



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

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The Honorable David O. Meeker, Jr.
Assistant Secretary for Community
Planning and Development
Department of Housing and Urban
Development

Dear Mr. Meeker:

In 1972 Congressman Ben B. Blackburn requested that we review the administration of the rehabilitation loan and grant programs in Atlanta, Georgia. We issued our report covering this review on July 25, 1973 (B-171500). Among other things we reported:

- weaknesses in the contracting procedures and practices,
- shortcomings in final inspections of rehabilitation work by Atlanta Housing Authority (AHA) inspectors,
- that work statements, a part of rehabilitation contracts, did not clearly identify the work to be done and that some work statements did not require repairs needed to bring properties up to the established rehabilitation standards, or required unnecessary repairs, and
- that HUD did not effectively monitor AHA's administration of the rehabilitation program.

We made a follow-up review of the administration of the rehabilitation loan and grant programs in Atlanta, Georgia, to determine (1) whether the previously reported deficiencies were corrected by AHA, and (2) if HUD's monitoring of the program had improved. We found that AHA and HUD had substantially improved their administration of the programs. However, we noted a few instances where further improvements could be made and AHA officials agreed to adopt our suggestions relating to such improvements.

We made our follow-up review at HUD headquarters in Washington, D.C.; at its regional and area offices in Atlanta; and at AHA headquarters and its rehabilitation project offices. We examined records on the administration of the rehabilitation loan and grant programs in Atlanta.

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We also interviewed HUD and AHA officials and AHA project office rehabilitation personnel. We observed AHA and HUD area office inspections of work in progress and completed work. We also observed HUD area office inspections of several properties before rehabilitation work started. The results of our follow-up review are discussed below.

ADEQUACY OF CONTRACTING PROCEDURES AND PRACTICES

Our previous report stated that contractors were not given an equal opportunity to participate in the rehabilitation work, contract files were incomplete, contractors barred from working in one project area were allowed to work in another project area, contracting procedures were not adequate to insure that all work was completed on time, work statements were changed without written contract amendments, and cost estimates were not adequately safeguarded. We suggested that AHA establish written contracting procedures, centralize control over selection of contractors to be sent invitations to bid, require that changes in rehabilitation work be made only by written contract amendment, and require that cost estimates be properly safeguarded. AHA had initiated or planned action on our suggestions for improvement.

Our follow-up review showed that the actions taken by AHA were, for the most part, effective in correcting the deficiencies.

Bidding practices

For the purpose of insuring that contractors were given equal opportunity to bid on jobs estimated to cost less than \$10,000, AHA established centralized control over selection of contractors to be sent invitations to bid. Jobs estimated to cost \$10,000 or more were formally advertised; therefore, all interested contractors could submit bids. Centralized control over bid solicitation was maintained for approximately a 6-month period; then control of this function was transferred to field office rehabilitation supervisors.

The manager of AHA's Rehabilitation Department said that the transfer was necessary because the central office was experiencing difficulty in obtaining bids in a timely manner. Bids were usually requested from three or four contractors at a time. If these contractors did not respond, then an additional number of contractors would be requested to bid.

Our review of contracting records maintained by AHA during this period disclosed that the primary factor contributing to this difficulty was that the approved contractor listing from which invitations to bid were prepared included many contractors who were not responding to the invitations.

Our review of contracting records maintained by AHA showed that after the function was transferred to field office rehabilitation supervisors a deterioration occurred in AHA's ability to provide contractors with an equal opportunity to bid on rehabilitation jobs. For example, during the 6-month period when there was centralized control, contractors that were on the approved contractor list for the entire period received an equal opportunity to bid on all jobs whereas during a 16-month period when the field office rehabilitation supervisors were responsible for this function, some contractors received twice as many invitations to bid as did others.

We also noted that during the time when the rehabilitation supervisors were controlling the bid solicitation, several contractors were sent invitations to bid after being removed from the approved listing.

Because the centralized control system generally assured equal opportunity for contractors to participate in the work and provided for better control of the approved contractor listing, we suggested that AHA return to the system of centralized control. While the function was being handled by field office rehabilitation supervisors, a large number of contractors who were not responding to bid invitations were removed from the approved contractor listing. Therefore, the difficulty previously experienced with centralized control should no longer be prevalent and continued review of the listing should assure that the problem does not recur.

We discussed our findings and suggestions for improvement with AHA officials on November 26, 1974, and were advised that our suggestions were being adopted.

Documenting contract files

AHA has made significant improvement in documenting the contract files to show the bids received and to support the contract award determinations. AHA established written contracting procedures for maintaining records on bids received and contracts awarded. In addition, AHA required that a bid summary sheet be prepared for each job to show the contractors submitting bids, the amounts of the bids, the bid opening date, and the individuals present at bid opening.

Timeliness in completing rehabilitation work

We previously reported that only 18 percent of 101 rehabilitation jobs reviewed were completed in the time specified by the contracts. Our follow-up examination of 26 rehabilitation jobs completed during the period January 1973 through April 1974 showed that 42 percent were completed in the time specified; an improvement of 24 percent.

