

# AUDIT OF THE BLUE ROOF PROGRAM



Report No. 2007 – 004  
September 21, 2007

City of West Palm Beach  
Internal Auditor's Office

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*"The Capital City of the Palm Beaches"*

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**TO:** Honorable Mayor  
and  
Members of the City Commission

**FROM:** Commissioner William Moss, Audit Committee Chairperson

**DATE:** September 21, 2007

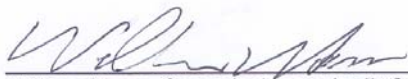
**SUBJECT: Transmittal of Internal Audit Report No. 2007-004  
AUDIT OF THE BLUE ROOF PROGRAM**

Attached is the Internal Auditor's Office's report, **Audit of the Blue Roof Program** approved by the Audit Committee at its regular meeting held today, September 21, 2007.

The Blue Roof Program was developed in 2006 by the City's Economic and Community Development (now Housing and Community Development) Department for the purpose of providing roof repair and replacement for residents with hurricane damaged roofs, who met certain criteria.

The Internal Auditor found that while providing needed assistance to low and moderate income individuals and families, numerous deficiencies in the areas of the applicant qualification process, vendor management, construction supervision and financial management existed.

The recommendations, as outlined in the report, have been agreed to by City Administration and corrective measures are currently in process to strengthen internal control systems and improve oversight of future rehabilitation programs.

  
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William Moss, Commissioner, Audit Committee Chairperson

*"An Affirmative Action/Equal Opportunity Employer"*

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<i>Schedule A:</i>	Seal-Tite vs. Actual Sq. Footage Measurements
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### Distribution List

### Management's Response



*"The Capital City of the Palm Beaches"*

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**FROM:** Imogene Isaacs, CIA, CGFM, Internal Auditor

**DATE:** September 21, 2007

**SUBJECT: REPORT NO. 2007-004**  
**AUDIT OF THE BLUE ROOF PROGRAM**

## **Introduction**

We have completed our audit of the Blue Roof Program (hereinafter "Program"). The purpose of the audit was to review internal controls and evaluate the adequacy of the City's criteria for implementing and administering the Program.

## **Summary**

The City Commission approved the Program in an effort to bring much-needed relief to the elderly and financially needy residents of West Palm Beach. Notwithstanding the deficiencies identified during the audit, the City did achieve measurable success by providing new roofs to many disadvantaged citizens. Of the 107 program participants, approximately 62 had either extremely low or very low income, 54 participants were elderly, and seven participants were disabled.

We identified numerous significant deficiencies specifically related to internal controls, procedures, operational management, and financial management, including:

- Inadequate eligibility review process
- No encumbrances filed on improved properties
- Improper vendor selection
- Work commenced prior to income certification and building permit
- Work performed on properties that may not have needed it and/or did not sustain hurricane damage
- Inaccurate measurements
- Processing of inaccurate charges and payment for work not performed
- Inconsistent quality of work

The report includes recommendations to City Administration for the immediate development of, and stringent adherence to, policies and procedures in the areas of homeowner agreements, applicant documentation, income eligibility, and the overall administration and financial management of future grant programs. In addition, we strongly suggest an increased level of accountability for all management employees within the Economic and Community Development (“ECD”) Department. We recommend the City Attorney pursue the recovery of vendor overpayments identified during the audit.

We did not initially anticipate the quantity and magnitude of the issues identified during the course of the audit. Each area examined was problematic. Although we could have continued to review areas we believe carried less significance, we instead determined it was appropriate to end the audit after completing our review of the major program components. We have addressed certain issues identified and not included in this report directly with the appropriate management.

We thank Queen Byrd, Housing Loan Specialist, Robert Grieser, Senior Fiscal Analyst, and the clerical staff of the Economic and Community Development Department for their support and assistance during this audit.

Imogene Isaacs, Internal Auditor, and Joni Loehrig, Deputy Internal Auditor, conducted the audit with assistance from Veronica Rodriguez, Assistant Internal Auditor, and John Lynch, former Management Analyst.

## **Background**

The U.S. Department of Housing and Urban Development (HUD) awards Community Development Block Grants to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. The Community Development Block Grant program provides annual grants to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment.

The City of West Palm Beach assists income eligible homeowners by providing necessary home repairs through their rehabilitation programs. In 2006, the City's Economic and Community Development Department developed and implemented a program targeted specifically to hurricane-damaged roofs. The Program, managed and administered by ECD, was to provide roof repair or replacement to residents who met certain criteria. ECD initially intended the sole funding source to be HUD's Community Development Block Grant ("CDBG"), although funds from the State Housing Initiatives Partnership ("SHIP") were subsequently allocated to this program.

Under the CDBG program, the local government develops their own programs and funding priorities. Grantees must give maximum feasible priority to activities benefiting low- and moderate-income persons. Additionally, grantees may fund activities when the grantee certifies the activities meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. Among other things, CDBG grantees may use funds for the rehabilitation of residential structures.

In April 2006, ECD asked the City Commission to approve the Program. ECD advised the Commission they anticipated assisting approximately 100 homeowners prior to the next hurricane season, and the roof repairs would "preserve these homes from additional damage or total destruction, thereby maintaining the tax base at current value."

The Commission approved the Program along with the reprogramming of \$921,377 of unspent Federal funds from FY 2000 through FY 2005 to the City's Homeowner Occupied Housing Rehabilitation Program, primarily for the repair of roofs damaged by recent hurricanes. They also approved the use of a single vendor, Seal-Tite Roofing, Inc. In May 2006, the Commission authorized an agreement between the City and Seal-Tite Roofing, Inc. (the "Master Roofing Contract") to construct new roofs as part of the City's Blue Roof Program. The City signed the Master Roofing Contract May 31, 2006. On August 28, 2006, the Commission authorized the transfer of \$440,000 of SHIP funds for the completion of the Program.

During the development and administration of this Program, the ECD department was under the supervision of a consultant, contracted by the City, who was the acting Interim Director of ECD (hereinafter "ECD Director").

## **Audit Objectives**

With regard to the administration of the program, our objective was to determine whether:

- The Program had adequate internal controls
- Scope of work documents were accurate and properly reviewed
- Change orders were necessary, properly reviewed, authorized, and managed
- Vendor payments were proper and in accordance with the contract

With regard to the participant qualifications, our objective was to determine whether:

- Qualifying documentation, including income verification, was sufficient, proper, and timely obtained and evidenced in the files
- The City's criteria for selecting and approving participants was appropriate

With regard to the roofing vendor, our objective was to determine whether:

- The vendor selection process was appropriate, adequate, and in accordance with City Code
- Repair or replacement of roofs was necessary
- Fees charged by the roofing vendor were reasonable
- Work was performed as represented
- Overall quality of the work was acceptable

## **Scope and Methodology**

The audit encompassed a comprehensive review of the Program. We reviewed 100% of the participant files, which consisted of 107 roof replacements completed during calendar year 2006. We conducted the audit in accordance with generally accepted government auditing standards.

Our review included internal controls and practices related to the overall administration and oversight of the Program including participant eligibility determination, vendor selection, vendor management and performance, construction supervision, and financial management including disbursements and record keeping.

Interviews with ECD staff provided details of the processes used to administer and monitor the Program. We examined all of the ECD participant files to determine evidence of eligibility, scope of work, and associated charges. We reviewed the applicable vendor files and contracts, conducted interviews with City staff and vendors, performed field verifications, arranged independent recalculation of roof measurements, spoke with participants, researched applicable guidelines, and performed an evaluation and assessment of the Program.

## **SECTION ONE: *Application, Eligibility, and Certification***

### **Grant Agreements and Property Encumbrances**

**ECD did not record encumbrances against participant properties and grant agreements were not obtained prior to commencement of work. As a result, the City cannot recover funds for improved properties sold shortly after the roofing work was completed.**

The agenda cover memorandum for the City Commission meeting of May 22, 2006 contained the following language:

*“given the random pattern of damage and associated hardship created by the hurricanes to residents of the City, including the compromise to major systems of damaged houses and cancellation of homeowner insurance policy, it is recommended that a lien not be placed on the property for repairs to storm-damaged roofs. This conforms to the policy utilized for the City’s Single-Family Housing SHIP Disaster Relief Program that was implemented after Hurricanes Francis and Jeanne.”*

The City Commission approved Resolution No. 269-06 authorizing roof replacement and repairs under the Program as a grant (i.e., there were no encumbrances placed against the properties improved under the Program). Consequently, homeowners who do not maintain ownership or residency in the property are not required to reimburse the City for roof related expenditures. Typically, rehabilitation work results in a lien requiring a pro rata reimbursement should the property change ownership within a certain number of years. At a minimum, we would have expected to find a five-year encumbrance.

Two participants sold their homes shortly after receiving new roofs; however, without a lien or encumbrance, we cannot recover any of the funds expended and have essentially facilitated an increase in property value for the benefit of reselling the home.

One property was sold on 9/25/06 for \$235,000. This home received a new roof completed on 9/7/06 at a cost of \$7,616.

Another property was sold in 12/06 for \$199,000. This home received a new roof completed on 6/28/06 at a cost of \$7,490. A review of the file indicated this applicant was over five months delinquent on their mortgage at the time of application processing.

The estate of a deceased homeowner sold the home on 3/20/07 for \$250,000. This roof was completed on 8/7/06 at a cost of \$19,257.



Because these roof replacements were performed without a restrictive covenant requiring repayment in the event of sale, recovery of the funds expended is not possible. If the City had the ability to recover these funds, an additional \$34,363 would have been available to replace and/or repair roofs for citizens in need.

Although the City Commission approved a grant agreement document between the City and the homeowner, none of the participants were required to execute the agreement before their roof was replaced. Subsequent to the commencement of the audit and our questioning ECD staff regarding the non-existence of grant agreements, there was an effort made to obtain executed agreements. This effort did not begin until December 2006, several months after most of the roofs were completed. Although not all grant agreements were obtained, the execution of this agreement without a lien or encumbrance on the property has little or no impact on the recovery of funds.

## **Eligibility Determination**

**Overall, the Program was rushed and, consequently, the application, documentation, and certification process was also rushed. This, combined with the use of temporary personnel, resulted in a less than optimum eligibility determination process.**

We examined a list originating from ECD containing the names of potential participants who were not included in the Program. Based on the notations contained on this list (e.g., "no, needs repair"), it appears six potential participants were excluded because they did not require a full roof replacement. This is one example of ECD's actions not reflecting their original commitment to the City Commission. All roofs were replaced (i.e., no repairs were performed), although the original Program presented to the Commission provided for repairs and replacement.

Some participants received their new roofs or work commenced prior to the certification process being completed; consequently, staff had to collect needed documentation after-the-fact. After the completion of the Program, staff made a considerable effort to clean up and complete the eligibility portion of the files. Rushing the eligibility determination and beginning work prior to certification places the City in an untenable position if the applicant is later determined to be ineligible.

Despite the existence of deficiencies related to the eligibility determination process, we conclude substantially all participants were qualified based on occupancy and income requirements, as discussed below. Notwithstanding, several of the areas reviewed require improvement, policies and procedures need to be developed, and the eligibility of some participants is in question.

To be eligible under the Program, an applicant was required to:

- Own the property
- Reside in the property
- Meet income eligibility requirements based on the number of people residing in the property (no greater than low income for CDBG funding; no greater than moderate income for SHIP funding)
- Have hurricane damage to their roof (a City imposed criteria)

### **Owner Occupancy**

The application provided for the certification of ownership, but contained no place for the applicant to certify they were an occupant of the property. Files did contain confirmation of ownership from the property appraiser and title searches were completed for all but four properties.

