



U.S. Department of Housing and Urban Development
Wanamaker Building, Suite 1005
100 Penn Square East
Philadelphia, PA 19107-3380

District Inspector General for Audit

August 21, 2000

Audit Memorandum
No. 00-PH-255-1802

MEMORANDUM FOR: Lynn Daniels, Director of Community Planning and Development
Division, Pittsburgh Area Office, 3ED

FROM: Daniel G. Temme, District Inspector General for Audit, Mid-Atlantic, 3AGA

SUBJECT: Westmoreland County Consortium
HOME Program
Westmoreland, Pennsylvania

Our office completed a review of the Westmoreland County Consortium's (County) HOME Program. We performed the review to determine whether the County is administering its HOME program in compliance with HUD requirements.

Generally, we found the County is administering its HOME Program in compliance with HUD requirements. However, the County needs to improve its administration by implementing a quality control process over rehabilitation property inspections to ensure the inspections are completed, accurate, and properties meet HOME rehabilitation standards. Details of our review can be found below under the "Results of Review" section of this memorandum.

BACKGROUND

HOME provides formula grants to States and localities that fund a wide range of activities that build, buy and/or rehabilitate affordable housing for rent or home ownership or provide direct rental assistance to low-income people. HOME funds are allocated based on a formula to eligible State and local governments to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income families. HOME recipients are required to reserve at least 15 percent of their allocations to fund housing to be owned, developed, or sponsored by experienced, community-driven nonprofit groups designated as Community Housing Development Organizations (CHDO's).

Visit the Office of Inspector General's World Wide Web site at <http://www.hud.gov/oig/oigindex.html>

The HOME Program is authorized under Title II of the Cranston-Gonzales National Affordable Housing Act, as amended. Title 24, Code of Federal Regulations, part 92 implements the statutory authority to manage the HOME Program.

Westmoreland County’s HOME program is comprised of a Consortium including the County of Westmoreland, the City of Jeannette and the City of Monessen. Westmoreland County acts as the Representative Member for all participants in the Westmoreland County Housing Consortium. Administration of the HOME Program is performed by the Redevelopment Authority of the County of Westmoreland. For Fiscal Years 1997, 1998, and 1999 the Westmoreland County Consortium was authorized HOME funding of \$1,325,000, \$1,632,000 and \$1,762,000 respectively. HOME funds were allocated to the Consortium and CHDO’s as follows:

<u>Year</u>	<u>Consortium (1)</u>	<u>CHDO (2)</u>	<u>Total</u>
1997	\$ 895,000	\$430,000	\$1,325,000
1998	1,152,000	480,000	1,632,000
1999	987,000	775,000	1,762,000

1. Consortium partners consists of Westmoreland County, City of Jeannette and Monessen, PA.
2. Community Housing Development Organization (CHDO) consists of Westmoreland CHDO, Inc., Mon Valley Initiative(MVI), Westmoreland Human Opportunities (WHO) and Connect, Inc.

OBJECTIVE, SCOPE AND METHODOLOGY

The primary objective of our review was to determine whether the Grantee is administering its HOME Program in compliance with HUD requirements. To accomplish our objective we interviewed HUD Community Planning and Development staff, reviewed field office files, and the County’s latest IPA report. We visited the County, Consortium members, and interviewed pertinent staff. We reviewed financial records, minutes of Board meetings, monitoring reviews, and other relevant data and tested transactions.

Transactions were tested in the following areas:

- Acquisition and Rehabilitation
- New Construction
- Tenant Based Rental Assistance
- CHDO Activity
- Matching Requirements
- Home Ownership
- Period of Affordability

We also judgmentally selected 10 properties recently rehabilitated by the Consortium and CHDO members to determine if rehabilitation work was completed as scheduled and if rehabilitation costs were within HUD prescribed limits.

CRITERIA

According to 24 CFR 92.504a.: “The participating jurisdiction is responsible for managing the day to day operations of its HOME Program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The use of State recipients, subrecipients, or contractors does not relieve the participating jurisdiction of this responsibility. The performance of each contractor and subrecipient must be reviewed at least annually.”

24 CFR 92.508 requires: “Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part.”

24 CFR 92.251a.1 states: “Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion...” To accomplish this the Consortium members and subrecipients perform a property inspection and a work write-up of necessary repair work.

24 CFR 85.36(2) requires: “Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.”

24 CFR 92.254a.2 requires : “The housing must be modest housing as follows: ii. In the case of acquisition with rehabilitation, the housing has an estimated value after rehabilitation that does not exceed 95 percent of the median purchase price for the area...”

