



Office of the District of Columbia Auditor

007:12:HT:LP:fs

**LETTER REPORT: RESPONSES TO SPECIFIC
QUESTIONS REGARDING PEACEHOLICS
CONTRACTS, LOANS, GRANTS, AND SUB-GRANTS
BY DISTRICT AGENCIES**

December 20, 2011

Audit Team:

Henry Tucker, Financial Auditor

Yolanda Branche, District of Columbia Auditor



Office of the District of Columbia Auditor

007:12:HT:LP:fs

The Honorable Jim Graham
Councilmember
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 105
Washington, D.C. 20004

Letter Report: Responses to Specific Questions Regarding Peaceoholics Contracts, Loans, Grants, and Sub-grants, by District Agencies.

Dear Councilmember Graham:

Pursuant to Councilmember Yvette Alexander's August 19, 2010, request, and in accordance with Section 455 of Pub. L. No. 93-198,¹ the District of Columbia Auditor (Auditor) conducted an examination of the Peaceoholics organization. On August 17, 2011, the Auditor issued a report titled "Audit of Funding Agreements Including Contracts, Loans, Grants, and Sub-grants Issued By the District of Columbia to Peaceoholics, Inc. From Fiscal Year (FY) 2006 to FY 2010".

On October 3, 2011, the Committee on Human Services of the Council of the District of Columbia held a public roundtable on the August 17, 2011, audit report. This letter is in response to questions presented in a letter dated October 12, 2011, from your office regarding the October 3, 2011, public roundtable.

¹ See Section 455 of the District of Columbia Home Rule Act ("Home Rule Act"), approved December 24, 1973 (87 Stat. 803; D.C. Code § 1-204.55 (2001)). D.C. Code § 1-204.55 (b) states: "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." See also D.C. Code § 1-204.55 (c) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

RESULTS OF THE AUDITOR'S EXAMINATION

QUESTION 1: CATEGORIZE THE FUNDING SOURCE OF THE \$8.7 MILLION IN AWARDS TO THE PEACEHOLICS USING THE FOLLOWING AREAS: COMPETITIVE GRANT PROCESS; NON-COMPETITIVE GRANT PROCESS; LINE ITEMS IN COUNCIL APPROVED BUDGET.

AUDITOR'S RESPONSE: Peaceoholics received \$13,754,498 through contracts, loans, grants and sub-grants from seven different District government agencies and the Children and Youth Investment Corporation (CYITC) during the audit period. Of the \$13,754,498 in funds, the Department of Housing and Community Development (DHCD) issued one loan to Peaceoholics for \$5,000,000 via the Housing Production Trust Fund. Excluding the \$5,000,000 DHCD loan, Peaceoholics received \$8,754,498 through contracts, grants and sub-grants.

COMPETITIVE GRANT PROCESS; NON-COMPETITIVE GRANT PROCESS

As stated in our audit report, agency officials confirmed that \$1,339,990 was awarded and disbursed on a non-competitive basis. Specifically: the United States Department of Justice issued a \$500,000 grant to the Justice Grants Administration (JGA). JGA subsequently awarded the \$500,000 to Peaceoholics as a sub-grant, a \$479,990 sub-grant from the Central Neighborhood Enterprise (CNE), which was part of an \$800,000 grant from Metropolitan Police Department (MPD) to CNE, and a \$360,000 grant from CYITC.

Of the \$8,754,498, the following entities disbursed a total of \$7,414,508 through grants and sub-grants to Peaceoholics: The Children and Youth Investment Corporation \$4,487,874, the Department of Youth and Rehabilitation Services (DYRS) – three contracts for a total of \$2,404,039 plus payments without a contract totaling \$40,580, the Department of Human Services (DHS) one grant for \$157,582, the Deputy Mayor for Planning and Economic Development (DMPED) one \$15,000 grant, the District of Columbia Public Schools (DCPS) one grant for \$10,000, and MPD one grant for \$299,433.

LINE ITEMS IN COUNCIL APPROVED BUDGET

The CYITC disbursed \$4,847,874 to Peaceoholics through multiple grant agreements. CYITC was not able to locate all grant agreements issued to Peaceoholics because the agreements were moved from CYITC's office to an off-site storage facility. We reviewed grant agreements provided by CYITC and found that CYITC grants to Peaceoholics were a blend of local and federal funds.

Of the \$4,847,874 that CYITC disbursed to Peaceoholics, we determined that \$1,423,747 was local funding approved in the Budget Support Acts of 2007, 2008, and 2010. CYITC also disbursed \$523,893 worth of local funds to Peaceoholics, and \$1,908,221 of blended federal and local funds. The source of the remaining \$992,012 in funds could not be identified because the grant agreements were moved to CYITC's off-site storage facility.

In addition to \$4,847,874 from CYITC, Peaceoholics received a total of \$3,906,624 from DYRS, MPD, JGA, DHS, DMPED and DCPS. These agencies disbursed \$3,906,624 to Peaceoholics through agency fiscal budgets (local) or federal grant funding.

During our review, we were unable to document any instances that indicated that the BSA funding should be awarded directly to Peaceoholics from District agencies. However, we reviewed SOAR reports, agency records, and contacted agency officials and verified that DYRS, MPD, JGA, DHS, DMPED and DCPS disbursed a total of \$3,906,624 in funds to Peaceoholics from their respective agency fiscal budgets (local) or federal grant funding.

Table I presents comptroller source group, agency budget line item, and the funding source of the \$8,754,498 in disbursements to Peaceoholics from CYITC, DYRS, MPD, JGA, DHS, DMPED and DCPS.

