-chart . . . showing the start and completion dates of, and the

⁶ See Finding No. 6

⁷ Section 2.9 lays out the administrative responsibilities and sub-section 2.9.3 specifically relates to H.J. Russell’s responsibilities to prepare and update the schedules, budgets, cost control and progress tracking reports related to the Hope VI Revitalization Program.

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dependencies and interrelationships between, all the activities that comprise the implementation of the HOPE VI Revitalization Program (Activities) . . . The Bar Chart will be updated by the Contractor on a monthly basis as part of the requirements for monthly Progress Reports (see below).

- B. Progress Reports** By the seventh day after the last day of each month, the Contractor will submit to the County three copies of a comprehensive, written Progress Report updating, as of the end of the month, the status of all Activities related to the HOPE VI Revitalization Program . . . Additionally, the Progress Report shall describe any happenings, existing situations, or opportunities that are affecting, have affected, or will affect the future completion of the Activities.

The above is not a complete listing of all contract's original specified tasks and responsibilities but it is comprehensive enough to demonstrate the varied scope of services required. It is all of these named, as well as the other un-named services, tasks, etc. that H.J. Russell was obligated to provide, along with adequate staff to perform the enumerated services, under the original contract at the agreed-upon price of \$2,550,530. Notwithstanding, under Addendum No. 4, MDHA approved an additional \$328,000 in funding to pay H.J. Russell for "Administrative Services." Addendum No. 4 contained no description of what comprised these services, nor did it contain any statement whatsoever explaining the need for the additional fees. To date, MDHA has paid H.J. Russell \$299,857 out of the \$328,000.

The contract refers to the additional funding that will be forthcoming to pay for CSS service program providers. The contract does not refer to or provide for any future funding to pay H.J. Russell for services related to this service provider funding. Quite simply, the OIG has no idea why MDHA approved the additional funding. MDHA and H.J. Russell personnel have provided, at best, vague non-answers when responding to OIG inquiries about this issue. In part, these additional monies contributed to the disproportionate spending described in Finding No. 1, and, thus, have been previously questioned by the OIG as contributing to the excessive costs associated with this contract. Notwithstanding, in this finding, the OIG argues that the services were not needed by the County because they were already covered by the original contract and that MDHA did not exercise good judgment in authorizing such services. The OIG contends that the County should seek to recover the \$299,857 from H.J. Russell.

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FINDING NO. 3 MDHA did not provide effective monitoring functions overseeing H.J. Russell activities despite paying itself over \$900,149 for the salary and benefits of two individuals dedicated solely to providing CSS Program oversight and monitoring.

Notwithstanding the County's 1999 grant application stating that the program management functions were to be performed in-house, given MDHA's outsourcing of these functions, we believe reasonable mandates that MDHA be responsible for providing supervision over and guidance to H.J. Russell in the procurement, supervision and coordination of the service providers. As part of this charge, we believe that MDHA should have implemented an oversight and monitoring function to ensure that H.J. Russell was performing according to contract requirements. In fact, Supplemental Agreement No. 1 (dated May 10, 2002), stated that:

[T]he County shall utilize its own monitoring systems, such as physical inspections, to continually evaluate the performance of the Contractor. The County reserves the right to delay, withhold, or reduce any **period-based progress payment** . . . in any month if it deems that the Contractor has fallen substantially behind the progress schedule. (Emphasis added.)

In addition to MDHA monitoring period-based progress payments, the OIG contends that good business practice requires MDHA to exercise proper diligence prior to paying any progress payment—period-based or performance-based. There are no MDHA records documenting that at any time during the contract period, MDHA staff ever conducted physical inspections or similar procedures or that they ever formally evaluated H.J. Russell performance.

We believe that had MDHA staff complied with the above directive that could have detected and corrected many, if not most, of the cited issues in this report. That they did not implement such procedures and practices is a critical failure on their part to exercise good judgment and to employ prudent contract administration practices. A particularly aggravating condition is that MDHA used \$900,149 of program funds to pay itself for the salary and benefits of two individuals whose sole function was to provide oversight and monitoring of the CSS Program and H.J. Russell performance but who ultimately did not adequately perform.

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FINDING NO. 4 H.J. Russell did not implement an effective monitoring function overseeing CSS Program service providers despite receiving over \$920,000 in payments to provide administrative and program management services, some portion of which it should have dedicated to providing the required function.

The contract imposes on H.J. Russell the primary responsibility to monitor and oversee its consultants, contractors and service providers. Section V of the CSS Work Plan elaborates on this requirement when it states that the "Program Manager will either conduct or have conducted periodic audits of all reports to verify service provider incentive-based numbers." Additionally, this section directed H.J. Russell to "Develop an audit system for verifying results, particularly in the incentive-based contracts." There are no records showing that H.J. Russell ever conducted or had conducted such audits.

For example, OIG auditors visited D.A. Dorsey (Dorsey), which was one of the paid service providers, under a cost-based contract with H.J. Russell. We found that the number of enrollees reported by Dorsey did not agree with H.J. Russell's corresponding number of enrollees, as reported in the *CSS HOH Milestones Report*. We believe that had H.J. Russell completed the required audits that this discrepancy would not exist.

That H.J. Russell did not perform audits is a critical failure like that of MDHA's. Unlike for MDHA, however, the OIG cannot isolate a discrete amount for such services. However, we point out that MDHA paid H.J. Russell \$921,358 under contract Stages 1 and 3 and Milestone Nos. 5 - 8 payments for providing some level of administrative and program management services.⁸ We believe that H.J. Russell should have dedicated some portion of these monies to providing the subject audits and monitoring function.

FINDING NO. 5 MDHA paid DHS \$1,695,914 for inadequate case management services.

MDHA paid DHS, through an inter-departmental agreement, \$1,695,914 (41% of the total amount paid for the CSS Program administration) from June 2002 through June 30, 2006, to provide case management services to the HOPE VI Scott/Carver Homes residents. DHS used this money to fund a HOPE VI CSS Unit comprised of eight (8) case managers, a supervisor and clerical/support staff, as per the calendar year 2005 agreement, to provide case

⁸ Stage 1 is described as from "Day of Execution of HPM Contract" to "Close-out of HOPE VI grant" as is valued at \$349,427 (revised). Payments under this stage were monthly throughout the five-year (60) month contract duration and were meant to cover miscellaneous administrative/overhead costs not otherwise provided for by a specific stage or milestone.

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management services to the Scott/Carver Homes residents. Types of residents included “head of households,” “employable residents,” all youths younger than 19 and the elderly.