One property was not owner-occupied. According to the property appraiser's website, this property had not claimed a homestead exemption for several years (since at least year 2004) and the owner's address was different from the property address. City records indicate water utilities were under a different name than the property owner less than one month prior to the application date. Staff spoke with the applicant who advised she intended to occupy the property in the future. Regardless of the reported intention, this applicant should not have qualified to receive the \$4,260 expended for the roof replacement.

Property deeds for eleven properties reflected co-owners who were neither applicants nor listed as occupants of the property. Only a few of these files contained sufficient explanation as to why the co-owner was not considered in the eligibility process. Although there are reasonable explanations for this situation (e.g., for the purpose of transfer of ownership upon death), staff should make sufficient inquiries to understand the circumstances of any co-ownership situation that might affect eligibility.

### **Assets**

Assets are included when determining income eligibility, using a formula of adding two percent of the asset(s) value to the applicant's annual income. Applicants were required to sign asset addendums disclosing their current assets. Of the 107 applicants, three files were missing the addendum, one was not signed, and an additional fifteen signed the addendum but did not disclose their total assets (i.e., left blank). In addition, three participants did not disclose other owned real estate. During a site visit, we observed one participant with antique furniture and cars, although their signed addendum indicated assets less than \$5,000.

In most cases, the under-reported assets did not make a difference in determining eligibility, although applicants should be required to disclose all assets regardless of the effect on the certification process. Appropriate discussions with applicants would have assisted in identifying other sources of income (e.g., rental income). Tax returns for applicants with rental properties showed net losses for rental activities.

The current asset addendum form is very broad and does not require detailed information about the asset(s). A comprehensive asset sheet listing the various types of assets an applicant may have (e.g., savings accounts, other property owned, retirement accounts, investments) should be developed. In addition, procedures should include staff ensuring the applicant has a full understanding of the required asset disclosure.

### **Income**

For the most part, staff did an excellent job of verifying reported income using tax returns, bank statements, check stubs, and employment verifications. Staff also obtained award determinations from social security, retirement plans, and various assistance agencies.

Although there were several small errors in calculating income, none caused a change in eligibility. In one case, \$10,000 was inadvertently omitted from an income calculation. After we discussed this error with staff, the applicant was re-certified. The applicant was still eligible, but as moderate income under SHIP rather than low income under CDBG.

We observed only one case where the applicant appears to be over income for either CDBG or SHIP. Four family members lived in the four-unit property. The maximum allowed household income for the family was \$77,280. The total household income was verified and calculated at \$93,804. An additional \$2,924 was omitted from the original calculation and the recalculated family income was \$96,720. This was over \$19,000 in excess of the maximum income allowed. It should be noted the family was originally certified with only three members living in the property and income was within the allowable range. ECD advised that under SHIP guidelines, this family could be eligible based on the property being located within a blighted area. Since the Program was not targeted to any specific geographic location, we question whether the blighted area exception would apply. The expenditure related to this roof was \$13,050.

With regard to income eligibility, our primary concern is with unreported and/or under reported income and the absence of proper controls to identify and address potential issues, as discussed below:

### *Bank Statements:*

Applicants were required to provide three consecutive bank statements as part of the qualification process. The information contained on the bank statements assist in verifying applicant reported income, assets, and expenses and can be helpful in identifying undisclosed income. Of the 107 files reviewed, sixteen contained no bank statements and, of the remaining 91 files, some were either incomplete (e.g., not all pages of the statement were copied) or the applicant provided an insufficient number of statements (e.g., one month).

Twenty-one of the participants had bank statements containing either large or recurring unexplained deposits (i.e., the source is unknown or unexplained). There was evidence staff questioned large deposits, verified they were from a legitimate source and should not be included as income (e.g., one applicant refinanced their residence and the deposit represented the balance of the loan proceeds).

However, there was little indication staff discussed recurring deposits with the applicants to identify their source. Some of these recurring deposits, if determined to be income, may have affected eligibility. For example, one applicant had unidentified deposits averaging slightly over \$1,000 a month on all three bank statements. In this case, if included as income, it would have changed the income classification but would not have affected eligibility.

Bank statements should have been closely examined for both deposits and withdrawals. For example, some applicants who were obligated to make monthly mortgage payments, submitted bank statements that did not support these payments. In some cases, we believe a third party was making the mortgage payment. When this occurs, additional steps should be taken to ensure the mortgage is current, identify how the mortgage payments are made, and determine the treatment of such payments.

Staff should discuss all questionable items contained on the bank statement with the applicant. Policies should be developed addressing the inclusion of recurring deposits and mortgage payments made by a third party.

### *Tax Returns, Tax Filing Status, and Unemployed Persons:*

Sixty-two of the participant files contained at least one tax return; two participants submitted W2's without tax returns. Forty-one participants who received social security, retirement, or other assistance provided a non-tax filing status affidavit. The remaining files did not contain either a tax return or a non-filing tax affidavit. These returns would have been helpful where the applicants worked and, in one case, where the applicant was self-employed.

In several cases, there were persons living in the household that reportedly did not work. It appears as though staff accepted the non-income producing status of these household members and did not attempt to obtain independent verification of their status through the IRS. In a few instances, the file contained verifications that the individuals were in college. However, there were at least seven working age occupants who reportedly did not work or contribute to the household income (e.g., grandson, age 22; daughter, age 42; daughter, age 56; son, age 38; son, age 56; daughter, age 21; and son, age 20.)

Two spouses who were reportedly not working had prior year earnings of \$31,325 and \$31,500. Therefore, no income was projected as part of the certification process and sufficient explanations were missing from the files. In another case, a property owner was reportedly unemployed; however, the file lacked an explanation, tax returns, or information on prior earnings.

Not having formal and consistent requirements to verify income sources may lead to certifying ineligible applicants. Staff currently does not, but should, directly verify with the IRS when participants claim they are not working.

### **Other Considerations**

#### *Maximum Amount of Assistance:*

ECD guidelines limit the total cost of improvements for any one unit to \$30,000, although staff advised us this limit was raised to \$40,000. The guidelines are not clear as to whether the maximum amount applies to an individual grant, individual loan, or to the total of several loans or grants. Fifteen applicants previously received assistance through the City and had mortgages held by the City against their property.

One applicant received \$64,188 in assistance for rehabilitation and roof replacement since the year 2000. By continually funding the same homeowners, the City may be overlooking other qualified citizens with more serious rehabilitation needs. Furthermore, the homeowner does not have the incentive to maintain their property, relying on the City to pay for repairs.

The City should develop a policy specifying the maximum amount of assistance they will provide an individual applicant within a specified time. Exceptions could be made, on a case-by-case basis, for emergencies and disaster damage.

#### *Date Stamping and Discarding Documentation:*

Most documentation contained in the participant files was not date stamped. As a result, it was difficult to determine when various documentation was received. During the audit, staff was continually reviewing and making changes to the files and some documents were discarded and/or replaced. For example, when we

first reviewed an applicant's file, a completed income certification showed the applicant's income as \$35,949. Later, it was replaced with a new certification showing the applicant's income as \$20,000. The earlier certification could not be located in the file.

All documentation received by ECD should be date stamped. While certain documents may need to be revised, all applicant data should be retained and nothing in a file should be destroyed or discarded.

*Conflict of Interest:*

The actions of the former ECD Director may have created inappropriate conflicts related to two of the Program participants with whom she reportedly had a personal friendship.

With regard to these Program participants, we believe there would have been no conflict created as long as they were qualified under the Program and did not receive any preferential treatment by staff.

Staff reported the ECD Director became personally involved in asking a staff member, who was not otherwise involved in the Program, to certify and expedite one of these files. This occurred after the employee normally performing the certifications raised questions related to income eligibility. Additionally, it does not appear either of these participants sustained hurricane damage to their roofs or had a tarp on their roof. One of the roofs showed evidence of being severely under maintained.

We find any effort by the ECD Director to expedite or facilitate the review and approval process for a participant with whom she had a friendship was inappropriate and demonstrated poor judgment.

After receiving their new roofs, both of these participants made serious allegations regarding the quality of the roof repair involving leaking, interior damage, and potential mold issues. The ECD Director then attempted to facilitate mediation and implement other remedies related to these complaints without the appropriate involvement of the City Attorney's Office or Risk Management.

We conclude the ECD Director should have immediately and voluntarily withdrawn her personal involvement in this situation and her failure to do so was improper.

## **Hurricane Damage, Insurance, and FEMA Payments**

**ECD staff did not ask participants if their roofs were damaged by a hurricane and whether they received payments or filed claims related to roof damage under FEMA and/or their private insurance.**

Although the City Commission approved the Program specifically to replace and repair hurricane-damaged roofs, the application process did not include any questions or require any certifications pertaining to whether or not the property had actually sustained hurricane damage. Additionally, the application did not ask whether the owner had filed claims or received any type of roof-related insurance and/or FEMA payments.

Many of the homeowners did carry insurance, although several policies excluded windstorm damage. Files should have contained a statement indicating whether the homeowner had filed a claim with their insurance carrier. If applicable, the file should contain a copy of the insurance denial letter or a statement from the homeowner explaining why, if they had insurance, they did not file a claim. Homeowners should have been required to attest whether they filed any roof-related claims with FEMA or homeowner's insurance. If the homeowner indicated they did not file a claim, we could have obtained verification directly with the insurance company.

Some applicants voluntarily disclosed receipt of insurance and/or FEMA payments. These included FEMA payments of \$4,343 and \$4,665; and insurance payments of \$5,969 and \$4,959. With one exception, we could not, based the data in the files, determine whether these payments were for roof damage. In one case where the information was available, the insurance payment related to the roof equaled \$3,215. ECD allowed the homeowners to keep these payments and, for the purposes of qualification, considered the funds an asset. The applicant should have been required to pay any funds received from either insurance or FEMA, directly related to roof damage, toward the cost of their roof.

We attempted to verify with FEMA whether Program participants had received roof related payments. Although FEMA initially agreed to assist us, they did not respond to our request. In the case of FEMA payments, using the proceeds for other than the intended purpose may result in duplicate public funding assistance and could have other serious consequences such as civil and criminal actions.

## **Conclusions and Recommendations**

**Although most applicants were qualified, and despite the efforts of ECD staff to document the files after-the-fact, the application, eligibility, and certification process exposed the City to unnecessary risks.**

By not filing property encumbrances, the City is left without recourse when Program participants sell their homes. By failing to ask participants about FEMA and/or insurance payments, the City may have facilitated the duplication of public assistance.

The current application form is inadequate, and may have resulted in the City potentially qualifying ineligible applicants who were over income, did not occupy their properties, and/or had assets in excess of allowable limits. Further increasing this risk was the absence of appropriate procedures, work instructions, and training related to the applicant documentation process.

Much of the documentation surrounding the eligibility and certification review was obtained after the commencement of rehabilitation work. This significantly increased the risk of improving properties where the owner did not meet Program eligibility guidelines.

### **Recommendations**

1. Establish a policy requiring applicants for any type of rehabilitation grant or loan to execute an appropriate agreement prior to the commencement of any improvements.
2. File a lien or other restrictive encumbrance against the property prior to the start of any work.
3. Revise the application and require the applicant to include:
  - a. statement certifying they currently occupy the property;
  - b. disclosure of any FEMA and/or insurance claims, to include whether any claim was filed, amount received, and denials;
  - c. explanation of any co-owner who is not an applicant; and
  - d. acknowledgement that providing false information is subject to criminal penalties.
4. Revise the asset addendum to include a comprehensive list of assets and their value.