Table I
Funding Source \$8,754,498 in Awards to Peaceoholics

District Agency	Fiscal Year(s)	Funding Source of the Payments Issued	Comptroller Source Group	District Agency Budget Line Item (Comptroller Source Group)	Total Payments to Peaceoholics, Inc.
DCPS	2007	Local	41	Contractual Services - Other	\$10,000
DHS	2005	Local	41	Contractual Services - Other	\$1,100
DHS	2005	Local	41	Contractual Services - Other	\$8,320
DMPED	2007	Local	50	Subsidies and transfers	\$15,000
DYRS	2008-2010	Local	50	Subsidies and transfers	\$2,406,853
DYRS	2006	Local	41	Contractual Services - Other	\$36,666
DYRS	2006	Local	20	Supplies and Materials	\$1,100
MPD	2007-2008	Local	50	Subsidies and transfers	\$779,423
DHS	2006-2008	Federal	50	Subsidies and transfers	\$148,162
JGA	2010	Federal	50	Subsidies and transfers	\$500,000
CYITC	2006-2010	Local	50	Subsidies and transfers	\$1,947,641
CYITC	2006-2010	Blend of Local and Federal	50	Subsidies and transfers	\$1,908,221
CYITC	2006-2011	Unable to Determine	50	Subsidies and transfers	\$992,012
Total Payments to Peaceoholics from all funding sources					\$8,754,498

Source: District Agencies and SOAR reports

QUESTION 2: IDENTIFY THE SOURCE AND JUSTIFICATION OF EACH OF THE THREE, NON-COMPETITIVE GRANTS TOTALING \$1,339,990 MADE TO THE PEACEHOLICS.

AUDITOR'S RESPONSE: The source and justification for the \$1,339,990 in grants and sub-grants is as follows:

- \$479,990 sub-grant from the Center for Neighborhood Enterprise was part of an \$800,000 grant from MPD to support the implementation of the Violence Free Program in two Washington, D.C. high schools.
- \$500,000 grant from the JGA to support young people through efforts to reduce violence and reoffending among young people committed to the care of the DYRS in the District of Columbia.
- \$360,000 grant was from CYITC. The agreement between CYITC and Peaceoholics for the \$360,000 grant stated that the services and activities would be detailed in the work plan. However, Peaceoholics did not provide CYITC with a work plan.

MPD, JGA, and CYITC officials all stated that the aggregate total of \$1,339,990 disbursed to Peaceoholics non-competitively was under the direction of former officials in the Executive Office of the Mayor and the Office of the City Administrator.

QUESTION 3: PROVIDE THE MPD REPORT.

AUDITOR'S RESPONSE: Peaceoholics did not consistently comply with deadlines for submitting reports. For example, an MPD audit report regarding the \$199,433 grant to Peaceoholics stated: "[t]here was no mechanism to ensure that the tasks were actually completed timely, within the scope of the project and by whom. The progress reports were often information prepared without being signed and dated by a project manager or without indicating who completed the task...it was impossible for Peaceoholics to comply with the requirement for submitting timely monthly reports when 10 months of the award period had expired prior to the preparation and finalizing of the Grant Agreement. Failure to deliver timely progress program reports contributed to the inability of determining whether funds were used for their intended purpose per the terms."² A copy of the MPD report regarding the \$199,433 grant to Peaceoholics is attached (Attachment 1).

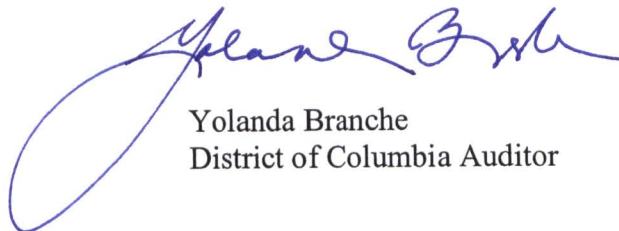
² Report No. 08-AUD-021 – Review of MPD Grant Awarded to Peaceoholics

QUESTION 4: PROVIDE THE DOCUMENT IN WHICH YOU REFERRED IN YOUR TESTIMONY CONFIRMING THAT ALL FUNDS ASSOCIATED WITH THE \$5 MILLION DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD) LOAN HAVE BEEN RELINQUISHED BY THE PEACEOHOLICS.

AUDITOR'S RESPONSE: The Department of Housing and Community Development (DHCD) issued one loan to Peaceoholics for \$5,000,000 via the Housing Production Trust Fund. A copy of the Assignment and Assumption of Housing Production Trust Fund Program Loan Agreements is attached (Attachment 2). The agreement states: "As of the effective date (March 16, 2011), Assignor (Peaceoholics, Inc.) hereby assigns to Assignee (Capital Development Group, LLC) and Assignee hereby unconditionally and irrevocably agrees to fully assume and discharge all Assignor's rights and obligations under the Predevelopment Loan (\$600,000) Documents and the Acquisition Loan (\$4,400,000) Documents, and Assignee agrees to: (i) be fully bound by all of the terms, and (ii) keep, perform and observe all of the covenants and conditions contained herein from and after the Effective Date thereof."

I trust that this letter report addresses your questions. Please contact me if you require additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Yolanda Branche", with a large, stylized loop on the left side.

Yolanda Branche
District of Columbia Auditor

ATTACHMENTS



**Executive Office of the Chief of Police
Office of Risk Management**

51 N Street, NE Washington, DC 20003 (202) 727-9901 FAX (202) 727-0736

**REVIEW OF METROPOLITAN POLICE DEPARTMENT
GRANT AWARDED TO PEACEHOLICS, INC.**

Keith L. Williams
Inspector/Director
Office of Risk Management

Report No. 08-AUD-021
April 14, 2008

Distribution:

Chief of Police
Office of the Chief of Police

Assistant Chief of Police
Patrol Services and School Security Bureau

Assistant Chief of Police
Professional Development Bureau

On March 24, 2008, the Executive Office of the Chief of Police, Office of Risk Management (ORM), completed an audit of a grant awarded by the Metropolitan Police Department (Grantor) to Peaceholics, Inc. (Grantee). The Grantee is a District of Columbia non-profit corporation, with an administrative office at 606 Raleigh Place, SE, Washington, DC 20032.

