




Issue Date	September 30, 2007
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Audit Report Number	2007-CH-1018
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TO: Robert Berlan, Director of Community Planning and Development, 5ID

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The City of Milwaukee, Wisconsin, Needs to Improve Existing Controls over Its HOME Program Regarding Housing Conditions and Contracting

HIGHLIGHTS

What We Audited and Why

We audited the City of Milwaukee's (City) HOME Investment Partnerships Program (Program). The audit was part of the activities in our fiscal year 2007 annual audit plan. We selected the City based upon our analysis of risk factors relating to Program grantees in Region V's jurisdiction. Our objectives were to determine whether the City effectively administered its Program and followed the U.S. Department of Housing and Urban Development's (HUD) requirements.

What We Found

The City needs to improve existing controls over the administration of its Program regarding housing conditions and contracting to ensure it follows HUD's requirements. It did not ensure that its owner-occupied single-family rehabilitation projects (projects) and American Dream Downpayment Initiative (Initiative) activities (activities) met HUD's and/or the City's property standards (standards) and did not maintain an effective system of controls over its contracting processes for projects. It used more than \$300,000 in HUD funds (Program and Initiative) for projects and activities that did not meet HUD's and/or the City's standards.

We informed the director of the City's Community Development Grants Administration (Administration) and the Director of HUD's Milwaukee Office of Community Planning and Development of minor deficiencies through a memorandum, dated September 30, 2007.

What We Recommend

We recommend that the Director of HUD's Milwaukee Office of Community Planning and Development require the City to ensure that housing rehabilitation work and required repairs are completed or reimburse its Program and Initiative from nonfederal funds for the projects and an activity that did not meet HUD's and/or the City's standards and implement adequate procedures and controls to address the findings cited in this audit report. These procedures and controls should help ensure that at least \$120,000 in Program funds is appropriately used over the next year for projects that meet HUD's and the City's standards.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence issued because of the audit.

Auditee's Response

We provided our discussion draft audit report and supporting schedules to the director of the City's Administration, the City's mayor, and HUD's staff during the audit. We held an exit conference with the City's director on September 18, 2007.

We asked the City's director to provide comments on our discussion draft audit report by September 28, 2007. The director provided written comments, dated September 25, 2007. The director generally did not agree with finding 1, but generally agreed with finding 2. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding 1: The City’s Projects and Activities Did Not Meet HUD’s and/or the City’s Standards	5
Finding 2: The City Needs to Improve Existing Controls over Its Contracting Processes for Projects	12
Scope and Methodology	14
Internal Controls	16
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	18
B. Auditee Comments and OIG’s Evaluation	19
C. Federal Regulations and the City’s Requirements	41

BACKGROUND AND OBJECTIVES

The Program. Authorized under Title II of the Cranston-Gonzales National Affordable Housing Act, as amended, the HOME Investment Partnerships Program (Program) is funded for the purpose of increasing the supply of affordable standard rental housing; improving substandard housing for existing homeowners; assisting new homebuyers through acquisition, construction, and rehabilitation of housing; and providing tenant-based rental assistance. The American Dream Downpayment Assistance Act established a separate funding formula for the American Dream Downpayment Initiative (Initiative) under the Program to provide downpayment assistance, closing costs, and rehabilitation assistance to eligible first-time homebuyers.

The City. Organized under the laws of the State of Wisconsin, the City of Milwaukee (City) is governed by a mayor and 15-member common council (council), including a council president, elected to four-year terms. The council’s community and economic development committee oversees the City’s Community Development Grants Administration (Administration), which is responsible for the oversight and monitoring of the City’s Program. The overall mission of the Administration is to work collaboratively with nonprofit groups, government agencies, and public and private coalitions to increase homeownership and property values, reduce crime, and promote greater employment and business activity in the City. The City’s Program records are located at 200 East Wells Street, Milwaukee, Wisconsin.

The following table shows the amount of Program and Initiative funds the U.S. Department of Housing and Urban Development (HUD) awarded the City for Program years 2003 through 2006.

Program year	Program funds	Initiative funds
2003	\$7,109,132	\$312,745
2004	7,096,687	369,048
2005	6,844,707	210,439
2006	<u>6,441,475</u>	<u>105,007</u>
Totals	<u>\$27,492,001</u>	<u>\$997,239</u>

The City awarded Program funds to six contractors, also called neighborhood improvement project agencies (agencies), and one subrecipient, the City’s Department of City Development (Department), to provide housing rehabilitation assistance for owner-occupied single-family rehabilitation projects (projects) between January 2005 and December 2006. Our audit only included projects from three of the agencies and the City’s Department. The three agencies, which are nonprofit organizations, consisted of Gibraltar Development Corporation, Harambee Ombudsman Project, Incorporated (Harambee), and YMCA of Metropolitan Milwaukee (YMCA). The City awarded Initiative funds to Select Milwaukee, Incorporated, a nonprofit organization, to assist homebuyers with downpayments and closing costs for Initiative activities (activities). Initiative funds were also used to provide homebuyer counseling.

Our objectives were to determine whether the City effectively administered its Program and followed HUD’s requirements.

RESULTS OF AUDIT

Finding 1: The City's Projects and Activities Did Not Meet HUD's and/or the City's Standards

The City did not ensure that its projects and activities met HUD's and/or the City's property standards (standards). All 16 of the City's projects inspected did not meet HUD's and the City's standards and had material deficiencies that existed at the completion of the housing rehabilitation work. The City used Program funds to pay for housing rehabilitation work that was improperly performed or not provided. It also did not include all of the necessary housing rehabilitation work in the scopes of work for the 16 projects. Further, of the City's four Initiative activities inspected, three did not meet HUD's standards and one had material deficiencies that existed at the time the City provided Initiative funds to assist homebuyers with downpayments and closing costs. The deficiencies occurred because the City lacked adequate procedures and controls to ensure that its projects and activities met HUD's and/or the City's standards. As a result, the City used more than \$300,000 in HUD funds (Program and Initiative) for projects and activities that did not meet HUD's and/or the City's standards. Based on our project sample, we estimate that over the next year, the City will use Program funds for projects that, after the completion of the housing rehabilitation work, need at least \$120,000 in required repairs to meet HUD's and the City's standards.

The City Used Program Funds for Projects That Did Not Meet HUD's and the City's Standards

We selected for inspection the City's 16 projects that passed final inspection from March 25 through June 5, 2007. Our appraiser inspected the 16 projects from June 25 through July 10, 2007, to determine whether the City ensured that the projects met HUD's and the City's standards at the completion of the housing rehabilitation work.

The 16 projects inspected had a total of 132 deficiencies, including 79 which were considered health and safety deficiencies, indicating that the projects did not meet HUD's and the City's standards at the completion of the housing rehabilitation work. Either the agencies or the City's Department noted 9 of the 132 deficiencies in the scopes of work for four of the projects. All 16 projects were considered to be in material noncompliance since they had multiple preexisting deficiencies and/or the deficiencies were noted in the scopes of work but not corrected. The City provided \$296,063 in housing rehabilitation assistance for the 16 projects. In addition, it used \$3,513 in Program funds to pay for housing rehabilitation work

contained in the scopes of work that was improperly performed (\$3,236) or that was not provided (\$277).

The improper work and/or work not provided existed in 11 of the 16 projects. Our appraiser estimated that the 16 projects needed more than \$12,000 in required repairs to meet HUD’s and the City’s standards. The City also recorded property liens against the 16 properties for the amount of Program funds it estimated it would provide for housing rehabilitation assistance. The following table categorizes the 132 deficiencies in the 16 projects.

Types of deficiencies	Number of deficiencies
Electrical	61
Doors	12
Windows	9
Interior stairs and rails	7
Smoke detectors	6
Flush toilets	6
Water heaters	5
Floors	5
Stoves/ranges and refrigerators	4
Fixed wash basins	4
Ventilation	4
Exterior surfaces	1
Ceiling	1
Space for storage and preparation	1
Foundation	1
Exterior stairs, rails, and porches	1
Roof/gutters	1
Chimney	1
Heating equipment	1
Plumbing/sewer/water supply	1
Total	<u>132</u>

We provided our inspection results to the Director of HUD’s Milwaukee Office of Community Planning and Development and the director of the City’s Administration on August 28, 2007.

Electrical Deficiencies

Sixty-one electrical deficiencies were present in 15 of the City’s projects inspected. The following items are examples of electrical deficiencies listed in the table: ground fault circuit interrupter outlets not tripping, broken and missing electrical outlet cover plates, outlets not properly grounded, light fixtures hanging by wires, and holes in junction boxes. The following pictures are examples of the electrical deficiencies identified.

Project #7826: Outlet missing cover plate and exposing electrical contacts.



Project #8114: Light fixture hanging from wires exposing electrical contacts.