We were unable to ascertain that DHS files authoritatively documented the level of services provided to all Scott/Carver Homes residents, as reported by DHS in its periodic reports. Typically, a caseworker’s hand written notations were all that documented a resident’s use of services. There most often was no indication that the caseworker ever followed-up with the service provider to confirm that the resident successfully completed a program (e.g. job training) or how often a resident used a program (e.g. child or medical care). This additional step to confirm with the provider would have added a desirable degree of credibility to the DHS-reported results. Although not entirely the fault of DHS, but a procedural shortcoming, nonetheless, was that DHS did not review service provider invoices. As the referring agency, DHS was in the best position to know the expected level of services based on its referrals, and the actual level of services provided based on its follow-up interviews with the residents, and, thus, best equipped to assess a provider’s invoiced amounts for accuracy and completeness. This would have been a logical and prudent step for DHS to take, if for no other reason than to confirm its own data.

DHS, among other responsibilities, is required to provide tracking of CSS-enrolled individuals through monthly contacts and to offer case management and referral for CSS Program eligible families that agree to participate in the program and to recruit, design and deliver elderly services to age 60-plus HOPE VI residents. In fact, thirteen percent (13%) of MDHA’s payments to DHS fund its elderly services program. DHS is required to provide periodic reports of its activities.

We believe that we can reasonably impute that DHS was to provide and document the entire spectrum of services used by the Scott/Carver Homes residents/family members/etc., including counseling sessions (in-office or in-home) and referrals that were provided as part of a structured, comprehensive supportive services program. One important function should have been to conduct and document its follow-up efforts with the service providers and residents confirming their actual participation and use of services.

Another key task that should have been taken in conjunction with MDHA and H.J. Russell was to establish baseline counts of certain populations as of the contract date. Two critical baseline counts were “head of households” (HOH) and the other was “employable residents.” Earlier HOPE VI/Revitalization Program records established a baseline count of 850 residences, 826 HOHs and 1,248 employable residents. While the number of residences would not have needed updating, what were needed were updated counts, as of the contract date, of the HOHs and employable residents. Other important counts, as of the contract date, would have been

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the number youths and the elderly, although these two counts had not been previously established. Collectively, these counts would have established the baseline population eligible for services.

As discussed elsewhere in this report, the number of HOHs is still under dispute by MDHA and H.J. Russell. Only DHS reports employable residents but they do not correlate this count to the HOH count. In either case, DHS files should contain the authoritative source documents supporting the reported headcounts, services provided and the other data that should have been contained in the CSS database. Notwithstanding that the CSS database was never developed, DHS files still should be complete. In the absence of the CSS database, DHS used an Excel spreadsheet that was similar to the one used by H.J. Russell, to track its case management activities. As is the case with H.J. Russell's spreadsheet, this tool is insufficient to provide accurate, timely and current information about the totality of services provided to the residents.

The OIG obtained from the MDHS HOPE VI CSS Unit a sample of 30 case management files. We observed that the files contained a completed initial family assessment and *Individual Service Plan (ISP)*, for those families choosing to participate in the program. Other records included progress records forms with the caseworker's hand written notations, employment verification forms, and copies of any referrals by the caseworker to the resident.

Critical to the success of any supportive services program is the follow-up work by the caseworker. Telephone calls and in-person interviews are integral to this process but they should be supported by other caseworker actions to verify the resident-reported information. In particular, caseworkers should follow-up with the service providers to confirm the level of services actually provided or even if the resident appeared at the service provider location. We examined the 128 referrals contained in our 30 sample case files and found that only four referrals were completed and returned by the service providers and that only two of them indicated that the residents received the referred the services. There is no evidence that DHS caseworkers contacted the service providers to check on the status of their referrals.

The OIG finds that the DHS HOPE VI CSS case management unit provided inadequate case management services. Moreover, the statistics supporting these activities do not correlate with other related data contained in the reports prepared and published by MDHA and H.J. Russell. We believe that case management services should have involved much more effort than reporting periodic caseworker contacts and preparing referrals to the Scott/Carver Homes residents. Unfortunately, that is what DHS provided for \$1,695,914. The OIG suggests that MDHA expeditiously follow-up with DHS about the level of service that it has been providing to the residents.

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FINDING NO. 6 MDHA paid \$212,597 for H.J. Russell to develop a database but instead received a spreadsheet.

Out of all of the program activities to be managed by H.J. Russell, one activity, in particular, called for the production of a deliverable item—a CSS database. For this deliverable, MDHA originally contracted to pay H.J. Russell \$119,875. By the time H.J. Russell was through invoicing for this item, MDHA paid \$212,597.⁹ MDHA has still yet to receive a database.

The earlier referenced Sub-section 2.6 includes a segment called *Case Management and Quarterly Management Service Level Reports*, which states that, H.J. Russell:

[W]ill be responsible for self-sufficiency and supportive services case management for each resident eligible for HOPE VI benefits and for *creating and maintaining a Community and Supportive Services (CSS) database containing up-to-date information* on (1) needs assessment, (2) services provided and (3) self-sufficiency attained for each eligible Scott Homes and Carver Homes resident, as of the date of the grant award (September 16, 1999). The CSS database will be used by the Contractor to prepare the USHUD-required Quarterly Management Service Level Reports E-1, E2, and E3. (Emphasis added.)

The CSS database will also contain updated information on the educational level, ability/skills, job experience, career preferences, and aptitudes of each resident eligible for HOPE VI benefits and a historical summary of case management guidance and accomplishments. ... The Contractor will proceed to supervise, coordinate, and monitor all service providers and all aspects of the CSS Work Plan up through successful completion. (Emphasis added.)

As a result of further inquiry and a visit to H.J. Russell's local office to verify the existence and functionality of the database, the OIG confirmed that H.J. Russell never created the required database; nor does it track clients and services through a database. Instead, H.J. Russell created and continues to maintain an Excel spreadsheet (titled *CSS Head of Household Milestones*¹⁰) that inadequately and inaccurately summarizes the program services received by

⁹ See Finding No. 13 for a full discussion of the impact of Supplemental Agreement No. 2 and the reallocation of program fees from performance based milestones (construction activity) to period-based fees, in particular towards Stage 2 for the CSS database.

¹⁰ See Finding No. 10 for our audit discussion of the three versions of this spreadsheet that H.J. Russell submitted to MDHA to show completion of Milestone 8, the 80% benchmark.

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the listed clients. For example, OIG auditor observed duplicate listings of client names and client numbers. We pointed this out to MDHA and H.J. Russell during one of the meetings.

We do not believe that anyone would confuse this spreadsheet with the database required by the contract. Moreover, the data in the spreadsheet is just abysmal. It only holds the names of the head of households—not all former Scott/Carver Homes residents. It provides no information of individual needs, aptitudes, career preferences and educational levels. The spreadsheet is merely a grid, with the names listed vertically down the left hand side and entry/check marks (sometimes even hand written) made across the sheet to show what program the person is attending or has attended, and whether the person is employed. We find it inconceivable that MDHA accepted this spreadsheet as satisfactory substitution for the required database and that it paid \$212,597 for a clearly substandard work product.

