



Issue Date	March 30, 1998
Audit Case Number	98-NY-222-1002

TO: Glen Ruggles, Director Single Family Housing,
Buffalo Area Office

FROM: Alexander C. Malloy, District Inspector General for Audit
New York/New Jersey

SUBJECT: Aberte Realty, Inc.
Real Estate Asset Manager Contract
Buffalo, New York

We have completed our review of Aberte Realty, Inc., Real Estate Asset Manager (REAM), which is under contract with the U.S. Department of Housing and Urban Development (HUD) to manage HUD owned single family properties in the Buffalo, New York area. The objective of our review was to determine whether the REAM complied with the terms of its contract pertaining to: (1) securing assigned properties, (2) identifying and eliminating conditions that present safety hazards, and (3) assuring that subcontractors performed all assigned work in an acceptable manner.

Our review disclosed that the REAM did not always comply with the terms of its contract. Specifically, the REAM did not assure that subcontractors performed all of the work reflected on assigned work orders, and that the quality of their work was always adequate. Consequently, HUD paid for work that was either not performed or not performed in an acceptable manner.

Within 60 days please furnish this office, for each recommendation in the report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the target completion date; or (3) why action is not necessary. Also, please furnish us copies of any correspondence or directives issued related to the review.

If you or your staff have questions, you should contact William H. Rooney, Assistant District Inspector General for Audit, at (212) 264-8000 extension 3976.

Executive Summary

We completed a review of Aberte Realty, Inc. Real Estate Asset Manger (REAM), which under HUD contract N-014-95-341, to manage HUD owned single family properties in Buffalo, New York area. The objective of our review was to determine whether the REAM complied with its contract with HUD pertaining to: (1) securing assigned properties, (2) identifying and eliminating conditions that present safety hazards, and (3) assuring that subcontractors performed all assigned work in an acceptable manner.

We concluded that the REAM did not comply with all of the terms contained in its contract with HUD. The noncompliances are discussed below.

The REAM did not always comply with its contract

Our review disclosed that the REAM did not always assure that subcontractors: (1) performed all of the repairs and/or services reflected on assigned work orders; and (2) provided quality repairs and/or services. These deficiencies occurred because the REAM did not provide proper oversight over work performed by subcontractors. As a result, we found and questioned payments totalling at least \$5,975 that were made to various subcontractors for work that was either not performed or not performed in an acceptable manner.

In addition, we observed that the work orders prepared by the REAM did not always provide for repairs that would have corrected safety hazards, such as patching a hole in the roof of one of the properties. This occurred because the REAM did not always prepare detailed work orders adequately.

Also, our review disclosed management issues that must be addressed. For example, in some instances, we were unable to determine if work performed by subcontractors or inspections performed by the REAM were within the established time frames required by the REAM's contract. We were unable to make this determination because the REAM was not correctly tracking the dates the subcontractors completed their work.

Among other recommendations, we recommended that HUD take appropriate administrative action against the REAM for not complying with all of the terms of its contract.

Exit conference held
February 5, 1998

The results of our audit were discussed with the REAM's representative and the Buffalo Area Office Officials during the

course of our audit and at an exit conference held February 5, 1998 attended by:

Real Estate Asset Manager

Stewart A. Aberte, President
Gerald M. Trafalski, Attorney

Buffalo Area Office

Glenn Ruggles, Single Family Housing
Mark Surdi, Production/Real Estate Owned Branch
Lambros Touris, Housing Specialist
Rosemarie Canestro, Housing Specialist

Office of Inspector General

William H. Rooney, Assistant District Inspector General
For Audit
Garry Clugston, Senior Auditor
Patrick Anthony, Auditor

The REAM did not agree with all of the deficiencies discussed in the finding. The REAM's written comments are included as Appendix D to this report. In addition, the REAM's written comments have been summarized and provided at the end of the finding and in Appendix B.

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Abbreviations

HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General
REAM	Real Estate Asset Manager

Introduction

The Buffalo Area Office's Single Family Division awarded a contract (N-014-95-341) to Aberte Realty, Inc., Real Estate Asset Manger (REAM) on May 1, 1995 to provide management and related services to single family properties owned by or in the custody of HUD in the Buffalo, New York area. For performing all services cited in the contract, HUD paid the REAM a fixed fee for each property assigned to the REAM. The fee was \$325 for the first year of the contract, which increased to \$345 during the second year.

The contract required the REAM to secure the properties and eliminate any conditions that presented safety hazards. The services for each property included a detailed written report of all damages that should be repaired or replaced.

With HUD's authorization, the REAM is allowed to subcontract for services or repairs when the cost does not exceed \$1,000. HUD agreed to pay for all supplies, materials, equipment and services necessary to perform and complete all needed work. The contract provides that the REAM may subcontract for such work without getting competitive bids if the price is considered reasonable. Regarding completed work, the REAM is required to inspect completed repairs within 24 hours of being notified by a subcontractor. Furthermore, the REAM certifies on the Acquired Property Inspection Report HUD-9519 that all repairs and/or services are completed before submitting a subcontractor's invoice to HUD for payment.

Audit Objective

The audit objective was to determine whether the REAM complied with its HUD contract pertaining to: (1) securing assigned properties, (2) identifying and eliminating conditions that present safety hazards, and (3) assuring that subcontractors performed all assigned work in an acceptable manner.

Audit Scope and Methodology

The audit covered the period January 1, 1997 to July 31, 1997. Also, we examined selected records from subsequent periods. The audit field work was conducted from July 15, 1997 to October 31, 1997.