Door Deficiencies

Twelve door deficiencies were present in eight of the City's projects inspected. The following items are examples of door deficiencies listed in the table: gaps between doors and door frames, loose and missing doorjamb and doorknobs, loose and detached closet door hinges, a deadbolt on a kitchen door that is operated from the inside with a key, and a cracked glass pane in a door. The following pictures are examples of the door deficiencies identified.

Project #8113: Kitchen door with keyed deadbolt lock on inside which can prevent egress.



Project #7901: Detached bedroom closet door hinge.



Window Deficiencies

Nine window deficiencies were present in five of the City's projects inspected. The following items are examples of window deficiencies listed in the table: broken and cracked glass window panes, windows with warped and deteriorated edges, and an improperly sealed window frame. The following pictures are examples of the window deficiencies identified.

Project #8156: Broken glass panes on a basement window allowing moisture to enter and possible infestation. Household used towel to cover window.



Project #8114: Newly installed window not appropriately sealed and not preventing moisture from entering window perimeter.



The City Used Initiative Funds for Activities That Did Not Meet HUD's Standards

We selected for inspection the City's four activities in which loans were closed from March 30 through June 30, 2007. Our appraiser inspected the four houses from July 9 through July 10, 2007, to determine whether the City ensured that the houses met HUD's standards when it provided Initiative funds for downpayments and closing costs.

Three of the houses inspected had six deficiencies, including five which were considered health and safety deficiencies, indicating that the houses did not meet HUD’s standards. The following table shows the deficiencies in the three houses.

Activity number	Deficiencies
8284	<ul style="list-style-type: none"> • Two outlets in living room missing outlet covers • Missing duct grille and diffuser in bathroom • Holes in junction box covered with tape
8311	<ul style="list-style-type: none"> • Outlet in kitchen with an open ground
8312	<ul style="list-style-type: none"> • Outlet in basement with an open ground

One of the houses was considered to be in material noncompliance since it had multiple preexisting deficiencies. The City provided \$5,500 in downpayments, closing costs, and homebuyer counseling for the activity. The City also recorded a property lien against the property for the amount of Initiative funds provided for downpayments and closing costs.

The City Lacked Adequate Procedures and Controls

The deficiencies occurred because the City lacked adequate procedures and controls to ensure that its projects and activities met HUD’s and/or the City’s standards. The City’s Administration did not adequately monitor the agencies and the City’s Department to ensure that the projects and activities met HUD’s and/or the City’s standards.

Conclusion

The City did not ensure that its projects and activities met HUD’s and/or the City’s standards. In addition, the City used HUD funds to pay for housing rehabilitation work that was incomplete and/or improperly performed, and it did not include all of the necessary housing rehabilitation work in the scopes of work. The City used \$301,563 in HUD funds for the 16 projects (\$296,063 in Program funds) and one activity (\$5,500 in Initiative funds) that materially failed our inspections.

If the City implements adequate procedures and controls over Program funds to ensure compliance with HUD’s and/or the City’s standards, we estimate that over the next year it will not use Program funds for projects that, after the completion of the housing rehabilitation work, need at least \$120,000 in required repairs to meet HUD’s and the City’s standards. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

Recommendations

We recommend that the Director of HUD's Milwaukee Office of Community Planning and Development require the City to

- 1A. Certify that the housing rehabilitation work cited in this finding is completed in accordance with HUD's and the City's standards and the projects meet HUD's and the City's standards or reimburse its Program \$296,063 from nonfederal funds for the housing rehabilitation assistance that was provided for the 16 projects that materially failed to meet HUD's and the City's standards and release the applicable liens against the properties.
- 1B. Implement adequate procedures and controls to ensure projects meet HUD's and the City's standards at the completion of the housing rehabilitation work. This will prevent projects completed over the next 12 months from needing an additional \$120,000 in required repairs to meet HUD's and the City's standards.
- 1C. Certify that the required repairs cited in this finding are completed in accordance with HUD's standards and the house meets HUD's standards or reimburse its Initiative \$5,500 from nonfederal funds for the downpayment, closing costs, and homebuyer counseling for the one activity that materially failed to meet HUD's standards and release the applicable lien against the property.
- 1D. Ensure that the two deficiencies cited in this finding for activity numbers 8311 and 8312 are repaired.
- 1E. Implement adequate procedures and controls to ensure that houses purchased with Initiative funds meet HUD's standards.

Finding 2: The City Needs to Improve Existing Controls over Its Contracting Processes for Projects

The City did not maintain an adequate system of controls over its contracting processes for projects. It failed to ensure that the agencies always complied with HUD's regulations and the City's requirements for full and open competition regarding the procurement of housing rehabilitation services. The weaknesses occurred because the City lacked adequate procedures and controls over its contracting processes for projects. As a result, HUD and the City lack assurance that Program funds were used efficiently and effectively, and the City's procurement transactions were not always subject to full and open competition.

The City Did Not Ensure That Agencies Awarded Housing Rehabilitation Contracts through Full and Open Competition

We reviewed the procurement transactions for the City's 16 projects that passed final inspections from March 25 through June 5, 2007. The agencies administered six of the projects and awarded 13 housing rehabilitation contracts for the six projects from April 2006 through February 2007. The City used \$135,495 in Program funds to pay for the housing rehabilitation services. However, four contracts were not awarded through full and open competition. In addition, the City did not maintain records sufficient to detail the significant history of the procurements.

The City did not ensure that the agencies, Harambee and YMCA, obtained price or rate quotations from an adequate number of contractors for three contracts. It used \$14,335 in Program funds for the three contracts that were awarded from April through November 2006. HUD's regulations require price or rate quotations from an adequate number of contractors. However, the agencies only obtained one bid for two of the contracts and negotiated the price with a contractor for the other contract. Neither the City nor the agencies documented justifications for not obtaining price or rate quotations from an adequate number of contractors. The City also did not ensure that Harambee maintained adequate documentation to support that it attempted to obtain price or rate quotations from at least three contractors for two of these contracts totaling \$3,935.

The City did not ensure that YMCA provided written requests for proposals to at least three contractors for one contract. The City used \$10,400 in Program funds for the contract that was awarded in November 2006. The City's Program contract for services with YMCA requires written requests for proposals to be sent to at least three contractors for contracts that range from \$5,000 to \$25,000. However, neither the City nor YMCA could provide adequate documentation to

support that YMCA provided written requests for proposals to at least three contractors for the contract.

Contrary to the City's Program contract for services, Harambee did not publicly advertise its request for proposals for one contract that exceeded \$25,000. The contract totaled \$25,300 and was awarded in April 2006. The advertisement was to occur in either the Milwaukee Journal Sentinel or The Daily Reporter.

Further, the City and the agencies were missing and/or had incomplete documentation as follows for the six projects:

- ❖ Eight bids were not signed;
- ❖ Six bids were missing; and
- ❖ Two bids were not dated.

The City used an additional \$6,602 in Program funds from April through August 2006 to pay two contractors for three housing rehabilitation services invoices without contracts. Neither the City nor Harambee could provide any documentation regarding the procurement of the services.

The City Lacked Adequate Procedures and Controls

The deficiencies occurred because the City lacked adequate procedures and controls to ensure that the agencies procured housing rehabilitation services according to HUD's regulations and its requirements. The City's Administration did not adequately monitor the agencies to ensure that procurement transactions were always subject to full and open competition. As a result, HUD and the City lack assurance that Program funds were used efficiently and effectively, and the City's procurement transactions were not always subject to full and open competition.

Recommendation

We recommend that the Director of HUD's Milwaukee Office of Community Planning and Development require the City to

- 2A. Implement adequate procedures and controls to ensure that the procurement of housing rehabilitation services by the agencies meet HUD's regulations and the City's requirements.

SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed

- Applicable laws; HUD’s regulations at 24 CFR [*Code of Federal Regulations*] Parts 5, 35, 84, 85, 92, and 982; Office of Management and Budget Circulars A-87 and A-122; and HUD’s “Building HOME: a Program Primer.”
- The City’s accounting records; comprehensive annual financial report for 2005; annual audited financial statements for 2005; data from HUD’s Integrated Disbursement Information System; Program, project, and activity files; computerized databases; policies; procedures; organizational chart; and consolidated strategy and annual action plans.
- The agencies’ and the City’s Department’s accounting records, annual audited financial statement management letters for 2004 and 2005, Program and project files, policies, and procedures.
- HUD’s files for the City.

We also interviewed the City’s employees, the agencies’ and the City’s Department employees, Program participants, and HUD’s staff.

Finding 1

Projects

We selected for inspection all 16 of the City’s projects that passed final inspections from March 25 through June 5, 2007. Our appraiser inspected the 16 projects to determine whether the City ensured that the projects met HUD’s and the City’s standards at the completion of the housing rehabilitation work. The City provided \$296,063 in Program funds for the 16 projects.