5. Revise policies and procedures pertaining to the income eligibility process as follows:
  - a. establish documentation to verify occupancy;
  - b. establish a process, including documentation, to determine when co-owners should or should not be considered in determining eligibility;
  - c. require staff to review with the applicant a detailed list of assets prior to signing the asset addendum;
  - d. detail when and how recurring deposits are included as income;
  - e. document when mortgage payments made by a third party are included as income;
  - f. require explanations for all working age household members who are not employed, including requiring signed releases allowing the City to verify directly with the IRS;
  - g. establish guidelines for applicants or household members who report being unemployed, but were previously employed based on prior tax returns;
  - h. establish a policy on the maximum amount of assistance provided to any one applicant within a specified time period (exceptions could be made for emergency situations and disaster damage); and
  - i. require all documents to be date stamped and files be maintained in a complete manner.
6. Request HUD approval for the applicant who was not an owner occupant of the property.
7. Request SHIP approval for the applicant where family income exceeded the maximum limit.

## **SECTION TWO: *Construction, Project and Financial Management***

### **Vendor Selection**

**The City used a single vendor, Seal-Tite Roofing, Inc. (“Seal-Tite”) to perform the roofing work under the Program. ECD bypassed the procurement process and instead elected to obtain City Commission approval in accordance with City Code. ECD did not follow all procedures required by Code; and, certain information provided to the City Commission during the approval process was erroneous and misleading.**

City Code, Section 66-94 provides for City Commission approval of contracts where the requirements of Chapter 66, Procurement, have not been fulfilled. This section states if City Commission approval is required, an agenda cover memorandum shall be prepared by the user department and shall include, among other things:

- The procurement method by which the vendor or contractor was selected
- A summary of the procurement responses

ECD did not comply with the requirements outlined above and, as a result, did not communicate to the Commission as required. ECD did not implement a procurement process or obtain competitive pricing prior to their presentation to the Commission. Consequently, they did not follow Sec. 66-94 of the City Code.

In their presentation to the City Commission on April 24, 2006, ECD staff asserted:

*“there is a lack of qualified and available roofing contractors to undertake a large scale effort to replace and repair damaged structures within the next 80 days.”*

Additionally, ECD staff stated they had:

*“determined that Seal-Tite Roofing offers pricing competitive in the market.”*

We attempted to substantiate that ECD had, in fact, researched the availability of qualified roofers, considered the use of more than one roofing vendor, and obtained competitive pricing prior to their presentation to the City Commission on April 24, 2006. No such evidence existed and, as a result, we conclude ECD’s representations to the Commission, as detailed above, were misleading.

In a memorandum dated May 19, 2006, the Internal Auditor emphasized the necessity of maintaining records justifying the selection of Seal-Tite. ECD was asked to maintain documentation, including justification, for not following the procurement code and not bidding the work. Further, they were advised to maintain details of the vendor search including what vendors were contacted, the basis for selection of the roofing vendor as a single source, and an explanation of how the costs were determined as reasonable.

We asked ECD to provide us with any quotations or pricing from vendors/roofers obtained in connection with either the Program or other general roofing rehabilitation. We also asked for the process used in selecting and obtaining price quotes from other potential roofers including what vendors they contacted, who from the City spoke with them, and the name of the vendor contact. In response, ECD submitted four quotes, including pricing from Seal-Tite. Two were undated and one was dated May 24, 2006 (i.e., subsequent to Commission approval and subsequent to the above-referenced Internal Auditor's memorandum). ECD staff confirmed they obtained these quotes after the commencement of the Program, and after finalizing the initial Seal-Tite contract.

The process for selecting a vendor would have been more effective and the City would have assurance Seal-Tite's pricing was competitive had ECD followed the procurement process and obtained competitive bids. There was no evidence that ECD considered any other roofing vendors—including local roofers, minority-owned businesses, small businesses, or vendors already approved by the City's Procurement Division—prior to making representations to the Commission concerning a lack of qualified contractors and the competitiveness of Seal-Tite's pricing. We confirmed with Seal-Tite that ECD did not attempt to negotiate their pricing.

**The ECD Director was not forthcoming regarding her previous relationship with the President of Seal-Tite and because of her failure to disclose the relationship, created a conflict of interest.**

City Procurement Code Sec. 66-7. Ethics in public contracting states:

*"No procurement contract will be executed by the city which was obtained as a result of violations of F.S. ch. 112 regarding: (1) Conflicts of interest"*

Prior to the commencement of this audit, the Internal Auditor received reports related to two situations which appeared to potentially represent conflicts of interest on the part of the ECD Director. One issue related to a previous relationship with the President of Seal-Tite; the other related to a personal friendship with two of the Program participants. We addressed the issue of the friendship in the previous section, "Eligibility Determination."

In an effort to determine whether a conflict existed, we attempted to establish the origin of Seal-Tite as the Program vendor. Shortly after the commencement of our review, the ECD Director's contractual arrangement with the City ended, and we did not have the opportunity to question her on this issue. During our interviews, we asked several ECD staff members about the origin of Seal-Tite and consistently received similar responses indicating the ECD Director and the President of Seal-Tite were friends.

We asked the President of Seal-Tite if there was any prior relationship. He confirmed they previously worked together on another project and, the ECD Director's boyfriend had done legal work for him. He also told us the ECD Director had directly contacted him about the Program.

We received information that would indicate a more extensive, long-term business relationship between the ECD Director and the President of Seal-Tite; however, we could not easily verify this information and it did not have an impact on our conclusion. We conclude any type of prior relationship with a proposed vendor—regardless of its extent—obligated the ECD Director to disclose this fact in a good faith effort to avoid a conflict or appearance of a conflict. This situation was exacerbated by the fact the procurement official was not involved in the vendor selection process. Non-disclosure of this prior relationship to City Administration and the City Commission created a conflict of interest.

## **Vendor Management and Construction Supervision**

**ECD did not implement fundamental internal controls crucial to ensuring proper vendor management and construction supervision. Despite the involvement of the ECD Director and a full time Housing Construction Rehabilitation Supervisor (“Rehab Supervisor”) assigned to the Program, supervisory internal review over the Program was inadequate and, frequently, non-existent. We found numerous significant issues including no pre and post roof inspections, inaccurate roof measurements, insufficient scope of work documents, improperly administered change orders, and overcharges on most of the 107 roofs.**

The former Rehab Supervisor demonstrated an overall lack of professionalism and cooperation during the audit process – he failed to appear for several scheduled meetings, did not return phone calls, was non responsive to our requests for documentation, and was not forthcoming in answering questions raised in connection with this audit.

The Rehab Supervisor failed to take an active role in managing Seal-Tite during the construction process and did not perform basic internal controls including:

- Performing and documenting pre inspections and post inspections
- Confirming accurate roof measurements
- Verifying accuracy of pricing and descriptions contained in the scope of work
- Ensuring work invoiced by the vendor was actually performed
- Administering the change order process

### **Pre and Post Inspections**

The Rehab Supervisor is responsible for conducting field inspections including a formal pre inspection and corresponding report. The pre inspection process is a critical monitoring tool to ensure the roofer's scope of work corresponds to the actual condition of the roof and to verify the work actually needs to be performed.

There is no evidence ECD staff performed pre inspections on the participant roofs. The pre inspection process should have included a documented visit by the Rehab Supervisor or other ECD staff detailing the extent of damage, reason for the damage (e.g., whether the damage was hurricane related), interior and exterior photographs evidencing damage and leaks, and a conclusion as to whether replacement or repair was necessary. If, due to time constraints, ECD was unable to perform proper inspections, they could have contracted an independent inspector to expedite the process. After the commencement of the audit and after audit staff questioned the Rehab Supervisor regarding the absence of documented inspection reports, four of the files were populated with undated, one paragraph memorandums, apparently prepared in an effort to document site visits.<sup>1</sup>

In the absence of pre inspections, ECD relied on Seal-Tite to determine whether roofing work was required. This is problematic for three reasons: 1) in many cases, there is no evidence in the files substantiating the requirement for roof replacement; 2) it is poor practice to allow a vendor to make such determinations when they have a financial interest in that determination; and 3) there are some unexplained irregularities based on the roofers observations. These irregularities include notations for two participants indicating they did not need a new roof. Notations for one participant include the following comments: "good roof"; "owner would not allow access"; "does not want roof."

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<sup>1</sup> Shortly after the commencement of the audit, Internal Audit relocated the participant files to the Internal Auditor's Office. A few weeks later, ECD asked to have the files temporarily returned to their department. ECD staff indicated they were in the process of obtaining grant agreements and it was necessary to have the files readily available in their immediate area. In the interest of cooperation, the Internal Auditor's Office complied with this request. When we retrieved the files, we noted there had been several additions. These included bid breakdown sheets in addition to some undated inspection reports and roofer photographs. Two members of the ECD staff stated they observed the ECD Director and the Rehab Supervisor removing and disposing of documentation contained in the files. It is our understanding that some of the removed documentation included information that may have proven detrimental.

Seal-Tite provided photographs of seventy-five properties; although many of the photographs did not evidence roof damage or were views from the street. Seal-Tite advised they took photographs for their own internal purposes, and not with the intent to evidence damage. In some of the photographs, the roof appeared to be in good condition; in others, the roof looked as though it may need some minimal repairs (e.g., a few missing shingles).

In addition to not performing pre inspections, there is no evidence ECD staff conducted post inspections on the participant roofs. The post inspection process is a critical quality assurance measure to verify the satisfactory completion of the work; ensure the contractor performed all work in accordance with the scope of work and contractual agreement; and, identify any outstanding quality or other issues. There is no acceptable replacement for a written post inspection.

ECD did not implement procedures to verify Seal-Tite's work received a final building inspection from the City's Construction Services Department. We identified 27 roofs where the City issued final payment prior to receipt of a final building inspection, ranging from 3 to 152 days after final payment. As of the writing of this report, three roofs had still not passed final building inspection.

We identified six roofs with payments before the issuance of a permit; one payment was as much as 38 days prior to the roofer securing a permit. Five of the files contained a duplicate memorandum from the Rehab Supervisor; all dated December 20, 2006 that included the following language:

*"I made the decision to have the contractor begin removing the existing damaged roof covering to replace rotten wood and install the dry-in layer to prevent further damage to the home in expectation of receiving a permit in the near future"*

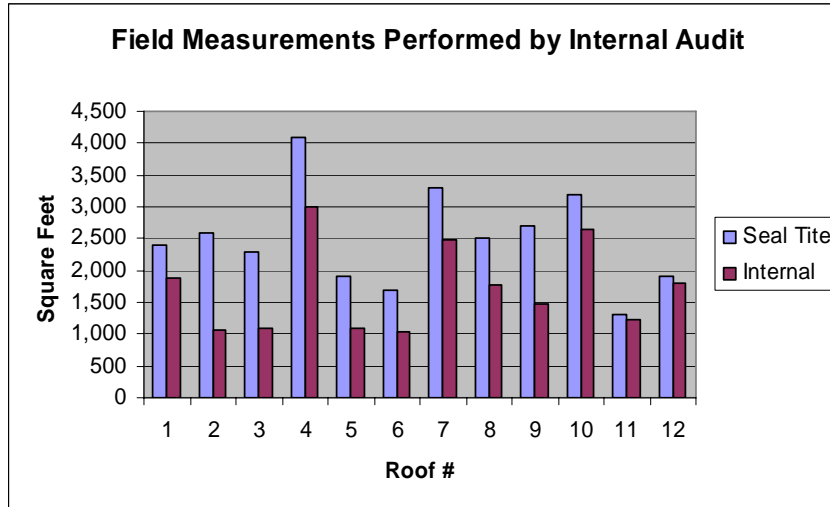
These memorandums are one example of ECD's attempt to explain their actions via documenting the files both after the completion of the roofing work and after the commencement of the audit. The Rehab Supervisor had no authority to approve work without a building permit and we believe by doing so violated Florida Statutes.