Table 4 shows the amounts paid by MDHA to H.J. Russell for the creation, completion and implementation of the CSS Database.

TABLE 4 H.J. Russell Invoices and MDHA Payments for CSS Database

Items	CSS Database Activities	CSS Plan Budget Original Change Revised	Invoice No.	Invoice Date	Invoice Amount	Total Amount Paid as of June 30, 2006
CSS Stage 2	From execution of contract to completion of CSS Database System	\$30,606 +\$97,223 \$127,829	SL010811	08/31/01	\$2,550	
			SL010911	09/30/01	\$5,101	
			SL011011	10/31/01	\$5,101	
			SL011111	11/30/01	\$5,101	
			SL011111	12/31/01	\$5,101	
			SL020211	02/28/02	\$3,826	
			SL020311	04/02/02	\$3,826	
			SL020912	11/22/02	\$97,223	
Amount Paid for CSS Stage 2						\$127,829
CSS Milestone 3	Completion of CSS Database System	\$38,258 +\$10,502 \$48,760	SL011111	01/09/02	\$12,753	
			SL020511	06/06/02	\$25,505	
			SL020912	11/22/02	\$10,502	
Amount Paid for CSS Milestone 3						\$48,760

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Items	CSS Database Activities	CSS Plan Budget Original Change Revised	Invoice No.	Invoice Date	Invoice Amount	Total Amount Paid as of June 30, 2006
CSS Milestone 4	100% of original residents now on CSS Database System	\$51,011 -\$15,003 \$36,008	SL011111	01/09/02	\$12,753	
			SL011111	12/31/02	\$12,753	
			SL020611	07/16/02	\$ 25,506	
			SL020912	11/22/02	\$ (15,003)	
Amount Paid for CSS Milestone 4						\$36,008
Totals for CSS Database System		\$119,875 + \$92,722 \$212,597	See Finding No. 13 for a full discussion of the impact of Supplemental Agreement No. 2 and the reallocation of program fees from performance based milestones (construction activity) to period-based fees, in particular towards Stage 2 for the CSS database.			\$212,597

Note: Differences in individual invoices for CSS Milestone 4 may exceed the totals paid due to rounding.

The OIG contends that the County should seek to recover the \$212,597 from H.J. Russell.

FINDING NO. 7 The absence of a functional CSS database had adverse repercussions throughout the entirety of the CSS Program, and even the larger HOPE VI Revitalization Program.

The required CSS database was the primary means to track the CSS Program. The program's success and accomplishments was inextricably tied to a populated database holding valuable information on each former Scott/Carver Homes resident so that program services (education, job skills training, etc.) would match individual needs and preferences. The database would have been the authoritative project record to document the program's overall success. In addition, reports of individual resident successes and accomplishments using information from this database would directly reflect the value and quality of MDHA and H.J. Russell contributions. Simply stated, this database was an irreplaceable and critical program component.

The lack of this database had long-term repercussions that adversely affected the successful implementation of the CSS Program. As described elsewhere in this report, there are:

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- excessive administrative costs,
- serious deficiencies in the reporting of client status and their use of supportive services,
- MDHA made milestone-based and period-based payments using unsupported H.J. Russell accomplishments, and even today,
- the lack of authoritative data that would have been contained in the database is the source of a disagreement between MDHA and H.J. Russell over how many residents there actually are and how many of them have used which of the program services.

H.J. Russell attempts to use an Excel spreadsheet to oversee resident status and participation in the CSS Program. In large part, we believe that using this spreadsheet resulted in unreliable information given to decision makers and to the public. It was a virtually useless tool for measuring H.J. Russell's performance and for use when approving milestone-based payments. Moreover, there is no correlation between the spreadsheet data to the other data generated by DHS or by the other service providers.

Furthermore, as stated in another finding, the database was envisioned to be the source data for H.J. Russell to prepare the USHUD-required Quarterly Management Service Level Reports E-1, E2, and E3. Without such a database, H.J. Russell abdicated this contractual responsibility. Instead, the information for the quarterly reporting submitted to USHUD is generated from the residents' case files maintained by DHS. Once this information is summarized manually by DHS personnel, they prepare the USHUD form and forward it to MDHA for submission to USHUD. Based on our inquiry, we determined that H.J. Russell does not gather or maintain this type information. This would seem to be a logical conclusion in light of H.J. Russell not having a CSS database.

In summary, MDHA does not have any records or other data to explain why it paid \$212,597 to H.J. Russell for a non-existent database, whose absence has had dire consequences, which resonate throughout this program.

FINDING NO. 8 MDHA approved, and H.J. Russell was paid \$163,536 for Milestones 5 through 8, absent any supportive documentation indicating performance of milestone completion.

The documentation supporting the invoices for work performed under the CSS Program submitted by H.J. Russell and maintained by MDHA is woefully insufficient and inadequate to reach a determination of what activities were performed to earn the requested payments. Both

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MDHA and H.J. Russell fault personnel no longer associated with each organization for the lack of records provided or on file.

Performance-based payments to H.J. Russell for Milestones 5, 6, 7, and 8 correspond to H.J. Russell's case management activities achieving levels of 20, 40, 60 and 80 percent completion of the overall goal to provide services to the original Scott/Carver Homes residents through enrollment in a self-sufficiency program, completion of a self-sufficiency program, or employment.

Exhibit C-4 to the original contract provides the written descriptions of these milestone objectives. While Supplemental Agreement No. 2 reallocated budgeted amounts, it did not change the descriptions and required performance of the program manager. Each performance milestone has a corresponding budgeted amount (revised by Supplemental Agreement No. 2) as shown below.

TABLE 5 Performance Milestones and Revised Budgeted Amounts

5	CSS Case Management—20% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed	\$36,008
6	CSS Case Management—40% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed	\$36,008
7	CSS Case Management—60% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed	\$48,760
8	CSS Case Management—80% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed	\$48,760
Total Budgeted Amounts for CSS Milestones 5 thru 8		\$169,536

Invoices submitted by H.J. Russell for milestone payments 5 through 8 consist of nothing more than an invoice cover sheet stating an amount due and a one-page progress payment schedule, labeled Exhibit C-4, showing previous amounts paid, the current invoiced amount, and balances remaining. The OIG contends that the one-page invoice cover page and the one-page schedule are inadequate. Even the most basic information which is necessary to demonstrate milestone achievement—i.e., the number of former residents receiving community supportive services—was nowhere stated on the invoice or progress payment schedule. One would expect, at least, a listing, by name, of those residents receiving services and what services they were enrolled in or had completed. Furthermore, one should have expected some form of measurement to demonstrate that a certain number of former residents were being served by the program manager, thus entitling it to receive its fee. Nowhere on these invoices was there

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a number stated to show that H.J. Russell had met its performance goals of 20, 40, 60, and 80 percent completion.

