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HIGHLIGHTS

Highlights of City Auditor Report #0902, a report to the City Commission and City management

WHY THIS AUDIT WAS DONE

The City is committed to improving the quality of affordable housing in Tallahassee and allocates a substantial portion of its housing budget each year to the owner-occupied home rehabilitation program. The purpose of this audit was to review the processes established by the Neighborhood and Community Services (NCS) housing division to operate and oversee the federally and state funded owner-occupied home rehabilitation program targeted to income-eligible City residents. Additionally, the audit focused on non-profit agencies' provision of home rehabilitation services, the quality of workmanship and materials observed in the completion of the home rehabilitation projects, and the clients' level of satisfaction with the results of the rehabilitations.

WHAT WE RECOMMEND

We provided recommendations in the following areas:

- Resolution of any continued valid client concerns related to their rehabilitation projects;
- Improving communications with rehabilitation clients;
- Strengthening controls over
 - o Accuracy and reasonableness of cost estimates;
 - o Timeliness and appropriate approvals of change orders;
 - o Completeness of building permits and project inspections;
 - o Obtaining certificates of completion for all projects;
 - o Timeliness of project completion;
 - o Maintenance of an accurate and up-to-date waiting list of prospective clients to ensure fair and prompt service to all clients.
- Ensuring the use of appropriate competitive bidding processes in securing home rehabilitation services;
- Increasing and documenting monitoring efforts of all aspects of the home rehabilitation program; and
- Filing of liens for rehabilitated properties.

Neighborhood and Community Services Owner-Occupied Home Rehabilitation Program Audit

The deficiencies and concerns noted in this audit indicate a need for many improvements in the provision of owner-occupied home rehabilitation services to income-eligible City residents.

WHAT WE FOUND

Funds available to non-profit agencies through the owner-occupied home rehabilitation program for the rehabilitation of income-eligible homeowners' residences totaled \$4.1 million over the three-year period including the 2005, 2006, and 2007 fiscal years. We found that this home rehabilitation program has been a great benefit to many City residents over the years, with 67 income-eligible homeowners receiving home rehabilitation services during the 2005 and 2006 fiscal years. Additional clients continued to be served through the 2007 and 2008 fiscal years. However, we found many deficiencies in the home rehabilitation services provided through the City and various issues of concern among the clients served. Those deficiencies pertain to:

- 1) Inadequate, substandard, and/or incomplete rehabilitation construction work;
- 2) Inadequate communications by non-profit agencies and/or their contractors;
- 3) Inadequate cost estimates;
- 4) Questionable and untimely change orders;
- 5) Lack of required permitting and inspections;
- 6) Reimbursements to participating non-profit agencies prior to the issuance of certificates of completion on rehabilitation projects;
- 7) Lack of support that required competitive procurement procedures were used;
- 8) Untimely completion of rehabilitation projects;
- 9) Excessive waiting periods for homeowners applying for services through the owner-occupied home rehabilitation program;
- 10) Lack of required customer satisfaction surveys;
- 11) Client dissatisfaction with services;
- 12) Lack of sufficient monitoring by the City; and
- 13) Lack of required filing of liens.

These deficiencies and concerns indicate a need for the Neighborhood and Community Services housing division, non-profit agencies, and participating contractors to review past performance and determine changes that should be made to provide more successful and complete home rehabilitation services to the citizens of Tallahassee.

During the course of this audit, we became aware that the Tallahassee Urban League was receiving additional monies from the Florida Department of Community Affairs (DCA) to rehabilitate many of the homes also reviewed by us. As follow-up, we have contacted DCA and are coordinating additional fieldwork with them to ensure proper accountability for all city, state, and federal funds applied to homes rehabilitated. To the extent needed, we will issue such additional reports considered necessary as a result of our follow-up audit efforts.

To view the full report, go to:

<http://www.tal.gov.com/auditing/index.cfm> and select *Auditing Reports*, then *Reports Issued FY 2009*, then *Report #0902*.

For more information, contact us by e-mail at auditors@tal.gov.com or by telephone at 850/891-8397.

**Audit of
Neighborhood and Community Services
Owner-Occupied Home Rehabilitation Program**

AUDIT REPORT #0902

November 13, 2008



Copies of this audit report #0902 may be obtained from the City Auditor's web site (<http://talgov.com/auditing/index.cfm>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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Audit of Neighborhood and Community Services Owner-Occupied Home Rehabilitation Program



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City Auditor

Report #0902

November 13, 2008

Executive Summary

The home rehabilitation program is a key priority for the City of Tallahassee.

Audit activities focused on home rehabilitations completed during the 2005 and 2006 fiscal years, as 2007 fiscal year projects were not complete at the start of this audit.

The rehabilitation and preservation of owner-occupied housing is a key priority for the City of Tallahassee. The City is committed to improving the quality of affordable housing and allocates a substantial portion of its housing budget each year to the owner-occupied home rehabilitation program (home rehabilitation program). The goal of this program is to enhance and strengthen neighborhoods through the rehabilitation of owner-occupied housing.

This audit addresses the City services that are provided through the federally and state funded home rehabilitation program. The scope of the audit included a review of the processes established by the Neighborhood and Community Services (NCS) housing division to operate and oversee the home rehabilitation program and focused on non-profit agencies' provision of home rehabilitation services, the quality of workmanship and materials observed in the completion of the home rehabilitation projects, and the level of satisfaction home rehabilitation clients had with the results of the home rehabilitation services provided. Audit activities focused on home rehabilitation projects completed during the 2005 and 2006 fiscal years as projects for the 2007 fiscal year had not been completed at the start of this audit.

In April 2008, through a reorganization of City departments, the name of the Department of Neighborhood and Community Services was changed to Economic and Community Development. As this audit was

started prior to the time of the change, the Department of Neighborhood and Community Services will continue to be referenced in this report.

Three local non-profit agencies contracted with the City to provide home rehabilitation projects during the past three fiscal years. Those three agencies completed the following projects during that period.

NCS contracted with three non-profit agencies to supervise the home rehabilitation projects completed during the past three fiscal years.

Non-Profit Agency	2005 FY	2006 FY	2007 FY
Tallahassee Urban League (TUL)	21	24	24
Frenchtown Community Development Corp. (FTCDC)	9	2	2
Home Rehabilitation and Development, Inc. (HRD)	6	5	3
NCS Housing Division-Completed In-House	0	0	1
Total Home Rehabilitation Projects Completed During the Past Three Fiscal Years (FY)	36	31	30*

* Two additional 2007 FY projects were in progress at April 29, 2008

During the 2005 and 2006 fiscal years non-profit agencies completed 67 home rehabilitation projects.

During the course of the audit, various NCS and non-profit agency records were reviewed. Also, site visits were made to 20 rehabilitated homes to discuss the program’s services with benefiting clients and to observe the completed rehabilitation projects. The homes visited were among the 67 projects noted above that were completed during the 2005 and 2006 fiscal years as 2007 projects were not complete at the time of this audit. The initial visits were made during the summer of 2007 with several follow-up visits in the fall of 2007 and January and February of 2008. As noted in the table below, various contractors worked on the rehabilitation projects that were visited by audit staff.

City audit staff and NCS staff visited 20 homes rehabilitated through the home rehabilitation program.

Site Visits to Rehabilitated Homes		
Non-Profit Agency	Contractor	Site Visits
TUL	Blue Chip Construction	5
	Sterling M. Pearson	3
	Construction Support SE	4
	John H. Robinson	1
FTCDC	Jericho Construction Co.	2
	C. B. Construction	1
	Aspirant Homes	1
HRD	Sterling M. Pearson	1
	Bill Goff	2
Total Site Visits to Rehabilitated Homes		20

During site visits to rehabilitated homes, discussions with home rehabilitation clients, and review of client responses to customer satisfaction surveys, many issues of concern were noted. Those issues indicate that the non-profit agencies providing home rehabilitation services did not adequately and properly comply with terms and obligations required by their contractual agreements with the City. Those issues included:

Many issues of concern were noted during our 20 site visits to rehabilitated homes and review of customer satisfaction survey responses.

- Deficiencies in roof replacement/repair.
- Damaged or deteriorated wood not appropriately replaced.
- Windows not installed properly.
- Improper or inadequate installation of doors.
- Weather stripping around doors not effectively installed.
- Faulty smoke alarms.
- Deficiencies with electrical services provided.
- Deficient sheetrock replacement.
- Substandard, or incorrectly installed, kitchen cabinets.
- Paint not sufficient or not applied professionally.

- Phone lines/jacks removed and not replaced in accordance with the building specifications.
- Various concerns related to incomplete and/or unsatisfactory completion of construction work in addition to the specific concerns noted above.
- Poor communication between non-profit agencies, contractors, and the rehabilitation clients.
- Low level of satisfaction among clients with customer service skills of those providing home rehabilitation services.

In addition to the deficiencies noted through on-site observations or review of survey responses, it was noted through review of program documentation that other improvements are needed in various home rehabilitation program activities. Specifically, those items included:

Other deficiencies were noted through review of program documentation.

- Estimates of the work to be performed on rehabilitation projects were not always accurately calculated or sufficiently descriptive to provide NCS or contractors a thorough understanding of the work to be accomplished.
- Change orders were inappropriately being processed and approved after the work was completed.
- Work write-ups and change orders were not always provided to the City's Growth Management department to allow for appropriate permitting and inspections.
- Adequate documentation of a competitive bidding process to obtain home rehabilitation services was not always provided to NCS by non-profit agencies.
- Sixteen of 30 home rehabilitation projects reviewed (53%) were not completed timely (i.e., within the 90-days allowed by contracts) resulting in payments of temporary relocation

expenses of approximately \$30,000 that would not have been paid if the projects had been timely completed.

- Monitoring activities required of NCS for non-profit agencies providing home rehabilitation services had not been successfully completed for the 2006 fiscal year.
- Liens required to be placed on rehabilitated properties were not appropriately or timely filed for all rehabilitation projects.

Deficiencies noted indicate a need for improvements by NCS, non-profit agencies, and contractors in the provision of home rehabilitation services.

Although NCS reimbursements to non-profit agencies were found to be for authorized program services and documented in NCS records, the various deficiencies noted above show that some of those reimbursements were for inadequate and incomplete housing services.

As the entity awarding program funds, NCS has significant oversight responsibilities to ensure that the program is properly and adequately administered. Proper and adequate oversight includes ensuring proper and efficient acquisition of program services, appropriate workmanship and construction materials, satisfactory completion of projects, client advocacy, and appropriate communications among parties. The deficiencies described above indicate that NCS has not adequately fulfilled its oversight responsibilities. Accordingly, NCS, as well as non-profit agencies and contractors, need to review past performance and determine changes that should be made to successfully provide home rehabilitation services.

NCS staff and non-profit agencies provided valuable assistance in attempting to improve the services provided through the home rehabilitation program.

Audit staff worked with NCS housing division staff, as well as the staff of the three non-profit agencies, to obtain information needed to address and allow follow-up on issues identified during the course of this audit. We would like to acknowledge the full cooperation of NCS and the non-profit agencies. We would also like to note that, in addition to providing information and participating in discussions, TUL staff accompanied audit and NCS staff on 11 home rehabilitation site visits to gain an understanding of homeowners' continuing problems

In response to issues noted in this audit, NCS has initiated significant changes to its home rehabilitation program contracts, processes, and procedures.

with construction activities on rehabilitation projects. For many of the issues identified, TUL, through its contractors, took corrective actions and provided reports on follow-up activities to NCS and our office. In addition, as noted in Appendix A of this report, NCS indicated that significant progress has been made to address issues identified and additional actions are planned for completion in subsequent periods relating to the owner-occupied home rehabilitation program. We will be following up on the NCS action plan as part of our audit follow-up process.

Subsequent Events

During the course of this audit, we became aware that TUL was receiving additional monies from the Florida Department of Community Affairs (DCA) to rehabilitate many of the homes also reviewed by us. As follow-up, we have contacted DCA and are coordinating additional fieldwork with them to ensure proper accountability for all city, state, and federal funds applied to homes rehabilitated.