To achieve our objective, we interviewed individuals who complained about the REAM. Also, we interviewed, officials at Aberte Realty, Inc., and HUD's Buffalo Area Office. We reviewed HUD's contract with the REAM. We analyzed data from HUD's Single Family Acquired Asset Management System database. We reviewed property files of the Buffalo Area Office and the REAM. As of July 7, 1997, the REAM was responsible for 250 properties. We performed inspections on 21 of those properties to determine: whether HUD made

payments for work either not performed or not performed adequately; whether the REAM properly prepared work orders and identified all necessary work; whether the REAM inspected the properties to assure that all work was acceptable; and whether the REAM implemented adequate procedures to track work orders.

The audit was conducted in accordance with generally accepted government audit standards.

A copy of this report was provided to the REAM.

The REAM Did Not Always Comply With the Terms of its Contract

Our review of the activities of the REAM that managed HUD owned properties in the Buffalo, New York area disclosed that the REAM did not always comply with the terms of its contract. Specifically, we found that the REAM did not always assure that subcontractors: (1) performed all of the repairs and/or services reflected on assigned work orders; and (2) provided quality repairs and/or services. Consequently, we found and questioned payments of at least \$5,975 that were made to subcontractors for work either not performed or not performed in an acceptable manner.

In addition, we observed that the REAM required subcontractors to perform unnecessary repairs, such as, the removal of linoleum. Since the REAM is only required to perform repairs that secure the property and/or correct safety hazards, work such as the removal of linoleum would be unnecessary and questionable. In other instances, we observed that the REAM did not identify repairs that would have corrected safety hazards, such as patching a hole in the roof of one of the properties. Finally, we observed that work orders prepared by the REAM were not specific as to the scope of work required. We believe that the above deficiencies occurred because the REAM neither exercised adequate care in preparing work orders nor provided proper oversight over work performed by subcontractors.

Also, our review disclosed management issues that must be addressed. For example, in some instances the REAM was not correctly tracking the completion of the work performed by subcontractors. These issues are further explained in the finding.

Criteria

Under the HUD contract awarded May 1, 1995, the REAM is required to manage and service single family properties that are owned by or in the custody of HUD in the Buffalo New York Area. Section C of the contract provides that the REAM is to secure the property and eliminate conditions that represent safety hazards. The contract further provides that the REAM is to solicit bids, prepare work orders and submit the work orders to HUD for approval. Once accepted by HUD, work orders are assigned to subcontractors who are expected to complete the work within five days. The REAM is expected to inspect the completed work within 24 hours of notification that the work is completed. Finally, once the work

is completed and inspected, the REAM instructs HUD to pay the subcontractor.

We examined the records of 21 properties

We examined the records of 21 properties managed by the REAM. The REAM prepared 26 work orders for these properties amounting to \$18,918 of estimated work. We determined that for 6 of the 21 properties, the REAM provided the proper oversight over services provided and repairs made to the properties, as required by its contract. However, for the remaining 15 properties involving 21 work orders, which reflected work estimated to cost \$14,514, we found that the REAM did not provide adequate oversight over the work of subcontractors and therefore did not comply with the terms of its contract with HUD. As a consequence, we identified numerous deficiencies and questioned payments of \$5,975 to subcontractors for work that was either not performed or not performed in an acceptable manner. Appendix A summarizes the deficiencies per property and Appendix B describes the deficiencies per property in greater detail. Appendix C shows a picture of work that was not done at the first property listed in Appendix B. In our working papers, we have pictures of other examples of work not done at other properties.

Other management issues the REAM must correct

In addition to the problems discussed above, we identified management issues that the REAM must correct. For 4 of the 21 properties in our sample, we were unable to determine whether work performed by the subcontractors or the inspections performed by the REAM were within the established time frames stipulated in the contract between HUD and the REAM. The subcontractors are required to complete the work within five days after receipt of the work order from the REAM, and the REAM is required to inspect the work within 24 hours of the subcontractors' completion date, which is a span of six days. Our review disclosed that the span of time between the date of HUD's authorization of the work order and the date that the REAM certified that the work was completed varied from 13 to 35 days. In essence, we could not determine if the subcontractors were taking longer than five days to complete the work or the REAM was not inspecting the work within 24 hours of the completed work.

REAM needs a better work order tracking system

In connection with the above, we were unable to make a determination because the REAM was not correctly tracking the dates the subcontractors completed the work. However, in at least one instance, we determined that the subcontractor was not completing the required work within five days and that the REAM was not monitoring the time it was taking the subcontractor to complete the work. For example, we noticed for one property that on June 16, 1997, HUD authorized a work order to clean up debris. Our initial inspection of the property on July 23, 1997, indicated that the work had not been performed. We followed up and visited the property on August 13, 1997, and we found that not only was the work still not performed but the REAM was unaware that it was had not been performed.

Work performed without HUD's prior approval

Also, our review disclosed another management issue that must be addressed. Specifically, we observed an instance where the REAM allowed a subcontractor to complete additional work without HUD's prior approval. For example, the REAM prepared the work order on August 6, 1997, the subcontractor completed the work on August 9, 1997; however, HUD did not authorize the work until September 16, 1997. The contract between HUD and the REAM specifically requires that HUD authorize the work before a work order is assigned to a subcontractor.

Finally, our review disclosed another management issue that must be addressed. Specifically, we observed that the REAM used a subcontractor to not only make repairs to HUD owned properties but to conduct inspections of the work of other subcontractors hired by the REAM. We believe that this is a conflict of interest because this subcontractor may be able to eliminate competition by incorrectly reporting the quality of work performed by other subcontractors as unacceptable. We suggest that the HUD Buffalo Area Office request a legal decision to determine whether this situation is allowable.