The following table shows a summary of the ten (10) invoices submitted by H.J. Russell for milestone payments 5 through 8.

TABLE 6 Analysis of Payments made for CSS Milestones 5 thru 8

Milestones	Milestones Descriptions							
5	20% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed.							
	Baseline Population of Residents	Percent per CSS Milestone	Residents Served	Invoice Number	Invoice Date	Amount Paid	Milestone Budget Amount	% of CSS Milestone Paid
	Not established	20%	Not provided	SL020711	08/08/02	\$25,506	\$36,008	70.8%
	Not established	20%	Not provided	SL030212	03/11/03	\$10,503		29.2%
	Total Amount Paid for CSS Milestone 5						\$36,008	\$36,008
6	40% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed.							
	Baseline Population of Residents	Percent per CSS Milestone	Residents Served	Invoice Number	Invoice Date	Amount Paid	Milestone Budget Amount	% of CSS Milestone Paid
	Not established	40%	Not provided	SL020811	09/09/02	\$12,753	\$36,008	35.4%
	Not established	40%	Not provided	SL020911	10/09/02	\$12,753		35.4%
	Not established	40%	Not provided	SL030312	04/08/03	\$10,503		29.2%
Total Amount Paid for CSS Milestone 6						\$36,008	\$36,008	100%
7	60% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed.							
	Baseline Population of Residents	Percent per CSS Milestone	Residents Served	Invoice Number	Invoice Date	Amount Paid	Milestone Budget Amount	% of CSS Milestone Paid
	Not established	60%	Not provided	SL030512	06/06/03	\$48,760	\$48,760	100%
Total Amount Paid for CSS Milestone 7						\$48,760	\$48,760	100%

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Milestones	Milestones Descriptions							
8	80% of original residents on welfare, now enrolled in self-sufficiency program, now have completed a self-sufficiency program or now employed.							
	Baseline Population of Residents	Percent per CSS Milestone	Residents Served	Invoice Number	Invoice Date	Amount Paid	Milestone Budget Amount	% of CSS Milestone Paid
	Not established	80%	Not provided	SL030812	09/09/03	\$24,380	\$48,760	50.0%
	Not established	80%	Not provided	SL031012	11/07/03	\$12,190		25.0%
	Not established	80%	Not provided	SL031212	01/12/04	\$ -0-		0.0%
	Not established	80%	Not provided	SL040312	04/12/04	\$6,190		12.7%
	Total Amount Paid for CSS Milestone 8					\$42,760		\$48,760
Total Amount / Percentage Paid for CSS Milestones 5 thru 8					\$163,536	\$169,536	96%	

MDHA maintains no other invoice supportive documentation detailing the activities performed by H.J. Russell, which should have supported these milestone payments. However, we note that on two (2) occasions, MDHA staff requested in writing from H.J. Russell supporting documentation. The first request was dated August 15, 2002 and corresponded to invoice SL020711, which was the first of two progress payment requests corresponding to the 20% milestone. The second request was dated November 4, 2002 and corresponded to invoice SL020911, which was the second of three progress payment requests corresponding to the 40% milestone. In each notification, H.J. Russell was advised that it needed to provide “supporting documentation (resident names, addresses and completed self-sufficiently programs) concerning the [percentage] CSS Case Management milestone.”

In both cases, we found that the invoices were ultimately paid but we could not determine if the requested supporting documentation was ever provided.¹¹ Throughout the course of our audit, we repeatedly asked for all invoice support. If H.J. Russell did submit the requested documentation pursuant to these two requests, it was not turned over to the OIG.

¹¹ Both requests for supportive documentation were made by Mr. Leonard Freeman, a former MDHA County employee. The OIG was advised that Mr. Freeman passed away prior to our audit beginning, and thus we did not have a chance to speak with him. These two invoice notices were the only two records that the OIG found during the course of our entire review where a County employee questioned the propriety of the payment requests and the lack of supportive documentation accompanying them.

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Likewise, we found no supporting documentation related to the partial or full completion of the 60% and 80% milestones. A progress payment schedule showing amounts previously paid, amounts due and amounts remaining is merely an invoicing tool. It cannot even begin to be a record in support of showing performance. (See next finding for separate reports submitted by H.J. Russell and relied upon by MDHA for the 80 percent performance completion benchmark.)

Moreover, closer examination of the invoice dates raises even more questions about H.J. Russell's invoicing practices and MDHA's oversight and accounts payable review. The chronological order of several of these performance-based invoices makes no sense. For instance, H.J. Russell submitted two (2) invoices corresponding to the partial completions of CSS Milestone 6 (invoices SL020211 and SL020911 submitted in September and October 2002, respectively), while the previous milestone, No. 5, was not completed and invoiced for until March 2003, or four (4) months later. Furthermore, the last invoice for the completion of Milestone 6 was submitted in April 2003, or a month after the previous milestone (Milestone 5) was completed and invoiced for.

This chronological disorder coupled with the complete and utter lack of documentary support, even more so calls into question the validity of the payments made towards these performance milestones.

FINDING NO. 9 MDHA personnel manipulated data reported by H.J. Russell to show conformity with the 80% completion goal of Milestone 8.

CSS Program Milestone 8 corresponds to an 80% attainment that the original residents are enrolled in a self-sufficiency program, have completed a self-sufficiency program or are employed. Milestone 8 marks the last performance-based milestone payment related to the CSS Program. As noted above, the invoices accompanying the payment requests for milestones 5 through 8 lacked any detail or measure of the number of residents being served.

In light of lack of invoice support, OIG auditors requested from MDHA any supporting documentation (even if not submitted as part of a payment requisition) received from H.J. Russell to support its performance of the milestone completions. In particular, we requested information related to the 80% benchmark, which was the final performance benchmark. MDHA provided the OIG with a packet of paperwork consisting of a summary report and the previously described Excel spreadsheet entitled *CSS Head of Household Milestones*. This summary report showed 100% completion with 475 residents served. When we questioned the

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numbers shown on this summary report, we were advised that there was another similar packet of paperwork, which correctly corresponded to the satisfaction of Milestone 8.

The second packet originally showed a 142% completion with 814 residents tracked. We noticed, however, that the CSS Coordinator had crossed out some of the figures provided by H.J. Russell, hand-written her own revised numbers and initialed the changes to show an 84% completion. The revised figures are shown below in the following Table 7.