### **Roof Measurements**

We asked the Rehab Supervisor what internal tests he performed to ensure the accurate measurement of roofs. The Rehab Supervisor advised he spot-checked some of the roofs using his ability to "eyeball" the measurements. Based on the Rehab Supervisor's response, Internal Audit attempted to verify the accuracy of the roof measurements. We performed calculations using building dimensions, roof pitch, and other data contained on the County Property Appraiser's website in conjunction with aerial photographs available from the

internet. This initial test, performed on all 107 roofs, showed substantial measurement irregularities.

Because of these irregularities, we performed field measurements on twelve subjectively selected roofs. These field measurements, performed by a member of the Internal Auditor's Office, a member of the Construction Services Department, and the Rehab Supervisor resulted in a 100% failure rate (i.e., Seal-Tite's square footage was in excess of the actual measurements).



Based on our field observations, the City contracted with an independent roofer to measure most of the remaining Program participant roofs. The independent roofer, selected by the City's Construction Services Department, measured 89 roofs. Significant measurement discrepancies were identified on all of the independently measured roofs, as discussed in the following section "Overcharges – Measurements."

### **Scope of Work**

In accordance with the Master Roofing Contract, Seal-Tite was required to prepare a formal scope of work and submit to the City for approval. We reviewed each of these documents and found many did not contain square footage information or a breakdown of the pricing, rather they only reflected a lump sum price. The limited information contained in the scope of work did not provide enough information to verify the pricing was in accordance with Seal-Tite's contracted price. Some of the scope of work documents that did reflect square footage information were priced substantially higher when compared against the contractual rate (i.e., the square footage multiplied by the contract rate).

We questioned the Rehab Supervisor in an attempt to clarify his process for approving work and payments without detailed descriptions and cost breakdowns. He was unable to provide a satisfactory response and when

presented with a representative scope of work document, explained the price looked “about right.”

The Rehab Supervisor approved the scopes and pricing without sufficient data. Based on the limited information provided by Seal-Tite, he could not have had a thorough understanding of what work was to be performed. We conclude no member of the ECD staff verified pricing detail prior to approving the work.

### **Bid Breakdown Sheets**

In an effort to respond to Internal Audit’s questions regarding the absence of pricing detail, the Rehab Supervisor had Seal-Tite prepare a Bid Breakdown Sheet containing cost breakdowns for each of the roofs. These Bid Breakdown Sheets (“Bid Sheets”), prepared subsequent to the commencement of the audit, were added to the participant files.

We reviewed each of the Bid Sheets and noted abundant inconsistencies. We identified numerous itemized charges that were also included in Seal-Tite’s base price. It appeared erroneous fees had been arbitrarily plugged into the Bid Sheets in an attempt to justify significant overcharges contained in the scope of work (i.e., the lump sum charge reflected in the scope of work document could not be reasonably arrived at without including other inflated charges).

One Bid Sheet, produced for a roof where Seal-Tite had not performed any work (see section: “Overcharges – Work Not Performed or Underperformed”), included charges for dumpster/trash removal. This raises the question as to how dumpster charges were incurred on a property where no work was performed.

As part of our testing process, we met with the President of Seal-Tite and asked him to explain three Bid Sheets we believed contained several erroneous charges. He took copies of the Bid Sheets in question and said he would get back to us with an explanation. Subsequently, these Bid Sheets were recreated, recalculated and resubmitted by Seal-Tite. On one of the Bid Sheets, Seal-Tite increased miscellaneous charges to offset the initially submitted incorrect price; on another Bid Sheet, Seal-Tite added permit fees, dumpster fees and miscellaneous charges to offset the initially submitted incorrect price; and, on another Bid Sheet, Seal-Tite added permit and dumpster fees, exactly offsetting the initially submitted incorrect price.

We conclude Seal-Tite’s willingness to modify charges and shuffle amounts into different categories demonstrates the arbitrary and fabricated nature of this after-the-fact pricing detail. We further conclude the creation of the Bid Sheets was a mutual attempt between Seal-Tite and the Rehab Supervisor to both justify substantial overcharges on the part of Seal-Tite and conceal substantial overpayments approved by the Rehab Supervisor.



## **Change Orders**

Seal-Tite's proposal dated May 22, 2006 as included in the Master Roofing Contract states:

*“to the greatest degree possible, based on field observations, everything is included to avoid change orders and extra charges.”*

We identified change orders for 75 of the 107 roofs. Based on the volume of change order activity, staff should have closely monitored this process. There is no evidence the Rehab Supervisor or any other staff verified the necessity of the work, ensured change order pricing was reasonable, or performed any type of physical inspection to document the work was satisfactorily completed.

Numerous approved change orders did not include a detailed description of the proposed work, an explanation of the necessity of the work, or a breakdown of the charges. Based on our field observations and review of change orders, we noted Seal-Tite's approach and scope of services were not consistent (e.g., fascia, air conditioning, etc). There were numerous change orders submitted and processed several months after the roof was completed.

We attempted to verify the accuracy and reasonableness of change order costs. The City's agreement with Seal-Tite contained limited pricing for commonly used materials, and it was difficult to perform a comprehensive analysis. Internal Audit did not obtain the expertise to verify the materials reflected in the original scope of work or change orders were actually used (e.g., shingle type, plywood, beams, etc.). A documented interim inspection process would have eliminated questions about the actual use of materials. We also noted much of the work done via the change order process did not have the required permits.

Work not related to roof repair or replacement was charged through the change order process. These include new lighting fixtures, new ceiling fans, installation of underground wiring, and new air conditioning systems. There was no evidence ECD obtained competitive quotes for these subcontractors and we received conflicting stories related to the selection process for the electrical subcontractor.<sup>2</sup> The electrical contractor declined to respond to our two requests for verification of their charges. In our opinion, it was inappropriate to process non-roof related charges through the Program. Consistent with other findings related to construction supervision, we conclude ECD did not properly manage the change order process.

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<sup>2</sup> We asked Seal-Tite if they previously used or recommended the electrical contractor. The President of Seal-Tite advised us that the Rehab Supervisor recommended them, and he had not previously known this vendor. We asked the Rehab Supervisor the same question -- he advised Seal-Tite selected the electrical contractor, and Seal-Tite "had worked with them for years." We later confirmed with the electrical vendor that they had not previously worked with Seal-Tite; however, they had in fact worked with the Rehab Supervisor.

## **Quality of Work**

Internal Audit performed field visits to a limited number of participant's homes. During the field visits, our staff and a member of the Construction Services staff noted several roofs with problems. Of the 107 roofs, there were approximately twenty roofs with quality related issues including leaks and poorly done or incomplete work. Detailed below are some examples of quality problems:

An elderly homeowner explained to the auditor the roofer had torn-off a portion of the tile roof over the entranceway to their home. After the work crew discovered tile replacement was not included under their scope of work, they left this portion incomplete with tiles lying loose on the roof.

Seal-Tite removed a roof from a detached garage. After the removal, it was determined the structure was unsafe and a new roof could not be installed. In December 2006, the homeowner contacted ECD regarding their garage still without a roof. According to the homeowner, they were promised resolution two months earlier and were still waiting for someone from the City to contact them. Based on notes in the file, ECD later made a commitment to the homeowner to replace their garage with a new shed. In June 2007, ECD advised the auditors the homeowners would receive a replacement shed at a cost of approximately \$11,500. This situation is problematic for three reasons: 1) we question the judgment of including a detached, severely damaged structure in the Program; 2) Seal-Tite should have ensured the building was structurally sound before removing the roof; and, 3) neither the City nor Seal-Tite took any prompt action to resolve this issue with the homeowner.

Various notes in the files indicate the Rehab Supervisor did not address or consistently follow up on participant complaints. A document from ECD titled "Seal-Tite repair issues" dated February 5, 2007 listed fourteen properties with outstanding issues. The City paid for these roofs, on average, 165 days earlier. In many cases, it appeared the Rehab Supervisor either ignored homeowner complaints or referred them back to the roofer for follow-up.

Internal Audit became aware through both internal lists and field visits of numerous quality issues. We worked with City Administration, ECD, and Seal-Tite to assist in expediting the correction of outstanding problems. Seal-Tite corrected the majority of the problems as of the writing of this report. One home, where flashing was exposed and incorrectly installed on the outside of the siding, cannot be remedied due to extensive termite damage and rotting. We question why a new roof was installed on a home that, according to ECD, needs to be demolished. In addition, ECD has advised at least one other home, which received a new roof under the Program, is scheduled for demolition. The cost of improvements under the Program for these two homes totaled \$15,273.

The auditors observed several of the homes visited appeared to have high quality roofing work, and we presume some of the quality inconsistency is attributable to the work crew assigned to the roof.

## **Financial Management**

**ECD management did not exercise responsible and sound fiscal management over the Program. The City expedited payments to the roofing vendor outside of any normal internal control procedures. This resulted in improper reviews and overpayments. We identified nine roofs the City paid for in full, where either a portion of the roof was not completed or Seal-Tite did not perform any work.**

The administration of the vendor payment process was rushed and inadequate. ECD disregarded basic internal controls and failed to protect the dollars allotted to this Program by:

- Approving incomplete and/or inaccurate scope of work documents
- Processing erroneous charges
- Failing to ensure pricing was in accordance with the contract
- Issuing payment without verification the work had been performed and prior to securing a final inspection

The Master Roofing Contract contains language requiring payment “in accordance with the Local Government Prompt Payment Act”, which provides for payment in twenty business days for construction related services. Staff reported the ECD Director was sometimes personally involved in the Seal-Tite payment process. The procedure often included the vendor hand delivering invoices by the end of business day on Wednesday for payment on Friday of the same week. One employee reported the ECD Director prohibited them from leaving City Hall on Wednesday evenings until the vendor delivered their invoices.

Numerous invoices from Seal-Tite contained a notation from the Rehab Supervisor instructing the Finance Department to return the check directly to him and not mail to the vendor. Providing a vendor payment to the internal person responsible for managing that vendor is a poor practice and elevates the risk of fraud.

ECD management (primarily the Program and Compliance Manager) relied solely on confirmation from the Rehab Supervisor that the work was complete and the charges were accurate. Although there was no independent verification, management attested “the service has been performed to my satisfaction.” Prior to approving payment, the approving managers should have required evidence of both interim and post inspection reports, corresponding photographs, and, in the case of a final payment, evidence of an approved final inspection by the City’s Construction Services Department. Additionally, detailed pricing should have been required and compared to the Master Roofing Contract. When the

approving manager relies on the verbal affirmation from the person who is responsible for monitoring the project, it negates the internal control requiring supervisory approval.

We conclude at the time of payment, no one on the ECD staff understood what work had been performed or completed, what work corresponded to the charges, and whether those charges were correct and in accordance with the Master Roofing Contract.