Our sampling results determined that all 16 projects (100 percent) materially failed to meet HUD’s and the City’s standards at the completion of the housing rehabilitation work. A project was considered in material noncompliance when it contained multiple preexisting deficiencies and/or the deficiencies were noted in the scope(s) of work but not corrected. Our appraiser estimated that the 16 projects needed \$12,056 (4 percent of the Program funds provided) in required repairs to meet HUD’s and the City’s standards.

The City allocated more than \$3 million in Program funds on projects per year for Program years 2004 through 2007. It also plans on allocating more than \$3 million in Program funds on projects for Program year 2008. We estimated that the City will annually use Program funds for projects that, after the completion of the housing rehabilitation work, need at least \$120,000 (\$3 million times 4 percent) in required repairs to meet HUD’s and the City’s standards. This estimate is presented solely to demonstrate the annual amount of Program funds that could be put to better use on eligible projects if the City implements our recommendation. While these

benefits would recur, we were conservative in our approach and only included the initial year in our estimate.

Activities

We selected for inspection all four of the City's Initiative activities in which loans were closed from March 30 through June 30, 2007. Our appraiser inspected the four houses to determine whether the City ensured that the houses met HUD's standards when the City provided Initiative funds for downpayments and closing costs.

Our sampling results determined that one of the four houses (25 percent) materially failed to meet HUD's standards when the City provided Initiative funds for downpayments and closing costs. An activity was considered in material noncompliance when it contained multiple preexisting deficiencies.

Finding 2

We selected all 16 of the City's projects that passed final inspections from March 25 through June 5, 2007. The 16 projects were selected to determine whether the City ensured that its agencies and the City's Department complied with HUD's regulations and the City's requirements regarding the procurement of housing rehabilitation services.

We performed our on-site audit work from February through July 2007 at the City's Administration office located at 200 East Wells Street, Milwaukee, Wisconsin. The audit covered the period January 2005 through December 2006 and was expanded as determined necessary.

We performed our audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

Based on our review, we believe the following item is a significant weakness:

- The City lacked adequate procedures and controls to ensure that it complied with HUD's regulations and/or its requirements regarding housing rehabilitation work to ensure that houses meet standards and procurement of housing rehabilitation work (see findings 1 and 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1A	\$296,063	
1B		<u>\$120,000</u>
1C	<u>5,500</u>	
Totals	<u>\$301,563</u>	<u>\$120,000</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local polices or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. This includes reduction in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the City implements our recommendation it will cease to use Program funds for projects that, after the completion of the housing rehabilitation work, need required repairs to meet HUD's and the City's standards. Once the City successfully improves its procedures and controls, this will be a recurring benefit. Our estimate conservatively reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Department of Administration
Community Development Grants Administration

Tom Barrett
Mayor
Sharon Robinson
Director of Administration
Steven L. Mahan
Community Block Grant Director

September 25, 2007

Mr. Brent Bowen
Assistant Regional Inspector General for Audit
Office of Inspector General
77 West Jackson Boulevard, Suite 2646
Chicago, Illinois 60604-3507

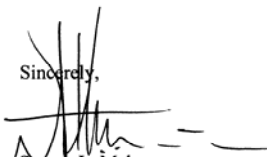
Dear Mr. Bowen:

Enclosed please find the City of Milwaukee's response to the Inspector General's discussion draft audit report issued on September 13, 2007.

As was discussed in the exit conference of September 18, 2007, the City of Milwaukee shares the goals of the U.S. Department of Housing & Urban Development and will continue to implement programs and activities that meet these mutual goals.

As was also discussed at the exit conference on September 18, 2007, we disagree with a number of items in the draft report and have outlined the reasons on the following pages.

The City of Milwaukee is committed to working cooperatively with you and others to ensure that both the taxpayers and beneficiaries of funded programs are well served.

Sincerely,

Steven L. Mahan,
Director

cc: Heath Wolfe, Regional Inspector General
for Audit, Region V

Room 606, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202
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Ref to OIG Evaluation

Auditee Comments

Comment 1

OIG Draft Audit Report
CDGA Response

General Comments

The City of Milwaukee appreciates the opportunity to respond to the draft audit report of the Office of Inspector General dated September 13, 2007.

Overall, the City disagrees with the interchangeable use throughout the report of “HUD standards and City of Milwaukee standards.” In many cases it is unclear which standards are being applied to our program. We also disagree with other aspects of the report and have specified the reasons below:

Comment #1

Comment 2

Title Page: The City of Milwaukee requests that the title page description be replaced with “ The City of Milwaukee, Wisconsin Generally Administered Its HOME Investment Partnerships Program in Accordance with HUD Requirements”.

The report’s title page description lacks specificity on what controls and processes need improvement. It does a disservice, does not provide a true perspective and refers negatively to the City’s entire HOME program.

The City provided the OIG auditors with numerous manuals illustrating our existing policies, procedures and processes. These included but are not limited to: housing manuals, housing technical specifications, housing monitoring book, written contractual agreements with subrecipients, etc. In addition, a number of the program manuals are used by other Participating Jurisdictions(PJ’s) in the State of Wisconsin and by PJ’s in other states who have requested the City’s technical assistance. Local HUD officials also conducted a HOME site review in 2006 and cited a few concerns and no findings and also noted our program as “exemplary.” The City also maintains a working relationship with local HUD officials in efforts to further enhance our program.

Comment #2

The draft audit report cites that “City’s Projects and Activities did not Meet HUD’s and/or the City’s Standards.”

Response:

The City of Milwaukee has its’ own building code in Volume II- Milwaukee Code of Ordinances (MCO), Chapter 275. This is the "standard" used to evaluate existing one & two family buildings. There are other codes that may come into play depending on the type of work done (i.e. construction, electrical, plumbing).

When rehabilitation work involves the replacement of porches, structural members, etc. the state building code applies. When the City is repairing various other items (i.e. fixing

Ref to OIG Evaluation

Auditee Comments

Comment 3

OIG Draft Audit Report
CDGA Response

cracked/damaged plaster, fixing defective roofing or siding, repairing or replacing gutters, etc.), Chapter 275 of the MCO applies.

The HOME regulations require that the rehabilitation work comply with local standards/codes. Housing Quality Standards(HQS) will *only apply* in the *absence* of any local codes/standards(24 CFR 92.251).

Contrary to the draft report, the NIP handbook does not utilize HQS as a standard, nor does Form CBGA-36 Housing Assistance Plan as the report states. The City's contractual written agreements with its subrecipients likewise does not utilize HQS as a standard.

The report cites numerous deficiencies based on the IG Inspector's use of Housing Quality Standards versus City of Milwaukee Code of Ordinances.

The report grossly misquotes the language located on Form CBGA 36-Housing Assistance Plan and includes this incorrect language in the report on page 22 as the basis for 54 cited deficiencies with the Owner-Occupied Neighborhood Improvement Program.

Incorrect Statement in report on Page 22

“Section V, paragraph H.3.a of the City's handbook, dated November 2005, contains a final inspection form, form CBGA-36, Housing Assistance Plan, which states that all observable deficiencies pertaining to HUD's quality standards, the State of Wisconsin's Uniform Dwelling Code, and the City's Code of Ordinances was **identified and corrected.**”

Form CBGA-36 Housing Assistance Plan, which is referenced and is used as the basis for cited deficiencies **in fact states the following:**

“The above property was inspected by the Department of Neighborhood Services(DNS) and found to be substandard prior to rehabilitation assistance being provided with Federal HOME or Community Development Block Grant funds. A DNS scope of work was issued dated _____ and all observable code violations pertaining to Section 8 Housing Quality Standards, State of Wisconsin Uniform Dwelling Code and City of Milwaukee Code of Ordinances **were identified.**”

The rehabilitation work undertaken with HOME or Block Grant Assistance has been completed and the housing unit was re-inspected on (date). All **code violations** cited on the DNS scope of work and assigned to the above agency have been **corrected.**”

Comment 3

OIG Draft Audit Report
CDGA Response

Appendix C of the Inspector General's Draft Audit Report incorrectly cites the CBGA-36 form and adds non-existent language, which implies that City rehabilitation, is subject to Housing Quality Standards (HQS).