TABLE 7 Analysis of H.J. Russell's CSS Head of Household Milestone Report

Item	Employed	ACP	DORSEY	Labor in Love	FSSP Enrolled	FSSP Pending	Refused Services	Total	Percent
As Submitted by H.J. Russell	199	16	55	22	127	70	266	814	142%
MDHA's CSS Coordinator Revisions	+120						-169		
CCS Coordinator Revised	319	16	55	22	127	70	97	706	84%

The MDHA CSS Coordinator made several adjustments to the numbers reported by H.J. Russell. First, the CSS Coordinator added 120 clients to the "Employed" column, bringing the "Employed" total to 319. When asked, the CSS Coordinator could not confirm the source of these additional 120 employed residents and whether they gained employment as a result of services provided under the CSS Work Plan. The OIG auditor asked about the procedure used to add these 120 residents to the employed category. We were advised by the CSS Coordinator that she accessed the DHS Computer System and checked that these residents showed income. She stated that she did not check the source of these residents' income or when it commenced. Upon the OIG auditor's request for a list or printout of these individuals from the DHS Computer System, the CSS Coordinator stated that she did not have a printout nor did she keep a list. Moreover, she could not document that these individuals were actually Scott/Carver Homes residents.

The CSS Coordinator also reduced the number of "Refused Services"¹² residents by 169 individuals (two hand-written deductions of 79 and 90). A memorandum from this MDHA CSS Coordinator, dated May 14, 2004, states: "The reviewer deducted 79 client entries from

¹² MDHA's definition for clients who "Refused Services" are those Scott/Carver Homes residents initially surveyed on or after September 16, 1999, and that their signed "Refused Services Forms" are on file.

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this category because these individuals were employed.” The memorandum continues to state that H.J. Russell was credited for these individuals under employment. However, her adjustment in the employment column is for 120 individuals and it is unclear whether the 79 residents deducted from the refusal category are included in the 120.

For the other 90 persons, she stated that she reduced the “Refused Services” clients by this number because the “termination” reasons provided by the Program Manager “did not explain what efforts were undertaken to find these clients.” Because it was not clear to her, she excluded these individuals from being counted. However, it is unclear to the OIG how the terminology used to describe H.J. Russell’s efforts to locate these clients would cause them to be eliminated from this category without some form of clarification or follow-up between the parties.

The third instance of data manipulation occurred when the CSS Coordinator allowed the remaining 97 clients who “Refused Services” (out of the original 266) to be counted towards the completion of the 80% CSS Milestone. Although these residents were part of the population originally surveyed in September 16, 1999 and technically could receive CSS services at any time, they refused in writing to do so. The CSS Coordinator does not recall exactly why she included these clients in the count towards the 80% completion, however, the OIG did see correspondence between H.J. Russell and MDHA addressing the inclusion of those who refused services. It was H.J. Russell’s position that it should not be “punished” in its ability to meet the performance measures. Instead, H.J. Russell asked that those who refused services be deducted from the baseline population altogether. But, instead of reducing the base population by excluding those who refused services, the MDHA CSS Coordinator included the remaining 97 residents towards H.J. Russell’s 80% goal.

We find MDHA’s inclusion flawed. If half of those eligible for services refused services, H.J. Russell could have reached the 50% completion goal by doing nothing.

The final adjustments made by the MDHA CSS Coordinator related to the total number and percentage of completion achieved. The MDHA revised total reflected 706 individuals as counting towards the goal. H.J. Russell’s total went from meeting 142% of its goal to only 84%, which, on its face, is much more in line with the final performance measurement calling for 80% attainment.

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FINDING NO. 10 Several years later, there is still no concurrence between MDHA and H.J. Russell of how the CSS Program performance milestones are to be measured.

Our review of the figures submitted and reported by H.J. Russell towards the completion of the last CSS milestone—Milestone 8—has led us to conclude that they just do not make any sense. Throughout our audit, we asked both MDHA personnel and H.J. Russell for supporting documentation for the services provided to the Scott/Carver Homes residents, and, most importantly, the criteria used to establish the pool of residents eligible for services under Addendum No. 4 and the criteria which to measure attainment of the established goals. The figures reported by H.J. Russell kept changing with each submittal of its CSS HOH Report. On February 22, 2006, the OIG and the MDHA CSS Coordinator discussed H.J. Russell CSS *Head of Household Milestones Report*. It was immediately apparent that the figures reported were unreliable, as H.J. Russell had submitted two different reports towards the completion of Milestone 8. (See previous finding for the discussion of the two reports, showing 100% and 142% attainment.)

On March 8, 2006, the OIG met with H.J. Russell's Program Director to discuss our concern regarding the different figures reported and the lack of reliable supporting documentation. He stated that he personally would meet with all the parties involved, including MDHA, DHS and the service providers, to get the matter straightened out.

On April 20, 2006, the OIG met with MDHA and H.J. Russell personnel to inform them of our continued concern about how they were counting the baseline population and reporting those residents using services, as reported in the CSS HOH Report. In addition, the OIG mentioned its concern about the lack of coordination and agreement between MDHA and H.J. Russell about what would constitute acceptable documentation supporting the reported results. The H.J. Russell Program Director offered to provide supporting documentation and a revised CSS HOH Report indicating the Scott/Carver Homes residents who had received services. He stated that he now knows what is expected of the CSS HOH Report and what the OIG was looking for, and that he would work on this matter personally. The OIG reminded him and MDHA that it was their responsibility to establish documentation and reporting standards. Once those standards were set and after MDHA had completed its review process and accepted the work product, the OIG could then evaluate the process and the work product.

On May 17, 2006, the OIG met with MDHA personnel and H.J. Russell's Program Director to discuss what we had hoped was H.J. Russell last revision to the CSS HOH Report. To facilitate our audit review of the CSS HOH Report and supporting documentation, we requested MDHA to first perform an independent analysis of the latest H.J. Russell figures and

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provide its results back to the OIG. During this meeting, we also discussed whether the elderly and youth were being excluded from the program manager's reporting when it was apparent that MDHA was reimbursing H.J. Russell to pay the service providers who offered these services. Once again, a discussion ensued about who should be included in the count towards the CSS Milestone 8 completion, thereby demonstrating that this basic premise had still not been resolved.

On June 1, 2006, we met again with MDHA personnel to go over the results of their analysis. MDHA's analysis resulted in higher active caseload figures and lower Milestone 8 percentage of completion than those claimed by H.J. Russell in third and last CSS HOH Report. The OIG informed MDHA that we would review the documentation analyzed by MDHA personnel and the reasons behind such discrepancies. We also asked MDHA personnel what actions they intended on taking to recover, based on their analysis, what seemed to be overpayments for inflated and undocumented figures. We were advised then that this matter was under advisement and that a decision would be made later.

