

# **Final Audit Follow-Up**

*As of March 31, 2010*



Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP  
City Auditor

## **Audit of Neighborhood and Community Services (Currently Economic and Community Development) Owner-Occupied Home Rehabilitation Program (Report #0902, Issued November 13, 2008)**

**Report #1022**

**September 16, 2010**

### **Summary**

This is the first and final follow-up on the action plan steps reported in audit report #0902, Audit of Neighborhood and Community Services (NCS) Owner-Occupied Home Rehabilitation Program, issued November 13, 2008. In audit report #0902 we identified the need for improvement in contract management and monitoring and provided recommendations to improve the City's Home Rehabilitation Program. In response to the audit, the Housing Division staff of the Economic and Community Development (ECD) department (formerly NCS) has addressed many of these issues and completed 17 of 18 action plan steps during this follow-up period. For the Housing Division processes and rehabilitation projects reviewed during this follow-up:

- Cost estimates directly correlated with work write-ups (i.e., building specifications) and were reviewed by Housing Division staff for accuracy and reasonableness;
- Change orders were reviewed and projects inspected prior to approval of change orders, or the start of any construction activities;
- Change orders were appropriately filed with Growth Management;
- Documentation of the use of competitive procurement bidding

processes was maintained in rehabilitation files;

- Notices to proceed were issued on rehabilitation projects only after competitive bid documents were received from non-profit agencies;
- The City provided final inspection training to non-profit agencies. Our testing showed that inspections of rehabilitation projects and follow-ups with rehabilitation clients were conducted in an effort to reduce inadequate, substandard and/or incomplete rehabilitation construction work;
- Certificates of completion were obtained prior to the approval and payment of non-profit agencies' final pay requests for home rehabilitation projects;
- Four of five rehabilitation projects reviewed during this follow-up were timely completed, with one project being delayed due to client actions;
- Non-profit agencies made follow-up visits and delivered customer satisfaction surveys; however, the visits and survey delivery are not always timely;
- One non-profit agency contract was revised to require that a current waiting list be provided to ECD with each application for rehabilitation services.

We noted during our testing that the non-profit agency provided ECD a current waiting list along with each application for rehabilitation services;

- Of four follow-up visits due at the time of our testing, the non-profit agency providing the rehabilitation services had made the required visits and delivered customer satisfaction surveys to three of their clients. A fourth client would not allow a follow-up visit. Two of the three clients visited voluntarily returned the customer satisfaction surveys to ECD with no issues of concern noted. One client was satisfied and the other was very satisfied with the non-profit's provision of services;
- Our testing showed required liens were appropriately filed on the five rehabilitated properties reviewed in this follow-up;
- Housing Division staff, in the period following the issuance of audit report #0902, has provided needed training, both written and verbal, to non-profit agencies regarding the importance of appropriate supporting documentation for rehabilitation projects and improved communication with rehabilitation clients; and
- ECD's monitoring activities with non-profit agencies have been ongoing throughout the year on a one-to-one basis, as new contract requirements have been put into place. Additionally, a final report on a prior monitoring visit has been completed and provided to the non-profit agency.

The one remaining outstanding action plan step is related to ECD's follow-up of all valid issues of concern noted on audit site visits to 20 rehabilitated homes. This final action plan step has been turned over to management for resolution.

Separate from this audit, we have also issued audit report #1023, dated September

16, 2010. That report specifically follows-up on the joint work of the Office of the City Auditor and the Department of Community Affairs Office of Inspector General review of a sample of homes rehabilitated by ECD and TUL for City and state compliance. That report addresses issues relating to the City.

### ***Scope, Objectives, and Methodology***

The scope of this follow-up included reviewing the activities of the ECD Housing Division staff related to the action plan developed as part of the audit of the Owner-Occupied Home Rehabilitation Program. We conducted the original audit and subsequent audit follow-up 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 follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit follow-up objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

### ***Original Report #0902***

The objectives of the original audit were to determine: (1) if reimbursements to non-profit agencies were only for authorized and properly completed home rehabilitation services, (2) if non-profit agencies providing home rehabilitation services complied with contractual terms and fulfilled contractual obligations when providing rehabilitation services to clients, (3) if adequate monitoring of agencies was conducted to ensure contract compliance and satisfactory service to clients, and (4) the level of satisfaction among clients receiving services through the home rehabilitation program.