**ECD management did not accurately track the expenditure of CDBG funds and overspent the monies initially approved by the Commission. Subsequent to the City Commission's approval of the Blue Roof Program and the allocation of CDBG funds, ECD asked the Commission to reprogram additional funds from the Florida State Housing Initiative Program (SHIP).**

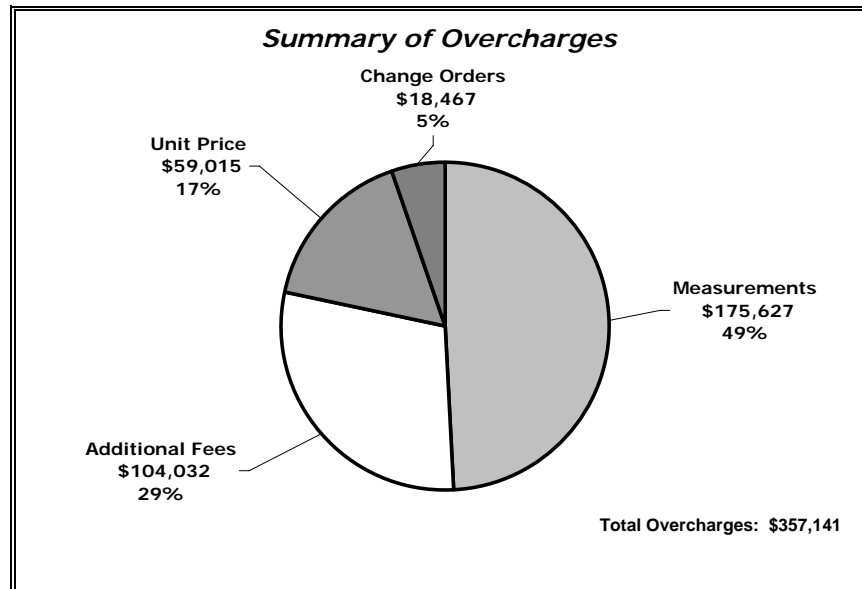
On April 24, 2006, the City Commission authorized the reprogramming of unspent CDBG federal funds totaling \$921,377 to the City's Home Owner Occupied Housing Rehabilitation Program. ECD advised the Commission in August 2006 that the originally allocated funding had been over committed and was not sufficient to complete all roofs currently in process. ECD requested and received Commission approval for additional SHIP funds, as follows:

*"Resolution No. 406-06(F) authorizes the allocation of an additional \$440,000 in SHIP funds to allow for completion of all roof repairs commenced and/or certified as eligible under the Blue Roof Program. This amount provides for change orders that are likely to occur due to hidden damage."*

This Program was developed out of a need, or perceived need, to spend "use it or lose it" funds. The scope of the audit did not include controls and procedures related to the overall use and management of CDBG or other grant funds. We did not determine whether funds were actually required to be obligated in the timeframe asserted by ECD, or whether the tracking and reporting of available funds was timely and sufficiently communicated to ECD. Although it was not our intent to prove or disprove a correlation between the last minute nature of the Program and the subsequent deficiencies in overall management and controls, we do believe a less rushed approach related to the expenditure of these funds could have potentially minimized many of the problems outlined in this report. We also believe there is needed improvement in the current system, where the tracking and management of grant funds is the responsibility of the Finance Department.

## Overcharges and Overpayments

Seal-Tite overcharged the City in four primary categories: 1) roof measurements; 2) additional fees; 3) unit prices; and, 4) change orders. Seal-Tite submitted invoices containing significant errors and overcharges including work never performed. These invoices, negligently approved for payment by both the Rehab Supervisor and ECD management represent overcharges of \$357,141. This represents 29% of the total charges from Seal-Tite equaling \$1,231,914.



### Overcharges – Measurements

We discussed the issue of measurement discrepancies with the President of Seal-Tite. He asserted the differences in square footage calculations are attributable to waste factors related to materials. We performed limited research on industry standards regarding roofing material waste and acknowledge that depending on the type of roof, there is a waste factor associated with the use of roofing materials. We dispute this position regarding the over measurements for the following reasons:

- Seal-Tite was required to perform accurate measurements as provided in the Master Roofing Contract: *“all items must be field verified and measured for accurate quantities”*
- The Master Roofing Contract did not provide any authorization for Seal-Tite to inflate square footage measurements for any reason
- Specifically, with regard to waste, the Master Roofing Contract contains language stating the base price per square foot is inclusive of waste: *“prices are per 100 square foot of roof area including waste”*

- If the City intended to authorize waste related charges, those charges would have only related to materials, and would not have applied to the contractor's all-inclusive price of materials, labor, fees, etc.
- If the increase in square footage calculations were attributable to a waste factor, we would have expected to see a consistent percentage of add-on. The percentages of over-measurements on individual roofs are extremely inconsistent and vary between 0% and 76%

We identified inaccuracies in the measurements for all 107 roofs. Some participants had sloped or flat roofs only and several participants had both sloped and flat segments. Therefore, the number of roof segments exceeds the total number of participants. We determined over-measurements occurred on approximately 87% of the roof segments and under-measurements occurred on the remaining 13%, resulting in a net over measurement of 46,996 square feet (Schedule A). The City paid overcharges resulting directly from inaccurate roof measurements totaling \$175,627 (Schedule B).

### **Overcharges – Additional Fees**

Seal-Tite's pricing is included in the Master Roofing Contract and includes the following language:

*"To the greatest degree possible, based on field observations, everything is included to avoid change orders and extra charges"*

A review of the files indicates numerous overcharges related to miscellaneous fees as detailed below:

**Permit Fees:** The City paid Seal-Tite \$19,718 for permit fees. Seal-Tite should not have charged for permit fees based on the following language from the Master Roofing Contract:

*"All permits or licenses necessary for the performance of the Work or required by law or ordinance, including building permits, shall be secured, maintained, and paid for by the Contractor."*

It is interesting to note the inconsistencies in charges attributable to these fees in both the number of roofs charged (81 out of 107) and, the percentage of fees charged vs. the dollar amount of the work performed (ranging from 1.6% to 8.7%). Further evidencing the arbitrary nature of these charges, the fees were mostly in excess of the actual permit charges Seal-Tite paid the City's Construction Services Department.

**Dumpster Fees:** Seal-Tite charged \$31,965 for dumpster fees. The contract did not provide for dumpster related charges. We noted inconsistencies in both the number of jobs charged for dumpsters (75 out of 107) and the amount charged (ranging from \$50 to \$900).

**Engineering Letter Fees:** Out of 64 participants with flat roofs, Seal-Tite charged the City for 42 engineering letter fees totaling \$6,500.

**Miscellaneous Fees:** In determining overcharges, we disallowed certain fees due to duplication, lack of detailed pricing, etc., totaling \$45,849. Although not specifically provided for under the Master Roofing Contract, we did allow fees for tarp removal, tile tear off and other fees we deemed reasonable.

Total overcharges related to additional fees, including permit, dumpster, engineering letter and other miscellaneous fees equal \$104,032 (Schedule C).

### **Overcharges – Unit Price**

Seal-Tite's pricing is included in the Master Roofing Contract. The price schedule reflects pricing per 100 sq. ft. of roof area, as follows:

*"Re-roof with 25 year shingles: \$315"*

*"Re-roof low slope roof with 25 year shingle and double underlayment: \$350"*

*"Re-roof with 40 year shingle: \$350"*

*"Re-roof low slope roof with 40 year shingle and double underlayment: \$385"*

Seal-Tite indicated they installed 40-year shingles on most roofs. We have no way of verifying what type of shingles were actually used, and have relied on Seal-Tite's records regarding shingle upgrades. Based on the prices contained in the contract, Seal-Tite should have charged a unit price of \$350 for 72 roofs and a unit price of \$385 for the remaining twenty-three low-sloped roofs. Seal-Tite charged the higher unit price of \$385 or more for 92 roofs, resulting in an overcharge of \$59,015 (Schedule D).

### **Overcharges – Change Orders**

We have strong concerns that Seal-Tite has also overcharged for some of the approximately \$150,000 of work approved and invoiced via change orders and outside the scope of work. Due to the inconsistencies and inaccuracies of Seal-Tite's charges combined with deficient controls and authorization of payments, we are not confident change order pricing is correct. We have identified some change order overcharges equaling \$18,467 (Schedule E); however, poor records and the absence of needed details have prevented us from determining the full extent of overcharges related to change orders.

## **Work Not Performed or Underperformed**

Seal-Tite charged the City for roofs where they did not perform all or a portion of the work included on their invoice:

- The City paid for work in July and August 2006 for a roof totaling \$12,637. Seal-Tite had not performed any work on this roof. This fact remained undiscovered until the homeowner contacted the City in September 2006 asking if they were going to get a new roof. Subsequent to the homeowner's complaint, Seal-Tite issued a full credit. Seal-Tite then performed a portion of the work and again submitted invoices for the full amount of the roof. For the second time on the same property, Seal-Tite received payment for incomplete work. Internal Audit visited this home and found work still incomplete on 300 sq. ft. of flat roof, resulting in an overpayment of \$1,500 (\$1,350 for work not performed plus a \$150 charge for an air conditioner which was not moved).
- Seal-Tite invoiced and the City paid for work on a home where no work was performed, totaling \$3,420. Seal-Tite issued a credit, one hundred and thirteen days later, for the full amount.
- The City paid for a roof consisting of both sloped and flat segments. Seal-Tite performed no work on the sloped portion of the roof that did not require replacement. Seal-Tite invoiced the City for the work not performed and ECD processed the invoice, overpaying by \$9,625.
- We identified six additional roofs where Seal-Tite invoiced the City, but did not perform some of the work, equaling \$8,760.

We are not in a position to determine whether the inaccurate invoicing by Seal-Tite was intentional. However, it demonstrates Seal-Tite did not exercise due professional care when invoicing the City and, at best, they did not have systems in place to ensure accurate billing. It further establishes ECD management was negligent in performing their duties, including inspecting and verifying the satisfactory completion of work prior to approving payments.

## **Alternative Pricing**

One participant's file included a roofing quote obtained directly by the homeowner. This proposal dated January 23, 2005, totaled \$6,800. For comparison purposes, the City paid Seal-Tite for this roof \$11,250 plus change orders for a total of \$13,090.

As part of our audit testing, we obtained alternative pricing for four roofs replaced under the Program from the same independent roofing contractor who performed



the field measurement verifications. This roofer calculates pricing based on a formula of actual costs, plus 20% markup. We performed an “apples-to-apples” comparison of Seal-Tite’s price to the independent roofer’s price and found Seal-Tite to be significantly higher in each of the four test cases. We have included the independent roofer’s pricing for illustrative purposes, as follows:

Participant #	Seal-Tite Price	Alternative Pricing	Variance	% of Seal-Tite’s Pricing Over Alternative Pricing
4	\$15,545	\$11,659	\$3,886	33%
13	\$10,010	\$8,476	\$1,534	18%
54	\$13,505	\$9,049	\$4,456	49%
82	\$8,050	\$6,811	\$1,239	18%
	\$47,110	\$35,995	\$11,115	

## Conclusions and Recommendations

**As outlined in the report, significant differences existed between what the City Commission approved and the actual expenditure of funds allocated to the Program.**

The City Commission approved Seal-Tite to construct new roofs on “hurricane damaged structures.” However, many of the replaced roofs had not sustained damage. It appears many were either not damaged or damaged due to age, lack of maintenance, or general disrepair. According to records from Seal-Tite, only 29 of the 107 roofs were tarped.

In the information presented to the Commission, there was emphasis placed on the urgent nature of the Program. ECD referred to the completion of roofs prior to the 2006 hurricane season. However, the Master Roofing Contract was not signed until one day prior to the start of hurricane season and work on roofs extended well beyond the beginning of hurricane season, which commenced June 1, 2006.

The Commission approved the Program to encompass both roof repairs and replacements. It appears several applicants were excluded from participating in the Program because their roofs only required repairs, not a full roof replacement.

**The environment permitted to exist in ECD, deplete of meaningful controls and void of knowledgeable responsible management, both caused and exacerbated the weaknesses outlined in this report. The absence of prudent fiscal management resulted in substantial vendor overpayments and exposure to the City.**

Even the most basic internal controls related to vendor management and construction supervision were missing from this Program. ECD failed to ensure the work was required, conduct inspections, validate measurements, verify consistent quality of work, or confirm the work had actually been performed.