FC - A CBGA-36 HOUSING ASSISTANCE PL
REHABILITATION ASSISTANCE TO HOMEOWNERS & TENANTS

1. Name of Agency: INFORMATION REMOVED FOR PRIVACY

2. Homeowner's Name: INFORMATION REMOVED FOR PRIVACY

3. Property address: PROJECT # 7881

4. Property Type: Single Duplex

5. Funds Expended on rehabilitation*: Maintenance w/o mech. \$ 19,388.00 (a)
*Do not include administrative costs
 No mechanical scope Mechanical costs*: \$ 1,012.00 (b)
*submit Form 18
 Total Job Costs: \$ 20,400.00 (a+b)

6. Approved Set-up Amount*: \$ 20,918.00 Funding Type: HOME CDBG
*This is the amount shown on the original HOME or Block Grant Set-up letter. This amount should not include the administrative fee even if the administrative fee was included in the original set-up letter.
 If Total Job Costs (#5 above) is greater than the Approved Set-up Amount, then
 Addendum approved by: (check one category or both if appropriate)
 DNS Initialed by Inspector
 CBGA Initialed by CBGA Program Officer

7. Non Federal Funds Expended to Complete Rehab: \$ 0

8. Final passing Lead (Pb) Clearance date (from MHD): 3/30/2007

9. INSPECTION:
 The above property was inspected by Department of Neighborhood Services (DNS) and found to be sub-standard prior to rehabilitation assistance being provided with Federal HOME or Community Development Block Grant funds. A DNS scope of work was issued dated 6/27/2006 and all observable code violations pertaining to Section 8 Housing Quality Standards, State of Wisconsin Uniform Dwelling Code and City of Milwaukee Code of Ordinances were identified.
 The rehabilitation work undertaken with HOME or Block Grant assistance has been completed and the housing unit was re-inspected on (date) 09/27/2007. All code violations cited on the DNS scope of work and assigned to the above agency have been corrected.
 Documentation taken pertaining to these inspections and the information provided on this form are on file at DNS.
 Agency Work Completed: INFORMATION REMOVED FOR PRIVACY Date: 5-7-07
 Agency Signature
 Re-inspected/Completion verified
INFORMATION REMOVED FOR PRIVACY Date: 5-24-07
 DNS Inspector Signature

CDBG

CDA-38 Revised 2-19-04

EU 5/16/07 *2007 Completion*

In fact, no City document states HQS as a rehabilitation standard and the City contends that all of its HOME funded activities are subject to local code. The City has its own local code and does not utilize HQS as rehabilitation standard for any HOME funded activity. The City informed IG staff of this fact on numerous occasions, including the exit conference on September 18, 2007.

Ref to OIG Evaluation

Auditee Comments

Comment 3

OIG Draft Audit Report
CDGA Response

This adaptation of a City document by the OIG renders many of the identified "deficiencies" inaccurate and makes the inspection methodology (Housing Choice Voucher Program Inspection Reports) flawed. As such, the City requests that all HQS related deficiencies be deleted from the final audit report.

It should be noted that all of the units referenced in the draft report were built prior to the existence of Wisconsin's Uniform Dwelling Code adopted in 1981. The codes that were in effect back in 1890-1950 were far less stringent. By today's standards, these buildings have many existing non-conforming conditions. An example is an existing stairway where the rise and run of the stairs is not in compliance with today's code.

The City codes don't require that the stairway be torn out and replaced. The City allows it to remain. It would be unreasonable and cost prohibitive for the City's housing programs to require every existing non-conforming situation to be corrected.

The audit reviewed owner occupied properties. The families are living in, and using the property everyday. Even under normal wear and tear, repaired items may not last. The neighborhoods the City housing programs work in are difficult. It is not an uncommon occurrence to find recently completed work damaged or destroyed within a day or two. Broken windows, broken railings, damaged flooring, plaster/wall damage, broken door locks and knobs happen regularly.

Requested Action on #2: Removal of items in the report that are cited as deficiencies due to the use by the OIG Inspector of HQS standards.

Comment #3: Several electrical deficiencies were noted in the draft report.

Response: Electrical Outlets/GFCI protection - The City code does not require the replacement or rewiring of electrical outlets when they are operating properly. This includes outlets that may be located above a counter top or in a bathroom. The code does not require that a currently ungrounded outlet be provided with grounding protection. The MCO 275-62-1 requires at least 2 outlets or one light and one outlet be supplied to kitchens, living rooms, dining rooms, bedrooms, laundry rooms, etc. It also requires that those outlets be properly installed. This means that when the outlet or light was installed it must be installed properly. Electrical code requirements at the time of original installation apply. In the case of these old houses, the outlets were "properly" wired when they were installed many years ago. If the installation was an ungrounded installation, there is no requirement to upgrade this outlet to today's code. However, if an ungrounded outlet is found to be defective and requires replacement, the code does allow the electrician to install a GFCI receptacle as an alternative to rewiring the entire circuit to provide a grounding conductor.

Comment 4
Comment 5
Comment 6
Comment 7

Ref to OIG Evaluation

Auditee Comments

**Comments 4, 5,
6, 7**

OIG Draft Audit Report
CDGA Response

Requested Action on #3: Removal of cited deficiencies that relate to this item from the report as it does not apply.

Comment # 4: Items not on original scope of work

Comment 8

Response: A few of the property reports note that an item was not on the scope of work but existed prior to the initial inspection. How was this determined?

**Comments 6, 7,
8**

In some cases homeowners/occupants make changes to their properties after the housing agency completes the project. Homeowners are encouraged to continue maintaining their properties. In some cases, free paint is provided to interested homeowners. The City's housing programs cannot be held responsible for homeowner/occupant activities that occur after the project is completed. For example, page 7 of the report shows a photo (Project#7826), and states that the outlet is missing a cover plate and exposing electrical contacts. In fact, the photo illustrates that the owner was in the process of painting and had temporarily relocated the outlet cover to the floor.

The following reflects a summary of the inspection deficiencies noted by the OIG and our requested action/disposition for each component.

Comment 7

American Dream Downpayment Initiative(ADDI):
(Refer to Attachment 1 for further details)

Total Deficiencies noted by OIG draft report:	9
Total Deficiencies requested for deletion from draft report:	8

Total remaining Deficiencies:	1
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Requested Action: The City requests the deletion of 8 items that are listed as Deficiencies on the summary chart due to the reasons noted on the chart.

The City concurs with the noted Deficiency for Project 8284 – Line Item 4.3 and will ensure a timely correction of the Deficiency.

Comment 6

Owner-Occupied Neighborhood Improvement Program(NIP)
(Refer to Attachment 2 for further details)

Total Deficiencies noted by OIG draft report	54
Total Deficiencies requested for deletion from draft report	42
Total remaining Deficiencies	12

Ref to OIG Evaluation

Auditee Comments

Comment 6

OIG Draft Audit Report
CDGA Response

Requested Action: The City requests the deletion of 42 items that are listed as Deficiencies on the summary chart due to the reasons noted on the chart.

The City concurs with the noted Deficiencies for projects as listed on the chart and will ensure a timely correction of the Deficiencies.

DCD-Owner Occupied Housing Rehabilitation Program
(Refer to Attachment 3 for further details)

Comment 6

Total Deficiencies noted by OIG draft report	100
Total Deficiencies requested for deletion from draft report	72
Total remaining Deficiencies	28

Requested Action: The City requests the deletion of 72 items that are listed as Deficiencies on the summary chart due to the reasons noted on the chart.

The City concurs with the noted Deficiencies for projects as listed on the chart and will ensure a timely correction of the Deficiencies.

Comment #5: The OIG report states that the City needs to improve controls over its contracting processes for projects and specifically states on page 12 of the report that the City “failed to ensure that agencies complied with HUD’s regulations and the City’s requirements regarding the procurement of housing rehabilitation services.”

Comment 9

Response: The City of Milwaukee complied with HUD procurement requirements in its housing rehabilitation services.

The City includes both the federal procurement regulations and its own contracting standards in the form of an agreement it enters into with subrecipients. The City’s procurement standards are much stricter than HUD’s with a threshold starting at \$5,000 while HUD’s is \$100,000. The City is in compliance with HUD procurement regulations, but is being cited for its own stricter City standards.

The City strives for best practices in an attempt to facilitate a fair and cost effective process which provides many benefits to the HOME program. In addition, the City is better able to capture data on smaller contracts that involve disadvantaged, women and minority-owned enterprises, which would otherwise be difficult to obtain. Not all subrecipients are sophisticated entities and some have inexperienced or changing staff. For example, the use of a contractor’s letterhead in lieu of a signature on a bid quote is a common practice in the business community. This is not a major deficiency and the dollar amounts are extremely small given the magnitude of subcontracts involved.

Ref to OIG Evaluation

Auditee Comments

OIG Draft Audit Report
CDGA Response

Although the City expects and encourages subrecipients to become familiar with and follow its procurement policies, if these more rigorous standards are not met, the contract nonetheless still requires the subrecipients to comply, at a minimum, with the federally-mandated procurement standards for subrecipients of HOME and CDBG funds.

For example, the draft report states that the City and agencies were missing and/or had incomplete documentation with respect to 8 bids not signed, 6 bids missing, and 2 bids not dated. To avoid this sort of concern would require oversight of each individual procurement transaction. In a program with six subrecipients who enter into contracts for approximately 120 projects annually, it is unlikely that no minor oversight by a subrecipient will ever occur in a procurement transaction. The City engages in annual training to ensure that subrecipients understand and follow proper procurement procedures. It cannot ensure that human error will never occur. Rather, the City endeavors to provide standards, to educate its subrecipients to foster compliance, and to engage in appropriate corrections when necessary.