To the extent needed, we will issue such additional reports considered necessary as a result of our follow-up audit efforts.

Audit of Neighborhood and Community Services Owner-Occupied Home Rehabilitation Program



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City Auditor

Report #0902

November 13, 2008

Scope, Objectives & Methodology

Records were reviewed to determine the funds available for home rehabilitation projects and the projects completed.

This audit focused on the home rehabilitation program processes and outcomes.

The scope of this audit included a review of the processes established by the Neighborhood and Community Services (NCS) housing division to operate and oversee the federally and state funded owner-occupied home rehabilitation program (home rehabilitation program) targeted to income-eligible City residents. Additionally, the audit focused on non-profit agencies' provision of home rehabilitation services, the quality of workmanship and materials observed in the completion of the home rehabilitation projects, and the level of satisfaction with the results of the rehabilitations on the part of the clients receiving the services.

The objectives of this audit were to determine:

- if NCS reimbursements to non-profit agencies were only for authorized and properly completed home rehabilitation services,
- if non-profit agencies providing home rehabilitation services complied with contractual terms and fulfilled contractual obligations when providing rehabilitation services to clients,
- if NCS conducted adequate monitoring of agencies to ensure contract compliance and satisfactory service to clients, and
- the level of satisfaction among clients receiving services through the home rehabilitation program.

Staff was interviewed to gain an understanding of program processes and documentation was reviewed to determine contract compliance.

Our methodology included identifying individual clients receiving home rehabilitation services through the NCS home rehabilitation program during the 2005 and 2006 fiscal years, determining the funds expended through this program on behalf of those clients, and reviewing supporting documentation to determine the appropriateness of reimbursement payments made to non-profit agencies. Additionally, NCS and non-profit agency employees were interviewed and documentation was reviewed to gain an understanding of applicable policies and procedures related to the provision of home rehabilitations and non-profit agency compliance with and understanding of contract terms.

Clients were surveyed and site visits were made to obtain clients' opinions about program results and to observe finished rehabilitation projects.

The 67 rehabilitation clients receiving home rehabilitation services during the 2005 and 2006 fiscal years, as discussed in the Executive Summary, were surveyed to determine their level of satisfaction with services received through the program. Site visits were made to 20 of the 67 rehabilitated homes to observe the completion of all construction activities required by individual contracts and to observe the quality of the related workmanship (i.e., when visible).

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

NCS provides programs and services to citizens to preserve and improve the integrity of City neighborhoods.

Federal and state grant funds are utilized by the City to provide housing and community-development programs to low-income families.

Federal and state regulations govern the expenditure of grant funds used in the home rehabilitation program.

Neighborhood and Community Services (NCS) provides programs and services to City of Tallahassee citizens to preserve and improve the integrity of neighborhoods. During the period of this audit, NCS provided those services through divisions responsible for human services, neighborhood services, housing and community redevelopment, code enforcement, and animal services and control and through three community service centers. This audit focused on the services provided through the housing and community redevelopment division (housing division) and the owner-occupied rehabilitation program (home rehabilitation program) designed to rehabilitate owner-occupied homes of income-eligible homeowners.

Each year the City is the recipient of federal and state grant funds to provide housing and community development programs to low-income families. The home rehabilitation program is one of those programs. The City, through the NCS housing division, provides the grant funds to sub-recipients (i.e., non-profit agencies) for the rehabilitation of owner-occupied homes for income-eligible homeowners through a contracting process. When the City awards contracts to the non-profit agencies, grant funds, along with the federal and state requirements governing the use of those funds, are passed through to those non-profit agencies.

Federal and state regulations associated with the grant funds include requirements governing the use of the funds, the eligibility of the clients receiving rehabilitation services, and the timing of the expenditure of the funds. Additionally, the requirements include specific guidelines related to the City's oversight and monitoring of the non-profit agencies' use of the funds to ensure that the funds are expended in accordance with specific guidelines and services are provided only to income-eligible clients.

Federal grant funds are also available through the City to cover temporary relocation expenses of the homeowner during the period of time the homeowner is unable to reside in the home because of construction activities related to the home rehabilitation. Temporary relocation expenses covered include City utilities up to a maximum allowance, moving expenses, rent, and rental deposits.

To ensure that funds expended for home rehabilitations continue to benefit income-eligible homeowners, rehabilitated homes are subject to five-year deferred loans.

Five-year liens are filed on the property of homeowners who receive services through the home rehabilitation program as a function of a deferred loan related to the cost of the home rehabilitation. These liens ensure the funds expended for the rehabilitation continue to benefit the income-eligible homeowner originally assisted and compliance with the funding regulations governing the grant funds used for the rehabilitation. If payoff of a loan becomes necessary because of changes in ownership or occupancy, payoff is calculated as a pro-rata share of the total represented by the amount of time left on the lien. The lien is forgiven at a rate of one-fifth of the total lien per year, with no provision for interest. The following directives apply when changes in ownership or occupancy of rehabilitated homes occur.

- If the original owner dies and the property continues to be occupied by heirs who also qualify as low and moderate-income homeowners, the new owners can be substituted on the lien, which remains in force for the original term.
- If the original owner no longer occupies the home as their principal residence, and other family members occupy the home free of charge, the loan must be paid off unless the family members occupying the home meet the same low and moderate-income requirements as the original rehabilitation client.
- If the original owner sells the property, the City lien must be paid off.

NCS contracted with three non-profit agencies during the past three fiscal years to rehabilitate homes under this program.

During the past three fiscal years (2005, 2006, and 2007) the City contracted with three non-profit agencies (i.e., Tallahassee Urban League (TUL), Frenchtown Community Development Corporation (FTCDC), and Home Rehabilitation and Development, Inc. (HRD) to rehabilitate homes under this program. Pursuant to contract requirements, the agencies could receive, on a reimbursement basis, up to \$40,000 per rehabilitated unit. Contracts with those three non-profit agencies made available \$4,160,000 for the rehabilitation of 104 units over a three-year period. Audit activities focused on home rehabilitations completed during the 2005 and 2006 fiscal years, as home rehabilitation projects for the 2007 fiscal year had not been completed at the start of this audit.

More than \$4 million in home rehabilitation funds were available to non-profit agencies during the past three fiscal years.

Funds Available to Non-Profit Agencies for Home Rehabilitations				
	2005 FY	2006 FY	2007 FY	Total
TUL	\$840,000	\$960,000	\$960,000	\$2,760,000
Units @ \$40,000 Maximum	21	24	24	69
FTCDC	\$320,000	\$200,000	\$200,000	\$720,000
Units @ \$40,000 Maximum	8	5	5	18
HRD	\$280,000	\$200,000	\$200,000	\$680,000
Units @ \$40,000 Maximum	7	5	5	17
Total Funds Available to Non-Profit Agencies for Home Rehabilitations during the 2005, 2006, and 2007 Fiscal Years				\$4,160,000

For each home rehabilitation completed, non-profit agencies are paid \$6,250 in administrative fees.

As noted above, the terms of the annual contracts allow non-profit agencies to receive up to \$40,000 in federal and state grant funds for each home rehabilitation unit completed. Of that \$40,000, the non-profit agencies are paid \$6,250 in administrative fees for each unit as tasks are accomplished. Non-profit agencies are also reimbursed for payments invoiced by contractors, up to a maximum of \$33,750 for the actual construction costs of each project. The non-profit agencies are reimbursed in three phases after services (i.e., tasks) are completed on behalf of rehabilitation clients as noted in the table below.

Non-Profit Agency Home Rehabilitation Reimbursement Schedule

Non-profit agencies may be reimbursed up to a maximum of \$33,750 for home rehabilitation construction costs paid to contractors.

Task Description	Itemized Cost per Unit	Maximum Amount Available per Unit
Program Delivery Fees		\$2,000
(a) Client Intake	\$1,000	
(b) Homeowner Agreement and Commitment Letter	\$1,000	
Construction Supervision Fees		\$4,250
(a) Initial Inspection and Work Write-Up	\$1,750	
(b) Bid Award	\$1,250	
(c) Construction Supervision	\$625	
(d) Final Inspection	\$625	
Construction Costs (Maximum)		\$33,750
Total Allowable Reimbursement per Unit		\$40,000

Non-profit agencies’ contracts with NCS during the period of this audit required the non-profit agencies facilitating home rehabilitations to be responsible for carrying out various tasks and to provide the City with evidence of completion of stipulated work. The contracts note that the non-profit agencies were responsible for the development of a pool of contractors eligible to perform home rehabilitations. In addition, contracts required the following from the non-profit agencies for individual rehabilitation projects. Specifically, the contracts required:

- completion of the homeowner’s application for services and certification of income eligibility of the homeowner;
- preparation of a work write-up for each homeowner including a description of the major problems to be addressed, lead-based paint test results, a cost estimate for all repairs, and an estimate of the value of the property after rehabilitation;
- the conduct of a competitive bidding process utilized for each home rehabilitation, with copies of all bid awards and contractors’ itemized cost sheets received in the bid process provided to NCS;

Non-profit agency contracts contain requirements related to the agencies’ performance on individual rehabilitation projects.

- development and execution of a homeowner’s agreement in accordance with federal requirements;
- completion of home rehabilitation projects within 90 days, unless the contractor requests a 30-day extension for completion that is approved by the City;
- supervision of all construction work required by the rehabilitation contract;
- written requests for reimbursement for construction costs that are to be approved by NCS; and

(Note: Partial payments may be requested upon submission of documentation showing the project is partially complete.)

- written change orders with written NCS approval.

The NCS housing division has established internal policies and procedures related to the home rehabilitation program to address the:

NCS has established internal policies and procedures to administer the home rehabilitation program.

- basic program requirements related to Home Investment Partnership (HOME) federal funds and State Housing Initiatives Partnership (SHIP) state funds used in the home rehabilitation program;
- temporary relocation of home rehabilitation program clients;
- contract development and management;
- contract monitoring;
- rehabilitation loans and lien placement, satisfaction, and subordination;
- home rehabilitation clients’ income qualifications; and

- administrative procedures related to non-profit agencies' reimbursement requests.

Issues and Recommendations

Site Visits to Rehabilitated Homes

City audit staff, along with representatives from NCS, visited 20 rehabilitated homes to discuss the home rehabilitation program with rehabilitation clients and to observe completed rehabilitation projects. As 2007 fiscal year home rehabilitation projects were not complete at the time of this audit, the rehabilitated homes visited were projects completed during the 2005 and 2006 fiscal years and the initial visits made during the summer of 2007 with several follow-up visits in the fall of 2007 and January and February of 2008.

City audit staff and NCS staff visited 20 homes rehabilitated through the home rehabilitation program.

Site Visits to Rehabilitated Homes		
Non-Profit Agency	Contractor	Number of Site Visits
Tallahassee Urban League (TUL)	Blue Chip Construction	5
	Sterling M. Pearson	3
	Construction Support SE	4
	John H. Robinson	1
Frenchtown Community Development Corp. (FTCDC)	Jericho Construction Co.	2
	C. B. Construction	1
	Aspirant Homes	1
Home Rehabilitation & Development, Inc. (HRD)	Sterling M. Pearson	1
	Bill Goff	2
Total Site Visits to Rehabilitated Homes		20

Many concerns were noted during site visits to rehabilitated homes.

During site visits to rehabilitated homes, many issues of concern were noted related to quality of workmanship, incomplete provision of required services or materials, and/or unfinished projects.

During site visits, two projects appeared to have been completed in a satisfactory manner.

During our visits to the 20 rehabilitated homes, we noted that two of the rehabilitated homes appeared to be completed in a satisfactory manner by the applicable contractors, John H. Robinson and Aspirant Homes. The homeowners were satisfied and the construction work

accomplished appeared complete and proper. These home rehabilitations would seem to meet the City’s goal to enhance and strengthen neighborhoods through the rehabilitation of owner-occupied housing and preserve the stock of owner-occupied housing in the City of Tallahassee.

During 18 site visits, home rehabilitation clients expressed concerns many months after non-profit agencies had completed the projects.

During visits to the remaining 18 rehabilitated homes, homeowners expressed complaints many months after the completion of their projects about the:

- quality of services provided and/or products used in their home rehabilitations; and
- unsatisfactory completion of the rehabilitation work.