RESULTS OF REVIEW

Generally, we found the County is administering its HOME Program in compliance with HUD requirements. However, in our review we did identify one area where the County needs to improve its monitoring efforts to ensure HOME properties meet rehabilitation standards. Specifically, we found CHDO’s were either not completing HOME rehabilitation property inspections or when inspections were completed they were not accurate. Also, property inspections completed by the County on its own rehabilitation projects were not always accurate. This occurred because the County had no quality inspection process in place to monitor the rehabilitation activities of its CHDO’s nor was it providing adequate quality control oversight over inspections it had completed on its own rehabilitated properties. As a result, County and CHDO rehabilitated HOME properties did not always meet local building code or required rehabilitation standards, and some program participants may be indebted for work which was not completed or done properly.

Property Rehabilitation

To quantify the effect the lack of monitoring had on the program, we judgmentally selected and inspected ten properties, six completed by CHDO’s and four completed by the Consortium members. We found deficiencies in all six of the CHDO properties and one of the Consortium properties as summarized below and detailed in Appendix A. County management accompanied the OIG on property inspections and generally agreed with the cited deficiencies.

<u>Inspection Results</u>			
Entity 1/	Property 2/	Work Items Not Done Correctly	Work Items Not Completed
Westmoreland CHDO Inc. 3/	1	X	X
	2	X	
<hr/>			
Mon Valley Initiative (CHDO)	3	X	X
<hr/>			
Westmoreland Human Opportunities (CHDO) 3/	4	X	X
	5	X	X
	6	X	X
<hr/>			
Westmoreland County (Consortium)	7		X
	8	No Deficiencies Noted	
	9	No Deficiencies Noted	
	10	No Deficiencies Noted	
1/ Properties 1 - 6 above are administered by the CHDOs and 7 - 10 by the Consortium 2/ Property addresses and additional details of deficiencies were provided to the County for corrective action 3/ The Westmoreland CHDO and the Westmoreland Human Opportunities CHDO’s could not provide documentation evidencing the properties were inspected			

For properties rehabilitated by CHDO’s, there was no evidence the County had implemented a routine property inspection procedure as part of its overall monitoring system. Furthermore, the County had not implemented adequate quality control measures (quality control inspections) under its own Homeowner Rehabilitation Program to ensure the work of contractors and rehabilitation inspectors was routinely monitored and evaluated by appropriate supervisory personnel. County officials indicated they were not monitoring these aspects of the program and acknowledged the need to correct the existing deficiencies and implement a quality control program to ensure properties are rehabilitated according to program requirements.

Other Issues

In our review of the CHDO activity files, we found the Westmoreland Human Opportunities (WHO) CHDO was not obtaining post rehabilitation property appraisals as required by the HOME requirements. Consequently, the County had no assurance that the properties remained modest housing as required by the HOME requirements. The Executive Director of WHO told us that he was not aware of the appraisal requirements, and agreed to obtain appraisals for all current projects.

The City of Jeannette, a Consortium member, places applicants on a waiting list when they initially express an interest in the program. This often precedes submission of a dated written application. However, the City did not document an applicant's initial contact and therefore, could not ensure applicants were selected according to its own procedures. City staff said they would now maintain documentation evidencing an applicant's initial contact.

In summary, the County can improve its HOME Program by ensuring its monitoring system requires quality control inspections are completed on CHDO and County rehabilitated properties. This will ensure contracted rehabilitation work is completed and meets applicable building code and rehabilitation standards.

Recommendations:

We recommend your office:

- 1A. Require the County to complete the necessary repairs for the properties listed in Appendix A and establish a quality inspection program to ensure properties rehabilitated with HOME funds meet applicable codes and are rehabilitated according to contract requirements.
- 1B. Take appropriate action to ensure the Westmoreland Human Opportunities (WHO) CHDO obtains after rehabilitation property appraisals and the City of Jeannette maintains documentation evidencing its selection of program participants.

We discussed the results of the review with the County and Community Planning and Development staff in the Pittsburgh Area Office who generally agreed with our results.

If you have any questions please contact Allen Leftwich, Assistant District Inspector General for Audit at (215) 656-3401.