Auditee Comments

At the exit conference, the REAM explained that work was sometimes done after the REAM certified that the actual work was completed. The wrought iron railings mentioned in Appendix B-1 is an example of work completed after the REAM certified that it was done. The REAM did not explain why this occurred. In addition, the REAM said that the

auditor did not understand the time frames mentioned in the contract. Once, the REAM prepares a work order, it is sent to HUD and HUD may return the work order two to three days later. Finally, the REAM agreed to make certain changes in its operation.

OIG Evaluation of
Auditee Comments

All work should be performed satisfactorily and inspected at the time the REAM certifies that all work has been completed. As a result of what we were told at the exit conference, we added a recommendation that HUD inspect some properties immediately after the REAM certifies that the work has been completed to verify that all work has been completed in a satisfactory manner.

We mentioned in the draft finding that the span of time between the issuance of work order and the date that the REAM certified that work was completed ranged from 17 to 41 days. As a result of the auditee's comments, we recalculated the amount of time between the date that HUD returned the work order to the REAM, and the date that the REAM certified that the work was done. The recalculation resulted in a time span of 13 to 35 days. This still exceeds the six day span required by the HUD contract.

Recommendations

We recommend that the Buffalo Area Office:

- 1A. Take appropriate administrative action against the REAM for not complying with all the provisions of its contract.
- 1B. Require the REAM to reimburse HUD \$5,975 for payments made to subcontractors for incomplete and/or unacceptable work.
- 1C. Require the REAM to implement a tracking system that properly identifies the dates that the subcontractors completed their work and the dates that the REAM performed the required inspections.
- 1D. Ensure that repairs are not performed without HUD's prior approval.

- 1E. Obtain a legal opinion on whether the REAM can allow a subcontractor to make repairs on certain properties and conduct inspections of the work performed by other subcontractors.
- 1F. Assure that REAM prepares work orders in detail, i.e., cubic yards of debris to be removed and square feet of defective paint surfaces to be treated.
- 1G. Inspect properties shortly after the REAM certifies that all work has been completed to verify that the work has been performed in a satisfactory manner.

Internal Controls

In planning and performing our audit, we considered internal controls of Aberte Realty, Inc. to determine our auditing procedures and not to provide assurance on internal controls. Internal controls are the process by which an entity obtains reasonable assurance as to achievement of specific objectives. They consist of interrelated components, including integrity, ethical values, competence, and the control environment which includes establishing objectives, risk assessment, information systems, control procedures, communication, managing change, and monitoring.

Internal control assessed

We determined that the following internal control categories were relevant to our audit objectives: (1) controls over work order preparation; (2) controls over work performed by subcontractors; and (3) controls over the authorization of payments to subcontractors. We evaluated all of the control categories identified above by determining the risk exposure and assessing control design and implementation.

Assessment results

It is a significant weakness if internal controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Based on our review, there are significant weaknesses in controls over the preparation of work orders and work performed by subcontractors.

Follow Up On Prior Audits

This is the initial OIG audit of the subject Real Estate Asset Manager.

Schedule of Unsupported Costs

Finding Number	Unsupported (1)
1	\$5,975

(1) Questioned/Unsupported Costs are costs that are not clearly eligible or ineligible but warrant being contested (e.g. lack of satisfactory documentation to support the eligibility of the costs, etc.).

APPENDIX B**ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK****SUMMARY OF DEFICIENCIES**

Address	Work Order(s) Amount	Services and Repairs Not Completed	Quality of Work Inadequate	Questionable Amounts and/or Items on Work Order	Necessary Items Not Identified on Work Order	Work Order Not Specific	Unsupported /Questioned Costs	Appendix Reference
28 Regent St.	\$995	X	X	X	X	X	\$995	B-1
64 Lilac St.	\$990	X		X		X	\$990	B-2
10 Wood Ave.	\$1,225	X			X	X	\$950	B-3
662 Cradle Ave.	\$985	X	X				\$515	B-4
124 Loepere St.	\$965	X	X		X		\$250	B-5
612 East Amherst	\$2,200	X	X	X		X	\$1,600	B-6
499 Howard St.	\$750		X		X	X	\$225	B-7
480 East Amherst	\$450		X				\$450	B-8
278 Brinkman Ave.	\$990				X		\$0	B-9
80 Edson St.	\$1,035				X		\$0	B-10
40 Ruhland St.	\$320				X		\$0	B-11
47 Jackson Ave.	\$685				X		\$0	B-12
308 Koons Ave.	\$999				X		\$0	B-13
75 Waterman St.	\$980				X	X	\$0	B-14
1147 Lasalle Ave.	\$945				X	X	\$0	B-15
TOTALS	\$14,514	6	6	3	11	7	\$5,975	

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 28 Regent Street
FHA Number: 372-195148
Subcontractor ABLE Snowplowing Inc.
Work Order Amount \$995.00

Summary:

When the REAM certified that all work was completed and that the property was ready to be listed for sale, some work listed on the work order had either not been performed or not performed adequately. In addition, the work order, which was prepared by the REAM, did not list all repairs necessary to eliminate safety hazards. Conversely, the work order included the replacement of an item that was not necessarily to eliminate a safety hazard. Finally, the work order did not adequately specify the scope and amount of work to be performed.