BACKGROUND

The ORM Audit Team reviewed Metropolitan Police Department and Executive Office of the Mayor communication that established and approved the Grant Agreement for the Ward 4 Petworth "Rebuild the Village" Project awarded to Peaceholics, Inc. The agreement essentially provided a grant that covered a twelve month period. Ten of the twelve months of the award period had expired before the Grant was officially approved, resulting in the Grantee receiving reimbursement for ten months of works completed prior to the award of the grant.

PURPOSE AND SCOPE

The objective of this audit was to determine if funds were spent according to the terms of the Grant Agreement between the Metropolitan Police Department and the Peaceholics, Inc. The audit also sought to determine whether reporting requirements were met and if the Grant Monitor conducted the appropriate oversight of the grant.

The inspection was conducted according to generally accepted government auditing standards contained in *Government Auditing Standards* issued by the Controller General of the United States. The audit included examining and testing all files, accounts and records considered necessary in the circumstances. The audit covered the October 1, 2006 through September 31, 2007 award period of the grant.

SUMMARY OF FINDINGS

Expenditures by the Grantee of grant funds were consistent with the amounts and purposes presented in the Preliminary Program Budget proposed in the Grant Request. The ORM Audit Team found no evidence that the Grantee did not provide the services proposed in the Grant Agreement. However, it is the opinion of the ORM that the process of awarding the grant for a period well in advance of the selection of the Grant Monitor or establishment of operating procedures compromises the Grantor's ability to monitor expenditure of funds and the timeliness and quality of service provided by the Grantee.

This deficiency was evident when the auditor did not find an itemized record of the costs incurred by the Grantee for the Project in the Grant Monitor's files other than the preliminary Program Budget and Narrative submitted by the Grantee. Because the Grant Agreement was finalized and signed August 8, 2007, only several weeks prior to the September 30 completion date for the grant, the Grant Monitor was not afforded ample opportunity to receive and review current expenditure data.

Additionally, many of the written accounts provided by the Grantee appeared "pro forma" in nature. They provided specific accounts of activities that had been completed. But there was no mechanism to ensure that the tasks were actually completed timely, within the scope of the

project and by whom. The progress reports were often information prepared without being signed and dated by a project manager or without indicating who completed the task.

It appears as if the Grantee did not have insurance coverage as required; the insurance document on file revealed that the policy had an effective date of November 15, 2007 and a policy expiration date of November 15, 2008. **This coverage period is clearly outside of the October 1, 2006 through September 30, 2007 grant award period.**

Another deficiency uncovered as a result of this audit was the lack of standardized protocols for drug testing of employees as required by the Grant. The personnel files revealed that five employees in the test sample each contained documentation indicating that the employee had been tested for drugs at least once. However, the employer's random test had been conducted for four of the five employees *after* the grant period for the project had expired. The test results of all the employees were negative.

There was a charge of \$1,106.70 for the rental of a vehicle from October 5 through October 10, 2007. The Auditors determined that this expenditure was for renting a vehicle outside of the October 1, 2006 to September 30, 2007 award period and therefore should not be charged to the grant.

FINDINGS

REVIEW OF GRANTEE RECORDS

Progress Reports

The purpose of the grant was to establish the Petworth Youth Violence Prevention Program as described in the Grantee's proposal submitted through the Executive Office of the Mayor. The work plan submitted by the Grantee entitled, Ward 4 Petworth "Rebuild the Village" Project, outlined the following goals:

Enhance Civic Engagement and Mentoring Relationships

Strengthen adult-youth relationships through community-building events

Reduce violence and increase positive relationships among youth from rival neighborhoods

Improve academic and career development options

Article II, section 2.5 of the Grant Agreement required the Grantee to submit monthly progress reports outlining its progress toward achieving its goals:

The Grantee shall submit monthly progress report to the Grant Monitor by the 10th day of each month of service, regarding the status of funds expended and reports on progress made toward each project objective.

The Grantee maintained a written account of the status of accomplishments for the activities outlined in its proposal. These written accounts covered much of the award period beginning October 1, 2006 and ending on September 30, 2007. However, a written monthly report was not submitted to the Grant Monitor "by the 10th day of each month of service, regarding status of funds expended and reports on progress made toward each project objective" as required by Article II, section 2.3 of the Grant Agreement.

Many of the written accounts provided by the Grantee appeared "pro forma" in nature. They provided specific accounts of activities that had been completed. But there was no mechanism to ensure that the tasks were actually completed timely, within the scope of the project and by whom. The progress reports were often information prepared without being signed and dated by a project manager or without indicating who completed the task.

The Grant was awarded to the Grantee in response to a proposal that included work completed 10 months prior to the preparation and finalizing of the Grant Agreement. It was impossible for the Grantee to comply with the requirement for submitting timely monthly reports when 10 months of the award period had expired prior to the preparation and finalizing of the Grant Agreement.

A key element of internal control is the monthly report which provides the Grant Monitor with a mechanism to monitor the progress of the Grantee's activities and expenditures in real time. The timely monthly activity and expenditure reports also provide an important audit trail for determining compliance with the Grant Agreement and satisfactory completion of the project.

Program Budget and Financial Records

Article IV, Section 4.3 of the grant required the Grantee to prepare a "preliminary Program Budget and Narrative and Work Plan described as, "A statement of the projected sources and uses of all funds to be received by the Grantee in connection with the Project, and a schedule of the estimated times, amounts and purposes of expenditures of funds, as amended from time to time."