These complaints were ongoing as projects had been completed by non-profit agencies many months before the site visits. Some of these concerns were also reported to the City Auditor in rehabilitation clients’ responses to the auditors’ customer satisfaction surveys, as discussed above in the Executive Summary, and as reported in Appendix B of this report.

Non-profit agencies were responsible for supervision of all construction work required in rehabilitation contracts.

During the period of this audit, TUL, FTCDC, and HRD were responsible for the supervision of the construction work related to the home rehabilitation projects. Specifically, Attachment A, Statement of Work, of their annual contracts with the City, placed on these non-profit agencies the responsibility “...for supervision of all construction work required in the rehabilitation contract, and the timely completion of all work.” Additionally, as previously noted, each non-profit agency providing home rehabilitation services is paid construction supervision fees of \$4,250 for each rehab project.

Concerns noted during our site visits were discussed with NCS and the non-profit agencies responsible for providing the home rehabilitation

services. In some cases, follow-up site visits were made to enhance our understanding of noted concerns and deficiencies. Non-profit agency representatives accompanied audit and NCS staff on some of these follow-up site visits and in other cases, discussions were held with NCS and non-profit agencies' staffs regarding the findings of the various site visits. NCS staff and the non-profit agency representatives were cooperative in providing information related to these home rehabilitations. In addition to providing information and participating in discussions, TUL representatives accompanied audit and NCS staff on 11 home rehabilitation site visits to gain an understanding of homeowners' continuing problems with construction projects.

Issues noted during site visits were varied and included, but were not limited to, concerns related to:

During site visits rehabilitation clients expressed various concerns related to the products and services provided during the completion of their projects.

- deficiencies in roof replacement/repair;
- damaged or deteriorated wood not appropriately replaced;
- windows not installed properly;
- improper or inadequate installation of doors and weather stripping;
- deficiencies with electrical services;
- deficient sheetrock replacement;
- substandard or improperly installed kitchen cabinets;
- paint not sufficient or not professionally applied;
- phone lines/jacks removed and not replaced in accordance with building specifications; and

- various other incomplete and/or unsatisfactory completion of construction work such as utility room shelves not being replaced, grab bars not being installed in bathrooms, hand rails not being installed on steps, and a medicine cabinet not replaced.

NCS staff and non-profit agencies have been cooperative in determining ways to improve rehabilitation services.

In an effort to improve the success of the home rehabilitation program and clients' satisfaction with rehabilitation projects, City audit staff met with, and/or held discussions with, non-profit agencies to determine the best way to provide necessary improvements and services. The results and/or status of those meetings and discussions are summarized in the following:

- As previously noted, TUL representatives, along with audit and NCS staff made follow-up site visits to 11 previously rehabilitated homes where our initial site visits had indicated concerns. During those follow-up visits the applicable home rehabilitation clients continued to express concerns with the quality of workmanship and products and with unfinished items. TUL is attempting to resolve the issues noted by those clients. As of October 1, 2008, TUL reported repairs have been completed and improvements made for 7 of the 11 homes visited and provided detailed reports on the follow-up work completed for five of the projects. TUL indicated that reports on actions for the other two completed projects would be provided. Rehabilitation work on the remaining four homes visited is continuing and reports will be provided as the work is completed.
- Many of the described issues of inadequate workmanship and unfinished items pertained to three of the four FTCDC home rehabilitation projects initially visited. After audit inquiry,

FTCDC indicated improvements have been initiated to correct the deficiencies noted in the rehabilitation of the three homes visited.

- HRD has provided information to NCS indicating that issues of concern noted for the three home rehabilitation projects reviewed are being resolved.

The home rehabilitation program is designed to provide assistance to income-eligible households with repairs and alterations to improve the health, safety, and well being of the household and to contribute to the structural integrity and preservation of low-income housing. To provide structural integrity and preservation of housing units, rehabilitation projects must be successfully (i.e., properly and adequately) completed. We recommend that NCS follow up with the three non-profit agencies and applicable rehabilitation clients to ensure that valid issues of concern related to the noted projects are successfully completed and/or repaired. If a satisfactory remedy cannot be reached between NCS and any non-profit agency, we have been informed by NCS management that contract negotiations for future home rehabilitation projects may be delayed until a third party opinion can be obtained as to the adequacy of the completion of these previously rehabilitated homes.

Clients frequently complained of poor communication with their non-profit agency and/or contractor.

Many complaints of inadequate communication between non-profit agencies, contractors, and rehabilitation clients were noted.

In the course of the 20 site visits made to rehabilitation clients' homes, as previously discussed, two home rehabilitation projects observed appeared to be successful projects where the clients had no complaints. One of those clients emphasized to audit staff that the location of the non-profit agency responsible for her rehabilitation was nearby and she "went there often." What she liked most about the program was the

“one-on-one communication” with the employees of the non-profit agency. This frequent and meaningful communication appeared to be a key ingredient in this client’s successful home rehabilitation.

Contrary to the noted example, other home rehabilitation clients interviewed during our site visits indicated difficulties in communications with both the non-profit agencies and the contractors. In some instances the ineffective communications resulted in misunderstandings of the rehabilitation work being done. In some of those instances the lack of communication, or unsuccessful communication, resulted in clients’ expectations being distorted, sometimes resulting in their dissatisfaction with the entire rehabilitation process. Inaccurate client expectations and misunderstandings that resulted from the inadequate and unsuccessful communications included:

- clients expected air conditioning to be provided but it was not;
- roofing materials were not the kind and quality expected by one client;
- a heating unit was installed in an area of the rehabilitated home that seemed inappropriate to the client;
- a breaker box was moved from the inside of one client’s home to the outside of the home where the client felt it was inaccessible;
- expectations that after moving back into their homes the non-profit agencies would “make a visit” to their homes to ensure that repairs were complete and everything was satisfactory;

- clients expected installation of products and/or services such as medicine cabinets, kitchen cabinet replacement, closed in front porch, and sheetrock replacement that did not occur; and
- clients expected the contractors to arrive at the work site and to complete work at dates and times that were different from the actual work and completion dates and times.

Some of those clients also asserted that there was often a lack of response from the non-profit agencies to their inquiries (e.g., phone calls) regarding incomplete, unexpected, and/or unsatisfactory work or rudeness on the part of the contractors.

In addition to the instances of inadequate and insufficient communication noted during our site visits, home rehabilitation clients' responses to customer satisfaction surveys indicated concern with communication during completion of their projects. Of the home rehabilitation clients responding to surveys:

- 39% rated their level of satisfaction with the way the non-profit agencies handled their questions and concerns as below average;
- 40% felt that the non-profit agencies' customer service skills were below average; and
- 60% reported that their level of satisfaction with the contractors' customer service and performance was below average.

These customer satisfaction survey responses are reported in Appendix B.

Frequent and clear communication between the non-profit agencies, the contractors, and home rehabilitation clients is a sound business practice that is essential to providing successful home rehabilitations. We

recommend that NCS training programs targeting non-profit agencies and contractors providing services through the home rehabilitation program stress the importance of keeping clients properly and timely informed throughout the rehabilitation process.

Cost Estimates

TUL cost estimates were not always accurately calculated and inclusive of all needed repairs.

Tallahassee Urban League (TUL) estimates of costs for home rehabilitations were not always accurately determined and calculated or sufficiently descriptive to provide a thorough understanding of the major problems to be addressed in the home rehabilitation.

Non-profit agencies agreeing to provide housing rehabilitation services to income-eligible clients on behalf of the City provide these services based on the requirements of annual contracts. These contracts require, in Attachment A, Statement of Work, that the non-profit agencies prepare a work write-up for each rehabilitation project, including a description of the major problems to be addressed, specifications of the rehabilitation work (i.e., building specifications), and cost estimates for all repairs.

Our audit included the review of the cost estimates prepared for 20 TUL home rehabilitation projects. In the review of the 20 TUL cost estimates, it was noted that:

- Cost estimates included mathematical errors for 8 of 20 TUL projects reviewed (40%). Miscalculations ranged from an understatement of costs of \$1,350 to an overstatement of costs of \$2,975;
- None of the 20 cost estimates reviewed could be tied to the related building specifications in a manner that enabled TUL or other parties to ensure that all items in the building

specifications were adequately addressed by the cost estimate, as the estimates did not contain verbal descriptions of the work to be accomplished;

- Actual rehabilitation costs were higher than the cost estimates for 17 of 20 TUL rehabilitation projects reviewed (85%). Actual costs exceeded estimated costs by:
 - 1% to 29% - nine projects (45%);
 - 30% to 49% - four projects (20%); and
 - 50% to 90% - four projects (20%).

The work write-up prepared by TUL for each rehabilitation project provides a description of the major problems to be addressed in each home rehabilitation project and provides the basis on which building specifications are prepared. Accurate and reasonable cost estimates that can be correlated to the developed building specifications are necessary to allow TUL to adequately and properly evaluate bids and quotes submitted by responding contractors. In addition, accurate and reasonable cost estimates will provide a basis for TUL to evaluate the reasonableness and cost impact of any subsequent contractual change orders (to building specifications) after a contract has been awarded and rehabilitation work started. We recommend that TUL review and revise their process to ensure accurate and reasonable cost estimates that can be directly correlated to the relating building specifications.

Change Orders

Change orders for TUL rehabilitation projects were not generally timely approved and rehabilitation sites were not inspected prior to completion of the work requested by the change orders.

NCS approved TUL rehabilitation project change orders subsequent to the related work being performed and without documenting required work-site inspections to determine the need for the requested changes.

Non-profit agencies' home rehabilitation contracts executed with NCS for the 2005, 2006, and 2007 fiscal years require, in Attachment A, Statement of Work, that, "All change orders must have written approval by the City. All requests for change orders must be in writing explaining the reason for the change order and an inspection must be scheduled with City staff prior to approval of any change order requests."

In audit review of 21 TUL home rehabilitation projects, it was noted that change orders were requested by the contractor and approved by TUL for 17 of the 21 rehabilitation projects. Of the 17 projects for which change orders were requested, the following was noted:

- Nine of 17 (52.94%) change orders were approved by TUL and provided to NCS on or after the date:
 - construction work was completed and
 - of the final pay request indicating work completion;
- Fifteen of 17 (88.23%) change orders were approved by NCS on or after the date of the final pay request indicating work completion;
- No documentation was available for audit review for any of the 17 TUL change orders to indicate that:

- TUL scheduled required inspections with NCS prior to the contractors performing the work requested by the change orders, or
- NCS made the required inspections prior to approval of the change orders.
- Five of 17 (29.41%) TUL change orders reviewed contained calculation errors ranging from an understatement of \$4,500 to an overstatement of \$3,475. These types of errors increase the likelihood of incorrect payments to TUL and/or TUL contractors.

In audit review of five FTCDC home rehabilitation projects, change orders were prepared for two of the five projects. Review of the two FTCDC change orders showed that both change orders were not dated by FTCDC. However, approval by NCS was dated prior to the final payment for the project, although no evidence was available to document that FTCDC requested or NCS conducted site inspections prior to completion of the requested changes.

In review of six HRD rehabilitation projects, it was noted that no change orders were requested.

Changes to building specifications on which contractors' original bids are based are often necessary for the successful and proper completion of a rehabilitation project. NCS inspections of home rehabilitation sites are necessary to determine that such requested changes to initial specifications and related costs are appropriate and necessary. We recommend that changes to contracted building specifications and costs (change orders) be properly and timely approved by NCS prior to initiation of the related work only after conducting on-site inspections

TUL change orders include large variances in amounts paid for goods and services between projects and documentation was not always provided supporting the necessity for the changes.

that determine and justify the need for requested changes. All such inspections should be adequately documented in NCS and TUL records.

Payments approved for similar goods and services installed/provided through the change order process include large cost variances among TUL home rehabilitation projects. Documentation was not always provided to support the necessity for some of the products installed through the change order process.