**Report #1022**

This is our first and final follow-up on action plan steps identified in audit report #0902. The purpose of this follow-up is to report on the progress and status in completing the action plan steps due for completion as of March 31, 2010. To obtain information we reviewed relevant documentation, interviewed key staff, made observations, and performed limited testing.

**Background**

Each year the City is the recipient of federal and state grant funds to provide housing and community development programs to low-income families. With these funds, Economic and Community Development (ECD) provides programs and services to citizens to preserve and improve the integrity of neighborhoods. The owner-occupied home rehabilitation program is one of the programs provided. Through this program, utilizing a contracting process, the ECD Housing Division provides

the grant funds to sub-recipients (i.e., non-profit agencies) for the rehabilitation of income-eligible homeowners' owner-occupied homes.

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 the rehabilitation services, and timing and oversight of the expenditure of the funds,

As reported in the original audit, \$4,160,000 was made available to non-profit agencies in the 2005, 2006, and 2007 fiscal years for the rehabilitation of 104 units. During the 2008 and 2009 fiscal years an additional \$1,662,000 was made available to non-profit agencies for the rehabilitation of an additional 42 units (see Table 1).

|  | FY 2008            |            | FY 2009          |            | Total              |            |
|--|--------------------|------------|------------------|------------|--------------------|------------|
|  | Funds Available    | # of Units | Funds Available  | # of Units | Funds Available    | # of Units |
| Tallahassee Urban League                 | \$960,000          | 24         | \$0              | 0          | \$960,000          | 24         |
| Home Rehabilitation Development, Inc.    | \$195,000          | 5          | \$312,000        | 8          | \$507,000          | 13         |
| Bethel Community Development Corporation | \$0                | 0          | \$195,000        | 5          | \$195,000          | 5          |
| <b>TOTALS</b>                            | <b>\$1,155,000</b> | <b>29</b>  | <b>\$507,000</b> | <b>13</b>  | <b>\$1,662,000</b> | <b>5</b>   |

**Previous Conditions and Current Status**

In report #0902, we identified issues that, if addressed, would improve the provision of

owner-occupied home rehabilitation services. Table 2 provides a summary of the action plan steps and their current status as of March 31, 2010.

**Table 2  
Action Plan Steps from Report #0902  
Due as of March 31, 2010, and Current Status**

| <b>Action Plan Steps Due as of<br/>March 31, 2010</b>   | <b>Current Status</b>   |
|---|---|
| <b>Ensure non-profit agencies are reimbursed only for appropriate and completed services</b>  |   |
| <ul style="list-style-type: none"> <li>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 mitigation of any construction activity related to the changes, and only after the conduct of an on-site inspection of the project.</li> </ul> | <p>✓ <b>Completed</b></p> <p>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.</p> <p>Prior to approval or denial of change orders, on-site inspections of rehabilitation projects are conducted and documented by Housing Division Staff.</p> <p>Changes have been made to non-profit agency contracts requiring that "...no payment will be made for any additional work or expense incurred as a result of the unapproved change order."</p> |
| <ul style="list-style-type: none"> <li>Final payment requests will not be processed prior to the receipt of certificates of occupancy/completion for home rehabilitation projects.</li> </ul>   | <p>✓ <b>Completed</b></p> <p>A <i>Checklist for Final Payment</i> has been developed to ensure that final payments will not be made prior to the receipt of the certificates of completion/occupancy.</p> <p>Non-profit agencies' contracts have been amended to require a certificate of occupancy prior to payment of completed work.</p>   |
| <b>Ensure compliance with home rehabilitation contract terms and<br/>Housing Division policies</b>  |   |
| <ul style="list-style-type: none"> <li>Procedures will be established to ensure that all cost estimates directly correlate to building specifications and are reviewed for accuracy and reasonableness.</li> </ul>  | <p>✓ <b>Completed</b></p> <p>Non-profit agencies' contracts have been amended indicating that Housing Division staff will review all work write-ups, including line item cost estimates.</p> <p>A <i>Checklist for Work Write-Up</i> has been developed to document staff review of work write-ups and cost estimates.</p>  |
| <ul style="list-style-type: none"> <li>The necessity and justification for changes to buildings specifications (i.e., change orders) will be clearly documented.</li> </ul>   | <p>✓ <b>Completed</b></p> <p>Non-profit agencies' contracts have been amended to require that all change order requests include written justification for requested changes.</p> <p>A <i>Checklist for Change Order</i> has been developed to document the appropriate completion of steps required for the approval and completion of change orders.</p>   |

