



Date: August 24, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Lead Based Paint & Rehabilitations Review

The Internal Audit Division has completed our review of The Lead Based Paint & Rehabilitations Program administered by the Housing & Community Development Department. Attached you will find our review report; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas'.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



Date: May 1, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit
Subject: Lead Based Paint & Rehabilitations Review

The Internal Audit Division has performed a review of the Bidding Process and Change Orders performed by the Department of Housing & Community Development (H&CD) for the Homeowner Rehabilitation, Repair, and Lead Safe Housing Programs. H&CD provides housing rehabilitation programs to help low and moderate income homeowners repair their homes. Priority is given to homes built prior to 1978 with lead-based paint hazards that have children under six, or could have children less than six years of age. We also surveyed the repairs files to homes that the City made when Project Homestead went into bankruptcy.

We examined 45 files out of a total of 168 files or a total percentage surveyed of 27% for the Lead Based Paint & Rehabilitations Review. We scanned each file and found the documents in order and well maintained. Based on our review, it appears that H&CD is following the correct procedures as far as program guidelines except for the following findings:

FINDING:

No files surveyed had photos of the house after the repairs were made. Some files contained before repairs photos.

RECOMMENDATION:

Internal Audit thinks it would be prudent for H&CD to include in each file before and after photos of the house to document the results of the City's investment.

FINDING:

One property owner who had repairs made on his rental house was allowed to bid on his own property.

RECOMMENDATION:

Internal Audit advises H&CD to not allow a homeowner to be involved in bidding on his own property to avoid the possibility of the appearance of a conflict of interest.

FINDING:

One file we surveyed had 7 change orders for a total dollar amount of 31% more than the contractor's original bid.

RECOMMENDATION:

Internal Audit is suggesting to H&CD that Change Orders should be kept at a minimum to avoid contract cost over runs.

We are including as an attachment a schedule of the contractors used for the files reviewed. These contractors are divided into the areas as follows:

1. Number of Jobs Bidded on
2. Number of Jobs Awarded
3. Number of Change Orders

As per the schedule, of the 45 files we reviewed and contracts awarded, the Contractors had Change Orders 70.2% of the time. Cain's Builders had the most Change Orders with 12 out of 13 contracts awarded which resulted in an average of 92.3%.

We request a written signed response from the Department of Housing & Community Development by May 15, 2007.

We would like to thank Mr. Doug Booth, Supervisor Housing Rehabilitation; Ms. Abby Feinstein, Specialist Community Services; Mr. Mark Cranford, Community Planner; Ms. Leigh Marquess, Specialist Community Services and the staff of the Department of Housing & Community Development for their courtesy and cooperation shown to us during this review.

If there are any questions or comments concerning the details of this review, we can be reached at 373-2821.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

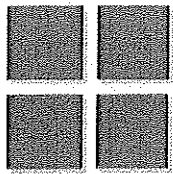
Attachment

LEAD BASED PAINT & REHABILITATIONS REVIEW

CONTRACTOR	JOBS BIDDED ON		JOBS AWARDED		CHANGE ORDERS	
	Number	% to Total	Number	% to Total	Number	% to Total
Cain's Builders	32	17.9%	13	27.7%	12	36.4%
CB Construction	12	6.7%	2	4.3%	1	3.0%
CD Concepts	36	20.1%	9	19.1%	4	12.1%
Clifton Parker	22	12.3%	6	12.8%	4	12.1%
Disaster One*	2	1.1%	2	4.3%	2	6.1%
Eastern Environmental	17	9.5%	1	2.1%	1	3.0%
Ford's Sliding	16	8.9%	1	2.1%	1	3.0%
Forsythe Mechanical	20	11.2%	3	6.4%	1	3.0%
Four Seasons	1	0.6%	0	0.0%	0	0.0%
IG Development	14	7.8%	4	8.5%	3	9.1%
Power Lift Foundation Repairs	2	1.1%	2	4.3%	1	3.0%
Mabe Construction	4	2.2%	4	8.5%	3	9.1%
Snow Renovations	1	0.6%	0	0.0%	0	0.0%
Total	179	100.0%	47	100.0%	33	100.0%

*Contractor not on Contractor List

Prepared by Internal Audit
February 5, 2007



H&CD

Department of Housing & Community Development

MEMO

Date: July 12, 2007
To: Len Lucas, Internal Audit Director
From: Doug Booth, Housing Rehabilitation Administrator
RE: HCD Review of Draft Lead and Rehabilitation Audit Report

HCD has reviewed the May 1st, 2007 Internal Audit report entitled "Lead Based Paint and Rehabilitations Review" and submits the following comments and replies:

IA Finding 1: No files surveyed had photos of the house after the repairs were made. Some files contained before repairs photos.

IA Recommendation 1: Internal Audit thinks it would be prudent for H&CD to include in each file before and after photos of the house to document the results of the City's investment.

- **HCD Reply to Finding/Recommendation 1:** HCD concurs with the recommendation regarding the rehabilitation program.

IA Finding 2: One property owner who had repairs made on his rental house was allowed to bid on his own property.

IA Recommendation 2: Internal Audit advises H&CD to not allow a homeowner to be involved in bidding on his own property to avoid the possibility of the appearance of a conflict of interest.

- **HCD Reply to Finding/Recommendation 2:** This was a rental property and the property owner was allowed to bid on his own rental property based on pre-existing protocols and Council adopted policies and procedures. According to protocol, HUD was notified about this potential appearance of a conflict of interest.

Internal Audit has previously accepted the above reply in the "draft - response to H&CD draft - 4/30/07"

IA Finding 3: One file we surveyed had 7 change orders for a total dollar amount of 31% of the contractor's original bid.

IA Recommendation 3: Internal Audit is suggesting to H&CD Change Orders should be kept at a minimum to avoid contract cost overruns.

- **HCD Reply to Finding/Recommendation 3:** HCD concurs with the Internal Audit suggestion.

IA Attachment "Jobs bid vs award vs chng order vs no bid": We are including as an attachment a schedule of the contractors used for the files reviewed. These contractors are divided into the areas as follows:

1. Number of Jobs Bidded on
2. Number of Jobs Awarded
3. Number of Change Orders

As per the schedule, of the 45 files we reviewed and contracts awarded, the Contractors had Change Orders 70.2% of the time. Cain's Builders had the most Change Orders with 12 out of 13 contracts awarded which resulted in an average of 92.3%.

- **HCD Reply to Comments Regarding Attachment "Jobs bid vs award vs chng order vs no bid":**

Change order percentages specific to Lead Remediation work are normal for the program since Lead conditions uncovered during the job can not be left in place.

Change orders require a site visit estimate by Rehab Staff.

Internal Audit has previously accepted the above reply in the "draft - response to H&CD draft – 4/30/07"



Date: August 21, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit
Subject: Lead Based Paint & Rehabilitations Review

We are in receipt of Mr. Doug Booth's reply dated July 12, 2007. This is in response to Internal Audit's report letter dated May 1, 2007 regarding the Lead Based Paint & Rehabilitations Review. Internal Audit agrees with the Department of Housing & Community Development responses. We wish you continued success in administering the Lead and Rehab programs.

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Mickey Kerans
Internal Auditor

A handwritten signature in cursive script, appearing to read 'Len Lucas'.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

Attachment