As previously discussed, non-profit entities have executed contracts with the City for the provision of home rehabilitation services to income-eligible homeowners. Among other things, those contracts require for each rehabilitation project that the non-profit agencies "... provide to the City a copy of the bid award and all contractors' itemized cost sheets received in the bid process." To address necessary changes due to unknown circumstances at the time of the initial contract, the contracts allow for changes to the initial building (bid) specifications and related costs through a change order process established by the City. When the contractor and non-profit agency deem such changes necessary, the non-profit agency must request and obtain approval from NCS. That requested approval should reflect the initial bid specification and related costs to be changed and the revised bid specification and its associated costs.

Upon review of documentation supporting payments for the 13 TUL home rehabilitation projects to which site visits were made as part of this audit, it was noted that payment amounts for similar goods and services installed/provided pursuant to approved change orders varied significantly between projects. Additionally, documentation was not always available to support the necessity or reasonableness of the types of goods installed pursuant to approved change orders, or the reasons

for the increases in costs resulting from the revised specifications. The following are examples of such instances.

- Change orders were approved that allowed the installation of “high-impact” windows in five of the 13 TUL projects reviewed. The original bid specifications for those projects provided for regular (i.e., not high-impact) windows. (NOTE: High-impact windows are designed to withstand severe trauma resulting from things such as fast-moving projectiles caused by hurricane winds.) For the five projects, the costs shown for high-impact windows ranged from \$426 to \$791 per window (i.e., compared to typical prices of approximately \$300 for regular windows). For example, for one of the five homes, total costs shown for high impact windows as compared to typical windows increased from \$3,600 to \$9,600 for 12 windows. Upon audit inquiry, the contractor stated that the increase in price was partially attributed to the total wall retrofit package. Also, more expensive windows are required to be tied into the framing for withstanding flying missiles. When we subsequently requested invoices to support the type of window installed, the contractor then stated that “high impact” windows were not installed in the home. For the remaining four homes, the above contractor stated for two additional homes high impact windows were not installed, one contractor refused to provide invoices for one home, and for the remaining home, TUL had disbarred the contractor from doing further work for the program.
- The installation of exterior doors designed to “...resist hurricane force winds and wind-borne debris impacts” was approved through the change order process for three of the 13 projects reviewed. For those projects, the costs of the wind-resistant

doors ranged from \$487 to \$650 each (i.e., significantly more than the regular exterior doors included in the original specifications for two other projects at a cost of \$350 per exterior door).

- Change orders added the installation of hurricane strips to secure roofs on six of the 13 TUL home rehabilitation projects reviewed. The initial contract amounts for the six projects were increased by a range of \$2,150 to \$4,920 per project due to the installation of the hurricane strips.

We understand that some of the additional costs incurred because of these change orders may have been funded by TUL through grant resources received from sources other than the City (e.g., grants awarded directly by federal or state entities to TUL). However, those funds were expended as a result of the City sponsored home rehabilitation program. Accordingly, the use of those funds is considered within the scope of this audit.

As noted above, changes to construction activities included in the contractors' original bid awards are often necessary for the successful completion of rehabilitation projects. However, proper review and oversight of the change order process by TUL and NCS is necessary to ensure that payments made for the reimbursement of construction activities are fair and reasonable and only for appropriate construction activities.

We recommend for future rehabilitation projects that TUL ensure and clearly document the necessity and justification for changes in building specifications and project costs. As recommended in the previous issue, NCS should participate in that justification and documentation process.

(NOTE: Similar to the above instances regarding cost variations in amounts for similar goods and services added or adjusted through the change order process, we identified instances where there were significant cost variations for similar goods/services contained in the initial bid specifications. Specifically, for 10 of 13 TUL rehabilitation projects reviewed, the amounts bid for the complete replacement of interior sheetrock, by the contractors awarded those projects, ranged from \$1,200 to \$4,500. For one additional project, sheetrock replacement was added through a change order at a cost of \$5,650. Those price variations did not appear reasonable given the similar sizes of the rehabilitated homes. Explanations for those significant variations were not provided or otherwise available.

Change orders for TUL rehabilitation projects have not been consistently filed with Growth Management to allow for proper permitting and inspections.

For 14 of 16 TUL change orders reviewed, neither TUL nor the respective building contractors provided the change orders to the City's Growth Management department to allow for proper permitting and inspection of all applicable aspects of the TUL home rehabilitation projects.

Residential permits are required when improvements or additions are made to existing houses. These permits should be secured from the City's Growth Management department prior to the start of construction. The permits, and the inspections associated with the permits, are to assure that the work is done according to the Florida Building Code. By complying with the Florida Building Code, homeowners have some assurance that home improvements will be structurally sound and safe, and that the systems within the home (roofing, electrical, plumbing, gas, and mechanical) will work properly.

When contractors apply for applicable permits, work write-ups (i.e., original building specifications and changes to the original building specifications) are provided to the Growth Management department.

When Growth Management building inspectors visit construction sites, they determine what inspections are necessary by reviewing the work write-ups provided to them by the contractors and maintained at the construction site.

In audit review with Growth Management staff of 19 TUL rehabilitation projects, it was determined that for 16 of the 19 (84%) projects reviewed, construction activities originally planned were changed and TUL prepared, and NCS approved, change orders; however, 14 of those 16 (87%) change orders prepared for the TUL projects were not filed by the contractor with Growth Management, thus bypassing the required permitting and inspection process.

The types of construction activities that were added to rehabilitation projects by the 16 change orders prepared by TUL that likely necessitated additional permitting and inspections included, but were not limited to, items such as roofing projects, replacement of floor joists, framing of carports and porches, exterior siding installation, and electrical circuit work.

One specific example of inappropriate permitting because of change orders not being provided to Growth Management relates to a home rehabilitated through TUL. In this example:

- The original work write-up required the installation of a new roof on the carport only.
- A change order prepared by TUL and approved by NCS changed the replacement of the carport roof to replacement of the entire roof.
- Upon audit inspection, it appeared that the newly installed roof had several deficiencies.

- Because the change order was not filed with Growth Management, Growth Management was unaware that the entire roof had been replaced and only inspected the carport roof. As a result, the deficiencies in the home's replaced roof went undetected and uncorrected.
- Upon inspection of the roof after audit inquiry, Growth Management noted the following code violations:
 - nailing of the new plywood decking was not inspected;
 - the ridge cap sheet for the new roofing did not overlap the ridge (i.e., no ridge cap was installed and the roof layers were not properly overlapped at the crest);
 - two vertical seams were not adequately separated from each other (i.e., in one section roofing layers were not properly staggered to offset vertical seams); and
 - the vent through the roof was not properly flashed.
- Subsequent to Growth Management's identification of deficiencies, the contractor made the necessary corrections to bring the roofing work into compliance with the building code.

The permitting and inspection process established by the City through Growth Management is necessary to ensure homeowners' safety and the structural integrity of home improvements. We recommend that NCS establish procedures to ensure that all work write-ups and approved change orders are appropriately filed with Growth Management to allow for proper permitting and inspection of construction activities.

Building Permits

Appropriate building permits were not obtained for three of five FTCDC projects reviewed.

Appropriate building permits were not always obtained for FTCDC home rehabilitation projects.

As previously discussed, residential permits are required when improvements or additions are made to existing houses. These permits, secured by contractors from the City's Growth Management department prior to the start of construction, provide homeowners with some assurance that home improvements will be structurally sound and safe, and that the systems within the home (roofing, electrical, plumbing, gas, and mechanical) will work properly.

Building permits are required for new construction, additions, alterations, or repairs with an estimated cost of labor and material greater than \$1,000 or when planned construction is structural in nature. When contractors apply for applicable permits, work write-ups, as described above, are provided to the Growth Management department and Growth Management building inspectors visit construction sites to observe the construction work accomplished on the projects. To determine what inspections are necessary, the building inspectors review the work write-ups provided to them by the contractors and maintained at the construction site.

In audit review of five FTCDC rehabilitation projects, it was determined that proper permits were not obtained on three projects. Construction costs for each of those three projects were in excess of \$1,000, and planned construction activities were structural in nature. In our review of those three projects, the following permit issues were noted.

- Window and siding replacement permits were obtained for one project, although the work write-up (i.e., building specifications) and change orders listed construction activities

including HVAC (heating and air conditioning system) upgrade (\$4,500), upgrades to the electrical system (\$3,800), exterior door replacement (\$1,000), repair/leveling of all floors (\$1,500), re-roof of the entire house (\$3,500), and re-enforcement of the front porch (\$1,000). Considering these construction activities, Growth Management noted that at least an alteration/repair building permit, a mechanical permit, and an electrical permit were likely required. Additionally, a re-roof permit should have been obtained.

Growth Management indicated that no requests for inspections were received from the contractor for this project and no inspections of construction activities were made.

- Window replacement and re-roof permits were obtained for a second project, although the work write-up and change order listed construction activities including enclosing a porch (\$750), an upgrade to kitchen plumbing and related items (\$3,000), interior door replacement (\$500), HVAC repair (\$650), and an upgrade and installation of electrical prongs in three rooms (\$2,000). Considering these construction activities, Growth Management noted that a building permit for the door replacement and porch enclosure were likely required, as well as plumbing and electrical permits.

This contractor called Growth Management for an inspection of window installation for this project, although, upon inspection, the window installation was not approved. No other requests for inspections were received by Growth Management for this project and no other inspections were done.

- A re-roof permit was the only permit obtained for the third project. The construction costs of the entire project totaled

\$33,150. In addition to re-roofing the entire house and making repairs for rotten wood, etc., as necessary (\$15,000), the contractor replaced the kitchen sink, hooked the sink up to the system, and installed plumbing fixtures in the sink (\$600); sand blasted and painted the front and back porches; primed and painted two bathrooms as needed, and hard coated and painted ceilings (\$3,000); removed and replaced kitchen cabinets (\$2,100); provided drywall labor and materials for ceiling repair for the entire house (\$3,900); and retiled two bathrooms in the tub area (\$1,300). Growth Management indicated that at least a building permit and plumbing permit were likely required for these activities.

The roof on this rehabilitated home was appropriately inspected and approved. No other inspections of construction activities are recorded for this project.

To ensure the structural integrity of all home improvement projects, we recommend that NCS establish procedures to ensure that all home rehabilitation projects are properly permitted through Growth Management prior to approval of non-profit agencies' requests for construction cost reimbursements.

Certificates of Completion

Appropriate documents were not obtained from Growth Management for five of 30 home rehabilitation projects reviewed.

NCS made final payments on five projects for which no certificates of completion had been issued.

For new construction, building permits state that no building can be occupied prior to receiving a certificate of occupancy. When alterations or repairs are made to existing buildings, such as in home rehabilitation projects, Growth Management issues a certificate of completion after all required inspections are complete. Those certificates serve as proof that the altered and/or rehabilitated structure is safe and the related

work was done properly. It is the contractors' responsibility to request applicable inspections and the final certificate of completion.

Of the 30 rehabilitation projects reviewed, it was noted that final payments were made on five projects for which no certificates of completion had been issued. Three of the five projects for which no certificates of completion were issued were completed by HRD and the remaining two projects were completed by FTCDC. The payments for construction activities on these five projects ranged from \$23,300 to \$33,620 each.

It was unclear why final payments were made by NCS on projects for which certificates of completion had not been issued. We recommend that NCS carefully monitor home rehabilitation project documentation provided by non-profit agencies to ensure that contractors properly obtain certificates of completion for each home rehabilitation project completed. Final contractual payments should not be made by NCS prior to evidence that those certificates have been obtained.

Competitive Bidding Process

Competitive bidding processes were not always followed when contracts for home rehabilitation projects were awarded.

In some cases, non-profit agencies did not provide NCS support to demonstrate that they used contractually required competitive bidding procedures in the acquisition of construction goods and services for home rehabilitation projects.

To accomplish the construction work necessary for the completion of all home rehabilitation projects, the non-profit agencies must seek contractor bids through a competitive bidding process. The contracts NCS executes with non-profit agencies require, in Attachment A, Statement of Work, "The Agency shall be responsible for conducting a competitive bidding process for each rehabilitation project and shall

provide to the City a copy of the bid award and all contractors' itemized cost sheets received in the bid process."