The baseline goal is to ensure that mandatory federal standards are met, and this goal has been successfully met in literally thousands of procurement transactions annually. It would be administratively difficult for CDGA staff to oversee each individual procurement transaction, either before the purchase is completed or by later reviewing documentation; due to the sheer volume of transactions. However, the City does review procurement by performing site audits of subrecipients on a regular basis, and when these audits uncover procurement issues, they are addressed.

For the reasons stated above, the City believes this issue warrants Concerns rather than a Finding. In addition, the City will continue to take the higher ground in utilizing its' stricter procurement standards rather than HUD standards. The City believes it's important that the process foster fairness and inclusiveness for community members.

City Remedial Action: The City will institute procedures to better ensure that all requirements are met. Moving forward, subrecipients will be required to submit all bid documentation prior to the disbursement of HOME funds. In addition, the agencies referenced in the report will be appropriately sanctioned by CDGA.

City Response to OIG Recommendations on Page 11:

1A. For reasons noted throughout the City's response to the draft report, the City does not concur with the statement that the projects failed to meet HUD or the City's standards. Furthermore, the City will ensure that applicable deficiencies as noted in the Attachments, will be corrected in a timely manner, realizing that a number of the deficiencies(such as smoke detectors lacking batteries), most likely occurred after the work was completed.

Comment 6

Comment 8

Ref to OIG Evaluation

Auditee Comments

**Comment 2
Comment 10**

OIG Draft Audit Report
CDGA Response

1B. The City does not concur with the OIG’s use of HQS methodology. Furthermore, in order to ensure continued code compliance in its housing programs, the City will implement random samplings of completed projects as part of its ongoing oversight and monitoring activities. This is in addition to the final inspections that are conducted on all properties receiving rehab assistance.

Comment 4

1C. The City will ensure that the deficiency that applies to the American Dream Downpayment Initiative(ADDI), will be corrected in a timely manner.

Comment 7

1D. The City does not concur with this recommendation as the deficiency that is noted(Activity Number 8311) is not applicable because the age of the home pre-dates whole house grounding which is not required by City Code unless the outlet is being replaced.

1E. The City does not concur with this recommendation as the deficiencies noted in the report are not applicable due to the reasons noted in Attachment 1. For example, Project #8284, Line Item# 2.12 notes “sewer connection at wall is too high.” In fact, this item references a garbage disposal that was installed improperly by the homeowner after the project was completed. The owner advised the OIG Inspector of this fact during the site visit. The City is not responsible for work completed by homeowners after project completion. As stated in 1C, the City will ensure that the deficiency that applies to the American Dream Downpayment Initiative(ADDI), will be corrected in a timely manner.

**Comment 7
Comment 6**

Summary

Of the deficiencies noted in the draft report, the City contends the following:

- 1) For the ADDI program, 90% of the noted deficiencies are not applicable.
- 2) For the Owner-Occupied Rehabilitation, 78% of the noted deficiencies are not applicable or have been corrected.
- 3) For the DCD Owner-Occupied Program, 72% of the noted deficiencies are not applicable or have been corrected.

Regarding the issue of procurement, as stated previously, the City will continue to take the higher ground in utilizing its’ stricter procurement standards rather than HUD standards. The City believes it’s important that the process foster fairness and inclusiveness for community members.

Moving forward, subrecipients will be required to submit all bid documentation prior to the disbursement of HOME funds. In addition, the agencies referenced in the report will be appropriately sanctioned by CDGA.

The City contends that the operational issues identified in the draft report can be adequately addressed in a “Closeout Memorandum” and do not rise to the level of an Audit Finding.

The City of Milwaukee requests your concurrence in these matters.

ATTACHMENT # 1

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 AMERICAN DREAM DOWNPAYMENT INITIATIVE PROGRAM

PROJECT ID #	Line Item	Item	CDGA Concurrence		CDGA Response and Suggested Remedy
			Yes	No	
8329	n/a	No Deficiencies Observed at This Property	X		CDGA Concurs with Inspector's Observations
8311	2.3	Open Ground on N. Wall Outlet		X	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
8284	2.12	Sewer Connection at Wall is too High		X	This item references a garbage disposal that was installed improperly by the homeowner after HOME project was completed. Owner advised IG Inspector of this fact during the site visit. CDGA is not responsible for work completed by homeowners after a HOME project is completed. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.7	Missing Duct Grille and Diffuser		X	This is an aesthetic/finish item and was temporarily removed by the seller to be sanded, painted, and returned to owner. Owner advised the IG appraiser of this during the site visit. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.3	Holes on Junction Box Covered with Tape	X		Holes should be plugged with approved material
8312	2.3	Non-GFCI Outlet above Counter		X	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.2	Open Ground on Outlet		X	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.3	Non-GFCI Outlet w/in 6 feet of sink		X	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.8	Mouse droppings near furnace		X	Code states that "Occupant shall be responsible for extermination of insects, rodents, or pests" Housekeeping is an occupant responsibility. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	8.3	Potential Mouse Infestation in Basement		X	Code states that "Occupant shall be responsible for extermination of insects, rodents, or pests" Housekeeping is an occupant responsibility. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

Comment 4

Comment 7

Comment 11

Comments 5, 7

**Comment 4
 Comments 5, 7**

Comments 7, 25

Comments 7, 25

Total Deficiencies Noted	9
Total Requested for Deletion	-8
Total Remaining Deficiencies	1

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 AMERICAN DREAM DOWNPAYMENT INITIATIVE PROGRAM

Ref to OIG Evaluation

Auditee Comments

ATTACHMENT 2

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 NEIGHBORHOOD IMPROVEMENT PROJECT-OWNER OCCUPIED HOUSING REHABILITATION PROGRAM

PROJECT ID #	Line Item	Item	CDGA Concurrence		CDGA Response and Suggested Remedy
			Yes	No	
7748	UK	Newly installed hatchway plywood door was not painted as required in the scope of work	x		Not on inspection checklist. Will have the door painted.
	UK	Repair or replace sections of wood soffit and fascia molding that have a hole in each		x	Not on inspection checklist. Section to be repaired not identified. Some fascia work was done and passed final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	1.4	Loose bottom hinge on closet door		x	Housing Quality Standard issue. Not required. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	2.13	Cabinets and countertop 2"-3" from walls		x	No work was performed behind or on cabinets, as indicated on the inspection report. Pitch in floor has caused cabinets and counter to separate from wall. This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.1	Loose Toilet moves		x	No work was performed on floor or toilet, as indicated on the inspection report, in 1st floor bath (only tub surround). This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.11	Loose lavatory not attached to wall		x	No work was performed on floor or pedestal, as indicated on the inspection report, in 1st floor bath (only tub surround). This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.3	Missing outlet cover		x	Will install outlet cover
	4.5	No window/Exhaust fan for ventilation		x	Existing non-conforming issue prior to code changes
	4.7	No handrail on stairway (basement)		x	Will install or reinstall handrail.
	4.8	Hole near top thread of stairway		x	Not on original scope. Not a code violation
	4.8	Loose board, third tread from bottom (basement)		x	Will repair as needed
	4.7	Abandon flue still open to Chimney		x	Will remove old flue and plug hole
	2.8	New floor tile lifting from floor		x	Will reinstall kitchen floor tiles
	2.1	Burners do not ignite, pilot lights out		x	Appliances are not part of the NIP. This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
7813	3.3	GFCI does not trip, stays on		x	Code does not require the testing of all outlets in a dwelling unit, a representative sample is taken. Only work repaired is subject to the code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.1	Loose lavatory not attached to wall		x	No work was performed on flooring or vanity. This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

Comment 13

Comment 3

Comments 8, 12

Comments 8, 12

Comments 8, 12

Comments 4, 22

Comment 3

Comment 4

Comments 8, 12

Ref to OIG Evaluation

Auditee Comments

Comment 4

Comment 3

Comment 4

Comments 8, 12

Comment 4

Comment 3

Comment 14

Comment 4

Comment 3

Comment 3

**Comments 4, 6
Comments 8, 12**

Comment 3

Comment 3

ATTACHMENT 2

	4.3 Unsecured junction box	x	Cover on junction box should be secured
	7.4 No pressure valve discharge pipe	x	Pressure relief valve discharge pipe should be installed on basement water heater
7881	1.3 Reversed hot/neutral on wall outlet	x	Code does not require the testing of all outlets in a dwelling unit, a representative sample is taken. Only work repaired is subject to the code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	1.4 Cracked glass pane in door	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	2.3 GFCI does not trip	x	Code does not require the testing of all outlets in a dwelling unit, a representative sample is taken. Only work repaired is subject to the code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.1 Loose Toilet moves	x	No work was performed on sewer line or toilet, as indicated on inspection report. This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.3 Reversed hot/neutral on wall outlet	x	Code does not require the testing of all outlets in a dwelling unit, a representative sample is taken. Only work repaired is subject to the code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	4.3 (2) Unsecured junction boxes	x	Covers on junction box will be secured
	4.5 Cracked glass pane on N wall window (basement)	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
UK	Replace a damaged metal shielded wire in the attic that has been wrapped in electrical and masking tape	x	Not on inspection checklist. Section to be repaired not identified. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	6.3 Unfinished ridge on N bay window roof	x	Roof ridge will be installed over N bay window
	1.3 Open ground on outlet	x	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	1.5 Cracked glass on E window	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	2.8 Damaged wall type grille on floor	x	Will install a floor grill on kitchen floor vent
	2.1 Range sits too low & scorches counter	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.3 (2) non-GFCI outlets & open ground (bathroom)	x	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
UK	Replace bathroom lavatory/vanity top with new one.	x	This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	3.4 Inside door knob does not work (bathroom)	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
7826	3.11 Hole in lavatory bowl	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