During the month of June, H.J. Russell thwarted the OIG's review of the records analyzed by MDHA personnel because it took its records back after the OIG had met with MDHA personnel. The records were not returned until June 30, 2006, after the OIG auditor prodded MDHA to request H.J. Russell to return the documentation to be re-reviewed. The records were returned with additional "documentation" provided by H.J. Russell.

At present, the OIG considers that the integrity of the records analyzed by MDHA, which resulted in higher caseload and lower Milestone 8 percentage of completion, as compromised, and, thus, our continued efforts to audit the revised numbers would not be worthwhile. That being said, however, our continued oversight of the re-submission of the CSS HOH Report and involvement in discussions pertaining to measuring the percentages (for milestone purposes) clearly reveals that there was no—and still is no—concurrence between the parties of how to measure performance, and thus how the program manager was to receive its fees.

Most importantly, however, there was no meeting of the minds as to which original residents should be included or excluded from the count related to the program manager's fees. The number of former residents receiving social services, as reported by DHS, bore no resemblance to the figures reported by H.J. Russell.

To illustrate the continued inconsistency in the numbers considered towards the completion of Milestone 8 by both H.J. Russell and MDHA, the table on the next page shows the figures reported by H.J. Russell in its last version of the CSS HOH Report (May 17, 2006) and MDHA reviewed/revised figures.

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TABLE 8 Resubmitted CSS HOH Milestone 8 Analysis

Analysis Performed By	Percentage of Completion	Services Provided / Case Load
Results using H.J. Russell's numbers and H.J. Russell's methodology	100%	290 / 289
Results using MDHA's revised numbers and MDHA's methodology	59%	490 / 835
OIG's results using MDHA's revised numbers and H.J. Russell's methodology	47%	232 / 496

As illustrated in the table above, H.J. Russell reports that, not only has it achieved the Milestone 8 goal of 80%, it has met 100% of overall goal. (See **OIG Attachment C** for our schedule entitled *Analysis of May 17, 2006 Resubmitted CSS HOH Milestone 8 Report.*)

We believe that under MDHA's method, no categories are excluded from the determination of which individuals count towards H.J. Russell meeting its goal. However, the MDHA reviewer did revise H.J. Russell's reported participant numbers. In addition, MDHA uses a baseline (or denominator) of 835 to calculate its participant percentage (H.J. Russell's baseline was 838). MDHA's analysis shows that H.J. Russell only attained 59% of the goal. The MDHA reviewer hand wrote this percentage next to H.J. Russell's reported 100%. The methodology used by MDHA was not the same as used by H.J. Russell. If we use MDHA's revised numbers and H.J. Russell's methodology, we arrive at 47%.

On the other hand, H.J. Russell whittles down the caseload, which counts towards the measuring performance by initially excluding those who refused services, the elderly and those who were non-responsive. In effect, H.J. Russell's exclusion of these categories reduced the active caseload to 289 individuals. Thus, when it reports 290 individual receiving services, it has achieved 100% completion.

The criteria and guidelines to base H.J. Russell's fees should have been firmly memorialized when the contract with H.J. Russell was executed in August 2001—almost five years ago. It should have also been clearly established after H.J. Russell had been paid for Milestone 4 (*CSS Database—100% of residents entered into the database*).

This condition gives rise to serious questions about the quality of information provided by H.J. Russell with its preceding progress billings for milestone payments 5 - 7. In addition, it gives rise to serious questions about what MDHA used as a basis for approving these payments. To go over these numbers back and forth now is inexcusable contract management.

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FINDING NO. 11 H.J. Russell included clients receiving other services—not part of the CSS Program—towards its 80% goal.

H.J. Russell is including, and MDHA has allowed it to include, residents who have/are receiving Family Self-Sufficiency Program (FSSP) services as part of the number of residents counted towards the completion of the CSS Program Milestones. However, the CSS Program Budget does not name any FSSP service providers nor does it include any budget amounts for funding these service providers. Notwithstanding, MDHA allowed H.J. Russell to “grandfather” in 197 FSSP participants. The OIG questioned MDHA, at this time, about its reasoning for allowing H.J. Russell to count these participants when, in fact, H.J. Russell had nothing to do with their participation in the FSSP. MDHA had no answer for the OIG other than that they wanted to report “successes.”¹³ If we assume H.J. Russell’s most recent HOH count of 838 is accurate, then H.J. Russell would have attained a 24% goal without any effort on its part (197/838).

We do know that the FSSP is an on-going MDHA-sponsored program that was operating before and then concurrently with the HOPE VI CSS Program and is an integral part to the entirety of the HOPE VI Revitalization Program. We queried MDHA and H.J. Russell personnel about FSSP services, its funding source and its goals and how are they measured, what was the cost of providing services, which were the service providers and what was the level of services and case management received by the residents. H.J. Russell’s verbal and written explanations were vague and did not address the specific issues raised by the OIG. Similarly, MDHA did not provide specifics about the FSSP or the reason for including these residents in the CSS Program results for payment purposes.

FINDING NO. 12 MDHA did not complete a key CSS Work Plan and USHUD requirement to contract for a MDHRP evaluator.

We believe that a critical component to the success of the CSS Work Plan would have been the presence of an “evaluator.” “Would have been” is appropriate because MDHA never contracted for an evaluator.

¹³ Of interest to the OIG is that H.J. Russell’s first 80% *HOH Milestones Report* counted 197 FSSP participants (pending and enrolled) and its last report counted 113 FSSP participants. Not surprisingly, there is no adequate explanation from H.J. Russell about this disparity.

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Appendix A, Section 2.6 states:

As required by a recently-issued USHUD mandate, all HOPE VI grant recipients are required to have the accomplishments and effectiveness of their HOPE VI revitalization programs, and, in particular, the supportive services components of said programs, evaluated by a qualified independent entity, which is to be approved by USHUD. To this end, MDHA will contract with an independent institution to act as the evaluator of the [revitalization plan]. The Contractor [H.J. Russell] is to work closely with, and receive guidance from, the Evaluator in the creation of the CSS database, and in the preparation, or revision, of the needs assessment survey forms and the CSS Work Plan.

In its CSS Work Plan, MDHA recognizes this function by stating that an “Independent evaluator will be selected to provide quarterly reports that include evaluation of services and outcomes.” In Section VI, MDHA expands on this requirement:

MDHA will procure the services of a local university or consulting firm with housing experience, particularly affordable/public housing experience to provide formal evaluation of the HOPE VI CSS Work Plan . . . The evaluator will be integrally involved during the project implementation, attending meetings with staff, residents and the community. The evaluator will participate in the process to trace baseline information and subsequent data as it relates to the CSS Work Plan. The evaluator will provide feedback on a quarterly basis that is useful and informative to the decision-making process . . . The evaluator will be required to produce a six (6) month and yearly evaluation report of all contracted and non-contracted providers, based on their MOU's and actual achievement of those goals and objectives.