Pertinent Details:

A. Work Not Performed and the Quality of Work Performed Was Not Adequate:

On August 11, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that all work was completed. However, our inspections, which were conducted on August 13, 1997 and September 12, 1997, showed that the subcontractor did not complete all of the items listed on the work order. Specifically, the subcontractor did not: (1) install the wrought iron railings on the front porch (Appendix C), (2) replace the linoleum in the kitchen and the dining room and, (3) remove all of the debris from the property. Also, our inspection disclosed that the quality of the scuffing of the old paint and priming for the new paint, was unacceptable. Based on the REAM's certification that all of the work had been completed, HUD paid the subcontractor \$995. Based on the results of our review, the subcontractor was paid for work that was either not performed or not performed adequately. Thus, we have

considered the amount of the payment to be questionable and unsupported cost (See Appendix B on page 15).

B. Necessary Items Were Not Included On the Work Order While an Item Included was Questionable

The work order prepared by the REAM should have included two additional items that would have ensured that the property was secured and safety hazards were eliminated. Specifically, the right side of the property needed to be scraped and primed for painting, which would have eliminated defective paint surfaces. Further, the garage window needed to be boarded up for security purposes. Also, there was a leaking water pipe in the basement that should have been repaired. Conversely, we do not believe that it was necessary to replace the linoleum in the kitchen and dining room because this type of work is more of a cosmetic nature than the repair to eliminate a safety hazard.

C. Work Order Tasks Not Specific

The REAM did not clearly identify certain tasks. In this case, the REAM required that the subcontractor to remove all debris from inside and outside the house, and to scrape and prime the left side of the house as needed. These statements are too vague and do not specify the estimated amount of debris to be removed or the area to be scraped and primed. Consequently, the scope of work was not adequately defined.

Auditee Comments

- A. The buyer entered this property without HUD's or the REAM's approval and started modifying this house. The piles of debris were from the buyer's modification of the house. The linoleum was installed properly and then removed by the buyer. Attached is a picture (page 5 of Appendix D) which clearly shows the alleged wrought iron railings were affixed. HUD received its \$995 worth of work.
- B. According to the REAM the intent of HUD's Single Family 203B program requires that all floor coverings be finished and clean. Also, linoleum is required by HUD not cosmetic as alleged.
- C. The Request for Proposal (RFP) did not state that debris must be quoted in cubic yards. Further, the Government Technical Representative (GTR) does not require cubic yards. The GTR is aware that we maintain back up papers describing debris and its locations as well as estimates of yardage.

OIG Evaluations of Auditee Comments

- A. The REAM certified on August 11, 1997 that all work was completed. Our inspection of the property on August 13, 1997, which was two days after the REAM's certified that the work had been performed, disclosed that the wrought iron rails had not been installed, the linoleum had not been removed, debris was still on the property, and the quality of the scrapping and painting on the garage and front windows was unacceptable. Our inspection was prior to any buyer submitting a bid on the property to HUD. A second inspection on September 12, 1997, noted that the wrought iron railings were still not installed, however, we noticed that someone had ripped out the old linoleum. Furthermore, there was no indication that new linoleum had been installed. It is apparent that at the time the REAM certified that the work had been completed, the work had not been performed. At the exit conference, we were told that the installation of the wrought iron railings occurred after the REAM certified that the work was done.
- B. HUD staff advised us that replacement of linoleum is not a necessary work item unless it is considered a safety hazard.
- C. The REAM's contract with HUD provides that work must be identified in detail and that the REAM must prepare an itemized work order. Having the details in the REAM's property file is not sufficient. The work to be performed need to be clearly described on the work orders for both the subcontractors and for HUD benefit. The absence of adequately described work prevents subcontractors from being fully aware of their responsibilities; and prevents HUD from being able to determine the adequacy of the work performed and the reasonableness of its cost.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 64 Lilac Street
FHA Number: 372-171106
Subcontractor Nordic Construction
Work Order Amount \$990.00

Summary:

When the REAM certified that all was completed and that the property was ready to be tested for sale, some work listed on the work order had either not been performed or not performed adequately. In addition, it is our opinion that the amount allowed by the REAM for one work item appears excessive. Finally, the work order prepared by the REAM did not always specify the scope and amount of work to be performed.

Pertinent Details:

A. Work Not Performed

On June 14, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that all work was completed. However, our inspection on July 24, 1997, disclosed that the subcontractor did not perform all of the items on the work order. In addition to not boarding up a door, the subcontractor did not remove: (a) all the debris from the property, and a tree that was already cut down, and (b) glass in the hallway. Based on the REAM's certification that all work items had been completed, HUD paid the subcontractor \$990, which in our opinion included payment for work not performed. Thus, we have consider the amount of the payment to be questionable and unsupported costs (See Appendix B on page 15).

B. Questionable Amount Charged For a Task

The REAM included a \$400 item on the work order that pertain to the removal of a tree that had been cut down. In our opinion, the \$400 paid to remove the tree appears excessive.

C. Work Order Task Not Specific

The REAM did not clearly identify the following task. The work order, which was prepared by the REAM, provided for the removal of debris from the entire property, both inside and outside. However, the REAM did not specify the estimated amount of debris to be removed. As a result, the scope of work was not adequately defined.

Auditee Comments

- A. We notified HUD (September 10, 1997) that the work was incorrectly approved and the subcontractor paid. We subsequently had the work order completed by another subcontractor without any cost to HUD.
- B. The tree was in the rear yard. Since a driveway did not exist, it was difficult for the subcontractor to reach the back yard.
- C. Each property file has a yellow sheet from the original inspection which notes all yardage of debris. The REAM only uses the total dollar amount on the work order to prevent any problems that may result from differences of opinions as to how much yardage exist.