As described in this report, there was a complete absence of accountability surrounding the vendor payment process and, as a result, significant overcharges were processed and paid. ECD management blindly approved scope of work documents and invoices that did not contain detailed descriptions and failed to compare charges against the terms and conditions of the Master Roofing Contract.

The opportunity for fraud to occur was elevated. Substantial overpayments to the vendor combined with checks returned to internal employees, the absence of an appropriate competitive bidding process, and the conflict of interest with the roofer created an environment where wrongdoing--whether intentional or unintentional--could easily have existed. Although we have not and cannot substantiate whether or not any fraudulent activity occurred in connection with this Program, the City's exposure was significant.

## **Recommendations**

1. Establish a financial management function reporting directly to ECD. This function would have primary responsibility to reconcile ECD records to finance records, perform detailed tracking of balances, required usage for grant funds, and report the availability and deadlines for use of grant funds to the appropriate ECD program managers.
2. Require all construction-related contracts have 15% to 20% withheld from vendor payments as retainage.
3. Create and implement a comprehensive set of standards for ECD employees working with grant programs. The standards should include overall policies, detailed procedures and work instructions related to the management and administration of programs funded by grant dollars. The implementation and standardization of clearly written guidelines will increase the uniformity and consistency of department activities. More specifically, these standards should encompass the methods used to document rehabilitation projects including pre inspections, interim inspections/monitoring, and post inspections.
4. Increase accountability standards for ECD management tasked with approving vendor payments.
5. Pursue collection of all overpayments to Seal-Tite Roofing, Inc.

## ***Audit of Blue Roof Program***

<i><b>Schedule</b></i>	<i><b>Description</b></i>	<i><b>Amount</b></i>
A	Seal-Tite vs. Actual Sq. Footage Measurements	46,996
B	Recalculated Charges: Seal-Tite vs. Actual Sq. Ft.	\$175,627
C	Additional Fees	\$104,032
D	Recalculated Charges: Seal-Tite unit price charged vs. actual contract price	\$59,015
E	Change Orders	\$18,467
F	Recap of Overcharges	<u><u><b>\$357,141</b></u></u>

<b>SUMMARY OF OVERCHARGES</b>		
<i><b>Schedule</b></i>	<i><b>Description</b></i>	<i><b>Amount</b></i>
A	Seal-Tite vs. Actual Sq. Footage Measurements	46,996
B	Recalculated Charges: Seal-Tite vs. Actual Sq. Ft.	\$175,627
C	Additional Fees	\$104,032
D	Recalculated Charges: Seal-Tite unit price charged vs. actual contract price	\$59,015
E	Change Orders	\$18,467
F	Recap of Overcharges	<u><u><b>\$357,141</b></u></u>

**SEAL-TITE VS. ACTUAL SQ. FT. MEASUREMENTS**

Participant #	Seal Tite Sq. Ft.		Actual Sq. Ft.		Variance		
	Sloped	Flat	Sloped	Flat	Sloped	Flat	Sloped + Flat
1	1,300	300	1,424		(124)	300	176
2	1,000	1,800	747	1,651	253	149	402
3	2,000		1,302		698		698
4	2,900	800	2,440	906	460	(106)	354
5	2,000	500	1,638	765	362	(265)	97
6	1,600	200	1,529	162	71	38	109
7	2,100	900	1,345	750	755	150	905
8	4,300	500	3,846	401	454	99	553
9	2,900		2,145		755		755
10	1,100		1,016		84		84
11	2,400	100	1,908	455	492	(355)	137
12	1,700		1,448		252		252
13	1,600	800	1,446	700	154	100	254
14	2,400	300	1,011	693	1389	(393)	996
15	1,700	300	1,464	276	236	24	260
16	2,700		2,224		476		476
17	2,400		1,885		515		515
18	1,500	650	1,350	626	150	24	174
19	200	2,400		1,064	200	1336	1536
20	200	2,100		1,080	200	1020	1220
21	1,500		1,300		200		200
22		600				600	600
23	2,600		1,990		610		610
24	200	600		432	200	168	368
25		1,200		936		264	264
26	800	100		769	800	(669)	131
27	4,200		3,047	570	1153	(570)	583
28	2,900	800	2,853	760	47	40	87
29	1,300		1,242		58		58
30	2,800	300	1,530		1270	300	1570
31	1,900		1,216		684		684
32	1,800		1,370		430		430
33		1,400		1,342		58	58
34	2,600	600	1,994	615	606	(15)	591
35	3,800	300	2,737	270	1063	30	1093
36	7,200		6,116		1084		1084
37		1,900		1,877		23	23
38	1,400		1,176		224		224
39	1,700	500	1,350	447	350	53	403
40	2,600		2,304		296		296

**SEAL-TITE VS. ACTUAL SQ. FT. MEASUREMENTS**

Participant #	Seal Tite Sq. Ft.		Actual Sq. Ft.		Variance		
	Sloped	Flat	Sloped	Flat	Sloped	Flat	Sloped + Flat
41	1,400	300	1,212	220	188	80	268
42	3,500	300	2,950	312	550	(12)	538
43	1,200		1,188		12		12
44	1,600		1,320		280		280
45	2,000	600	1,828	504	172	96	268
46	1,400	500	805	276	595	224	819
47	800	100		769	800	(669)	131
48		1,200		1,035		165	165
49		2,000		1,154		846	846
50		1,900		1,224		676	676
51	1,500	500	1,072	394	428	106	534
52	2,000		1,983		17		17
53	1,900	500	1,370	528	530	(28)	502
54	2,700	500	2,114	450	586	50	636
55	1,500		1,280		220		220
56	1,700		1,419		281		281
57	1,300	900	1,574		(274)	900	626
58	1,900		1,721		179		179
59	1,300	200	1,384	200	(84)	0	(84)
60	3,400	800	2,768	543	632	257	889
61	1,700	500	1,485	639	215	(139)	76
62	3,900		3,247		653		653
63	1,500		1,368		132		132
64	1,800		1,240		560		560
65	1,500	200	911	138	589	62	651
66		900		769		131	131
67	3,500	400	2,593	286	907	114	1021
68	1,200	2,100	928	1,760	272	340	612
69		1,500		1,076		424	424
70	3,100		2,154		946		946
71	2,500	650		658	2500	(8)	2492
72	2,500		1,939		561		561
73	2,200		1,920		280		280
74	2,400	900	1,650	839	750	61	811
75	1,500	1,000	982	790	518	210	728
76	3,300		2,946		354		354
77	2,000		1,620		380		380
78	1,500		1,332		168		168
79	3,800		3,252		548		548
80	1,100	700	975	515	125	185	310

**SEAL-TITE VS. ACTUAL SQ. FT. MEASUREMENTS**

Participant #	Seal Tite Sq. Ft.		Actual Sq. Ft.		Variance		
	Sloped	Flat	Sloped	Flat	Sloped	Flat	Sloped + Flat
81		800		759		41	41
82	2,300		2,004		296		296
83	1,900	400	1,496	344	404	56	460
84	1,700		1,410		290		290
85	500	200	428	126	72	74	146
86	600		608		(8)		(8)
87	200	2,500		1,463	200	1037	1237
88	1,000	800	852	943	148	(143)	5
89		900	912		(912)	900	(12)
90	1,300	300	1,180	187	120	113	233
91	1,200	700	886	643	314	57	371
92	1,700		1,179		521		521
93	2,000		1,418		582		582
94	2,600	600	2,202	430	398	170	568
95	1,600		1,446		154		154
96	1,500	200	1,383		117	200	317
97	1,200		1,018	544	182	(544)	(362)
98	1,300		1,214		86		86
99	1,900	200	1,260	156	640	44	684
100		1,700		1,310		390	390
101	1,400		1,152		248		248
102	800	100		769	800	(669)	131
103	1,900		1,272		628		628
104	3,300	500	2,546	375	754	125	879
105	2,100		2,236		(136)		(136)
106	1,900		1,794		106		106
107	1,500	200	1,350	160	150	40	190
<b>TOTAL Sq. Ft.</b>	<b>186,800</b>	<b>49,200</b>	<b>148,169</b>	<b>40,835</b>	<b>38,631</b>	<b>8,365</b>	<b>46,996</b>
<b># of Over Measured</b>					<b>90</b>	<b>50</b>	<b>87%</b>
<b># of Under Measured</b>					<b>6</b>	<b>15</b>	<b>13%</b>

**RECALCULATED CHARGES: SEAL TITE VS. ACTUAL SQ. FT.**

<i>SLOPED</i>					<i>FLAT</i>				
Participant #	Seal-Tite Sq. Ft.	Actual Sq.Ft.	Variance	A	Seal-Tite Sq. Ft.	Actual Sq.Ft.	Variance	B	A+B
				Over (Under) Charge				Over (Under) Charge	Total Over (Under) Charge
1	1,300	1,424	-124	(\$477.40)	300	0	300	\$1,350.00	\$872.60
2	1,000	747	253	\$974.05	1,800	1,651	149	\$670.50	\$1,644.55
3	2,000	1,302	698	\$2,687.30	0	0	0	\$0.00	\$2,687.30
4	2,900	2,440	460	\$1,610.00	800	906	-106	(\$477.00)	\$1,133.00
5	2,000	1,638	362	\$1,267.00	500	765	-265	(\$1,192.50)	\$74.50
6	1,600	1,529	71	\$248.50	200	162	38	\$171.00	\$419.50
7	2,100	1,345	755	\$2,642.50	900	750	150	\$675.00	\$3,317.50
8	4,300	3,846	454	\$1,589.00	500	401	99	\$445.50	\$2,034.50
9	2,900	2,145	755	\$2,642.50	0	0	0	\$0.00	\$2,642.50
10	1,100	1,016	84	\$323.40	0	0	0	\$0.00	\$323.40
11	2,400	1,908	492	\$1,722.00	100	455	-355	(\$1,597.50)	\$124.50
12	1,700	1,448	252	\$882.00	0	0	0	\$0.00	\$882.00
13	1,600	1,446	154	\$539.00	800	700	100	\$450.00	\$989.00
14	2,400	1,011	1,389	\$4,861.50	300	693	-393	(\$1,768.50)	\$3,093.00
15	1,700	1,464	236	\$826.00	300	276	24	\$108.00	\$934.00
16	2,700	2,224	476	\$1,666.00	0	0	0	\$0.00	\$1,666.00
17	2,400	1,885	515	\$1,802.50	0	0	0	\$0.00	\$1,802.50
18	1,500	1,350	150	\$577.50	650	626	24	\$108.00	\$685.50
19	200	0	200	\$770.00	2,400	1,064	1,336	\$6,012.00	\$6,782.00
20	200	0	200	\$770.00	2,100	1,080	1,020	\$4,590.00	\$5,360.00
21	1,500	1,300	200	\$770.00	0	0	0	\$0.00	\$770.00
22	0	0	0	\$0.00	600	0	600	\$2,700.00	\$2,700.00
23	2,600	1,990	610	\$2,135.00	0	0	0	\$0.00	\$2,135.00
24	200	0	200	\$770.00	600	432	168	\$756.00	\$1,526.00
25	0	0	0	\$0.00	1,200	936	264	\$1,188.00	\$1,188.00
26	800	0	800	\$3,080.00	100	769	-669	(\$3,010.50)	\$69.50
27	4,200	3,047	1,153	\$4,035.50	0	570	-570	(\$2,565.00)	\$1,470.50
28	2,900	2,853	47	\$164.50	800	760	40	\$180.00	\$344.50
29	1,300	1,242	58	\$203.00	0	0	0	\$0.00	\$203.00
30	2,800	1,530	1,270	\$4,445.00	300	0	300	\$1,350.00	\$5,795.00
31	1,900	1,216	684	\$2,394.00	0	0	0	\$0.00	\$2,394.00
32	1,800	1,370	430	\$1,505.00	0	0	0	\$0.00	\$1,505.00
33	0	0	0	\$0.00	1,400	1,342	58	\$261.00	\$261.00
34	2,600	1,994	606	\$2,121.00	600	615	-15	(\$67.50)	\$2,053.50
35	3,800	2,737	1,063	\$3,720.50	300	270	30	\$135.00	\$3,855.50
36	7,200	6,116	1,084	\$3,794.00	0	0	0	\$0.00	\$3,794.00
37	0	0	0	\$0.00	1,900	1,877	23	\$103.50	\$103.50
38	1,400	1,176	224	\$862.40	0	0	0	\$0.00	\$862.40
39	1,700	1,350	350	\$1,347.50	500	447	53	\$238.50	\$1,586.00
40	2,600	2,304	296	\$1,036.00	0	0	0	\$0.00	\$1,036.00
41	1,400	1,212	188	\$658.00	300	220	80	\$360.00	\$1,018.00
42	3,500	2,950	550	\$1,925.00	300	312	-12	(\$54.00)	\$1,871.00
43	1,200	1,188	12	\$42.00	0	0	0	\$0.00	\$42.00
44	1,600	1,320	280	\$980.00	0	0	0	\$0.00	\$980.00
45	2,000	1,828	172	\$602.00	600	504	96	\$432.00	\$1,034.00
46	1,400	805	595	\$2,082.50	500	276	224	\$1,008.00	\$3,090.50