The preliminary Program Budget and Narrative prepared by the Grantee proposed a total budget of one hundred ninety-nine thousand, four hundred thirty-three dollars (\$199,433). The Grantee's Final Financial Report indicated expenditures of two hundred thousand, six hundred thirty-one dollars and ninety cents (\$200,631.90) on the project. However, the ORM Auditors determined that one expenditure for automobile rental occurred outside of the award period and should not be included (See Attachment A). Nevertheless, the Grantee expended one hundred ninety-nine thousand, nine hundred thirty dollars and thirty-two cents (\$199,930.32) on the project. The Grantee expended four hundred ninety-seven dollars and thirty-two cents (497.32) more on the project than it received from the grant (See Attachment B).

Article II, section 2.4 of the Grant Agreement requires the Grantee to maintain sufficient financial and accounting records: Article II, section 2.4 of the Grant Agreement states:

"The Grantee shall maintain records, including copies of bills, invoices and receipts as appropriate, to establish the total amount of payments made by the Grantee with respect to the Project, and shall make these records available to the Grantor upon request. Upon request of the Grantor (but not more frequently than monthly), the Grantee shall provide to the Grantor a statement setting forth a breakdown of the Costs incurred by the Grantee for the Project through the date of the report..."

The auditor reviewed the financial records maintained by the Grantee for the Rebuild the Village Project. The Grantee's records are maintained by the Bookkeeper, Ms. Antoniese Starks, who utilizes QuickBooks automated accounting software to account for funds collected and disbursed by the Grantee. Ms. Starks' files were found to be well maintained with expenditures properly documented. The file included spending invoices and receipts that served as documentation for the expenditure.

Forty-two stipends totaling twenty-one thousand eight hundred forty-seven dollars (\$21,847.00) were provided to youths during the October 1, 2006 through September 30, 2007 award period. The stipends which averaged five hundred twelve dollars each ranged in amounts from sixty dollars to two thousand four hundred ninety-five dollars. Ms. Starks explained the difference in the stipend amounts, stating that the youths who received larger stipends had participated in

several initiatives throughout the duration of the project. She acknowledged that the Grantee did not require the youths to provide a receipt document upon receiving the stipends. However, she explained that subsequent to the completion of the project she had instituted additional internal control measures over the process, which including obtaining signed documentation from stipend recipients indicating receipt of funds and the amount of funds received.

The Grantee charged five thousand six hundred forty-four dollars for transportation costs to the project (See Attachment C). These charges comprised six occasions when automobiles were rented. The Audit Team questioned one expenditure, a charge of \$1,106.70 for the rental of a vehicle from October 5 through October 10, 2007. The Auditors determined that this expenditure was for renting a vehicle outside of the October 1, 2006 to September 30, 2007 award period and therefore should not be charged to the grant.

However, this action by the Auditors had no significant impact on the Grantee's compliance with the terms of the Grant Agreement. Even if the expenditure for auto rental is disallowed the Grantee still expended nearly five hundred dollars more on the project than the amount it was reimbursed. There, the requirement that funds are used "solely and exclusively for the purposes set forth in this Agreement" is satisfied (See Attachment B).

Article I of the Grant Agreement disclosed the terms for the purchase and maintenance of equipment using grant funds. Equipment is defined by the Grant Agreement as:

"...an article of non-expendable, tangible personal property having a useful life of more than one year in accordance with *OMB Circular A122 "Cost Principles for Nonprofit Organization."* Equipment must be used in the program for which it was acquired. Items with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the Grantor. If the value exceeds \$5,000 upon program end, the Grantee must obtain written approval from the Grantor for the use of the property in other programs or deliver the equipment to the Grantor."

The Final Financial Report submitted by the Grantee did not indicate any expenditure for equipment. Ms. Starks, the Grantee's Bookkeeper, confirmed that no grant funds were used to purchase equipment.

The Grant Agreement addressed payments for indirect costs stating:

"For the Award Period, the Grantor shall pay the Grantee's indirect costs for operating the Project at a rate up to 10% of direct costs. This category covers administrative support and general management consultation. Payments shall be made upon application by the Grantee containing such documentation as the Grantor shall reasonably require establishing the annual amount of the costs of operating the Project. Such payments shall be paid only from the authorized award under this Agreement, and not from any other source."

The Grantee's Final Financial Report indicated that the Grantee had indirect costs totaling ten thousand twenty dollars (\$10,020.00) for the project. Indirect costs comprised only five percent (5%) of the total direct costs.

Personnel Files

The auditors reviewed the personnel files maintained by the Grantee, which included all individuals working on the Petworth project. The auditors reviewed the files to determine if the Grantee conducted its operations in compliance with DC Law 15-353, Child and Youth, Safety and Health Omnibus Amendment Act of 2004.

Specifically, the auditors attempted to determine that adequate background reviews were completed and employees were adequately trained to complete the required services. The auditors also attempted to determine if the Grantee conducted pre-employment drug screening and maintained a random testing program over the duration of the grant program.

During the process the auditors targeted those individuals who have contact with children. This included all employees filling all positions under the grant other than administrators and managers who do not work directly with youth.

The Grantee's records identified twelve employees, including the Chief Executive Officer (CEO), J. Abraham, and the Chief Operating Officer (COO), Ronald Moten, that participated in the project. The auditors excluded the CEO and COO and selected an audit sample of five, or fifty percent, of the ten employees identified as working directly with youth. The personnel files of the five employees in the sample audit were reviewed. The review revealed that a criminal history search had been completed on all five employees before they were hired. No disqualifying information was uncovered as a result of these checks.

The Human Resources Manager, Ms. Danielle Lawson, provided the auditors with a copy of the Grantee's No Tolerance Drugs Policy Manual. The manual did not have written procedures for random drug testing. Ms. Lawson stated that periodically, members of the staff are randomly selected by COO, Ronald Moten, and instructed to report to the testing site at the beginning of the workday. She stated that the Grantee has identified an automated software program to complete the random selection process; however, the purchase of the program is delayed due to funding shortages. The auditors informed the Human Resources Manager that the Grantee should at a minimum have written procedures outlining the random drug testing selection process.