OIG Evaluations of Auditee Comments

- A. On June 14, 1997, the REAM certified that the work was done when some work had not been performed. It was not until after our inspection that the REAM notified HUD that some work had not been performed. Also, it should be noted that the REAM submitted a second request for payment for the same work and HUD did not allow payment.
- B. We believe that the removal of four or five short section of a tree should have been completed in less than an hour. A charge of \$400 for this work, in our opinion, is totally unreasonable and excessive.
- C. As previously stated, the REAM's contract requires that work specifications must be in detail and that the REAM must prepare an itemized work order. Having the details in the REAM's property file is not sufficient. The tasks need to be clearly identified on the work orders for both the subcontractors and HUD. The absence of adequately described work prevents the subcontractors from being fully aware of their responsibilities; and prevents HUD from being able to determine the adequacy of the work performed and the reasonableness of its cost.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 10 Wood Avenue

FHA Number: 372-151345

Subcontractors Anthony Zolnowski/AM Wholesale

Work Order Amounts \$950.00
 \$275.00

Summary:

When the REAM certified that all work was completed and that the property was ready to be listed for sale, some work listed on the work order had not been performed. In addition, the work order prepared by the REAM did not list all necessary items to be repaired and did not always specify the scope and amount of work to be performed.

Pertinent Details:

A. Work Not Performed

On July 18, 1997 and August 1, 1997, the REAM certified on the Acquired Property Inspection Reports HUD-9519 that all work was completed. However, our inspection on August 13, 1997, indicated that the subcontractors had not performed all the work listed on the work order. We found that the subcontractors did not: (1) remove all of the debris, (2) scrape and paint as needed, and (3) repair the flooring of the front deck. Based on the REAM's certification that all work items had been completed, the subcontractors were paid \$950, which in our opinion included payment for work not performed. Thus, we have considered the amount of the payment to be questionable and unsupported (See Appendix B on page 15).

B. Necessary Items Were Not Included On The Work Order

The work order prepared by the REAM did not include repairs needed to prevent damage to the property by the elements, such as the repair of a large hole in the roof.

C. Work Order Task Not Specific

The REAM did not clearly identify the following task. The work order, which was prepared by the REAM, provided for the removal of all debris from the property, both inside and out. However, the REAM did not specify the estimated amount of debris to be removed. As a result, the scope of work was not adequately defined.

Auditee Comments

- A. We sent this subcontractor back to remove debris and to repair the deck. He returned and completed the work . The paint was inspected by the auditor, 30 days after the date of the work order.
- B. With regards to the safety hazard, we believe then and now that a safety hazard did not exist, due to a roof leak. We do not repair roof leaks on HUD Single Family 203k properties.
- C. The RFP did not state that debris must be quoted in cubic yards. Further, the GTR does not require cubic yards. The GTR is aware that we maintain back up papers describing debris and its location as well as estimates of yardage.

OIG Evaluations of Auditee Comments

- A. The REAM certified that all work was done on August 1, 1997. However, some work had not been performed when we inspected the property on August 13, 1997. Some work had not been performed when we reinspected the property on September 10 , 1997.
- B. The hole in the roof needed to be repaired to prevent further damage to the property from the elements.
- C. As previously stated, the REAM's contract requires that work specifications must be in detail. Having the details in the REAM's property file is not sufficient. The tasks need to be clearly identified on the work orders for both the subcontractors and HUD. The absence of adequately described work prevents subcontractors from being fully aware of their responsibilities, and prevents HUD from being able to determine the adequacy of the work performed and the reasonableness of the cost of its cost.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 662 Cradle Avenue
FHA Number: 372-190873
Subcontractor Anthony Zolnowski/AM Wholesale
Work Order Amount \$985.00

Summary:

When REAM certified that all work was completed and that the property was ready to be listed for sale, some work listed on the work order had either not been performed or not performed adequately.

Pertinent Details:

A. Work Not Completed and The Quality of Work Performed Was Not Adequate:

On August 1, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that all work was completed. However, our inspection on August 13, 1997, disclosed that the subcontractor did not remove all debris from the property. Also, our inspection disclosed that the quality of work pertaining to the cutting of bushes was inadequate. For example, the contractor left the bush trimmings on the ground. The subcontractor was paid \$515 to perform the work. We have questioned this amount (See Appendix B on page 15) since it included payment for work not performed and/or for work not performed adequately.

Auditee Comments

A. The cutting of the bushes was only \$75.00 of the work order and the bushes were cut. The subcontractor removed all debris, except paint cans and hazardous chemicals, as it is the REAM's practice not to do so. We found no problem with the work performed.

OIG Evaluations of Auditee Comments

- A. The REAM's contract provides that hedges, grass and other clippings must be removed from the property. The contract requires the REAM to remove and dispose of interior and exterior debris and leave the property broom clean. We inspected this property after the REAM's certification that all work was completed. The hedge trimmings were not removed. HUD staff indicated that the REAM's contract requires the removal of debris and does not exclude the removal of hazardous material.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 124 Loepere Street
FHA Number: 372-175654
Subcontractor C&R Construction
Work Order Amount \$965.00

Summary:

When REAM certified that work was completed and that the property was ready to be listed for sale, some work on the work order had either not been performed or not performed adequately. In addition, the work order prepared by the REAM did not include all necessary items to be repaired.

Pertinent Details:

A. Work Not Performed and the Quality of Work Performed Not Adequate:

On July 18, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that all work was completed. However, our inspection on July 23, 1997, disclosed that the subcontractor did not complete all the work on the work order. We found that the subcontractor did not board up a rear window. In addition, our inspection disclosed that the quality of work pertain to scrapping and priming was not acceptable. Based on the REAM's certification that all work had been completed, the subcontractor was paid \$250, which, in our opinion, included payment for work not performed. Thus, we have considered the amount of the payment to be questionable and unsupported costs (See Appendix B on page 15).