Section VI also puts forth two specific tasks needing completion and their corresponding milestone dates. The first task is to solicit proposals for an evaluator and was to be performed by MDHA and H.J. Russell by August 2003. The second task is to select an evaluator. This task also was to be performed by MDHA and H.J. Russell by August 2003. MDHA staff informed the OIG auditors that an evaluator was never hired but offered no substantial reason why they did not do so.

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FINDING NO. 13 MDHA approved Supplemental Agreement No. 2 allowing H.J. Russell to restructure \$255,052 of milestone-base payments as period-based payments and to front-load the payment schedule by \$92,722 for work not done.

Under Supplemental Agreement No. 2, dated October 24, 2002, MDHA agreed to restructure the 50-50 period-based to milestone-based payment schedule to 60-40, respectively. This transferred \$255,052 from milestone-based or performance-based payments to period-based or fixed payments. This all but guaranteed that H.J. Russell would benefit from its own nonperformance and/or, in addition, insulate it to some degree, from issues outside of its control that would affect its ability to accomplish its objectives and still receive all of its contract stipulated fees. As a matter of good governance, the OIG would likely take exception to any county department that shifts contract funds from a performance-based standard to a fixed- based standard, absent a very compelling reason to do so (and supported by authoritative documentation that presents a clear audit trail of the management approvals, decision-making process and circumstances). The payment schedule adjustment to H.J. Russell contract is no exception case and, accordingly, the OIG considers this one more example of poor MDHA contract administration.

Supplemental Agreement No. 2 reset the respective percentages assigned to each of the six stages and seventeen milestones so that the two stages (Stages 1 and 3) most likely to be completed would receive significantly larger allocations of funds whereas the five milestones (Nos. 11 – 15) least likely to be completed would receive smaller allocations of funds. In fact, \$228,045 from the construction-related performance milestones 11 - 15 funded 89% of the \$255,052 reallocated to fixed-payment stages. These funding shifts are illustrated in Table 9 on the next page.

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TABLE 9 Supplemental Agreement No. 2 Payment Schedule Revisions

		Original Contract	% of Total	Revised Supplemental Agreement	% of Total	Change (Revised - Original)	% Change
Stage	1	\$153,032	6.00%	\$349,427	13.70%	\$196,395	128.34%
Stage	2	\$30,606	1.20%	\$127,829	5.01%	\$97,223	317.66%
Stage	3	\$367,272	14.40%	\$428,778	16.81%	\$61,506	16.75%
Stage	4	\$28,056	1.10%	\$89,572	3.51%	\$61,516	219.26%
Stage	5	\$489,702	19.20%	\$474,702	18.61%	(\$15,000)	-3.06%
Stage	6	\$206,593	8.10%	\$60,000	2.35%	(\$146,593)	-70.96%
Rounding		\$0		\$10		\$10	
Subtotal		\$1,275,261	50%	\$1,530,318	60%	\$255,057	
Milestone	1	\$25,505	1.00%	\$36,008	1.41%	\$10,503	41.18%
Milestone	2	\$12,753	0.50%	\$23,255	0.91%	\$10,502	82.35%
Milestone	3	\$38,258	1.50%	\$48,760	1.91%	\$10,502	27.45%
Milestone	4	\$51,011	2.00%	\$36,008	1.41%	(\$15,003)	-29.41%
Milestone	5	\$51,011	2.00%	\$36,008	1.41%	(\$15,003)	-29.41%
Milestone	6	\$51,011	2.00%	\$36,008	1.41%	(\$15,003)	-29.41%
Milestone	7	\$76,516	3.00%	\$48,760	1.91%	(\$27,756)	-36.27%
Milestone	8	\$76,516	3.00%	\$48,760	1.91%	(\$27,756)	-36.27%
Milestone	9	\$25,505	1.00%	\$36,008	1.41%	\$10,503	41.18%
Milestone	10	\$76,516	3.00%	\$87,018	3.41%	\$10,502	13.73%
Milestone	11	\$112,223	4.40%	\$66,614	2.61%	(\$45,609)	-40.64%
Milestone	12	\$112,223	4.40%	\$66,614	2.61%	(\$45,609)	-40.64%
Milestone	13	\$112,223	4.40%	\$66,614	2.61%	(\$45,609)	-40.64%
Milestone	14	\$112,223	4.40%	\$66,614	2.61%	(\$45,609)	-40.64%
Milestone	15	\$112,223	4.40%	\$66,614	2.61%	(\$45,609)	-40.64%
Milestone	16	\$25,505	1.00%	\$36,007	1.41%	\$10,502	41.18%
Milestone	17	\$204,042	8.00%	\$214,544	8.41%	\$10,502	5.15%
Rounding		\$0		(\$2)		\$2	
Subtotal		\$1,275,264	50%	\$1,020,212	40%	(\$255,052)	
Rounding		\$5		\$0		(\$5)	
Total		\$2,550,530	100%	\$2,550,530	100%	\$0	

As bad as this reallocation was, MDHA made it even worse by agreeing to restructure the funding dedicated towards the much-discussed CSS database. By October 2002, we believe that a completed, functioning CSS database was long overdue from H.J. Russell. Notwithstanding, H.J. Russell had never demonstrated that it had a CSS database and, yet, MDHA increased the total funding for this one item by 77%. Under the original contract, H.J. Russell would have received \$119,875 under Stage 2 and Milestones 3 and 4. Now, under Supplemental Agreement No. 2, H.J. Russell would now receive \$212,597, which is an

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additional \$92,722. In November 2002, one month after the parties signed Supplemental Agreement No. 2, H.J. Russell billed and was paid these additional funds and still without having provided a CSS database. H.J. Russell submitted this November 2002 invoice over seven months after it had already collected 100% of the original contract's Stage 2 funding allocation. Relating specifically to the period-based Stage 2 funding, the readjustment, which front-loaded the fee schedule, resulted in an over 300% increase to this stage.

FINDING NO. 14 H.J. Russell did not provide contractually required progress schedules that were to have been supportive of \$1,530,308 of period-based payments.

The OIG cannot over-emphasize the importance that it attaches to a contractor's responsibility to provide reliable and timely information to county staff charged with administering contracts. One of the most critical pieces of information for this contract type is the contract schedule and schedule updates. Without this information, county staff is limited in their ability to adequately monitor and measure contractor performance. These vital acts help to ensure that county staff obtains adequate knowledge and record of contractor performance on which to base their approval of a contractor's requests for payment. Contract Supplemental Agreement No. 1, dated May 10, 2002, contained the following:

Bar Chart Timelines [T]he Contractor shall submit for the County's review and approval a comprehensive, CPM [Critical Path Method] or PERT [Program Evaluation and Review Technique], computer-based, bar-chart ("Bar Chart," also referred to as the "Progress Schedule") showing the start and completion dates of, and dependencies and interrelationships between, all the activities that comprise the implementation of the HOPE VI Revitalization Program (Activities) . . . The Bar Chart will be updated by the Contractor on a monthly basis as part of the requirements for monthly Progress Reports (see below).