The manual maintained by the Grantee contained a current listing of the members selected for testing and the results of the test. The personnel files of the five employees in the test sample each contained documentation indicating that the employee had been tested at least once. However, the random test had been conducted for four of the five employees after the grant period for the project had expired. The tests were conducted for cocaine, opiate, phencyclidine and marijuana. The test results of all the employees were negative.

Other Records

The Grant Agreement requires the Grantee to conform with Section 501(c)(3) of the Federal Code and is exempt from federal income tax under Section 501(a) of the Code except with respect to unrelated trade or business income. The Grant Agreement requires the Grantee to comply with all statutory or regulatory requirements necessary to retain its tax exemption, including without limitation, the filing of all required tax returns and reports.

The auditor reviewed a copy of the Grantee's Determination Letter from the Internal Revenue Service determining the Grantee's tax exempt status and a copy of the Grantee's most recently prepared and filed Form 990. These documents confirmed the Grantee's Section 501(c)(3) status for federal income tax purposes.

GRANT MONITOR RECORDS

The Grant Agreement identifies Ms. Janice Sullivan of the Metropolitan Police Department as the Grant Monitor. Article II, section 2.6 of the Grant Agreement stated that as Grant Monitor, Ms. Sullivan's responsibilities included:

"Participate in meetings relating to the Project and otherwise conduct site visits not less than monthly to assess and report on the progress of the Project.

Provide the government of the District of Columbia periodic, but not less than monthly, written reports regarding the status of the Project and the amounts and purposes for which Grant funds have been used or are proposed to be used."

As stated previously, the nature of the grant award and agreement precluded the Grantee from preparing and forwarding timely monthly reports to the Grant Monitor. Likewise, because the work for 10 of the 12 months of the project had been completed prior to the formulation and approval of the Grant Agreement it was impossible for the Grant Monitor to comply fully with the requirements outlined above.

The Grant Monitor indicated that during the period she served as Grant Monitor she made periodic site visits where she observed the progress of the program and conferred with the COO, Program Monitor and Outreach workers. She stated that she communicated her comments and suggestions directly to the Grantee and summarized the finding of her site visits as a part of her weekly "front burner" report to her immediate supervisor. She indicated that she never observed any material deficiency or incidence of noncompliance during the site visits or review of the Grantee records.

The Grant Monitor indicated that the Grantee made no requests to modify the Program Budget subsequent to its submission. She also indicated that the Grantee did not request or require changes in the project timeline.

The auditor did not find an itemized record of the costs incurred by the Grantee for the Project in the Grant Monitor's files other than the preliminary Program Budget and Narrative submitted by the Grantee. Because the Grant Agreement was finalized and signed August 8, 2007, only

several weeks prior to the September 30 completion date for the grant, **the Grant Monitor was not afforded ample opportunity to receive and review current expenditure data.**

The Grantee is required to designate the District as an additional named insured on insurance policies covering the project. Article V, section 5.9 of the Grant Agreement states:

"All insurance will be provided by the Grantee implementing the project, except comprehensive automobile liability insurance, shall set forth the District as an additional named insured. All insurance shall be written with responsible companies licensed by the District of Columbia's Department of Insurance and Securities Regulation with a certificate of insurance to be delivered to the District's Grant Administrator within ten (10) days of notice of award. The policies of insurance shall provide for at least thirty (30) days written notice to the District prior to their termination or material alteration."

The Grant Monitor's files contained a copy of the "Certificate of Liability Insurance" (policy number 2007-18486) in the Grantee's files for the project. The insured is shown as Peaceoholics, Inc and the insurer is listed as Alliance of Nonprofits of Ins. The certificate holder is listed as Department of Youth Rehabilitation Services, 450 H Street, NW, Washington, DC 20001. The producer is identified as:

US Risk of Virginia, LLC.
DBA: Lighthouse Underwriters
P. O. Box 75559
Baltimore, MD 21257

The auditor review of the insurance document revealed that the policy had an effective date of November 15, 2007 and a policy expiration date of November 15, 2008. **This coverage period is clearly outside of the October 1, 2006 through September 30, 2007 grant award period.**

RECOMMENDATIONS

The Grantee should at a minimum prepare written procedures outlining its policies regarding drug testing. It should include procedures outlining how personnel who work with youth are randomly selected, notified and sent for testing.

A current copy of the Grantee's insurance for the project (except comprehensive automobile liability insurance) that set forth the District as an additional named insured, should be maintained in the Grantee's and the Grant Monitor's files.

The Grant Monitor needs to provide monthly, written reports regarding the status of the Project. The monthly status reports should be prepared and maintained independently of the separate from the weekly "front burner" reports that are currently prepared by Grant Monitor.

The questioned expenditure, a charge of \$1,106.70 for the rental of a vehicle from October 5 through October 10, 2007, should be immediately researched and if found to be outside the scope of the grant, this payment should be rectified.

The Department should use care when entering into future agreements when the award is for a period that has already substantially expired. Inability to provide proper internal controls because of the time lapse jeopardizes the credibility of the work being performed.