B. Necessary Items Were Not Included on The Work Order

The work order prepared by the REAM did not include all the items necessary to secured the property and to eliminate safety hazards. Specifically, the work order did not require the subcontractor to seal an unsecured sky light.

Auditee Comments

- A. We found all work completed satisfactory. If a rear window needed boarding when the auditor was there on July 23, 1997, it did not mean that the work was not completed. This is a junk house, valued at \$2,900 in a tough area. Windows are unboarded/broken daily in this area.
- B. We would never repair a skylight on a \$2,900 house that is to be torn down. It is doubtful that anyone would attempt to enter from the skylight. We believe that this property was as secure as one can be, given its location.

OIG Evaluations of Auditee Comments

- A. We recognize that boarded up windows can be reopen; however, our inspection disclosed that the rear window has never been boarded-up. The REAM should not have certified that the work was completed when the subcontractor had not addressed all the items
- B. The HUD staff indicated that this property was not on the list to be demolished and had not been sold as of February 20, 1998. Further, the skylight was on the lower level of the roof and in our opinion should have been sealed to secure the property.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address:	612 East Amherst Street
FHA Number:	372-129525
Subcontractors	Nordic Construction Handy Andy's Handy Andy's Clark Contracting
Work Order Amounts	\$950.00 \$850.00 \$400.00

Summary:

When REAM certified that work was completed and the property was ready to be listed for sale, some work on the work orders had either not been performed or not performed adequately. In addition, the work order, which was prepared by the REAM, included an unnecessary work item, and did not adequately specify the scope and amount of work to be performed. As a result, we have questioned \$1,600 of the amounts paid to subcontractors.

Pertinent Details:

A. Work Not Performed and the Quality of Work Performed Was Not Adequate:

The REAM prepared two work orders for painting this property. The original work order dated April 20, 1997, required the subcontractor to scrape the exterior as needed. The subcontractor was paid \$350 to perform the work. The REAM prepared a second work order on July 18, 1997, and required another subcontractor to scrape and paint the exterior. This subcontractor was paid \$650. On July 25, 1997, the REAM prepared an addendum to the second work order for additional painting and scraping. The subcontractor was paid another \$200. On May 1, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that the work on the first work order was completed. Further, the REAM

certified on August 1, 1997, that the work on the second work order, including the addendum, was completed. However, our inspections on July 23, 1997 and September 26, 1997, disclosed that neither subcontractors adequately completed the painting of the property. The first subcontractor's performance was unacceptable because the subcontractor did not eliminate all the peeling paint on the house and did not remove paint chips from around the property. Also, this subcontractor did not properly scrape the house. The work done by the second contractor was unacceptable because there were yellow paint spills on the roof and in the front of the house. Based on the REAM's certification that work had been completed, HUD paid the subcontractors \$1,200, which in our opinion, included payments for work not performed and for work not performed adequately. Thus, we have considered the amount of the payment to be questionable and unsupported (See Appendix B on page 15).

B. Questionable Amount Charged For a Task

The REAM prepared another work order to remove all debris from the inside and the outside of the house. The subcontractor charged and was paid \$400 to remove the debris. We believe that this amount is excessive. The work order was prepared after our initial inspection. The debris remaining was portions of a drop ceiling that fell into the kitchen. Thus, we have questioned the \$400 payment to the subcontractor as being an excessive payment.

C. Work Order Task Not Specific

The REAM did not clearly identify the following task. The REAM required the subcontractor to remove debris from the entire property both inside and outside. However, the REAM did not specify the estimated amount of debris to be removed. Also, the work order was not specific as to the scrapping and painting that was needed.

Auditee Comments

- A. The work order dated April 20, 1997 had only \$350 of paint scraping to be done. Three months later, a neighbor complained about paint chips coming off the house. It is HUD position to keep neighbors satisfied. A HUD staff member and the REAM's representative inspected this property and believed that it was ugly, sloppy, etc., but did not agree as to what to do with the subcontractor. The subcontractor believed that the wood had many layers of paint on it; therefore, it would be impossible to get a smooth finish (they also slopped paint all over the asphalt siding). We find

no reason to believe that HUD did not get what it paid for. While the results were not pretty, the subcontractor did try.

- B. With regard to the \$400 work order issued to Clark Contracting, this was a poorly written work order. Our secretary ordered the work, but did not comprehend the scope of the work. But, HUD did get its value.
- C. The RFP did not state that debris must be quoted in cubic yards. Further, the GTR does not require cubic yards. The GTR is aware that we maintain back up papers describing debris and its location as well as estimates of yardage.

OIG Evaluations of Auditee Comments

- A. We identified that the quality of the work pertaining to the second work order was poor and believe that the subcontractor should not have been paid for unacceptable work. Furthermore, if the original subcontractor had performed the work properly there would not have been a need for the second work order. The REAM should not have certified that the original work was completed when it was not and should not have signed off on the second work order when the work completed was unacceptable.
- B. Payment should be based on the items listed on the work order. We believe that the \$400 charged for the items listed on the work order was excessive, if additional work was done it was not listed on the work order.
- C. As previously stated, the REAM's contract requires that work specifications must be in detail. Having the details in the REAM's property file is not sufficient. The tasks need to be clearly identified on the work orders for both the subcontractors and HUD. The absence of adequately described work prevents subcontractors being fully aware of their responsibilities; and prevents HUD from being able to determine the adequacy of the work performed and the reasonableness of its costs.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address:	499 Howard Street
FHA Number:	372-177921
Subcontractors	Handy Andy's Handy Andy's
Work Order Amounts	\$600.00 \$150.00

Summary:

When the REAM certified that work was completed and that the property was ready to be listed for sale, some work had not been completed in an acceptable manner. In addition, the work orders prepared by the REAM did not list all the necessary items to be repaired and did not always specify the scope and amount of work to be performed.