Ref to OIG Evaluation

Auditee Comments

- Comment 3**
- Comment 3**
- Comments 4, 22**
- Comment 3**
- Comment 15**
- Comment 8**
- Comment 3**
- Comments 3, 8, 12**
- Comment 3**
- Comments 8, 12**
- Comment 15**
- Comments 8, 12**
- Comment 4**
- Comments 8, 16**
- Comment 4**
- Comment 17**
- Comment 17**
- Comment 17**

ATTACHMENT 2		
	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.4 (2) Loose door jam with gaps / no trim	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.8 Loose TV cable across doorway	x	Will install outlet cover
4.3 Missing outlet cover plate	x	Will plug hole in junction box
4.3 Hole in junction box	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.5 Cracked glass pane at dryer vent	x	Not known if it is Asbestos - NOT FRIEABLE CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.6 Potential Asbestos on heating ducts	x	Not on initial scope, inspection report indicates that damage "may have been pre-existing or resulted from contractor's work on nearby gutters." Not apparent at final DNS inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
6.4 Siding peeled back from S wall	x	
2.4 Gaps at rear door, air infiltration	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
2.1 L/F & R/R burners do not ignite (stove)	x	Appliances are not part of the NIP. This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
3.4 Loose door knobs	x	Housing Quality Standard issue. Not Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
7827		
3.1 Torn padded toilet seat	x	Not on original scope. This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.6 Potential Asbestos on old pipes	x	Not known if it is Asbestos - NOT FRIEABLE CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.8 Floor covered in cat feces	x	This is a homeowner maintenance issue. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
1.3 Reversed hot/neutral on wall outlet	x	Code does not require the testing of all outlets in a dwelling unit, a representative sample is taken. Only work repaired is subject to the code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
2.3 Defective light switch	x	Not on original scope. Homeowner stated that the switch had failed recently.
7901		
3.3 Open ground on Non-GFCI outlet	x	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
4.3 Missing outlet cover	x	Work was addressed and completed following day after inspection
4.4 Detached closet door hinge	x	Work was addressed and completed following day after inspection
4.3 Broken outlet	x	Work was addressed and completed following day after inspection
Total Deficiencies Noted	54	
Total Requested for Deletion	42	
Total Remaining Deficiencies	12	

Ref to OIG Evaluation

Auditee Comments

ATTACHMENT # 3

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 DEPARTMENT OF CITY DEVELOPMENT OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

Comment 4

Comment 4

Comment 4

Comment 4

Comments 8, 18

Comment 19

Comment 4

Comment 17

Comment 4

Comment 17

Comment 4

PROJECT ID #	Line Item	Item	CDGA Concurrence		CDGA Response and Suggested Remedy
			Yes	No	
8220	A	A receptacle in the kitchen has reversed hot/neutral contacts		1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	A receptacle in the bedroom has reversed hot/neutral contacts		1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	Left/front bedroom has a receptacle with open ground		1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	Right/front bedroom has a receptacle with open ground		1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	C	The stairway to the basement from ground level needs a handrail		1	Handrail was present at the time of final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	D	The basement bathroom does not have either a window or an exhaust fan for ventilation		1	This is a non-functional bathroom installed by the homeowner and is being used as storage space by the owner. Installation of ventilation is not required by code and would be an unjustifiable use of Federal funds. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	E	A newly installed GFCI receptacle in the 2nd floor bathroom was not grounded.		1	Age of home pre-dates whole house grounding. A GFCI outlet is designed to protect the occupant (s) from shock hazard in lieu of grounding. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
7987	F	A kitchen wall was cut open to install a new electric line. The hole, approx 4"x20" was not repaired at the conclusion of the electrical work.		1	Hole was repaired by the contractor shortly after the IG's inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	The first floor does not have a smoke detector	1		Smoke detectors will be installed in all required locations (free of charge) by the Milwaukee Fire Department.
	B	Reversed hot/neutral contacts on 2 front bedroom receptacles on the 2nd floor		2	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	C	A new double window that was installed in the living room was left not completed on the interior....		1	Contractor properly installed trim shortly after the IG's inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Open ground on receptacle in the living room (1st floor)		1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 DEPARTMENT OF CITY DEVELOPMENT OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

Ref to OIG Evaluation

Auditee Comments

Comment 4

Comment 4

Comment 4

Comment 4

Comment 4

**Comments 5, 6
Comments 5, 6**

Comments 5, 6

Comment 6

Comments 8, 18

**Comments 8, 18
Comment 17**

Comment 17

Comment 15

ATTACHMENT # 3

	A	(2) Open ground on GFCI receptacles in the kitchen (1st floor)	2	Age of home pre-dates whole house grounding. A GFCI outlet is designed to protect the occupant (s) from shock hazard in lieu of grounding. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	GFCI receptacle in the bathroom does not trip (1st floor)	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
7886	A	Open Ground on the receptacle in the living room (2nd floor)	1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	(2) Open ground on GFCI receptacles in the kitchen (2nd floor)	2	Age of home pre-dates whole house grounding. A GFCI outlet is designed to protect the occupant (s) from shock hazard in lieu of grounding. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Open ground on GFCI receptacle in bathroom (2nd floor)	1	Age of home pre-dates whole house grounding. A GFCI outlet is designed to protect the occupant (s) from shock hazard in lieu of grounding. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Non GFCI receptacle above counter in kitchen	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Non GFCI receptacle above counter in bathroom (2nd floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Non GFCI receptacle above counter in bathroom (2nd floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	No smoke detector within 6 ft of sleeping area	1	Smoke detectors will be installed in all required locations (free of charge) by the Milwaukee Fire Department.
8156	C	No handrail on interior stairway from first floor level to basement	1	Handrail was present at the time of final inspection. During the IG's inspection, the IG Appraiser was informed by the homeowner that he removed the rail after the rehabilitation was completed. The homeowner showed the handrail to the IG Appraiser. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	D	A basement window has broken glazing which allows rain and vermin to enter	1	Reinspection of 9-21-2007 indicates all glazing is in good condition. HUD Appraiser may have been referring to a broken window which was not broken at Final Inspection. Owner will replace broken glass. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	E	A lamp mounted on a basement wall is broken and is hanging from its wires.	1	No damage to the lamp was present at the time of the final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	1	Window stop has bare wood and not finished (1st floor bedroom)	1	Reinspection of 9-21-2007 indicates that all bare wood has been finished
	1	Window stop has bare wood and not finished (2nd floor bedroom)	1	Reinspection of 9-21-2007 indicates that all bare wood has been finished
	5	Bathrooms on both floors have windows for ventilation, therefore exhaust fans were not required.	1	As a PJ in EPA Region # 5 it is common practice to install ventilation fans due to the persistent inclement weather and sub-zero temperatures of this region. The installation of ventilation fans is a HOME eligible activity. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

CITY OF MILWAUKEE - CDGA
RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
DEPARTMENT OF CITY DEVELOPMENT OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