FY 2011 Agencies That Met or Exceeded Their SBE Goal In 1st Through 3rd Quarters

	Agency	SBE Goal	% of SBE Goal Achieved
1	Aging, Office on	\$1,145,047	230%
2	Attorney General, Office of the	\$589,053	110%
3	Chief Financial Officer, Office of the	\$35,347	7765%
4	Contracts and Procurement, Office of	\$59,218	158%
5	Disability Services, Department on	\$0	100%
6	Elections and Ethics, Board of	\$22,346	1215%
7	Environment, District Department of the	\$362,026	162%
8	Fire and Emergency Medical Services, Department of	\$1,118,976	134%
9	Health, Department of	\$1,486,437	194%
10	Homeland Security and Emergency Management Agency	\$22,737	924%
11	Human Services, Department of	\$1,069,789	100%
12	Motion Picture and Television Development, Office of	\$6,548	154%
13	Motor Vehicles, Department of	\$356,856	129%
14	Parks and Recreation, Department of	\$1,267,002	107%
15	Public Schools, DC	\$3,481,904	162%
16	Risk Management, Office of	\$0	100%
17	Taxicab Commission	\$0	100%
18	Unifed Communications, Office of	\$53,830	348%
19	Veterans Affairs, Office of	\$21,032	137%
20	Washington Convention and Sports Authority	\$6,790,293	128%

FY 2011 Agencies On Target To Meet or Exceed Their SBE Goal Based On 1st Through 3rd Quarter Performance

	Agency	SBE Goal	% of SBE Goal Achieved
1	Alcoholic Beverage Regulation Administration	\$129,251	70%
2	Board of Real Property Assessments and Appeals	\$11,563	66%
3	Chief Medical Examiner, Office of the	\$161,836	56%
4	Child and Family Services Agency	\$497,381	90%
5	Consumer and Regulatory Affairs, Department of	\$87,648	98%
6	Disability Rights, Office of	\$88,683	69%
7	Human Rights, Office of	\$88,865	69%
8	Justice Grants Administration	\$2,775	70%
9	Lottery and Charitable Games Control Board, D.C.	\$6,004,094	69%
10	Mayor, Office of the	\$113,891	51%
11	Metropolitan Police Department	\$2,796,319	77%
12	Public Education Facilities Modernization, Office of	\$3,291,456	54%
13	Public Library, DC	\$1,501,464	88%
14	Real Estate Services, Department of	\$4,906,773	53%
15	Victim Services, Office of	\$5,000	65%



LT1-5-2011047893-1

3

Recorded Please Return to:
Wiley, Esq.
Attorney General for the District of Columbia
1000 Martin Luther King Jr. Avenue, S.E.
Washington, D.C. 20020



LT2-0-0-8

DISTRICT OF COLUMBIA.

**ASSIGNMENT AND ASSUMPTION OF HOUSING PRODUCTION TRUST FUND
PROGRAM LOAN AGREEMENTS**

THIS ASSIGNMENT AND ASSUMPTION OF HOUSING PRODUCTION TRUST FUND PROGRAM LOAN AGREEMENTS (this "Agreement") entered into this 16 day of March, 2011, (the "Effective Date"), by and among the DISTRICT OF COLUMBIA, by and through the Department of Housing and Community Development (the "District" "DHCD"), PEACEHOLICS, INC. a District of Columbia nonprofit corporation (the "Assignor"), and CAPITAL DEVELOPMENT GROUP, LLC., a Maryland limited liability company (the "Assignee").

RECITALS

WHEREAS, on August 7, 2008, the District provided a Housing Production Trust Fund Program loan ("Predevelopment Loan") to Assignor in the amount of Six Hundred Thousand Dollars (\$600,000.00), as provided under (DC-DHCD Contract No. 2008-63), the proceeds of which were used to fund DHCD-approved predevelopment costs associated with developing the Strategic Housing Intervention Program ("SHIP"), a supportive rental housing project targeted for low-income at-risk youths;

WHEREAS, the Predevelopment Loan was evidenced by a: (i) Deed of Trust Note, (ii) Loan Agreement, (iii) Deed of Trust, (iv) Declaration of Covenants and Rent Regulatory Agreement, (v) Conditional Collateral Assignment of Plans, Specifications, Permits and Construction Contract and (vi) Financing Statements for the land and chattel records, (hereinafter referred to collectively, the "Predevelopment Loan Documents");

WHEREAS, the District and Assignor entered into a second Housing Production Trust Fund Program Loan Agreement ("DC-DHCD Contract No. 2008-86) on April 7, 2009, ("Acquisition Loan") wherein the District agreed to lend Assignor an amount not to exceed Four Million Four Hundred Thousand Dollars (\$4,400,000.00) to fund the acquisition, related closing costs and site development costs of the Land and Improvements located at 1300 Congress Street, S.E., 400 Oklahoma Avenue, N.E. and 1271 - 1275 Meigs Place, N.E., (together, the "Property"), more particularly described in Exhibit A, annexed hereto and made a part of this Agreement;

WHEREAS, Assignor agreed to develop and maintain the Property as affordable rental housing in compliance with the Housing Production Trust Fund Program laws and regulations for a period of not less than forty (40) years from the date on which the first Property unit received a Certificate of Occupancy or was otherwise certified or approved by the District as being suitable for occupancy;

WHEREAS, the Acquisition Loan was approved by the appropriate District government agencies, including, but not limited to the Council of the District of Columbia;

WHEREAS, the Acquisition Loan was evidenced by a: (i) Deed of Trust Note, (ii) Loan Agreement, (iii) Deed of Trust recorded on May 1, 2009, in the land records of the District of Columbia as Instrument No. 2009046711, (iv) Declaration of Covenants and Rent Regulatory Agreement recorded on May 1, 2009, in the land records of the District of Columbia as Instrument No. 2009046712, (v) Conditional Collateral Assignment of Plans, Specifications, Permits and Construction Contract and (vi) Financing Statements recorded on May 1, 2009, in the land and chattel records of the District of Columbia as Instrument No. 2009046713 and 2009046714 (hereinafter referred to collectively, the "Acquisition Loan Documents");

WHEREAS, Assignor desires to transfer the Property, including the fee interest in the Property to Assignee;

WHEREAS, Assignor desires to assign, transfer, and convey unto Assignee, without recourse or warranty, all right, title, interest and obligations under the Predevelopment Loan Documents (DC-DHCD Contract No. 2008-63) and the Acquisition Loan Documents ("DC-DHCD Contract No. 2008-86) to Assignee, and Assignee wishes to assume such rights and obligations, and the District wishes to consent to the same (the "Assignment and Assumption");

NOW, THEREFORE, in consideration of the foregoing mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency hereby acknowledged, the parties hereto agree, as follows:

1. Capitalized Terms. Unless the context otherwise requires, all capitalized terms used but not otherwise defined herein, shall have the meanings set forth in the Predevelopment Loan Documents and the Acquisition Loan Documents.