In audit review of 20 home rehabilitation projects, evidence was not always provided to show the required competitive bidding process was conducted. Additionally, in some of those 20 projects, the required bid documents (i.e., itemized cost sheets) were not provided to NCS by the non-profit agencies after contracts were executed for rehabilitation construction services. Of the 20 projects reviewed, 13 were TUL projects, 4 were FTCDC projects, and 3 were HRD projects. Details are described in the following.

- TUL - Bid award documents were located in the files of all 13 TUL projects. However, none of the files reviewed contained all bidding contractors' itemized cost sheets required in the bid process. Specifically:
 - Three of 13 files contained no itemized cost sheets from contractors; and
 - Ten of 13 files contained at least 1 itemized cost sheet from responding contractors, with 1 file containing 2 itemized cost sheets; but none of the 10 files contained itemized cost sheets from all bidding contractors.
- FTCDC - No documentation evidencing the use of a competitive bidding process in the acquisition of home rehabilitation services was available for review in the four FTCDC rehabilitation files reviewed. However, subsequent to audit inquiry, FTCDC provided bid documents supporting the use of a competitive bidding process and the receipt of contractors' bids for those four projects. The documents provided by FTCDC indicated:

- o Two bids were obtained for one project; however, documentation supporting only one of the bids was provided for review.
 - o Three bids were obtained for one project; however, documentation supporting the bids for only two of the three bids was provided for review.
 - o Two additional projects were competitively bid with only one bid response being received by FTCDC for each of the two projects. Appropriate documentation supporting the bids on these two projects was provided by FTCDC for audit review.
- HRD – No documentation was available for review in the three HRD rehabilitation files reviewed to indicate that HRD sought home rehabilitation construction services through a competitive bidding process.

The City has established City Commission Policy No. 242, with the intent “...to institute a uniform procurement system with purchasing policies that provide for on-time acquisition of competitive, quality products and services...” Non-profit agency rehabilitation contracts are structured to support this City policy and to ensure that construction goods and services received by citizens through the home rehabilitation program are quality products and services secured in the most efficient and economical means possible. Non-profit agencies’ documentation of the competitive bidding process allows NCS to make determinations as to the appropriateness and reasonableness of costs associated with the procurement of necessary construction goods and services for rehabilitation projects. Absent appropriate documentation, NCS has no means to determine the appropriateness of the original contracts for construction goods and services.

We recommend that NCS enforce contract terms requiring non-profit agencies to conduct competitive bidding processes when selecting contractors to complete home rehabilitation projects. Adequate documentation of the process should be received by NCS prior to reimbursement of non-profit agencies for payments to contractors.

The benefits of a competitive bidding process are negated by the significant change orders processed by TUL.

Significant change orders completed by TUL and approved by NCS appear to negate the benefits derived from a competitive bidding process; in some of those instances justifications for changes were not apparent.

As discussed above, to accomplish the construction work necessary for the completion of all home rehabilitation projects, the non-profit agencies are required to seek bids through a competitive procurement process in the acquisition of home rehabilitation services. The bids obtained through the competitive procurement process provide NCS assurance that the prices paid for home rehabilitation construction activities are fair, reasonable, and competitive in nature. In addition to requiring competitive bids in the acquisition of services, the NCS contracts with non-profit agencies allow for a change order process, whereby the non-profit agencies can change an initial contract award (i.e., change rehabilitation specifications and/or associated costs/prices) executed with a building contractor when it is determined that changes are necessary and reasonable for completion of the home rehabilitation.

In audit review of 20 home rehabilitation projects that were visited by audit and NCS staff, it was noted that change orders were requested for 12 of the 13 TUL projects. These change orders increased the costs of those 12 projects in amounts ranging from \$1,050 to \$23,175. Those amounts represented increases ranging from 3% to 88%. It appears that the nature of the work to be done pursuant to the change orders should have been evident at the time of the initial cost estimates and therefore

appropriately addressed during the competitive bidding process. Examples of the types of changes being requested by TUL through change orders include:

- Changed the types of windows to be installed from regular windows at \$300 each to high-impact windows costing \$791 each, resulting in an increased cost of \$491 per window.
- Changed from replacing a carport roof at \$810 to replacing the entire roof for \$11,500. This amount included the costs of installing "...5/8" CDX plywood decking and taped horizontal and vertical joints for retrofitting" and the installation of "...30# felt and single ply roofing over fiberglass felt and solid gluing." The roof being replaced by the change order was a roof less than five years old and was still under warranty by the previous contractor. [NOTE: In this instance we were not provided any evidence showing that NCS, TUL, or the contractor were aware of the age (less than 5 years old) of the roof or that a warranty was still in effect. Discussions with the homeowner showed that she had not requested a new roof. In response to our inquiry on this matter, TUL responded that it was their policy to replace roofs for rehabilitation projects where the existing roof had little slope and was not shingled. While the roof appears to meet those two criteria, clear justification for replacing a roof less than 5 years old and still under warranty was not provided.]
- Changed building specifications to require the installation of "blue board" (a different grade of sheetrock) rather than regular sheetrock resulting in an increased project cost of \$1,550.
- Increased the cost of carpet and padding from \$1,800, the amount in the initial bid award, to \$2,700, an increase of \$900.

- Increased the cost of kitchen cabinets from the initial bid amount of \$1,650 to \$4,800, an increase of \$3,150. According to the change order prepared by TUL and approved by NCS, the building specifications for the cabinets did not change.
- Increased the cost of pre-hung interior doors from \$200, the amount included in the original bid award, to \$267 per door. Because several doors were involved, this resulted in a \$1,000 increase over the initial bid award amount.
- Changed the building specifications for a roof replacement to include language related to additional water resistance, which more than doubled the initial bid award amount. The cost went from \$3,150 in the initial bid award to \$7,100.

As discussed previously, no documentation has been provided by HRD to indicate this non-profit agency sought home rehabilitation services through a competitive bidding process. Files documenting home rehabilitation projects completed by HRD did not indicate that any change orders were prepared for the three projects reviewed.

Subsequent to audit inquiry, FTCDC provided bid documents supporting the use of a competitive bidding process when obtaining home rehabilitation services. This documentation included the contractors' bids for the four FTCDC projects reviewed. It was noted that FTCDC prepared change orders related to contractors' itemized cost estimates for two of four FTCDC home rehabilitation projects reviewed, resulting in increases to the initial project costs of 6% and 35% respectively.

Changes to bid awards by TUL of such significant amounts would appear to negate the benefits derived from the competitive bidding process and decrease assurance that fair and competitive prices are

being paid for construction activities related to the home rehabilitation process. Additionally, such significant changes imply that the process of identifying necessary rehabilitation work and related bid specifications is inadequate. Furthermore, the circumstances necessitating some of those changes were not always justified (i.e., replacing an entire roof pursuant to a change order). We recommend that NCS carefully and thoroughly monitor future change orders to ensure that only necessary and reasonable changes are allowed. Consideration should be given to rebidding home rehabilitation projects if contractors find they cannot complete projects in accordance with original bid awards without significant changes to the projects. Also, appropriate justification for each change should be clearly documented.

Timely Completion of Rehabilitation Projects

Excess rent and utility expenses were paid because contractors did not complete rehabilitation projects in the time allowed by contracts.

Sixteen of 30 home rehabilitation projects were not completed in the time period allowed by contract. Because temporary relocation expenses (rent and utility expenses) were paid by NCS on behalf of the homeowners for 10 of those 16 projects not timely completed, this resulted in the payment of \$30,266 for rent and utility expenses that would not have been paid had those projects been completed within the contractually-established timeframe.

Contracts entered into with non-profit agencies to provide home rehabilitation services to income-eligible homeowners require, in Attachment A, Statement of Work, “The Agency is responsible for ensuring that all work is completed within 90 days. The contractor may request a 30-day extension of the rehabilitation provided the extension has been requested in writing and approved by the City in writing by the 60th day. Failure to meet the deadline approved by the City will result in a penalty charged against the contractor fee in the amount of additional rent, storage, and utility costs resulting from the delay. This penalty will be deducted from the contractor’s payment.”

As described in the background section of this report, federal grant funds are available through the City to allow clients receiving home rehabilitation services to relocate during the period of the home rehabilitation. These funds are used to cover temporary relocation expenses of the homeowner during the period of time the homeowner is unable to reside in the home because of construction activities related to the rehabilitation. The expenses covered include City utilities up to a maximum allowance, moving expenses, rent, and rental deposit. The amounts paid for homeowners' rent and utilities vary based on the length of time it takes for the completion of rehabilitation projects.

In our review of 30 home rehabilitation projects, we noted that 16 of the 30 projects (53%) were completed in excess of the 90-day completion period allowed by non-profit agencies' contracts. The 30 projects reviewed included the following:

- Nineteen Tallahassee Urban League (TUL) projects:
 - Eight of the 19 projects (42%) were completed in 90 days or less.
 - Eleven of the 19 projects (58%) were completed in greater than 90 days, with the number of excess days ranging from 5 to 279 days.
- Five Frenchtown Community Development Corp (FTCDC) projects:
 - Three of five projects (60%) were completed in 90 days or less.
 - One of the five projects (20%) was not completed in 90 days, with excess days numbering 14.

- Documentation was not available to determine the completion time for one of the five projects (20%).
- Six Home Rehabilitation Development Corp (HRD) projects:
 - One of the six projects was completed in less than 90 days (17%).
 - Four of the six projects were not completed in 90 days or less (66%), with the number of excess days ranging from 6 to 103.
 - Documentation was not available to determine the completion time for one of the six projects (17%).

Temporary relocation expenses were paid for 21 of the 30 projects reviewed. Those expenses totaled \$150,298. The variable portion of temporary relocation expenses, rent and utilities, was paid for 18 of those 21 projects. Those variable expenses totaled \$106,037. As noted above, 16 projects were completed in more than the 90 days allowed by contract. Rent and utility payments were made for 10 of the 16 projects. Rent and utility payments made on behalf of homeowners for those 10 “untimely” projects for days in excess of the 90-day period allowed totaled \$30,266. Of that amount, \$29,697 pertained to nine TUL projects and \$569 related to one FTCDC project (i.e., temporary relocation expenses were not paid for all projects). No documentation was available from NCS or the non-profit agencies indicating that any of the applicable contractors requested an extension of the 90-day completion period required by contracts. Additionally, we noted that NCS did not enforce the contractual penalty for untimely completion by reducing amounts reimbursed for contractor fees in those instances. In addition to resulting in additional temporary relocation costs, untimely

project completion resulted in a greater inconvenience to the homeowners.

The excess \$30,266 in payments for rent and utility expenses resulted because contractors did not timely complete projects in accordance with contract requirements. To limit temporary relocation expenses and homeowners' inconveniences during the rehabilitation process to reasonable amounts and times, we recommend that NCS reevaluate procedures established to encourage timely contractor performance.

Waiting Periods for Home Rehabilitation Services

TUL clients waited from ten months to nine years for home rehabilitation services with no explanation for excessive waiting periods.

Periods between the dates of applications for home rehabilitation services and the start of projects ranged from 10 months to 9 years for TUL clients, generally with no explanations or reasons for the delays in initiating services.

The State Housing Initiatives Partnership (SHIP) Local Housing Assistance Plan addresses recipient selection criteria for prospective clients of the City's home rehabilitation program. The SHIP recipient selection criteria require that "Applications for assistance under this program will be reviewed for eligibility and approved on a first-come, first-served basis." "First-come" has been interpreted by NCS to mean "first-ready" (e.g., a completed application containing all required information) and non-profit agencies are expected to provide services to clients in the order in which applications are completed. To ensure compliance with this SHIP Local Housing Assistance Plan requirement, NCS expects non-profit agencies to maintain a "waiting list" when services cannot be provided immediately upon the receipt of completed applications.