Inspection Results

<u>Grantee/ CHDO</u> <u>Property Location 1/</u> <u>HOME Program</u> <u>Amount</u>	<u>Inspection Results</u>
CHDO, Inc. Greensburg, PA Rental Rehab \$ 132,729	<p><u>Work Items Not Done Correctly</u></p> <ul style="list-style-type: none"> • Caulking around the bathtub located on the first floor was not adequate resulting in bulging of the tub surrounding. <p><u>Work Items Not Completed Per Rehabilitation Scope of Services</u></p> <ul style="list-style-type: none"> • Closet and bedroom doors not installed. • Five of 6 basement windows were not replaced.
CHDO, Inc. Greensburg, PA Rental Rehab \$ 79,582	<p><u>Work Items Not Done Correctly</u></p> <ul style="list-style-type: none"> • The contractor did not connect the drain pipe to the down spout
MVI Monessen, PA Home Ownership \$47,828	<p><u>Work Items Not Done Correctly</u></p> <ul style="list-style-type: none"> • The rear deck did not have a banister to meet HQS code. <p><u>Work Items Not Completed Per Rehabilitation Scope of Services</u></p> <ul style="list-style-type: none"> • Damaged foundation wall at left side of structure was not repaired • Full length oval railings on the steps to the basement were not completed.
WHO Greensburg, PA Home Ownership \$42,677	<p><u>Work Items Not Done Correctly</u></p> <ul style="list-style-type: none"> • Rear deck size did not meet contract requirements. <p><u>Work Items Not Completed Per Rehabilitation Scope of Services</u></p> <ul style="list-style-type: none"> • Installation of new hand rails with necessary brackets was not completed. • Metal closet organizer in the bathroom was not installed. • The furnace did not meet the minimum 10 years warranty requirements.
WHO Greensburg, PA Home Ownership \$39,429	<p><u>Work Items Not Done Correctly</u></p> <ul style="list-style-type: none"> • Water continues to leak in basement. • Handrails were not installed in the front porch. • The contractor only extended the sewer pipe into the attic, not beyond the roof level as required. This has created sewer smell in the attic and bedroom according to the homeowner. <p><u>Work Items Not Completed Per Rehabilitation Scope of Services</u></p> <ul style="list-style-type: none"> • Three way switches at the first floor stairwell and between interior and exterior basement door were not installed. • Range hood was not installed. • Rear sidewalk was not repaired. <p><u>Other</u></p> <ul style="list-style-type: none"> • Work write-up was identical to other properties completed by CHDO.
WHO Jeannette, PA Home Ownership \$48,525	<p><u>Work Items Not Done Correctly</u></p> <ul style="list-style-type: none"> • Drywall and patch work were done poorly. We noted seam cracks on drywall in the west wall of rear bedroom. • Windows in the bathroom were not cut properly leaving uneven size in the window sill.

<u>Grantee/CHDO</u> <u>Property Location 1/</u> <u>HOME Program</u> <u>Amount</u>	Inspection Results
WHO Jeannette, PA Home Ownership \$48,525	<ul style="list-style-type: none"> ● Gutter was not installed properly. <u>Work Items Not Completed Per Rehabilitation Scope of Services</u> <ul style="list-style-type: none"> ● Grass carpet for the front porch floor was not installed. ● One window was not installed ● Kitchen floor tiles were bulging. According to County Inspection supervisor accompanying OIG on inspection, new sub flooring was not installed. ● Basement was not painted. ● Chimney was not rebuilt or repaired.
County West Newton, PA Owner Occupied \$ 20,962	<u>Work Items Not Completed Per Rehabilitation Scope of Services</u> <ul style="list-style-type: none"> ● GFI outlets were not installed in the basement. ● Work write-up required two bedroom windows. However, there was only one window in bedroom.
1/ Property addresses and additional details of deficiencies were provided to the County for corrective action	

Thomas C. Ceraso
Commissioner

Tom Balya
Chairman

Scott Conner
Commissioner



DEPARTMENT OF
PLANNING AND DEVELOPMENT
COURTHOUSE SQUARE
2 N. MAIN ST. STE. 601
GREENSBURG, PA 15601

Telephone:
(724) 830-3600
FAX: (724) 830-3611
TDD: (724) 830-3802

August 14, 2000

Mr. Daniel G. Temme
District Inspector General for Audit
U. S. Department of Housing and Urban Development
Wanamaker Building, Suite 1005
100 Penn Square East
Philadelphia, PA 19107-3380

RE: Audit Memorandum No. 00-PH-255-1802

Dear Mr. Temme:

Thank you for sharing a copy of the preliminary audit memorandum relative to the OIG's review of the Westmoreland County Consortium HOME Program. We certainly appreciate the opportunity to comment on the draft memorandum prior to the issuance of a final letter.