2. Assignment and Assumption. As of the Effective Date, Assignor hereby assigns to Assignee and Assignee hereby unconditionally and irrevocably agrees to fully assume and discharge all Assignor's rights and obligations under the Predevelopment Loan Documents and the Acquisition Loan Documents, and Assignee agrees to: (i) be fully bound by all of the terms, covenants, agreements, provisions, conditions, obligations, and liabilities of Assignor thereunder, and (ii) keep, perform and observe all of the covenants and conditions contained therein from and after the Effective Date hereof.

3. Indemnification. Assignor shall indemnify, defend and hold Assignee harmless from and against any and all liabilities, claims, demands and obligations arising under the Predevelopment Loan Documents and the Acquisition Loan Documents up to the Effective Date

(including liabilities, claims, demands and obligations arising prior to the Effective Date but ripening thereafter) and Assignee shall indemnify, defend and hold Assignor harmless from and against any and all liabilities, claims, demands and obligations arising under the Predevelopment Loan Documents and Acquisition Loan Documents on or subsequent to the Effective Date. Assignor and Assignee shall indemnify, defend and hold District harmless from and against any and all liabilities, claims, demands and obligations arising under the Predevelopment Loan Documents and Acquisition Loan Documents prior or subsequent to the Effective Date or arising under this Assignment and District's consent thereof.

4. Consent. District hereby consents to the foregoing assignment of Assignor's right, title and interest in, to and under the Predevelopment Loan Documents and Acquisition Loan Documents to Assignee and the corresponding acceptance thereof by Assignee and assumption by Assignee of Assignor's covenants, agreements, provisions, terms, conditions and obligations under the aforementioned Loan Documents, subject to the covenants, agreements, terms and conditions set forth in this Assignment. District, insofar as it is legally permitted to do so, specifically approves the conveyance of the Property from Assignor to Assignee, subject to the Assignee's assumption of all of Assignor's obligations and covenants under the Deeds. District's consent to the foregoing assignment shall not be deemed consent to any subsequent assignment or a waiver or relinquishment of any of the terms and conditions contained in the Predevelopment Loan Documents or the Acquisition Loan Documents.¹

5. Successors. This Assignment shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns.

6. Counterparts. This Assignment may be executed in as many counterparts as may be deemed necessary and convenient, and by different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

7. Governing Law. This Assignment and the legal relations between the parties hereto shall be governed by and construed and enforced in accordance with the laws of the District of Columbia, without reference to the conflict of law provisions thereof.

[Signatures on next page]

¹ As applicable to the District, the terms and conditions of this Agreement shall be subject to the limitations and restrictions of the federal and local Antideficiency Act. See i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349, 1351, (ii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01 – 355.08 (2001), (iii) D.C. Official Code § 47-105 (2001), and (iv) D.C. Official Code § 1-204.46 (2006 Supp.), as the foregoing statutes may be amended from time to time, regardless of whether a particular obligation has been expressly so conditioned.

The undersigned hereby execute this **ASSIGNMENT AND ASSUMPTION OF HOUSING PRODUCTION TRUST FUND PROGRAM LOAN AGREEMENTS** under seal on the date first written above.

WITNESS/ATTEST:

ASSIGNOR:

PEACEHOLICS, INC.,
a District of Columbia nonprofit corporation

By: _____
Name: _____
Title: _____

Jauhar Abraham
Chief Executive Officer

STATE OF MARYLAND; Prince George's County
DISTRICT OF COLUMBIA ss:
)

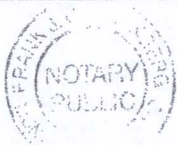
I, the undersigned Notary Public in and for the District of Columbia, do hereby certify that Jauhar Abraham, Chief Executive Officer of Peaceholics, Inc., who is personally well known to me as (or satisfactorily proven to me) the person who executed the foregoing Assignment bearing date as of the 16 day of March, 2011, personally appeared before me in said District and acknowledged the same to be his free act and deed.

In testimony whereof, I have set my hand and official seal this 16 day of March, 2011.

Notary Public

My Commission expires: _____

(SEAL)



FRANK J. GOLDENBERG
Notary Public, State of Maryland
County of Montgomery
My Commission Expires February 25, 2012

[Signatures continue on next page]

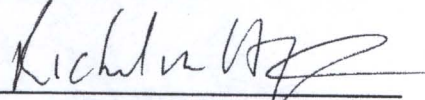
WITNESS/ATTEST:

ASSIGNEE:

**CAPITAL DEVELOPMENT GROUP,
LLC**

a Maryland limited liability company

By: _____
Name:
Title:



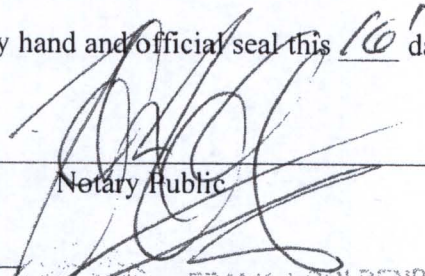
Richard Hagler
General Manager

STATE OF MARYLAND) ss:

Prince George's County

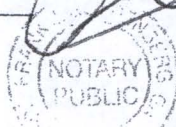
I, the undersigned Notary Public in and for the State of Maryland, do hereby certify that Richard Hagler, General Manager of Capital Development Group, LLC, who is personally well known to me as (or satisfactorily proven to me) the person who executed the foregoing Assignment bearing date as of the 16 day of March, 2011, personally appeared before me in said Maryland and acknowledged the same to be his free act and deed.