In audit review of 13 TUL applications for services from prospective home rehabilitation clients, it was noted that the length of time elapsing between a client's application for services and the start of those services

(represented by the date the contractor obtained the initial building permit) ranged upwards to 9 years for TUL projects. Specifically, for the 13 TUL client files reviewed, times from application to initial building permit ranged from 10 months to approximately 9 years:

- Three of the 13 projects were started from 10 to 18 months after the dates of the application.
- Seven of the 13 projects were started between three and five years after the date of the clients' applications.
- Two of the 13 projects were started approximately nine years after the dates of the clients' initial applications. [NOTE: Audit correspondence with a relative of one of the two homeowners indicated that the delay for that project was attributable, at least in part, to the homeowner's health issues. However, there was no documentation in TUL or NCS files explaining those circumstances.]
- A waiting period could not be calculated for one of the TUL projects, as the application date appears incorrect since it is dated after the certificate of completion for this project.

For the above instances, no explanation was included in the NCS or TUL client files to indicate why clients waited years for home rehabilitation services after completing applications. Documentation of maintenance of a waiting list was requested, but not provided by TUL.

Home rehabilitation services must be provided to clients in a fair and equitable manner using a first-come/first-served basis as required by the SHIP Local Housing Assistance Plan. To show compliance with this requirement, documentation should be maintained supporting reasons for any excessive delays in providing home rehabilitation services to homeowners with completed applications on file. We recommend that

NCS require all non-profit agencies providing home rehabilitation services to maintain a waiting list of prospective home rehabilitation clients. Any delays in the provision of anticipated services to those prospective clients should be clearly documented in TUL records. The waiting list should be updated annually and provided to NCS for their review and consideration.

Customer Satisfaction Surveys

Non-profit agencies have not provided NCS with customer satisfaction surveys required by contracts.

Contrary to contract requirements, non-profit agencies facilitating the provision of home rehabilitation services to income-eligible clients have not regularly conducted and provided to NCS customer satisfaction surveys of home rehabilitation clients.

NCS provides home rehabilitation services to income-eligible clients through annual contracts with non-profit agencies. Those non-profit agencies hire contractors to accomplish the actual rehabilitation of the homes. In the past, such contracts have been executed with the Tallahassee Urban League (TUL), Frenchtown Community Development Corporation (FTCDC), and Home Rehabilitation Development Corporation, Inc. (HRD). Contracts with all three agencies require that, “The Agency shall provide the City results of surveys of customer satisfaction with the services provided by the Agency on a regular basis, with the survey instrument, frequency of the survey, and frequency of reporting to be agreed upon between the City and the Agency.”

Through discussions with NCS staff, it has been determined that the non-profit agencies providing home rehabilitation services have not conducted customer satisfaction surveys of rehabilitation clients for the purpose of soliciting the level of client satisfaction with the rehabilitation process for “several years.” NCS has not established a “frequency” for the non-profit agencies to conduct those surveys.

Customer satisfaction surveys required by contracts are designed to provide feedback to NCS as to the success of the rehabilitation programs and rehabilitation clients' satisfaction with actual services provided. Such surveys provide valuable opinions and information about the efficiency and reliability of the rehabilitation services provided by non-profit agencies and contractors and the quality of construction products and services rendered. We recommend that NCS discuss the contract clause requiring customer satisfaction surveys with all non-profit agencies providing home rehabilitation services and develop a plan for the agencies to regularly obtain customer satisfaction surveys from program clients. Survey schedules should be established by the non-profit agencies and approved by NCS. As part of the process, surveyed clients should be instructed to send their responses directly to NCS.

Customer satisfaction surveys sent to rehabilitation clients disclosed that clients have many issues of concern.

Twenty-four customer satisfaction surveys returned to the City Auditor's Office in response to an audit customer satisfaction survey indicated that home rehabilitation clients did not always receive satisfactory or complete services.

The Office of the City Auditor mailed customer satisfaction surveys to the 67 NCS clients that received services through the home rehabilitation program (program) during the 2005 and 2006 fiscal years. These surveys were developed and sent to clients in an effort to obtain clients' opinions and feedback related to their satisfaction with program services. In the survey, clients were asked specific questions related to their participation in the rehabilitation of their homes, as well as, the quality of materials and workmanship used in the rehabilitation of their homes. Additional questions were asked relating to clients' satisfaction with the non-profit agencies facilitating the rehabilitations and the contractors performing the construction work. Clients were also invited

to add any comments they wished to make related to their home rehabilitation experience.

Twenty-four client responses were received to the customer satisfaction surveys sent to 67 clients, representing a 36% response rate. Of the 24 survey responses:

- Six responses (25%) were very positive and reported successful rehabilitation projects.
- The remaining 18 respondents (75%) reported various issues related to their dissatisfaction with the rehabilitation program.

Specific results to the survey are noted in Appendix B. As shown in Appendix B, some respondents answered some, but not all of the survey questions.

Many of the concerns reported by clients were repetitive, as several clients appear to have experienced the same types of difficulties with the rehabilitation of their homes. Issues that were mentioned repeatedly related to the following areas:

- Unsatisfactory or incomplete construction work:
 - Sixteen of 24 respondents (67%) provided written comments indicating dissatisfaction with and/or incomplete construction work.
 - In response to specific questions related to quality of materials, 9 of 23 respondents (39%) that answered the questions reported that their level of satisfaction was below average.

- In response to specific questions related to quality of workmanship, 11 of 23 respondents (48%) that answered the questions reported the quality was below average.
- Dissatisfaction with the contractor providing the rehabilitation services:
 - Twelve of 24 respondents (50%) provided written comments indicating dissatisfaction with the contractor providing the rehabilitation services.
 - In response to specific questions related to their relationship with the contractor, 16 of 22 respondents (73%) that answered the questions reported that they were unable to develop a good rapport with the contractor.
 - In response to specific questions related to the contractor's customer service and performance, 12 of 20 respondents (60%) that answered the questions reported that their level of satisfaction was below average.
- Dissatisfaction with the non-profit agency facilitating the rehabilitation:
 - Eight of 24 respondents (33%) provided written comments indicating dissatisfaction with the non-profit agency facilitation and oversight of the rehabilitation process.
 - In response to specific questions related to the non-profits' customer service skills, 8 of 20 respondents (40%) that answered the questions reported that their level of satisfaction was below average.

- Insufficient monitoring of non-profit agencies and contractors by NCS was reported by 8 of the 24 respondents (33%).
- Lack of communication of the warranty or claims process available to clients was reported by 4 of the 24 respondents (25%).
- Unexpected client out-of-pocket expenses was reported by four of the 24 respondents (17%).

The customer satisfaction surveys were sent to home rehabilitation clients as a tool to assist in determining areas that may be improved in the delivery of home rehabilitation services. We recommend that NCS review the issues of concern and deficiencies that are noted by clients and address those issues in future training events developed for non-profit agencies providing home rehabilitation services.

Monitoring

Improvements are needed in NCS oversight and monitoring of non-profit agencies.

Improvements are needed in NCS oversight and monitoring efforts of non-profit agencies receiving funds from the City for the provision of home rehabilitation services.

As discussed in the background section of this report, the City receives federal and state grant funds that are used for the home rehabilitation program. The City, through the NCS housing division, awards those grant funds to sub-recipients (i.e., non-profit agencies) for the rehabilitation of owner-occupied homes for income eligible clients through a contracting process. When the City awards contracts to the non-profit agencies, federal and state grant requirements governing the use of those funds are passed through to the non-profit agencies.

Federal and state grant provisions require that NCS, as a grant recipient awarding grant funds to sub-recipients (non-profit agencies), monitor

the home rehabilitation services rendered by the non-profit agencies. Monitoring activities are necessary not just to comply with federal and state grant requirements, but to ensure that awarded funds are properly and efficiently used and that services are properly, efficiently, effectively, and correctly rendered. For example, NCS should monitor the non-profit agencies to ensure that home rehabilitation services are provided only to income-eligible homeowners and that the related construction activities are necessary, satisfactory and in accordance with established building codes.

Federal guidelines indicate that annual monitoring can consist of internal audits, remote or desk reviews, and on-site-visits. The steps to annual monitoring described on the U.S. Department of Housing and Urban Development (HUD) website include:

- Assess risk of non-compliance by each entity;
- Develop an annual monitoring strategy;
- Perform reviews of projects and entities;
- Communicate results and indicate the need for any corrective action; and
- Follow-up on findings.

In response to these requirements, NCS developed procedures to monitor home rehabilitation activities through continuous monitoring activities, including at least one annual on-site visit to each non-profit agency. Efforts were made during the 2006 fiscal year to monitor non-profit agencies' home rehabilitation activities through on-site-visits; however, as explained below, those monitoring efforts for that year remained incomplete as of December 31, 2007.

Tallahassee Urban League (TUL) – A 2006 fiscal year monitoring visit (Contract No. 1135) was made to TUL on August 18, 2006. Four instances were noted where the NCS monitor felt areas were “conditionally acceptable” and made recommendations for improvement. The first item has been completed, while improvements in the other three items noted are pending.

- The annual independent audit report for TUL was not available for review. *The audit report has since been provided to NCS.*
- TUL was in need of technical assistance to get income qualification paperwork to an acceptable level. *Per NCS staff, some improvements have been made in this area, but continuing efforts are needed to ensure TUL maintains acceptable standards of documentation related to rehabilitation clients' income qualification.*
- TUL was not following up with rehabilitation clients 60 to 90 days after project completion. *TUL is considering leaving a customer satisfaction survey with rehabilitation clients when projects are complete and then going back in 60 to 90 days to determine the homeowner's level of satisfaction with the services received.*
- TUL has not provided an updated list of applicants for rehabilitation services or documentation substantiating how rehabilitation clients are chosen to receive services. This issue was addressed previously in this report under the heading *Excessive Waiting Periods for Home Rehabilitation Services.*

During the monitoring visit, NCS also noted general areas of concern related to needed updates to the homeowners agreement, lack of detail in Board minutes, and no relationship between cost estimates and bids.

The monitoring files did not contain evidence of follow-up on these general matters.

NCS policies and procedures require that, “Every monitoring exercise should result in a written report to the agency...” including, among other requirements, a discussion of problems found in the visit and recommendations for remedial action and improvements. Per NCS staff, issues of concern had been discussed with TUL. However, at December 31, 2007, no written monitoring report had been finalized and provided to TUL.

Frenchtown Community Development Corp. (FTCDC) - No monitoring visit had been conducted at the FTCDC for the fiscal year 2006 at the time of our audit inquiry in December 2007. Per NCS staff, several attempts to schedule an FTCDC monitoring visit had been unsuccessful. However, in January 2008, subsequent to audit inquiry, a monitoring visit was made to FTCDC to include the 2006 and 2007 fiscal years. The results of this monitoring visit are in progress and had not been finalized at the time of this report.

Home Rehabilitation and Development, Inc. (HRD) - A 2006 fiscal year monitoring visit (Contract No. 1138) was made to HRD on January 30, 2007. One issue was noted in which the NCS monitor felt the agency’s initial assessment of client income eligibility was an area that was “conditionally acceptable” and determined that there was a need for NCS to follow-up with HRD on this matter. While there was no documentation in the monitoring file of follow-up by NCS on this matter, on June 10, 2008, NSC indicated that they have now taken over the income qualification process for HRD home rehabilitation projects. A final written report was issued to HRD in May 2008 discussing problems found during the monitoring visit and recommendations for remedial action and improvements.

As noted in NCS policies and procedures, “Monitoring of affordable housing activity is required by the federal and state funding sources and by the obligation for fiscal responsibility in management and expenditure of funds.” In accordance with these policies and procedures and to reduce the risk of loss of federal and state grant funding provided for the home rehabilitation program, we recommend that NCS enhance efforts in monitoring non-profit agencies’ use of grant funds. Programmatic areas such as those described in this report relating to inadequate or questionable work quality and timeliness, client complaints and concerns, communication issues, change orders, required permitting and inspections, competitive bidding, and excessive client waiting periods should be addressed and reviewed by NCS through these enhanced NCS monitoring efforts. Additionally, the annual on-site monitoring visits to non-profit agencies should be properly documented with issues of concern clearly communicated in writing. All issues of concern should be followed up on by NCS staff until resolution is achieved.

Liens

Required liens on rehabilitated properties have not been managed properly.

Liens were not filed, or not correctly filed, on all home rehabilitation properties for which home rehabilitations were completed during the 2005 and 2006 fiscal years.