H.J. Russell submitted a Progress Schedule at the onset but, thereafter, did not submit monthly updates. These updated Progress Schedules would have been a valuable tool to MDHA staff to assess MDHA's progress towards the successful completion of all MDHRP activities, which encompass CSS Program activities. It most certainly would have been a valuable tool to use to assess the level and effectiveness of services provided versus the period-based payments made to H.J. Russell. The bar chart timeline was part of what should have been an early warning system for MDHA to alert it that there was a growing imbalance between what it was paying for services and what it was getting in return.

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This information would have been especially useful when monitoring Contract Stages 3 and 5, which were the two largest dollar-valued stages. Stage 3 covered a 48-month (4-year) period from “Start-up of provision of CSS services and case management work” to “Completion of relocation of residents.” This audit report describes the numerous issues—many the sole responsibility of H.J. Russell—adversely affecting the successful completion of the CSS Program, and as result, the successful completion of the MDHRP. Notwithstanding, MDHA approved an accelerated payment schedule allowing H.J. Russell to collect its 48 monthly contract payments in only 41 months. Thus, the OIG questions not only why MDHA paid H.J. Russell all of the \$428,778 due under the Contract Stage 3 (much of which has already been questioned earlier in this report) but why MDHA approved paying out the monies under a shortened payment schedule. The preponderance of evidence shows that neither MDHA nor H.J. Russell can adequately document the successful completion of the CSS Program, or even what part of the program was successful.

In addition, Stage 5 covered a 48-month (4-year) period running more or less concurrent with Stage 3 activities described above, which were also predicated on a 48-month schedule. Stage 5 covers the time from “Completion and approval of site-work engineering and building construction plans and specs” to “Completion of site-work and construction.” We acknowledge that these MDHRP activities were outside our audit scope; however, extrinsic evidence indicates that there have been lengthy delays adversely affecting MDHRP construction and related activities. Notwithstanding, MDHA has paid H.J. Russell no less \$9,900 per month for the past 40 months (October 2002 through March 2006), and over \$29,600 in the last two months (April and May 2006) alone, for activities related to construction management. In total, MDHA has paid \$431,342, or 91 % of the total Stage 5 funding, for virtually no construction.

This contract is coming to end on August 15, 2006, with site-work incomplete and only three houses constructed. There is an obvious disconnection between “as-planned” and “as-completed” but the County will apparently pay the same amount regardless.

As discussed earlier in Finding No. 3, Supplemental Agreement No. 1 gave MDHA the specific authority to take action resulting from H.J. Russell’s non-performance under a period-based payment item:

[T]he County shall utilize its own monitoring systems, such as physical inspections, to continually evaluate the performance of the Contractor. The County reserves the right to delay, withhold, or reduce any period-based progress payment . . . in any month if it deems that the Contractor has fallen substantially behind the progress schedule.

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In both cases, timely submitted reliable progress reports would have alerted MDHA staff to operational problems and/or H.J. Russell non-performance. In either case, MDHA staff could have taken corrective action, including amending the contract, enlisting the services of others, withholding payment or whatever would have been needed to fix the problem(s). Not having the required progress schedules compromised MDHA's ability to monitor H.J. Russell's performance effectively. Having said this, the OIG also believes that MDHA did not need an updated schedule to know how bad things were becoming under this contract. All an updated schedule would have done would have been to graphically portray the missed milestones; thus, making it that much harder for MDHA to overlook the deteriorating conditions, which we have no doubt that they were already aware of. This condition is another glaring example exposing MDHA and H.J. Russell's dismal performance.

FINDING NO. 15 MDHA did not timely submit for BCC ratification the original contract, the two supplemental agreements and the first eight change order addendums.¹⁴

The following is a chronology of BCC resolutions and contract actions and their respective dates:

BCC Resolution authorizing the County Manager to begin the redevelopment of Sector I of Scott Homes and Carver Homes . . . enter into a contract with a HOPE VI consultant . . . and execute any necessary agreements. (See OIG Attachment D.)	February 2, 1999
Contract No. 251	August 16, 2001
Supplemental Agreement No. 1	May 10, 2002
Supplemental Agreement No. 2	October 24, 2002
<i>Change Orders</i>	
Addendum No. 1	February 7, 2002
Addendum No. 2	June 10, 2002
Addendum No. 3	October 16, 2002
Addendum No. 4	December 2, 2002
Addendum No. 5	August 16, 2004
Addendum No. 6	August 16, 2004

¹⁴ Addendum No. 9 was entered into on March 14, 2006, and thus was not covered by the aforementioned resolution ratifying County Manger actions.

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Addendum No. 7

January 10, 2005

Addendum No. 8

February 2, 2005

**BCC Resolution Ratifying H.J. Russell's Contract January 24, 2006
and addenda Nos. 1 through 8 (See OIG Attachment E.)**

There was an almost seven-year interval between BCC actions, during which the contract, two supplemental agreements and eight change orders were executed. The individual periods between execution and BCC ratification ranged from the contract's 53 months to the last change order's (No. 8) nearly 12 months. The above items include Supplemental Agreement No. 2, which was a material change to the contract payment terms that lessened H.J. Russell's performance payments in favor of increased fixed payments. The cumulative impact of the change order items has been to add millions of dollars of funding to the original contract amount for services already authorized (e.g. CSS Program) or for new services (e.g. Beautification Program) and has provided hundreds of thousands of dollars of additional fees to H.J. Russell. For example, change order No. 4 added over \$5 million to the contract, including \$328,000 in fees for H.J. Russell. All of these actions without formal notice to the BCC.

We note that the original BCC action authorizes the County Manager, in relevant part, to:

Execute any agreements necessary to effectuate any of the purposes of this resolution following their approval by the County Attorney's office, and to exercise amendment, modification, renewal, cancellation, and termination clauses of such agreements.

Despite this language, we are not convinced that the BCC intended to give the County Manager's Office, or its designee—MDHA—unfettered right to avoid having to submit contract change orders to the BCC for its review and approval/ratification, especially when one considers the substantial monetary changes contemplated by the change orders. This condition reflects much more than the more typical situation wherein there is a nominal interval between CMO approval and BCC ratification. In this case, MDHA's actions reflected a blatant disregard for established county procedures that are in place to ensure the separation of powers, the check and balance so to speak, between the BCC and the CMO.

*The OIG appreciates the cooperation and assistance afforded us by
the Miami-Dade Housing Agency, the Department of Human Services and
H.J. Russell & Company during the course of the audit.*