In witness whereof, I have set my hand and official seal this 16th day of March, 2011.



Notary Public

My Commission expires: _____



FRANK J. GOLDENBERG
Notary Public, State of Maryland
County of Montgomery
My Commission Expires February 25, 2012

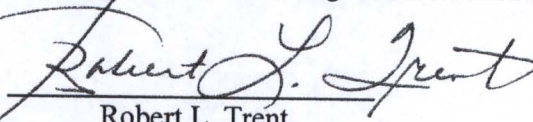
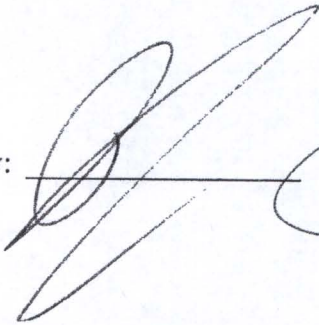
(SEAL)

WITNESS/ATTEST

CONSENT BY:

DISTRICT OF COLUMBIA,
a municipal corporation acting by and through
the Department of Housing and Community Development

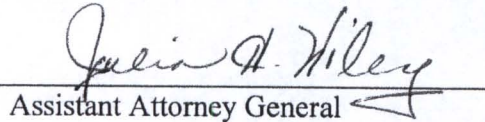
By: _____



Robert L. Trent
Interim Director

Approved for Legal Sufficiency
District of Columbia Office of the Attorney General

By: _____

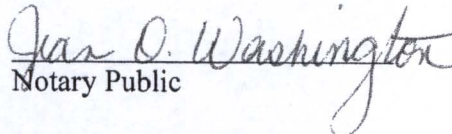


Assistant Attorney General

DISTRICT OF COLUMBIA) ss:
)

I, the undersigned Notary Public in and for the District of Columbia, do hereby certify that Robert L. Trent, Interim Director of the Department of Housing and Community Development, whose name is subscribed to within this instrument, being authorized to do so on behalf of the District of Columbia, acting by and through the District of Columbia Department of Housing and Community Development, has executed the foregoing Assignment as his free act and deed.

In witness whereof, I have set my hand and official seal this 16th day of March, 2011.



Notary Public

My commission expires: _____ **Jean O. Washington**
Notary Public District Of Columbia
My Commission Expires March 14, 2015

(SEAL)

PARCEL ONE

Lot numbered Twelve (12) in Square numbered Fifty-nine Hundred Fifteen (5915) in the subdivision made by Elmer B. Young, as per plat recorded in Liber 135 at folio 13 in the Office of the Surveyor for the District of Columbia.

Property Address: 1300 Congress Street, SE, Washington, DC 20032

PARCEL TWO

Lot numbered Twenty-one (21) in Square numbered Forty-five Hundred Twenty-two (4522) in the subdivision made by Connor & Ryon, as per plat recorded in the Office of the Surveyor for the District of Columbia in Liber 120 at folio 167.

Property Address: 400 Oklahoma Avenue, NE, Washington, DC 20002

PARCEL THREE

NOTE: At the date hereof the following described Land is designated on the records of the Assessor for the District of Columbia for assessment and taxation purposes as Lots 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, and 2062 in Square 4055.

The part of land hereby conveyed being more particularly designated as units numbered: 1275-1, 1275-2, 1275-3, 1273-4, 1273-5, 1273-6, 1273-7, 1273-8, 1273-9, 1271-10, 1274-11, 1271-12, 1271-13, 1271-14, 1271-15 and Parking Units Numbered P-1, P-2, P-3, P-4, and P-5 in a condominium known as ARBOR HEIGHTS Condominium, according to the Declaration of Condominium recorded 12-17-2008 among the land records of the District of Columbia as Instrument Number 126560 and Bylaws related thereto recorded 12-17-2008 among the Land Records of the District of Columbia as Instrument Number 126561 and as per plat or condominium subdivision recorded in the Office of the Surveyor for the District of Columbia in Condominium Book 69 at page 47.

The above property formerly Lot numbered 241 in Square 4055 and formerly thereto, Lots 128 in Square 4055 and 238 in Square 4055 and more particularly described as lot 128 in Square 4055 in the subdivision made by Clarence H. Small, as per plat recorded in the Office of the Surveyor for the District of Columbia in Liber 78 at folio 36, and Lot 238 in Square 4055 in a subdivision made by 1634 6th Street Associates, LLC, as per plat recorded in the Office of the Surveyor for the District of Columbia in Liber 199 at folio 126.

Together with all of the appurtenances incident to said Unit as set forth in the said Condominium Declaration.

Subject, however, to the terms, provisions, conditions, covenants, easements and restrictions as set forth in said Declaration of Condominium and the Bylaws relating hereto.

The Condominium Declaration allocates to the condominium unit an undivided interest (stated as a percentage) in the common elements of the condominium (hereinafter called the "percentage interest"). The percentage interest of the Condominium Unit is set forth in the Condominium Declaration.

TOGETHER WITH all and singular the ways, easements, rights, and privileges and appurtenances to the same belonging or in anywise appertaining, and all the estate, right, title, interest, and claim, either at law or in equity or otherwise however, of the said party the first part, of, in, to, or out of the said land and premises; subject to all easements covenants and restrictions of record.

Property Address: 1271, 1273 and 1275 Meigs Place, NE, Washington, DC 20002

Julia H. Wiley, Esq.

Office of the Attorney General for the District of Columbia
1800 Martin Luther King Jr. Ave. SE
Washington DC 20020

Doc# 2011047893 Fees: \$68.50
04/25/2011 3:16PM Pages 8
Filed & Recorded in Official Records of
WASH DC RECORDER OF DEEDS LARRY TODD

RECORDING	\$	62.00
SURCHARGE	\$	6.50