As discussed in the background section of this report, homeowners receiving services through the home rehabilitation program are subject to five-year liens filed on their rehabilitated properties as a function of a deferred loan related to the cost of the home rehabilitation. This ensures that funds expended for the home rehabilitation continue to benefit the income-eligible homeowner originally assisted and compliance with the funding regulations governing the grant funds used for the rehabilitation. The liens are forgiven at a rate of one-fifth of the total lien per year, with no provision for interest. Details related to

transfer of liens to other property occupants are described in the background section.

At June 6, 2007, our audit review of 45 properties that underwent home rehabilitations during the 2005 and 2006 fiscal years disclosed:

- Required liens had not been filed on 43 of the 45 properties.
- Lien terms were incorrectly recorded as seven years rather than five years for the two properties where liens were filed.

At September 8, 2008, our audit review of the same 43 properties for which liens had not been filed in June 2007 indicated the required liens had subsequently been filed on 40 of the 43 properties.

The NCS housing division has developed policies and procedures requiring that all properties rehabilitated through the home rehabilitation program are subject to five-year liens to ensure the continued occupancy of the homes by income-eligible homeowners. Absent the restrictions imposed over the sale or disposal of rehabilitated homes through the lien process, homes may be sold and occupied by non-eligible individuals. We recommend that NCS enforce the established policy requiring that liens be timely filed on all home rehabilitations. Additionally, corrective actions should be taken to identify properties previously rehabilitated for which no liens have been filed, or lien terms filed incorrectly, and make the necessary corrections to the lien filings.

Deficiencies and concerns noted indicate a need for NCS, non-profit agencies, and contractors to make changes necessary to provide successful home rehabilitation services.

Conclusion

Audit activities focused on completed home rehabilitations conducted during the 2005 and 2006 fiscal years, as projects for the 2007 fiscal year were not completed at the start of this audit. Overall, we found many deficiencies in the home rehabilitation services provided through

Subsequent Events

the City and various issues of concern among the clients served. Those deficiencies pertain to (1) inadequate, substandard, and/or incomplete rehabilitation construction work; (2) inadequate communications by non-profit agencies and/or their contractors; (3) inadequate cost estimates; (4) unjustified and questionable change orders; (5) lack of required permitting and inspections; (6) reimbursements prior to issuance of certificates of completion; (7) lack of support that required competitive procurement procedures were used; (8) untimely completion of rehabilitation projects; (9) excessive waiting periods for applying homeowners; (10) lack of required customer satisfactions surveys; (11) client dissatisfaction with services; (12) lack of sufficient monitoring by NCS, and (13) lack of required filing of liens. These deficiencies and concerns indicate a need for the Neighborhood and Community Services housing division, non-profit agencies, and participating contractors to review past performance and determine changes that should be made to provide successful and complete home rehabilitation services to the citizens of Tallahassee.

During the course of this audit, we became aware that TUL was receiving additional monies from the Florida Department of Community Affairs (DCA) to rehabilitate many of the homes also reviewed by us. As follow-up, we have contacted DCA and are coordinating additional fieldwork with them to ensure proper accountability for all city, state, and federal funds applied to homes rehabilitated.

To the extent needed, we will issue such additional reports considered necessary as a result of our follow-up audit efforts.

*Appointed Official's
Response*

City Manager:

We appreciate the comprehensiveness and thoroughness of this audit of the City's Owner-Occupied Home Rehabilitation Program, which focused on the provision of these services by contract with area non-profit agencies. We recognize and appreciate the importance of good internal controls both on the City's part, as well as that of the service agencies and their contractors. We also are ever vigilant as to the importance of quality work and exceptional customer service to the low-income families who are the recipient of these services. In partnership with this audit, staff has already implemented the vast majority of changes to help ensure continued improvement in the essentials of contract management and in the performance of the rehabilitation work.

A new contract is now in place with the Tallahassee Urban League (TUL) and checklists have been provided to the owner-occupied rehabilitation providers (currently TUL and Home Rehabilitation and Development) for their use in submitting the appropriate documents/information required under the contract. Furthermore, regularly scheduled bi-weekly meetings are being held with the Tallahassee Urban League management and staff, and monthly meetings are held with executive director of Home Rehabilitation and Development, to discuss current issues. More detailed inspections are being conducted by Economic and Community Development (ECD) Housing staff and more detailed feedback is being provided to the rehabilitation providers. ECD will continue to work with the auditor's office in coordinating with the state to determine if there has been any duplication or overlap of funding with the City's money and the state's in the payments for the work that has occurred.

The changes already in place and a renewed focus on compliance will help to ensure citizens receive a higher level of quality service, as well

as stronger documentation and accountability of funds used in this work.

Appendix A – Action Plan		
Action Steps	Responsible Employee	Target Date
<p>A. Objective: To ensure non-profit agencies are reimbursed only for appropriate and completed services</p>		
<p>1. Procedures will be developed to ensure that all home rehabilitation project change orders requesting changes to contracted building specifications and costs be properly approved by NCS staff prior to the initiation of any construction activity related to the changes, and only after the conduct of an on-site inspection of the project. As part of those procedures, the following actions have already been taken.</p> <ul style="list-style-type: none"> • A <i>Checklist for Change Order</i> has been developed to ensure that all required items documenting change order requests are submitted by non-profit agencies and maintained in client files. • Attachment A of non-profit agencies’ 2008 FY contracts now requires that all change order requests will include evidence of an on-site inspection by NCS prior to approval or denial of the change order. All change orders are required to be in writing and approved by the City, the homeowner, and the non-profit agency. No payments will be made for additional work or expense incurred as a result of unapproved change orders. 	<p>Joyce Martinez/Eli Bryant</p>	<p>Complete*</p>
<p>2. Final payment requests will not be processed prior to the receipt of certificates of occupancy/completion for home rehabilitation projects. The following actions have already been taken.</p> <ul style="list-style-type: none"> • A <i>Checklist for Final Payment</i> has been developed to ensure that final payments will not be made prior to the receipt of certificates of completion/occupancy. • Attachment B of non-profit agencies’ contracts for the fiscal year 2008 requires a certification of occupancy prior to the payment of the balance of funds due. 	<p>Joyce Martinez/Eli Bryant</p>	<p>Complete*</p>

<p>B. Objective: To ensure compliance with home rehabilitation contract terms and NCS policies.</p>		
<p>1. Procedures will be established to ensure that all cost estimates directly correlate to building specifications and are reviewed for accuracy and reasonableness. The following actions have already been taken.</p> <ul style="list-style-type: none"> • Attachment A of non-profit agencies' 2008 FY contracts now indicates that NCS will review all work write-ups (including the cost estimates). • A <i>Checklist for Work Write-Up</i> has been developed to document NCS review of work write-up to include review of the line item estimate. 	<p>Joyce Martinez/Eli Bryant</p>	<p>Complete*</p>
<p>2. The necessity and justification for changes to building specifications will be clearly documented. The following actions have already been taken.</p> <ul style="list-style-type: none"> • Attachment A of non-profit agencies' 2008 FY contracts has been revised to require that all change order requests include the justification for requested changes. • A <i>Checklist for Change Order</i> has been developed to document that all appropriate steps for change orders as required in the 2008 agencies' contracts have occurred. 	<p>Joyce Martinez/Eli Bryant</p>	<p>Complete*</p>
<p>3. Change orders will be reviewed and approved only after determination of reasonableness of cost increases. The following actions have already been taken.</p> <ul style="list-style-type: none"> • A <i>Checklist for Change Order</i> has been developed to document NCS review of the reasons (i.e., necessity) for change orders and to identify the line item cost increases and/or decreases associated with the change order. • Statement A of the 2008 fiscal year non-profit agencies' contracts has been revised. Statement A now states that if a change order results in significantly different work compared to the original proposed rehabilitation work, the City will have the option of directing the non-profit agency to "...obtain bids for such work from additional contractors and to reduce the scope of work and amount of the contract accordingly with the current contractor." 	<p>Joyce Martinez/Eli Bryant</p>	<p>Complete*</p>

<p>4. To allow for proper permitting and inspection of goods and services, procedures will be established to ensure that all approved change orders and the related building specifications are appropriately filed with Growth Management.</p>	<p>Joyce Martinez/Eli Bryant</p>	<p>12-31-08</p>
<p>5. Notices to Proceed will only be issued on home rehabilitation projects for which non-profit agencies have documented the use of a competitive bidding process in the acquisition of home rehabilitation services. A <i>Checklist for Commitment Letter, Homeowner Agreement and Bid Award</i> has been developed to document the receipt and review of appropriate competitive bidding documents by NCS for all home rehabilitation projects.</p>	<p>Joyce Martinez/Eli Bryant.</p>	<p>Complete*</p>
<p>6. Procedures established to encourage timely contractor performance have been reviewed and reevaluated.</p> <ul style="list-style-type: none"> • 2008 fiscal year non-profit agency contracts have been revised to encourage timely completion of home rehabilitations. <ul style="list-style-type: none"> ○ For rehabilitation work that requires the homeowner to be temporarily relocated for the duration of the project, all rehabilitation shall be completed within 90 days. ○ For rehabilitation of any home that does not require the homeowner to be relocated, the non-profit agency shall be allowed 120 days for completion of the project. ○ For rehabilitation of any home that requires only a 7-day temporary relocation of the homeowner, the non-profit agency will be allowed 105 days for completion. • A 30-day extension may be requested in each of the above instances. • Times for project completion will be monitored and penalties for failure to meet the deadline will be enforced. 	<p>Joyce Martinez/Eli Bryant/Linda Hawthorne</p>	<p>Complete*</p>

<p>7. Customer satisfaction surveys have been updated and will be provided to non-profit agencies. The non-profit agencies will provide the surveys to home rehabilitation clients within 90 to 120 days after project completion to allow the clients an opportunity to express their opinions about the success of their home rehabilitation directly to the City. Preaddressed, stamped envelopes will be provided to clients for the return of the surveys to the City.</p>	<p>Joyce Martinez</p>	<p>Complete*</p>
<p>8. A training event held March 28, 2008, addressed the final inspection of rehabilitation projects and emphasized ensuring that all work should meet the detail outlined in the work write up and specifications. The training session also emphasized that project closeout should include verification that all work has been properly completed.</p> <p>Additionally, 2008 non-profit agency contracts now require non-profit agencies to visit all rehabilitated properties between 90 and 120 days after completion of the rehabilitation. Documentation of the visits will be provided to the City.</p>	<p>Joyce Martinez</p>	<p>Complete*</p>
<p>9. Most outstanding liens have been tracked down and recorded. Those efforts will continue.</p>	<p>Joyce Martinez/Linda Hawthorne</p>	<p>Complete*</p>
<p>10. Five-year liens will be appropriately and timely filed on all future home rehabilitation projects.</p>	<p>Joyce Martinez/Linda Hawthorne</p>	<p>Complete*</p>
<p>11. Changes to the non-profit agencies' contracts include a requirement that, along with each homeowner application for services, a waiting list of prospective home rehabilitation clients be provided to NCS that highlights the position of the homeowner's eligibility screening date. In the event that a selected homeowner is not in the highest position on the waiting list, an explanation must be provided for not addressing those in higher positions on the waiting list.</p>	<p>Joyce Martinez</p>	<p>Complete*</p>