PAGE 2 OF 6

Ref to OIG Evaluation

Auditee Comments

Comment 4

Comment 4

Comments 5, 6

Comments 5, 6

Comments 8, 17, 18

Comment 6

**Comment 4
Comments 5, 6**

Comment 4

Comment 4

Comment 20

ATTACHMENT # 3

8069	A	Reversed hot/neutral contacts on receptacle in kitchen on 1st floor	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Reversed hot/neutral on receptacle in living room on 2nd floor	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	(2) Non GFCI receptacles above the counter-top in the kitchen	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	Non GFCI receptacle in the bathroom	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	C	Unsecured cover on former fuse box in basement, being used as a junction box	1	Cover will be secured
	D	The smoke detector on the 2nd floor needs to be relocated to within 6 feet of bedroom area	1	Smoke detectors will be installed in all required locations (free of charge) by the Milwaukee Fire Department.
	E	The stairway to the basement from ground level does not have a handrail	1	Handrail was present at time of final inspection. Reinspection of 9-21-2007 indicates that the handrail has been reinstalled by homeowner. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
8066	A	Exterior painting not completed per scope of work	1	The item regarding exterior painting was deleted from the scope of work at the request of the owner before the contract was signed. The contract price was reduced accordingly. Documentation of this change was not in the file, but is available upon request.
	B	Railing posts on porch are rusted and loose	1	Railing will be repaired
	C	Tuckpointing needed at left front corner of foundation wall	1	Minor tuckpointing to be done.
	D	A receptacle in the living room has an open ground	1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	E	Non GFCI receptacle above the kitchen countertop	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	F	GFCI in bathroom in incorrectly wired and does not trip	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	G	Reversed hot/neutral contacts in receptacle in center bedroom	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	H	Water heater flue in basement slopes downward reducing ability of fumes to be drawn out	1	Condition of flue will be corrected
	I	Floor joist beneath kitchen, cut to less than half its original depth for plumbing is also deteriorated from moisture	1	No plumbing was done at this property. This an existing non-conforming condition that does not pose a threat to the safety of the occupants. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 DEPARTMENT OF CITY DEVELOPMENT OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

PAGE 3 OF 6

Ref to OIG Evaluation

Auditee Comments

**Comments 5, 6
Comments 5, 6**

Comment 21

Comments 5, 6

**Comments 5, 6
Comments 5, 6**

**Comments 5, 6
Comments 5, 6**

Comment 17

Comment 4

**Comment 4
Comment 18**

**Comment 22
Comment 4**

Comment 4

ATTACHMENT # 3

8113	A	Non GFCI receptacle in kitchen counter	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Non GFCI receptacle in bathroom	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	Deadbolt on the kitchen door is operated from the inside with a key	1	This is allowable in a single-family dwelling. Appraiser incorrectly interpreted City code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	C	Main fuse box has an unsecured cover	1	Cover will be secured
	2	2 soffit areas were not stained and varnished to match existing soffit	1	Work items will be completed
	4	Storm windows were not repaired or replaced as indicated on the scope	1	Storm windows will be repaired or replaced
	4	2 wood storm windows on the 2nd floor are warped and have deteriorated edges that prevent proper closure	1	Storm windows will be repaired or replaced
	A	Non GFCI receptacle in kitchen (1st floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
7943	A	Non GFCI receptacle in bathroom (1st floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Non GFCI receptacle in kitchen (2nd floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Non GFCI receptacle in bathroom (2nd floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	Non GFCI receptacle in master bathroom (2nd floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	C	Flue for 1st floor furnace has rusted and has holes in it	1	This item has been repaired by DCD. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	A former fuse box is being used as a junction box and has an unsecured cover	1	Cover will be secured
	A	Reversed hot/neutral contacts on receptacle in dining room	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	A	Reversed hot/neutral contacts on receptacle in front bedroom	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	B	A receptacle in the rear bedroom is missing the cover plate	1	Cover plate was intact at time of final inspection, but will be replaced
	C	The closet door in the front bedroom has no door handles	1	Closet door handles are not required by Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	D	(2) Receptacles with open ground in the living room	2	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	D	Receptacle with open ground in the kitchen	1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 DEPARTMENT OF CITY DEVELOPMENT OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

PAGE 4 OF 6

Ref to OIG Evaluation

Auditee Comments

**Comment 4
Comment 4**

Comment 23

Comment 6

Comment 8

**Comments 5, 6
Comment 4**

**Comments 8, 18,
24**

**Comments 8, 18,
Comments 8, 18,
24**

Comment 6

ATTACHMENT # 3

7898	D	Receptacle with open ground in the center bedroom	1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	E	A receptacle cover with a broken cover plate in the den	1	Cover plate was intact at time of final inspection, but will be replaced
	F	No smoke detector within 6 feet of the center bedroom	1	Smoke detectors will be installed in all required locations (free of charge) by the Milwaukee Fire Department.
	G	Door to center bedroom drags, causing it to delaminate (2nd floor)	1	Door will be repaired or replaced as needed.
	H	Attic (containing exercise equipment) has no smoke detector	1	Attic being used for storage and is neither heated nor living space. Smoke detectors are not required, per Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	I	(2) Stairways to attic need handrails and guardrails around the openings	2	Hand and guardrails will be installed.
	J	No smoke detector in the basement	1	Smoke detectors will be installed in all required locations (free of charge) by the Milwaukee Fire Department.
	K	Water heater serving the 2nd floor has no pressure relief valve discharge pipe	1	Discharge pipe will be installed
	L	Former fuse box being used as a junction box is unsecured	1	Cover will be secured
	A	Newly installed windows on 2nd floor not well sealed	1	Windows will be resealed
	B	External front entrance door has gaps because the frame is not plumb or square	1	Front entry door has been weather stripped to correct this condition
	C	An under cabinet lamp fixture in the kitchen is rusted and hanging unsupported, exposing wiring	1	Item was intact at time of final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	D	A receptacle above the kitchen counter-top is not a GFCI	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	E	A receptacle in the rear bedroom has an open ground	1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
F	A light fixture on the bathroom ceiling is not properly installed with exposed wiring	1	Damage caused by homeowner who began the remodel of his home after the final inspection. The homeowner advised the IG Appraiser of this fact during the property inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY	
G	Waste line on kitchen sink leaks and is improperly connected	1	Waste line was intact and did not leak at the time of the final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY	
H	The toilet bowl is loose	1	Damage caused by homeowner who began the remodel of his home after the final inspection. The homeowner advised the IG Appraiser of this fact during the property inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY	
I	Bathroom walls are plywood and not impervious to moisture	1	Damage caused by homeowner who began the remodel of his home after the final inspection. The homeowner advised the IG Appraiser of this fact during the property inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY	

Ref to OIG Evaluation

Auditee Comments

Comments 18, 24

Comment 8

Comment 4

Comment 4

Comment 4

Comments 5, 6

Comment 4

Comment 4

Comments 8, 18

ATTACHMENT # 3

8114	J	Ceiling paint peeling with exposed wood lath in bathroom	1	Damage caused by homeowner who began the remodel of his home after the final inspection. The homeowner advised the IG Appraiser of this fact during the property inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	K	Heating duct on dining room wall is missing a grill	1	Item was present at the time of the final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	L	Receptacle with reversed hot/neutral connections in the living room (2nd floor)	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	L	Receptacle with reversed hot/neutral connections in the dining room (2nd floor)	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	L	Receptacle with reversed hot/neutral connections in the front bedroom (2nd floor)	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	M	A vanity lamp mounted receptacle is not a GFCI (2nd floor)	1	Outlet predates GFCI requirement. Code does not require that this outlet be GFCI unless it is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	N	No smoke detector within 6 feet of the center bedroom (2nd floor)	1	Smoke detectors will be installed in all required locations (free of charge) by the Milwaukee Fire Department.
	O	The toilet bowl is loose (2nd floor)	1	Fastening nuts will be retightened.
	P	Receptacle has open ground	1	Age of home pre-dates whole house grounding - not required by City Code unless outlet is being replaced. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	Q	Receptacle has reversed hot/neutral contacts	1	Code does not require the testing of all outlets in a dwelling unit. Only work repaired is subject to the Code. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	R	Former fuse box being used as a junction box is unsecured	1	Cover will be secured
	R	Junction box marked "furnace" is not secured	1	Cover will be secured
	S	Water heater serving the 2nd floor has no pressure relief valve discharge pipe	1	Discharge pipe was present at the time of the final inspection. CDGA REQUESTS THAT THIS ITEM BE REMOVED AS A DEFICIENCY
	T	Stairway from ground level to the basement has no handrail	1	A handrail will be installed

Total Deficiencies Noted	100
Total Requested for Deletion	72
Total Remaining Deficiencies	28

CITY OF MILWAUKEE - CDGA
 RESPONSE TO INSPECTOR GENERAL INSPECTION FINDINGS
 DEPARTMENT OF CITY DEVELOPMENT OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

OIG's Evaluation of Auditee Comments

- Comment 1** We did not interchangeably use HUD's and the City's standards. We stated that the City's projects and activities did not meet HUD's and/or the City's standards. We provided our inspection reports to the director of the City's Administration. The inspection reports detailed the standards in which the City's projects and activities did not meet.
- Comment 2** We revised the subject of the report to state the City needs to improve existing controls over its Program regarding housing conditions and contracting.
- Comment 3** We paraphrased the City's neighborhood improvement project handbook (handbook). Section V, paragraph H.3.a, of the City's handbook, dated November 2005, contains a final inspection form, form CBGA-36, Housing Assistance Plan. The final inspection form states that the Department of Neighborhood Services' scope of work was issued and all observable code violations pertaining to HUD's housing quality standards, the State of Wisconsin's Uniform Dwelling Code, and the City's Code of Ordinances were identified and that all the code violations cited in the Department of Neighborhood Services' scope of work have been corrected. The City's Department completed a final inspection form for each project. Therefore, the City's Department was required to include and correct all observable deficiencies pertaining to HUD's housing quality standards in its scopes of work.
- Comment 4** The City's Code of Ordinances, volume II, chapter 275-62-3, state that when an electrical system in a structure constitutes a hazard due to inadequate service, improper fusing, insufficient outlets, improper wiring or installation, deterioration or damage, or for similar reasons the defects shall be corrected to eliminate the hazard.
- Comment 5** We revised the report by removing references to outlets not being ground fault circuit interrupter outlets.
- Comment 6** We revised the report to state that the 16 projects inspected had a total of 132 deficiencies, including 79 which were considered health and safety deficiencies. Either the agencies or the City's Department noted 9 of the 132 deficiencies in the scopes of work for four of the 16 projects. In addition, it used \$3,513 in Program funds to pay for housing rehabilitation work contained in the scopes of work that was improperly performed (\$3,236) or that was not provided (\$277).