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| <ul style="list-style-type: none"> <li>• Change orders will be reviewed and approved only after determination of reasonableness of cost increases.</li> </ul>  | <p>✓ <b>Completed</b></p> <p>A <i>Checklist for Work Write-Up</i> has been developed to document the Housing Division’s 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 orders.</p> <p>Non-profit agencies’ contracts now state 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>  |
| <ul style="list-style-type: none"> <li>• To allow for proper permitting and inspections 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 Manage.</li> </ul> | <p>✓ <b>Completed</b></p> <p>A copy of the change order, date stamped by Growth Management, and the related building specifications were maintained in the one file reviewed for which there was a change order.</p>   |
| <ul style="list-style-type: none"> <li>• 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.</li> </ul>                  | <p>✓ <b>Completed</b></p> <p>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 the Housing Staff for all home rehabilitation projects.</p>  |
| <ul style="list-style-type: none"> <li>• Procedures to encourage timely contractor performance to be reviewed and re-evaluated.</li> </ul>   | <p>✓ <b>Completed</b></p> <p>Four of five rehabilitation projects reviewed were timely completed with one project being delayed due to client actions.</p> <p>Non-profit agencies’ contracts have been amended to allow:</p> <ul style="list-style-type: none"> <li>– 90 days for completion of rehabilitation work that requires the homeowner to temporarily relocate for the duration of the project;</li> <li>– 105 days for the completion of rehabilitation work that requires only a 7-day temporary relocation of the homeowner, and</li> <li>– 120 days for the completion of rehabilitation work that does not require the homeowner to be relocated.</li> </ul> <p>A 30-day extension may be requested in each of the above instances, and</p> <p>Times for project completion will be monitored and penalties for failure to meet the deadline will be enforced.</p> |

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| <ul style="list-style-type: none"> <li>• Customer surveys will be updated and provided to clients by non-profit agencies 90-120 days after project completion for client opinion of home rehabilitation success. Preaddressed, stamped envelopes will be provided to clients for the return of completed surveys to the City.</li> </ul>  | <p>✓ <b>Completed</b></p> <p>Customer satisfaction surveys are being delivered to homeowners at the follow-up visit. Return of the surveys is not required, but is done on a voluntary basis by clients.</p>   |
| <ul style="list-style-type: none"> <li>• Final inspection training will be provided to non-profit agencies to ensure that the work write-up, building specifications, and project closeout includes verification of all work properly completed.</li> </ul>   | <p>✓ <b>Completed</b></p> <p>ECD provided final inspection training to non-profit agencies.</p> <p>Our testing showed that final inspections of rehabilitation projects and follow-ups with rehabilitation clients were conducted in an effort to reduce inadequate, substandard and/or incomplete rehabilitation construction work;</p>   |
| <ul style="list-style-type: none"> <li>• Continue efforts to track down and record outstanding liens</li> </ul>   | <p>✓ <b>Completed</b></p> <p>With the exception of three properties for which documentation is available to support that liens cannot or should not be obtained, all previously identified unrecorded liens have now been recorded. No further action will be taken on the three properties for which liens have not been recorded, as the clients that previously owned two of the properties noted are no longer living, and the lien period on the third property is close to expiration.</p> |
| <ul style="list-style-type: none"> <li>• Five-year liens will be appropriately filed on all future home rehabilitation projects.</li> </ul>   | <p>✓ <b>Completed</b></p> <p>Assistance for owner-occupied home rehabilitations is now provided in the form of ten-year deferred payment loans.</p> <p>In our testing it was noted that required liens were appropriately filed on the five rehabilitated properties reviewed in this follow-up</p>  |
| <ul style="list-style-type: none"> <li>• Changes will be made to non-profit agencies' contracts requiring that a waiting list of prospective home rehabilitation clients be provided to the Housing Division highlighting 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.</li> </ul> | <p>✓ <b>Completed</b></p> <p>Non-profit agencies' contracts have been amended to require that a "Waiting list with the position of the homeowner's eligibility screening date highlighted" be provided to the City along with all homeowner applications.</p> <p>We noted In our testing, that current waiting lists were provided to ECD along with new applications for home rehabilitation services, as applicable.</p>   |
| <ul style="list-style-type: none"> <li>• TUL's 2008 fiscal year contract has been revised to require the submission of an updated waiting list on April 1 and September 1.</li> </ul>   | <p>✓ <b>Completed</b></p> <p>Current waiting lists are now being provided by TUL with each new application for home rehabilitation services..</p>  |
| <ul style="list-style-type: none"> <li>• Follow-up will be completed of all valid issues of concern noted on the audit site visits to 20 home rehabilitation projects</li> </ul>  | <p>o <b>Not Completed.</b> Work is continuing in this area and the completion date was rescheduled for January 31, 2010. This action plan step was turned over to management for resolution.</p>   |