In general, we find your memorandum to be thoughtfully prepared and an accurate representation of the HOME compliance issues that came to light during the OIG's recent review in Westmoreland County. We would offer for your consideration the following recommendations for improving the accuracy and usefulness of the observations included in your letter:

1. **Delete the last sentence on page 3: "County officials said they did not have the staff necessary to monitor these aspects of the program."** While it is true that the general administrative allowance under the HOME Program is insufficient to insure exemplary management of the program, this statement gives the appearance of an lame, ambiguous and defensive posture on the part of the County. This sentence, in our opinion, does not serve a useful public purpose to HUD or the County inasmuch as it does not lead to a meaningful conclusion or resolution of the deficiency.
2. **Rephrase the third sentence on page 4: "For properties rehabilitated by CHDOs, there was no evidence the County had implemented a monitoring system as required."** There is ample evidence that the County has implemented a HOME monitoring system, including a written CHDO monitoring policy, monitoring checklists, etc. The specific shortcoming identified by the OIG dealt with an inadequacy in one aspect of the County's HOME monitoring system, i.e., the process of *inspecting* HOME funded housing activities. The sentence in question might be more appropriately worded as follows: "For properties rehabilitated by CHDOs, there was no evidence the County had implemented a routine property inspection procedure as part of its overall monitoring system."

3. **Rephrase the fourth sentence on page 4: “Furthermore, the County did not conduct any quality control inspections to ensure its own property inspections were completed according to work requirements.”** We believe that this sentence refers specifically to the Westmoreland County Homeowner Rehabilitation Program carried out by the Redevelopment Authority of the County of Westmoreland. In our opinion, a more accurate description of the problem would be as follows: “The County and its subrecipient Redevelopment Authority did not take adequate quality control measures under the County’s Homeowner Rehabilitation Program to insure that the work of contractors and Authority rehabilitation inspectors was overseen and evaluated by appropriate supervisory personnel.”
4. **In the second paragraph of page 5, reference is made to the City of Jeannette’s homeowner rehabilitation program. The specific shortcoming cited in the memorandum is that City staff “did not document an applicant’s initial contact and, therefore, could not insure applicants were selected according to its procedures.” Recommendation 1B states in part that the County should take appropriate action to insure that the City of Jeannette maintains documentation evidencing its selection of program participants.** This observation is well taken, however the County wishes to point out that according to the ICF Building HOME Training Manual, an administrative procedure for the selection of applicants is recommended but not required by regulation or statute. The City of Jeannette’s homeowner rehabilitation program does, in fact, include an administrative procedure for the selection of applicants. We would suggest that this observation be stricken from the memorandum or restated in such a way that makes clear that the City did not violate any regulatory or statutory requirements of the HOME Program.

The OIG audit has brought to the County’s attention several issues that require rectification and/or improvement in internal processes. The County and its subrecipients and CHDOs have already begun to take positive action to rectify shortcomings and improve procedures. We will describe these measures in further detail in our formal response to HUD’s final monitoring letter.

We trust that you will consider the above suggestions in the positive light in which they were intended. Please don’t hesitate to call me at (724) 830-3614 if you wish to discuss this letter in further detail. Thanks again for extending the opportunity to comment on the draft memorandum.

Sincerely,


William E. Mitchell II
Assistant Director

cc: Mr. Lynn Daniels, HUD Pittsburgh
Mr. Richard Nemoytin, HUD Pittsburgh

Distribution

Director of Community Planning and Development Division, Pittsburgh Area Office, 3ED

Secretary's Representative, Mid-Atlantic, 3AS (Acting)

Audit Liaison Officer, 3AFI

Pittsburgh Area Coordinator, 3ES

Principal Staff

The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, 340 Dirksen Senate Office Building, US Senate, Washington, DC 20510

The Honorable Joseph Lieberman, Ranking Member, Committee on Governmental Affairs, 706 Hart Senate Office Building, US Senate, Washington, DC 20515

The Honorable Dan Burton, Chairman, Committee on Government Reform, House of Representatives, 2185 Rayburn Building, Washington, DC 20515

The Honorable Henry Waxman, Ranking Member, Committee on Government Reform, House of Representatives, 2204 Rayburn Building, Washington, DC 20515

Ms. Cindy Fogleman, Subcommittee on Oversight and Investigations, Room 212, O'Neil House Office Building, Washington, DC 20515

Director, Housing and Community Development Issue Area, US General Accounting Office, 441 G Street, NW, Room 2474, Washington, DC 20548 ATTN: Stanley Czerwinski

Mr. Steve Redburn, Chief, Housing Branch, Office of Management and Budget, 725 17th Street, NW, Room 9226, New Executive Office Building, Washington, DC 20503

Mr. William E. Mitchell II, Assistant Director, Department of Planning and Development, Courthouse Square, 2 N. Main Street, Suite 601, Greensburg, PA 15601