We also revised the report to state that the improper work and/or work not provided existed in 11 of the 16 projects. Our appraiser estimated that the 16 projects needed more than \$12,000 in required repairs to meet HUD's and the City's standards.

Recommendation 1B in this audit report was revised to reflect these revisions.

Comment 7 We revised the report to state that three of the houses inspected had six deficiencies, including five which were considered health and safety deficiencies.

We also revised the report to state one of the houses was considered to be in material noncompliance since it had multiple preexisting deficiencies. The City provided \$5,500 in downpayment, closing costs, and homebuyer counseling for the activity. The City also recorded a property lien against the property for the amount of Initiative funds provided.

We also remove from the report that our appraiser estimated that the two houses needed more than \$500 in required repairs to meet HUD's standards.

Recommendations 1C and 1D in this audit report were revised to reflect these revisions.

Comment 8 Our appraiser, who is a licensed architect, determined that the deficiencies existed prior to the rehabilitation work being completed based on his experience and professional determination and discussions with household members who were present during our inspections.

Comment 9 The City did not comply with HUD's regulations regarding the procurement of housing rehabilitation services.

Comment 10 The random sampling of completed projects for monitoring, if implemented, should assist in ensuring that projects meet HUD's and the City's standards.

Comment 11 The homebuyer did not inform our appraiser that the duct grille and diffuser were being sanded, painted, and returned to the homebuyer. Further, the City did not provide documentation to support that the duct grille and diffuser were being sanded, painted, and returned to the homebuyer.

Comment 12 HUD's regulations at 24 CFR [*Code of Federal Regulations*] 92.251(a)(1) state that housing rehabilitated with Program funds must meet all applicable local codes, rehabilitation standards, and ordinances at the time of project completion. Section 92.251(a)(2) states that housing acquired with Program funds must meet all applicable state and local housing quality standards and code requirements.

Comment 13 The hole in the soffit was on the south side of the house.

Comment 14 The damaged metal shielded wire was for the overhead light in the attic.

Comment 15 Although our appraiser noted the items in the inspection reports for the projects, our appraiser did not include the items as deficiencies.

Comment 16 The City did not provide documentation supporting that the switch had recently failed.

- Comment 17** The City did not provide documentation to support that the deficiencies were addressed after our inspections.
- Comment 18** The City did not provide documentation supporting that the deficiencies did not exist at the time of the City's final inspections.
- Comment 19** The City's Code of Ordinances, volume II, chapter 275-42-3, state that every bathroom and toilet room shall have at least one window which can be opened or an adequate mechanical ventilation system.
- Comment 20** The City's Code of Ordinances, volume II, chapter 275-33-1, state that the interior of a structure shall be maintained by the homeowner in a structurally sound condition so as not to pose a threat to the health and safety of the household.
- Comment 21** We should have cited the City's Code of Ordinances, volume II, chapter 275-33-7.a., which state that no owner of a single family dwelling that has two or more means of egress from the dwelling shall reduce or permit to be reduced the number of means of egress from the dwelling to less than two.
- Comment 22** The City's Code of Ordinances, volume II, chapter 275-33-6, state that every interior door, door hinge, and door latch shall be maintained in a good state of repair.
- Comment 23** The City states that it does not concur with the deficiency, but agreed to address the deficiency.
- Comment 24** The homeowners were not present during the inspections and did not inform our appraiser that the deficiencies were caused by the homeowners.
- Comment 25** This is not a preexisting deficiency.

Appendix C

FEDERAL REGULATIONS AND THE CITY'S REQUIREMENTS

Finding 1

Section III of the City's 2006 Program memorandum of understanding between the City's Administration and Department states that the Department agrees that all expenditures of Program funds shall comply with all federal, state, and local laws and regulations governing the use of Program funds, including all federal regulations set forth at 24 CFR [*Code of Federal Regulations*] 92.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 92.251(a)(1) state that housing rehabilitated with Program funds must meet all applicable local codes, rehabilitation standards, and ordinances at the time of project completion. The participating jurisdiction must have written rehabilitation standards to ensure that housing assisted with Program funds is decent, safe, and sanitary. Section 92.251(a)(2) states that housing acquired with Program funds must meet all applicable state and local housing quality standards and code requirements.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 92.504(a) state that a participating jurisdiction is responsible for managing the day-to-day operations of its Program, ensuring that Program funds are used in accordance with all Program requirements and written agreements, and taking appropriate action when performance problems arise. The use of subrecipients or contractors does not relieve the participating jurisdiction of this responsibility.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 92.551(c) state that HUD's corrective and remedial actions for a performance deficiency (failure to meet a provision of 24 CFR [*Code of Federal Regulations*] Part 92) will be designed to prevent a continuation of the deficiency; mitigate, to the extent possible, the deficiency's adverse effects or consequences; and prevent the deficiency's recurrence. Section 92.551(c)(1) allows HUD to instruct a participating jurisdiction to submit and comply with proposals for action to correct, mitigate, and prevent a performance deficiency, including reimbursing its Program Investment Trust Fund for any amount not used in accordance with the requirements of 24 CFR [*Code of Federal Regulations*] Part 92.

Chapter XXXV, paragraph B.1., of the City's 2006 Program contracts for services, states that the agencies agree to follow the operating procedures in the City's handbook regarding the use of Program funds.

Section V, paragraph H.3.a, of the City's handbook, dated November 2005, contains a final inspection form, form CBGA-36, Housing Assistance Plan, which states that all observable deficiencies pertaining to HUD's housing quality standards, the State of Wisconsin's Uniform Dwelling Code, and the City's Code of Ordinances were identified and corrected.

Section VI, paragraph J.2, of the City's handbook states that in July 2000, the City's Department of Neighborhood Services published the technical specification and performance standard. The City's Administration adopted the technical specification and performance standard and required all City-funded rehabilitation programs to adhere to the technical specification and performance standard.

Finding 2

Chapter XXIX, paragraph C, of the City's 2006 Program contracts for services requires the agencies to comply with all applicable provisions of 24 CFR [*Code of Federal Regulations*] 85.36 relating to procurement procedures with federal grant funds. Chapter XXXV, paragraph B, states that the agencies agree to follow the operating procedures in the City's handbook regarding the use of Program funds.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 85.36(b)(9) require grantees and subgrantees to maintain records sufficient to detail the significant history of a procurement, such as the rationale for the method of procurement and the basis for the contract price.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 85.36(c)(1) state that all procurement transactions will be conducted in a manner providing full and open competition.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 85.36(d)(1) state that when procurement by small purchase is used, price or rate quotations will be obtained from an adequate number of qualified sources.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 92.251(a)(1) state that housing rehabilitated with Program funds must meet all applicable local codes, rehabilitation standards, and ordinances at the time of project completion.

Chapter XXIX, paragraph A, of the City's 2006 Program contracts for services requires the agencies to adhere to the following procurement procedures:

- ❖ For contracts less than \$5,000, an agency must document that it contacted at least three bonafide sources and selected the source that provides the most appropriate product at a price most reasonable for the project.
- ❖ For contracts from \$5,000 through \$25,000, an agency must request proposals from at least three bonafide sources. Requests for proposals must be in writing. Copies of all bids received and a bid tabulation sheet that justifies the selected contractor must be maintained for each project. For a bid to be acceptable, it must be signed and dated.
- ❖ For contracts greater than \$25,000, all requests for proposals must be advertised in either the Milwaukee Journal Sentinel or The Daily Reporter. Copies of all bids received and a bid tabulation sheet that justifies the selected contractor must be maintained for each project. For a bid to be acceptable, it must be signed and dated.

Section V, Paragraph A.2., of the City's handbook states that agencies are required to have a written procurement policy. The City's Program contracts for services outline the proper bid

procedures and procurement policies. Copies of all bid solicitations, received bids, selection procedures, and all contracts must be kept in the agencies' files.