**RECALCULATED CHARGES: SEAL TITE VS. ACTUAL SQ. FT.**

<i>SLOPED</i>					<i>FLAT</i>				
Participant #	Seal-Tite Sq. Ft.	Actual Sq.Ft.	Variance	A	Seal-Tite Sq. Ft.	Actual Sq.Ft.	Variance	B	A+B
				Over (Under) Charge				Over (Under) Charge	Total Over (Under) Charge
47	800	0	800	\$3,080.00	100	769	-669	(\$3,010.50)	\$69.50
48	0	0	0	\$0.00	1,200	1,035	165	\$742.50	\$742.50
49	0	0	0	\$0.00	2,000	1,154	846	\$3,807.00	\$3,807.00
50	0	0	0	\$0.00	1,900	1,224	676	\$3,042.00	\$3,042.00
51	1,500	1,072	428	\$1,498.00	500	394	106	\$477.00	\$1,975.00
52	2,000	1,983	17	\$59.50	0	0	0	\$0.00	\$59.50
53	1,900	1,370	530	\$1,855.00	500	528	-28	(\$126.00)	\$1,729.00
54	2,700	2,114	586	\$2,051.00	500	450	50	\$225.00	\$2,276.00
55	1,500	1,280	220	\$770.00	0	0	0	\$0.00	\$770.00
56	1,700	1,419	281	\$1,081.85	0	0	0	\$0.00	\$1,081.85
57	1,300	1,574	-274	(\$959.00)	900	0	900	\$4,050.00	\$3,091.00
58	1,900	1,721	179	\$626.50	0	0	0	\$0.00	\$626.50
59	1,300	1,384	-84	(\$294.00)	200	200	0	\$0.00	(\$294.00)
60	3,400	2,768	632	\$2,212.00	800	543	257	\$1,156.50	\$3,368.50
61	1,700	1,485	215	\$752.50	500	639	-139	(\$625.50)	\$127.00
62	3,900	3,247	653	\$2,285.50	0	0	0	\$0.00	\$2,285.50
63	1,500	1,368	132	\$508.20	0	0	0	\$0.00	\$508.20
64	1,800	1,240	560	\$1,960.00	0	0	0	\$0.00	\$1,960.00
65	1,500	911	589	\$2,061.50	200	138	62	\$279.00	\$2,340.50
66	0	0	0	\$0.00	900	769	131	\$589.50	\$589.50
67	3,500	2,593	907	\$3,174.50	400	286	114	\$513.00	\$3,687.50
68	1,200	928	272	\$952.00	2,100	1,760	340	\$1,530.00	\$2,482.00
69	0	0	0	\$0.00	1,500	1,076	424	\$1,908.00	\$1,908.00
70	3,100	2,154	946	\$3,311.00	0	0	0	\$0.00	\$3,311.00
71	2,500	0	2,500	\$9,625.00	650	658	-8	(\$36.00)	\$9,589.00
72	2,500	1,939	561	\$1,963.50	0	0	0	\$0.00	\$1,963.50
73	2,200	1,920	280	\$980.00	0	0	0	\$0.00	\$980.00
74	2,400	1,650	750	\$2,625.00	900	839	61	\$274.50	\$2,899.50
75	1,500	982	518	\$1,813.00	1,000	790	210	\$945.00	\$2,758.00
76	3,300	2,946	354	\$1,239.00	0	0	0	\$0.00	\$1,239.00
77	2,000	1,620	380	\$1,330.00	0	0	0	\$0.00	\$1,330.00
78	1,500	1,332	168	\$646.80	0	0	0	\$0.00	\$646.80
79	3,800	3,252	548	\$1,918.00	0	0	0	\$0.00	\$1,918.00
80	1,100	975	125	\$437.50	700	515	185	\$832.50	\$1,270.00
81	0	0	0	\$0.00	800	759	41	\$184.50	\$184.50
82	2,300	2,004	296	\$1,036.00	0	0	0	\$0.00	\$1,036.00
83	1,900	1,496	404	\$1,414.00	400	344	56	\$252.00	\$1,666.00
84	1,700	1,410	290	\$1,015.00	0	0	0	\$0.00	\$1,015.00
85	500	428	72	\$252.00	200	126	74	\$333.00	\$585.00
86	600	608	-8	(\$28.00)	0	0	0	\$0.00	(\$28.00)
87	200	0	200	\$770.00	2,500	1,463	1,037	\$4,666.50	\$5,436.50
88	1,000	852	148	\$569.80	800	943	-143	(\$643.50)	(\$73.70)
89	0	912	-912	(\$3,511.20)	900	0	900	\$4,050.00	\$538.80
90	1,300	1,180	120	\$420.00	300	187	113	\$508.50	\$928.50
91	1,200	886	314	\$1,099.00	700	643	57	\$256.50	\$1,355.50
92	1,700	1,179	521	\$1,823.50	0	0	0	\$0.00	\$1,823.50
93	2,000	1,418	582	\$2,037.00	0	0	0	\$0.00	\$2,037.00
94	2,600	2,202	398	\$1,393.00	600	430	170	\$765.00	\$2,158.00
95	1,600	1,446	154	\$539.00	0	0	0	\$0.00	\$539.00



<b>RECALCULATED CHARGES: SEAL TITE VS. ACTUAL SQ. FT.</b>
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**SLOPED**

**FLAT**

Participant #	Seal-Tite Sq. Ft.	Actual Sq.Ft.	Variance	A	Seal-Tite Sq. Ft.	Actual Sq.Ft.	Variance	B	A+B Total
				Over (Under) Charge				Over (Under) Charge	Over (Under) Charge
96	1,500	1,383	117	\$409.50	200	0	200	\$900.00	\$1,309.50
97	1,200	1,018	182	\$700.70	0	544	-544	(\$2,448.00)	(\$1,747.30)
98	1,300	1,214	86	\$301.00	0	0	0	\$0.00	\$301.00
99	1,900	1,260	640	\$2,240.00	200	156	44	\$198.00	\$2,438.00
100	0	0	0	\$0.00	1,700	1,310	390	\$1,755.00	\$1,755.00
101	1,400	1,152	248	\$954.80	0	0	0	\$0.00	\$954.80
102	800	0	800	\$3,080.00	100	769	-669	(\$3,010.50)	\$69.50
103	1,900	1,272	628	\$2,198.00	0	0	0	\$0.00	\$2,198.00
104	3,300	2,546	754	\$2,639.00	500	375	125	\$562.50	\$3,201.50
105	2,100	2,236	-136	(\$476.00)	0	0	0	\$0.00	(\$476.00)
106	1,900	1,794	106	\$371.00	0	0	0	\$0.00	\$371.00
107	1,500	1,350	150	\$577.50	200	160	40	\$180.00	\$757.50

**\$175,627.20**

1 Job not done; credit memo issued by roofer

**ADDITIONAL FEES**

Participant #	Allowable Fees				Description
	Parapet Walls	Tile Tear Off	Tarp Removal	Misc Fee	
1					
2					
3			250.00		
4					
5				180.00	30 lf of fascia @ \$6
6					
7				485.00	80 lf of primed fascia
8					
9					
10					
11					
12					
13			250.00		
14			250.00		
15			200.00		
16			250.00		
17				2,388.00	188 lf of fascia @ \$6, 12 plywood @ \$80, 50 lf of ridge vent @ \$6
18					
19	1,100.00	500.00		(80.00)	Bid breakdown \$80 more than charged
20	1,100.00	500.00			
21					
22					
23					
24					
25				2,000.00	insulation (1000 * 200)
26					
27		500.00		2,700.00	100 lf fascia @\$8,soffit @\$15, 2*4 @ \$4
28				100.00	two story roof
29			150.00		
30					
31			250.00	240.00	install ridge vent
32				108.00	18 ft of fascia @ \$6
33	276.00			2,800.00	insulation (1400*200)
34				64.00	Plywood
35				2,000.00	hand load, fascia, gutters
36		500.00	250.00	1,000.00	sky lights
37				2,770.00	insulation
38			250.00	900.00	150 ft of fascia @ \$6
39					
40					
41				480.00	6 sheets of plywood @ \$80
42		500.00			
43			250.00	1,170.00	130 ft of fascia @ \$6 and 1*2 @ \$3
44					
45					
46					
47					
48				720.00	80 ft of flashing
49				2,400.00	insulation (1200 * 200)
50	1,300.00			2,600.00	insulation (1300 * 200)
51					
52				222.00	37ft ridge vent
53					
54					
55					
56					
57					
58			250.00		
59					
60			250.00		
61					
62				240.00	40 ft ridge vent @ \$6

Disallowable Fees					
Dumpster Fee	Permit Fee	Engineering Letter Fee	Shingle Upgrade	Misc Fee	Description
			150.00		
350.00	298.00	150.00			
450.00	193.00				
450.00	330.00				
450.00	248.00	150.00		1,000.00	lack of detailed pricing
		150.00			
450.00	303.00	150.00			
	302.00	150.00			
450.00	253.00				
450.00	115.00	150.00	385.00		
	243.00				
450.00	180.00			50.00	overcharge for tarp removal
450.00	214.00	150.00			
			(70.00)	675.00	double tear off
450.00	254.00			486.00	lack of detailed pricing
350.00	175.00	150.00			
450.00	360.00	150.00		2,750.00	Need verification work was completed
450.00	373.00	150.00		4,180.00	lack of detailed pricing
450.00	120.00	150.00			
450.00	250.00				
450.00	150.00	150.00			
450.00	225.00			1,200.00	lack of detailed pricing
300.00	100.00	150.00			
450.00	509.00			360.00	lack of detailed pricing
450.00	319.00	150.00			
400.00	175.00				
	357.00			150.00	removal of A/C - work not done
450.00	183.00				
450.00	225.00				
450.00	157.00	150.00			
900.00	313.00	150.00			
450.00				5,838.00	lack of detailed pricing
450.00	693.00			2,802.00	lack of detailed pricing
450.00	250.00	150.00			
450.00	125.00			25.00	overcharge for tarp removal
50.00	223.00	150.00			
450.00	278.00				
450.00	169.00	150.00			
	424.00	150.00		3,000.00	lack of detailed pricing
				50.00	overcharge for tarp removal
400.00	204.00				
300.00	215.00				
450.00	191.00				
225.00	100.00				
450.00	200.00	150.00		2,080.00	lack of detailed pricing
450.00	375.00	150.00		3,600.00	lack of detailed pricing
450.00	356.00	150.00		1,800.00	lack of detailed pricing
400.00	250.00				
450.00	242.00				
				1,900.00	amount for no access is excessive, there is access
400.00	310.00	150.00			
400.00	214.00			100.00	no info provided for charge
			140.00		
				215.00	overcharge for tarp removal
400.00				200.00	No info provided for charge
				550.00	lack of detailed pricing
		150.00			
	431.00				