Pertinent Details:

A. Quality of Work Was Not Adequate

On August 10, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that all work was completed. However, our inspection on August 13, 1997, disclosed that the quality of work pertaining to scrapping and priming the house for paint was unacceptable. Based on the REAM's certification that the work had been done, the subcontractor was paid \$225. As a result of our review, we believe that the subcontractors was paid for work that was not adequately performed. Thus, we have considered the amount paid questionable and unsupported cost (See Appendix B on page 5).

B. Necessary Items Were Not Included on The Work Order

The work order prepared by the REAM did not include the repair of all the items necessary to ensure that the property was secured and safety hazards were eliminated. Specifically, the porch ceiling and interior of the upper unit needed to be scraped and primed.

C. Work Order Task Not Specific

The REAM did not clearly identify the following task. The REAM required a subcontractor to remove the debris from the entire property both inside and outside. However, the REAM did not specify on the work order the estimated amount of debris to be removed. As result, the scope of work was not adequately defined.

Auditee Comments

- A. The REAM inspected this property and disagrees with the auditors opinion regarding scraping.
- B. The REAM could not recall this property.
- C. The RFP did not state that debris must be quoted in cubic yards. Further, the GTR does not require cubic yards. The GTR is aware that we maintain back up papers describing debris and its locations as well as estimates of yardage.

OIG Evaluations of Auditee Comments

- A. Our inspection of the completed work disclosed that the scrapping and priming of the house for paint was unacceptable.
- C. As previously stated, the REAM's contract requires that work specifications must be in detail. Having the details in the REAM's property file is not sufficient. The tasks need to be clearly identified on the work orders for both the subcontractors and HUD. The absence of adequately described work prevents subcontractors from being fully aware of their responsibilities; and prevents HUD from being able to determine the adequacy of the work performed and the reasonableness of its cost.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 480 East Amherst Street

FHA Number: 372-167066

Subcontractor Gary A. Illos

Work Order Amount \$450.00

Summary:

When the REAM certified that work was completed and that the property was ready to be listed for sale, some work on the work order had not been completed in an acceptable manner.

Pertinent Details:

A. Quality of Work Was Not Adequate

On June 20, 1997, the REAM certified on the Acquired Property Inspection Report HUD-9519 that all work was completed. However, our inspection disclosed that the quality of work pertaining to scraping and priming the house for paint was unacceptable. The painting was poorly done with a color that did not match the original paint on the house. Based on the REAM's certification that the work had been completed, HUD paid the subcontractor \$450. As a result of our review, we believe that the subcontractor was paid for work that was not adequately performed. Thus, we have considered the amount of the payment questionable and unsupported costs (See Appendix B on page 15).

Auditee Comments

A. Our work order did not require paint to match. We ordered scraping and painting but did not say tint to match. The subcontractor may have used poor judgement by not tinting but he was not required to do so. The work was done.

OIG Evaluations of Auditee Comments

A. We agree that the contractor may have used poor judgment in not matching the paint. However, we believe that the overall quality of the work was unacceptable and the REAM should not have certified that the repairs were completed.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 278 Brinkman Avenue
FHA Number: 372-226480
Subcontractor ABLE Snowplowing Inc.
Work Order Amount \$990.00

Summary:

The REAM prepared a work order that did not include all necessary work that should have been performed .

Pertinent Details:

A. Necessary Work Was Not Included On The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards eliminated. Specifically, the garage needed to be secured, and 13 tires along with broken glass in the garage needed to have been removed.

Auditee Comments

A. The tires were indeed stacked neatly in the garage. The source of these tire is unknown. They were not originally there. The REAM recalls seeing them and recalls having them removed at the REAM's expense under the terms of the contract.

OIG Evaluation of Auditee Comments

A. Our concern is that the REAM failed to included that work on the work order. We inspected the property prior to the REAM's certification that the work was done, and notice that the tires were in the garage. Likewise, the tires were still in the garage when we reinspected the property after the REAM certified that all work was completed.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address:	80 Edson Street
FHA Number:	372-177399
Subcontractors	Buczek, Inc. Rayford Enterprise
Work Order Amounts	\$885.00 \$150.00

Summary:

The REAM prepared a work order that did not include all necessary work that should have been performed.

Pertinent Details:

A. Necessary Work Was Not Included On The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards were eliminated. The work order prepared by the REAM did not provide for scraping and priming the house for paint, which should have been performed on the garage, the porch, the lower windows, and the right side of the house. Also, the work order did not provide for the repair of loose steps and a missing hand rail at the front entrance of the house.

Auditee Comments

A. HUD staff and the REAM inspected this property together, and did not find lower windows or the right side of the house needing any work. If this house did need work all of us would have identified this situation.

OIG Evaluations of Auditee Comments

A. We spoke with one of the HUD staff members that accompanied the REAM on its inspection. He told us that he accompanied the REAM to inspect the work of a subcontractor involved with a complaint. He stated that he was not looking for other items needing repair. Our inspection, supported by pictures indicated that scraping and painting was needed.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 40 Ruhland Street

FHA Number: 372-135429

Subcontractor C&R Construction

Work Order Amount \$320.00

Summary:

The REAM prepared a work order that did not include all necessary work that should have been performed.