<p>12. TUL's 2008 fiscal year contract has been revised to require the submission of an updated waiting list on April 1 and September 1. The April 2008 client waiting list was received, but was returned for corrections and revisions. A more current waiting list has been requested.</p>	<p>Joyce Martinez</p>	<p>Complete*</p>
<p>13. Follow-up will be completed of all valid issues of concern noted on the audit site visits to 20 home rehabilitation projects.</p>	<p>Joyce Martinez/Kenn Bass</p>	<p>12-31-08</p>
<p>C. Objective: To conduct adequate monitoring of non-profit agencies.</p>		
<p>1. Monitoring activities of non-profit agencies will be enhanced to include finalizing any issues of concern noted during on-site monitoring visits and by addressing programmatic areas such as the issues described in the audit report. Those issues include:</p> <ul style="list-style-type: none"> a. Inadequate, substandard and/or incomplete rehabilitation construction work. b. Inadequate client communication by non-profit agencies and/or their contractors (a template has been prepared for a <i>Homeowner Rehabilitation Agreement and the Grievance Policies and Procedures</i> that should improve this situation). c. Inadequate cost estimates. d. Unjustified and questionable change orders. e. Lack of required permitting and inspections. f. Reimbursements prior to issuance of certificates of completion. g. Lack of documentation that required competitive procurement procedures were used. h. Untimely completion of rehabilitation projects and excessive waiting periods for applying homeowners. i. Lack of required customer satisfaction surveys. j. Clients' dissatisfaction with services. <p>These comprehensive changes, along with added emphasis on the inspections and follow-up, will improve services and the clients' understanding and satisfaction with services.</p>	<p>Joyce Martinez/Eli Bryant</p>	<p>3-31-09</p>

D. Objective: To increase clients' satisfaction with rehabilitation services.		
<p>1. Non-profit agencies will be required to address client concerns within 90 to 120 days after projects have been completed and clients have returned to their homes. This will be documented by the non-profit agencies and the documentation provided to the City. Services necessary to sufficiently complete all projects will be provided by the non-profit agency.</p> <p>For the benefit of clients, a grievance policy will be developed by the non-profit agency for projects requiring additional services.</p>	<p>Joyce Martinez</p>	<p>Complete*</p>
<p>2. Three hours of training related to one 2008 fiscal year non-profit agency's contract was held on March 5, 2008, and equivalent training was held on March 25, 2008, for another non-profit agency. This training included discussions on both the homeowner's and the contractor's responsibilities for communications and problem solving. Future training programs for home rehabilitation providers will continue to stress the importance of keeping clients properly and timely informed throughout the rehabilitation process.</p> <p>Additionally, Florida Housing Coalition provided home rehabilitation training on March 28, 2008, from 10:00 AM to 3:00 PM. This training provided technical assistance, but was not contract specific.</p>	<p>Joyce Martinez</p>	<p>Complete*</p>

*Per NCS, actions have been taken and procedures put into place to complete the action plan step. Completion will be verified during the audit follow-up process.

Appendix B – Customer Satisfaction Survey Owner-Occupied Home Rehabilitation Clients

Customer Satisfaction Surveys were sent to 67 owner-occupied home rehabilitation clients who received services during the 2004-05 and 2005-06 fiscal years asking for feedback in relation to their satisfaction with services received through the owner-occupied home rehabilitation program. Twenty-four responses to the Customer Satisfaction Surveys were received by the Office of the City Auditor, a 35.82% response rate. Responses to questions are noted below.

Customer Satisfaction Survey Questions:	Yes	No	Level of Satisfaction			Total Responses
			Below Average	Average	Above Average	
1. Did you participate in the development of the schedule of work to be done on your property?	12	12				24
2. Were you present at all inspections, including the final inspection?	8	14				22
3. Were you given the opportunity to rate your level of satisfaction with the rehabilitation process?	5	16				21
4. How satisfied were you with the way the non-profit agency staff addressed your questions and concerns?			9 39%	5 22%	9 39%	23
5. How satisfied were you with the explanation of the application process for the housing rehabilitation program given by the non-profit agency?			5 23%	1 4%	16 73%	22
6. How satisfied were you with the non-profit agency's customer service skills?			8 40%	3 15%	9 45%	20
7. Were you able to fully understand the contract between you, the contractor, and the non-profit agency?	15	7				22
8. Were you able to develop a good rapport with the contractor?	6	16				22
9. How satisfied were you with the timeliness of the contractor's work?			9 45%	2 10%	9 45%	20
10. How satisfied were you with the quality of materials used to rehabilitate your home?			9 39%	5 22%	9 39%	23
11. How satisfied were you with the workmanship?			11 50%	5 23%	6 27%	22
12. Overall, how satisfied were you with the contractor's customer service and performance?			12 60%	2 10%	6 30%	20
13. Did you have to file a claim under the warranty?	5	15				20
14. How satisfied were you that the problem was solved through the claims process?			7 87%	1 13%	0	8
15. How satisfied were you that your claim was processed in a timely manner?			7 100%	0	0	7
16. How satisfied were you with the way in which your claim was handled?			6 86%	1 14%	0	7
17. Were you required to relocate?	21	3				24
18. How satisfied were you that the length of the relocation period was reasonable?			7 33%	4 19%	10 48%	21
19. How satisfied were you with the performance of the moving company that assisted in your relocation?			7 35%	5 25%	8 40%	20
20. How satisfied were you with the overall relocation process?			3 15%	5 25%	12 60%	20

**Appendix B– Customer Satisfaction Survey (Continued)
Owner-Occupied Home Rehabilitation Clients**

Of the 24 responses received to this survey, 6 (25%) were very positive and reported successful rehabilitation projects. The remaining 18 respondents (75%) provided written comments on various concerns related to their dissatisfaction and difficulties experienced with the home rehabilitation process. Examples of some of the issues noted by clients are described in the chart below.

Examples of issues of concern addressed by survey respondents:	Clients Addressing the Same Issue	Percentage of Total Respondents
1. Unsatisfactory or incomplete construction work. <ul style="list-style-type: none"> • Faulty materials, poor workmanship. • The work is not complete after almost two years. • Poorly painted inside, fire detectors continuously go off, and electrical concerns. • Phone lines cut and not reinstalled. 	16	66.67%
2. Dissatisfaction with the contractor providing the rehabilitation. <ul style="list-style-type: none"> • Rudeness from the contractor. • Contractor did not want clients to come and see what was going on during the rehab and did not return phone calls. • Lack of concern on the part of the contractor for those issues that were pointed out in relation to quality of work and the lack of response made to phone calls. • Contractor came highly recommended, but did not live up to expectations. There were problems that were supposed to be solved that were not solved. 	12	50%
3. Dissatisfaction with the non-profit agency. <ul style="list-style-type: none"> • Client concerns should be addressed by the agency. • Agency did follow-up on list of client concerns. • Agency would not return calls or respond to a list of complaints provided to the agency. • This program is a good idea, but client had a bad experience with the non-profit agency. 	8	33.3%
4. Monitoring of non-profit agencies and contractors was insufficient. <ul style="list-style-type: none"> • The people running this program are not showing enough true concern about whether the contractors are doing a great job or not. • The appropriate people should take time to check on the contractor’s work. • Contractors and workers may need to be checked more closely to see if they are qualified to perform or do the work they are supposed to do. Also, someone should check a little closer after the work is completed to see if the work was completed and if the client is satisfied. 	8	33.3%
5. Clients indicated they were unaware of a claims or warranty process. <ul style="list-style-type: none"> • Did not know the procedures to file a claim. • No one explained any warranty of anything for my home. • Warranty wasn’t given. 	6	25%
6. Client expressed concern over having unexpected out-of-pocket expenses. <ul style="list-style-type: none"> • Client had to pay unexpected costs for plumbing and air conditioning. • Unexpected costs to move back into home including cost to unplug air conditioning vent. • Repairs helped, but client had to spend money because of repairs they (i.e., non-profit agency/contractor) didn’t do. 	4	16.7%

Appendix C Photographs of Rehabilitated Home Repairs

Leon County property records indicate that this home has a 926 base square footage with auxiliary square feet of 329. A rolled roof was installed on this 1,255 square foot rehabilitated home at a cost of \$11,500. Several deficiencies were noted with the roof installation. The seams at the top of the roof are off-center with no overlap and no ridge cap. Additionally, there is no flashing installed around the vent. Proper Growth Management permits were not obtained for this roof installation. Growth Management subsequently required the contractor to correct code violations.



Roof seams were not properly spaced (i.e., offset).



Two different types of materials were used on this roof.

Window facings on this home were warped and rough. It does not appear they were sanded prior to painting. Additionally, some of the windowsills at the back of this home were sloped toward the house, resulting in standing water against the windows when it rains.



Instances were noted where damaged or deteriorated wood was not replaced or repaired prior to painting rehabilitated homes.



The wood around this replaced roof does not appear to have been repaired or replaced prior to painting. The final payment was made on this project on July 17, 2006, approximately 15 months prior to our site visit.



Damaged or rotten wood appears to have been painted over on this rehabilitated home. Our site visit to this home was made September 10, 2007, and the last payment was made on this project on August 28, 2006, approximately 12 months before our visit.

High impact windows were installed in some rehabilitated homes. These windows have the same appearance as regular windows installed in other rehabilitated homes. Upon audit review, no documentation was available to support the necessity for the high-impact windows and no evidence was provided to substantiate that the high-impact windows installed varied in any way from the regular windows installed in other home rehabilitations. The costs for high-impact windows ranged up to \$791 per window in one rehabilitated home, while the costs for regular windows were approximately \$300 per window.



Various instances of poor workmanship and unfinished items were noted on a site visit to one rehabilitated home.

Contrary to contract requirements, base kitchen cabinets contained particleboard and were unprofessionally installed. The resulting distance between cabinets and appliances were filled by the contractor with boards that appear to be non-cabinet grade lumber.



Tile was missing in several places in the master bathroom. The tub did not drain and was not functional at the time of our site visit on February 13, 2008. The homeowner indicated that the master bathroom tub had not drained since the completion of her home rehabilitation.



Flashing around chimney was unprofessionally patched.



Interior doors were not always fitted properly.

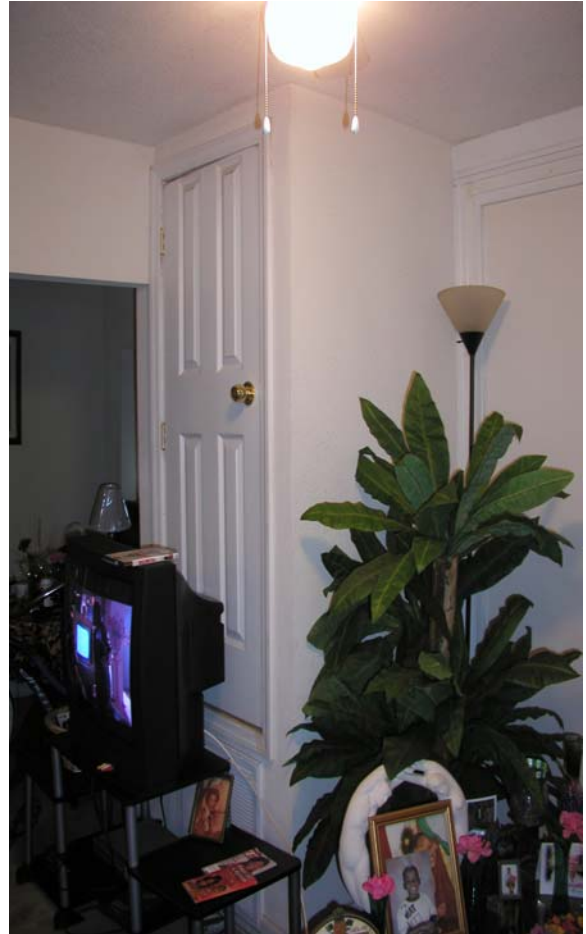


There was inadequate installation of hardware on many interior doors.

Examples of issues that may have been eliminated through better communication between the client and contractors.



One client expected the breaker box that was inside of her home previous to the rehabilitation to be reinstalled in the same location. The contractor relocated the breaker box outside of the home during the rehabilitation without consulting the client. The client feels that the breaker box outside of her home is difficult for her to access as she is handicapped and uses a wheelchair.



A contractor installed a heating system in one client's small living room and built a closet around it. She would have preferred the heating system to have been placed in another location; however, according to the client, the contractor did not consult her regarding the location of the heating system.

Appendix D Site Visits to Rehabilitated Homes

Site visits were made to 20 rehabilitated homes to discuss the program's services with benefiting clients and to observe the completed rehabilitation projects. The locations of the homes visited are shown on this City map. The homes visited were among the 67 projects that were completed during the 2005 and 2006 fiscal years. The initial visits were made during the summer of 2007 with several follow-up visits in the fall of 2007 and winter of 2008. Various contractors worked on the rehabilitation projects that were visited by audit staff.