On 8 of the 15 jobs that were not completed in the specified time, the contractor exceeded the authorized time by 30 days or more. One contractor exceeded the authorized time by 129 days; another by 95 days; and still another by 72 days. One contractor with 10 of the 26 jobs only completed 5 on time. Another contractor with 8 of the 26 jobs only completed 1 on time. In March 1974 this contractor was temporarily removed from the approved contractor listing.

AHA officials stated that they would continue to monitor contractors' timeliness in completing work and would remove those contractors who repeatedly and unjustifiably take too long to complete their jobs from the listing of approved contractors.

Changes in work requirements

It appears that written instructions issued by AHA have been effective in insuring that most of the changes in work requirements are covered by written contract amendments. Our review of the HUD area office records of its field visits and inspections during the period August 28, 1973, through July 18, 1974, disclosed only three cases where inspectors found work being done without written contract amendments.

Control of cost estimates

Our follow-up review disclosed that cost estimates prepared by rehabilitation advisors were being adequately safeguarded until all bids were opened.

INSPECTIONS OF REHABILITATION WORK

Our previous report stated that, in some cases, AHA inspectors overlooked work deficiencies during their inspections and in other cases certified the work as completed without making required final inspections. The work deficiencies overlooked included work that was not done and work that was of unacceptable quality. We attributed these shortcomings to lack of written procedures covering specific technical requirements of inspections and lack of adequate personnel training and supervision. We suggested that AHA prepare written procedures to follow in inspecting housing, train its rehabilitation personnel, and monitor inspections by its personnel. AHA issued a rehabilitation manual containing written procedures for inspecting rehabilitation work, conducted a training seminar, and stated that management personnel would make interim inspections to insure that all work was done according to the contract.

During our follow-up review, we determined that AHA inspectors were making final inspections to insure that work was being done according to the contract. For most jobs completed, the manager of AHA's Rehabilitation Department also makes a final inspection. We observed several final

inspections and noted that an item by item check of the work was made using the work statements and amendments. If deficiencies were found, a listing was prepared showing all work that remained to be done before final payment could be made. The contractor was then notified of the work remaining to be done. When the contractor reported that this work was finished, another inspection was made by AHA before final payment was authorized.

Our follow-up review of HUD area office records of its field visits and inspections during the period August 28, 1973, through July 18, 1974, disclosed that the inspectors found only three jobs with items of work not completed or items of poor workmanship.

In our opinion, AHA has substantially eliminated the deficiencies which resulted from the failure to make final inspections or inadequate final inspections. AHA officials advised us that they would continue to emphasize the importance of conducting item by item final inspections to insure that all work required by the contract is done and the quality of work is acceptable.

ADEQUACY OF CONTRACTS FOR REHABILITATION WORK

We previously reported that rehabilitation work statements did not clearly identify the work to be done. We reported also that some work statements:

- did not require all repairs needed to bring properties up to the rehabilitation standards, and
- required repairs which were not necessary to bring properties up to the established standards and which were not requested by the homeowners.

We noted a significant improvement in the preparation of the work statements since our last review. The work statements generally included a clear and concise description of the work to be done, the location of the work, and the quantities and types of materials required. However, in several instances work statements did not require all repairs needed to bring properties up to standards or required repairs which were not necessary to bring properties up to standards.

During July 1974 we accompanied a HUD inspector from the Atlanta area office as he evaluated the adequacy of AHA's work statements for five properties. His inspections of the properties were generally thorough and each item on the work statement was checked.

In four cases, the HUD inspector concluded that the work statements did not require all needed repairs or required repairs that were not needed. For example, the HUD inspector noted in one case that the work statement did not include, among other things, the repair of rotten porch framing and sagging eaves or the construction of a retaining wall even though these rehabilitation items were necessary to bring this property up to standard. In another case, the HUD inspector concluded that none of the items on the work statement were required to bring the property up to the rehabilitation standards. These items included such things as exterminating the house, repairing and painting interior walls and ceilings, replacing kitchen floor, replacing screening around porch, and replacing screening and installing aluminum framing at 14 windows.

AHA supervisory personnel make a desk review of work statements but do not visit the property for the purpose of independently checking the work statement.

We suggested that AHA require supervisory visits to randomly selected properties at regular periodic intervals to independently check work statements before any bids are requested from contractors. AHA officials said that a procedure was being adopted whereby each work statement would be independently checked through an inspection of the property by someone other than the person who prepared the work statement before contractors are requested to bid on the jobs. In addition, the manager of the Rehabilitation Department will make unannounced visits to some properties to check some work statements.

HUD REVIEW OF AHA'S PROGRAMS

In our previous review, we concluded that HUD did not effectively monitor AHA's administration of the rehabilitation loan and grant program to insure that deficiencies which had been brought to AHA's attention were corrected. Our follow-up review showed that the area office had significantly improved its monitoring of AHA's administration of the program. The area office was reviewing work statements before work started, inspecting work in progress, and inspecting completed work.

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We appreciate the cooperation given to our representatives during this review.

Sincerely yours,

JOSEPH P. ROTHER, JR.

Joseph P. Rother, Jr.
Assistant Director