Pertinent Details:

A. Necessary Work Was Not Included On The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards were eliminated. Specifically, the REAM's work order did not address the defective paint that needed to be removed from an interior room; the porch that needed to be scrapped and primed for paint; the windows that needed to be boarded on the lower left side of the property, nor that the glass that needed to be removed from the front window sill.

Auditee Comments

A. This is a property along with six others on this street were sold, for nearly nothing to a non-profit. This house should have been torn down. The estimated value was \$1,000.

OIG Evaluations of Auditee Comments

A. The auditee comments do not address the fact that the defective paint surface was not treated, as required in Exhibit 6 of the REAM's contract.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 47 Jackson Avenue
FHA Number: 372-153700
Subcontractor ABC Property Maintenance, Inc.
Work Order Amount \$685.00

Summary:

The REAM prepared a work order that did not include all necessary work that should have been performed.

Pertinent Details:

A. Necessary Work Was Not Included On The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards were eliminated. Specifically, the REAM should have provided for the repair of buckled tiles in the bathroom on the work order and for scrapping and priming. Furthermore, the interior railing to the upstairs was broken and should have been repaired.

Auditee Comments

A. This property had frozen plumbing which caused the buckled floors in the bathroom. It is not HUD's policy to repair items of this nature for a HUD Single Family 203K property. The REAM found no safety risks in leaving the floor with slightly buckled floor tiles.

OIG Evaluations of Auditee Comments

A. The ceramic floor tiles were more than slightly buckled. HUD staff advised us that since the house would be shown to prospective buyers any unsafe conditions should have been corrected. Therefore, the bathroom floor should have been repaired.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 308 Koons Avenue

FHA Number: 372-230784

Subcontractor Jack's Janitorial

Work Order Amount \$999.00

Summary:

The REAM prepared a work order that did not include all necessary work that should have been performed.

Pertinent Details:

A. Necessary Items Were Not Included in The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards were eliminated. The work order should have required the contractor to repair the interior stairs because they were unstable, and the roof because it was sagging and leaking.

Auditee Comments

A. This was a tear down candidate. The REAM does not recall interior stairs that were unstable. The REAM does not repair roofs on junk houses, especially ones to be torn down.

OIG Evaluations of Auditee Comments

A. The HUD staff indicated that this property was not on the list of property to be demolished, in fact it was eventually sold. Further, they indicated that if a leaking roof is causing further damage to the property, the roof should be repaired.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 75 Waterman Street

FHA Number: 372-213202

Subcontractor James Steer

Work Order Amount \$980.00

Summary:

The work order prepared by the REAM did not list all necessary items to be repaired, and did not adequately specify the scope and amount of work to be performed.

Pertinent Details:

A. Necessary Items Were Not Included on The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards were eliminated. The work order prepared by the REAM did not provide for repairing the steps to the basement, which were unsecured.

B. Work Order Task Not Specific

The REAM did not clearly identify the following task. The REAM included on the work order the removal of all debris from both the inside and the outside of the house. However, the REAM did not specify the estimated amount of debris to be removed.

Auditee Comments

A. The REAM has no knowledge of unsecured basement steps.

B. The RFP did not state that debris must be quoted in cubic yards. Further, the GTR does not require cubic yards. The GTR is aware that we maintain back up papers describing debris and its locations as well as estimates of yardage.

OIG Evaluations of Auditee Comments

- B. As previously stated, the REAM's contract requires work specifications to be in detail. Having the details in the REAM's property file is not sufficient. The tasks need to be clearly identified on the work orders for both the subcontractors and HUD. The absence of adequately described work prevents the subcontractors from being fully aware of their responsibilities; and prevents HUD from being able to determine the adequacy of the work performed and the reasonable of its cost.

ABERTE REALTY, INC.
ERIE/NIAGARA COUNTY, NEW YORK

NARRATIVE PROPERTY PRESENTATION

Property Address: 1147 LaSalle Avenue

FHA Number: 372-204927

Subcontractor James Steer

Work Order Amount \$945.00

Summary:

The work order prepared by the REAM did not list all necessary items to be repaired and did not adequately specify the scope and amount of work to be done.

Pertinent Details:

A. Necessary Work Was Not Included On The Work Order

The work order prepared by the REAM should have included the following items to ensure that the property was secured and safety hazards were eliminated. The work order prepared by the REAM did not provide for scrapping of defective paint on the porch and the replacement of rotten boards in the ceiling of the porch..

B. Work Order Task Not Specific

The REAM did not clearly identify the following task. The REAM included on the work order the removal of all debris from both inside and outside the house. However, the REAM did not specify the estimated amount of debris to be removed.

Auditee Comments

A. The REAM has no knowledge or recollection.

B. The RFP did not state that debris must be quoted in cubic yards. Further, the GTR does not require cubic yards. The GTR is aware that we maintain back up papers describing debris and its location as well as estimates of yardage.

OIG Evaluations of Auditee Comments

- B. As previously stated, the REAM's contract requires work specifications to be in detail. Having the details in the REAM's property file is not sufficient. The tasks need to be clearly identified on the work orders for both the subcontractors and HUD. The absence of adequately described work prevents subcontractors from being fully aware of their responsibilities; and HUD from being able to determine the adequacy of the work performed and the reasonableness of its cost.

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Community Development, GC (Room 8162)
Director, Housing and Community Development Issue Area, U.S.
GAO, 441 G Street, NW, Room 274, Washington, DC 20548 (2)
Real Estate Asset Manager, Aberte Realty, Inc., Buffalo, New York