| <b>Conduct adequate monitoring of non-profit agencies</b>   |  |
|---|--|
| <ul style="list-style-type: none"> <li>Monitoring activities of non-profit agencies will be enhanced.</li> </ul>  | <ul style="list-style-type: none"> <li>✓ <b>Completed</b><br/>                     ECD’s monitoring activities with non-profit agencies have been ongoing throughout the year on a one-to-one basis, as new contract requirements have been put into place.<br/><br/>                     Additionally, a final report on a prior monitoring visit has been completed and provided to the non-profit agency.</li> </ul>  |
| <b>Increase clients’ satisfaction with rehabilitation services</b>  |  |
| <ul style="list-style-type: none"> <li>Non-profit agencies should address client concerns within 90 to 120 days after projects have been completed and clients have returned to their homes. Additionally, a grievance policy will be developed by the non-profit agencies for projects requiring additional services.</li> </ul> | <ul style="list-style-type: none"> <li>✓ <b>Completed</b><br/>                     Non-profit agencies have been made aware of their responsibilities to make follow-up visits to homeowners, and while not always timely, follow-up visits were conducted as required.<br/><br/>                     Of four follow-up visits due at the time of our testing, the non-profit agency providing the rehabilitation services had made the required visits and delivered customer satisfaction surveys to three of their clients. A fourth client would not allow a follow-up visit Two of the three clients visited, voluntarily returned the customer satisfaction surveys to ECD with no issues of concern noted, indicating that they were satisfied and very satisfied with the non-profit’s provision of services.</li> </ul> |
| <ul style="list-style-type: none"> <li>Training will be provided regarding communications and problem solving.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ <b>Completed</b><br/>                     Training for non-profit agencies has been ongoing throughout the year on a one-to-one basis, as new contract requirements have been put into place.<br/><br/>                     Review of client surveys indicates that clients are well informed about their rights, as client surveys indicate general satisfaction with both the service providers and the services provided by both non-profit agencies and contractors.</li> </ul>   |

**Table Legend:**

- Issue to be addressed from the original audit
- ✓ Issue addressed and resolved
- Not Completed

## *Conclusion*

Based on the work performed to date, we believe there has been a significant improvement in the processes established and actions taken to provide owner-occupied home rehabilitation services to qualified homeowners. As described in detail in Table 1, all action plan steps have been completed with the exception of the follow-up of issues of concern noted on the audit site visits to 20 rehabilitated homes. This final action plan step has been turned over to management for resolution.

We would like to acknowledge and note our appreciation of the full cooperation provided during this audit follow-up by the Economic and Community Development Housing Division staff.

## *Appointed Official's Response*

### **City Manager:**

ECD staff responded to all of the action plans in the audit. On the one action plan response that had not been reported, the follow up of visits to the houses noted on the audit site visits, please note that we have contacted all 20 clients. We have visited those that agreed to a visit. Due to the length of time between the work and this audit, the work was done from two to five years ago, there were clients who chose not to be bothered. They declined a follow up visit. The worse cases have been addressed in some manner by the sub grantee's and their contractors. Many changes have occurred in the Home Owner Rehab Program

since the initiation of the audit. The quality of the work has improved. Staff has elevated its level of intense monitoring of the financial and programmatic areas of the program. Training of the sub grantee's staff has been ongoing. All ensuing contracts will reflect the lessons learned by both the sub grantee and the ECD staff. On the selection of what house gets rehabbed, with the program intent being that the resources should be used to address the houses with the most severe health and safety issues a scoring sheet will be developed and implemented into the process. All client income certification will be done by ECD staff. All applications must be qualified by ECD both financially and based on need. The scoring sheet process will make it clear to sub grantees that this is a rehabilitation program addressing health and safety issues and not a remodeling cosmetic upgrade program. The progress of each job is to be monitored by the sub grantee at a minimum on a weekly basis. Documentation of such monitoring must accompany all pay requests. Additionally ECD staff will provide weekly reports of all sub grantee rehabs in progress.

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

Audit follow-up conducted by:

Martha Parker, CPA, CGFM, CIA, CGAP, Senior Auditor

Beth Breier, CPA, CISA, Audit Manager

Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP, City Auditor