**ADDITIONAL FEES**

Participant #	Allowable Fees				Description	Disallowable Fees					Description	
	Parapet Walls	Tile Tear Off	Tarp Removal	Misc Fee		Dumpster Fee	Permit Fee	Engineering Letter Fee	Shingle Upgrade	Misc Fee		
63				1,440.00	180ft of fascia @ \$8							
64				135.00	valley flashing	450.00	173.00					
65						450.00	198.00	150.00		1,260.00	No info provided for charge	
66								150.00				
67				(3,000.00)	\$1000 for skylights; \$-4000 variance between bid breakdown and invoice	450.00	285.00	150.00				
68												
69				2,200.00	insulation	450.00	138.00	150.00		1,132.00	lack of detailed pricing	
70						450.00	298.00					
71						450.00	313.00					
72			250.00	360.00	60ft ridge vent @ \$6	450.00	248.00					
73				1,560.00	60ft ridge vent & 200lf of 1*6	450.00	250.00					
74			250.00	890.00	triple tear off	450.00	252.00	150.00				
75						450.00	256.00	150.00		182.00	overcharge by vendor; transposed amount	
76												
77			250.00			450.00	192.00			50.00	overcharge for tarp removal	
78				300.00	remove turbines & replace w vent	450.00	177.00					
79			168.00			450.00	332.00					
80						290.00		150.00				
81				1,600.00	insulation	300.00	130.00	150.00				
82												
83						450.00	227.00	150.00				
84							240.00					
85				120.00	ridge vent	250.00	100.00	150.00				
86			250.00			250.00	200.00			1,250.00	lack of detailed pricing	
87						450.00	230.00	150.00				
88			250.00							200.00	overcharge for tarp removal	
89												
90				1,720.00	fascia 200*30 and 2*4							
91			250.00			450.00	250.00	150.00				
92						450.00	174.00					
93				1,320.00	40ft of ridge vent & 180lf of fascia both at \$6	450.00	246.00			830.00	lack of detailed pricing	
94				375.00	25 ft fascia, 1*2 and 2*6				910.00	2,125.00	lack of detailed pricing	
95						450.00	204.00					
96			250.00				166.00	150.00		375.00	double tear off	
97				285.00	50ft of valley & 16ft of flashing	450.00	176.00	150.00				
98			250.00			450.00	125.00			75.00	overcharge for tarp removal	
99							259.00	150.00				
100				2,800.00	insulation (1400*200)	450.00	191.00	150.00		1,044.00	lack of detailed pricing	
101				480.00	140ft of fascia and ridge vent	400.00	185.00					
102								50.00	100.00			
103			250.00				239.00					
104						400.00	300.00	150.00				
105			250.00			450.00	280.00			1,300.00	excessive charge for no access	
106		500.00		1,040.00	13 sheets @ \$80	450.00	290.00			1,400.00	lack of detailed pricing	
107				480.00	6 sheets @ \$80	450.00	220.00	150.00				
						<b>\$31,965</b>	<b>\$19,718</b>	<b>\$6,500</b>	<b>\$1,615</b>	<b>\$44,234</b>	<b>\$104,032</b>	

**RECALCULATED CHARGES: SEAL TITE UNIT PRICE  
CHARGED VS. ACTUAL CONTRACT PRICE**

Participant #	A		B (A * B)			
	Seal-Tite Sloped Sq. Ft.	Pitch X/12	Charged Base Price	Correct Base Price	Variance	Over Charges
1	1300	2	385.00	385.00	\$0.00	\$0.00
2	1000	2	385.00	385.00	\$0.00	\$0.00
3	2000	2	385.00	385.00	\$0.00	\$0.00
4	2900	3	385.00	350.00	\$35.00	\$1,015.00
5	2000	4	385.00	350.00	\$35.00	\$700.00
6	1600	4	385.00	350.00	\$35.00	\$560.00
7	2100	4	385.00	350.00	\$35.00	\$735.00
8	4300	5	385.00	350.00	\$35.00	\$1,505.00
9	2900	4	385.00	350.00	\$35.00	\$1,015.00
10	1100	2	385.00	385.00	\$0.00	\$0.00
11	2400	3	385.00	350.00	\$35.00	\$840.00
12	1700	3	385.00	350.00	\$35.00	\$595.00
13	1600	3	385.00	350.00	\$35.00	\$560.00
14	2400	5	385.00	350.00	\$35.00	\$840.00
15	1700	4	385.00	350.00	\$35.00	\$595.00
16	2700	4	385.00	350.00	\$35.00	\$945.00
17	2400	4	385.00	350.00	\$35.00	\$840.00
18	1500	2	385.00	385.00	\$0.00	\$0.00
19	200	2	385.00	385.00	\$0.00	\$0.00
20	200	2	385.00	385.00	\$0.00	\$0.00
21	1500	2	385.00	385.00	\$0.00	\$0.00
22	-	-	-	-	-	-
23	2600	3	385.00	350.00	\$35.00	\$910.00
24	200	2	385.00	385.00	\$0.00	\$0.00
25	-	-	-	-	-	-
26	800	2	385.00	385.00	\$0.00	\$0.00
27	4200	4	485.00	350.00	\$135.00	\$5,670.00
28	2900	7	385.00	350.00	\$35.00	\$1,015.00
29	1300	4	385.00	350.00	\$35.00	\$455.00
30	2800	4	385.00	350.00	\$35.00	\$980.00
31	1900	5	385.00	350.00	\$35.00	\$665.00
32	1800	4	385.00	350.00	\$35.00	\$630.00
33	-	-	-	-	-	-
34	2600	3	385.00	350.00	\$35.00	\$910.00
35	3800	6	385.00	350.00	\$35.00	\$1,330.00
36	7200	6	385.00	350.00	\$35.00	\$2,520.00
37	-	-	-	-	-	-
38	1400	2	385.00	385.00	\$0.00	\$0.00
39	1700	2	385.00	385.00	\$0.00	\$0.00
40	2600	4	385.00	350.00	\$35.00	\$910.00
41	1400	3	385.00	350.00	\$35.00	\$490.00

**RECALCULATED CHARGES: SEAL TITE UNIT PRICE  
CHARGED VS. ACTUAL CONTRACT PRICE**

Participant #	A		B		(A * B)	
	Seal-Tite Sloped Sq. Ft.	Pitch X/12	Charged Base Price	Correct Base Price	Variance	Over Charges
42	3500	4	385.00	350.00	\$35.00	\$1,225.00
43	1200	3	385.00	350.00	\$35.00	\$420.00
44	1600	3	385.00	350.00	\$35.00	\$560.00
45	2000	4	385.00	350.00	\$35.00	\$700.00
46	1400	4	385.00	350.00	\$35.00	\$490.00
47	800	2	385.00	385.00	\$0.00	\$0.00
48	-	-	-	-	-	-
49	-	-	-	-	-	-
50	-	-	-	-	-	-
51	1500	5	385.00	350.00	\$35.00	\$525.00
52	2000	6	385.00	350.00	\$35.00	\$700.00
53	1900	5	385.00	350.00	\$35.00	\$665.00
54	2700	4	385.00	350.00	\$35.00	\$945.00
55	1500	3	385.00	350.00	\$35.00	\$525.00
56	1700	2	385.00	385.00	\$0.00	\$0.00
57	1300	3	385.00	350.00	\$35.00	\$455.00
58	1900	3	385.00	350.00	\$35.00	\$665.00
59	1300	5	385.00	350.00	\$35.00	\$455.00
60	3400	3	350.00	350.00	\$0.00	\$0.00
61	1700	4	385.00	350.00	\$35.00	\$595.00
62	3900	6	385.00	350.00	\$35.00	\$1,365.00
63	1500	2	385.00	385.00	\$0.00	\$0.00
64	1800	4	385.00	350.00	\$35.00	\$630.00
65	1500	3	385.00	350.00	\$35.00	\$525.00
66	-	-	-	-	-	-
67	3500	5	385.00	350.00	\$35.00	\$1,225.00
68	1200	6	385.00	350.00	\$35.00	\$420.00
69	-	-	-	-	-	-
70	3100	5	385.00	350.00	\$35.00	\$1,085.00
71	2500	2	385.00	385.00	\$0.00	\$0.00
72	2500	3	385.00	350.00	\$35.00	\$875.00
73	2200	3	385.00	350.00	\$35.00	\$770.00
74	2400	4	385.00	350.00	\$35.00	\$840.00
75	1500	3	385.00	350.00	\$35.00	\$525.00
76	3300	4	385.00	350.00	\$35.00	\$1,155.00
77	2000	4	385.00	350.00	\$35.00	\$700.00
78	1500	2	385.00	385.00	\$0.00	\$0.00
79	3800	6	350.00	350.00	\$0.00	\$0.00
80	1100	6	385.00	350.00	\$35.00	\$385.00
81	-	-	-	-	-	-
82	2300	3	350.00	350.00	\$0.00	\$0.00
83	1900	4	385.00	350.00	\$35.00	\$665.00
84	1700	3	385.00	350.00	\$35.00	\$595.00
85	500	6	385.00	350.00	\$35.00	\$175.00

<b>RECALCULATED CHARGES: SEAL TITE UNIT PRICE CHARGED VS. ACTUAL CONTRACT PRICE</b>
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Participant #	A		B		(A * B)	
	Seal-Tite Sloped Sq. Ft.	Pitch X/12	Charged Base Price	Correct Base Price	Variance	Over Charges
86	600	4	385.00	350.00	\$35.00	\$210.00
87	200	2	385.00	385.00	\$0.00	\$0.00
88	1000	2	385.00	385.00	\$0.00	\$0.00
89	-	-	-	-	-	-
90	1300	3	385.00	350.00	\$35.00	\$455.00
91	1200	3	385.00	350.00	\$35.00	\$420.00
92	1700	4	385.00	350.00	\$35.00	\$595.00
93	2000	3	385.00	350.00	\$35.00	\$700.00
94	2600	3	450.00	350.00	\$100.00	\$2,600.00
95	1600	3	385.00	350.00	\$35.00	\$560.00
96	1500	4	385.00	350.00	\$35.00	\$525.00
97	1200	2	385.00	385.00	\$0.00	\$0.00
98	1300	4	385.00	350.00	\$35.00	\$455.00
99	1900	5	385.00	350.00	\$35.00	\$665.00
100	-	-	-	-	-	-
101	1400	2	385.00	385.00	\$0.00	\$0.00
102	800	2	450.00	385.00	\$65.00	\$520.00
103	1900	4	385.00	350.00	\$35.00	\$665.00
104	3300	4	385.00	350.00	\$35.00	\$1,155.00
105	2100	3	385.00	350.00	\$35.00	\$735.00
106	1900	4	385.00	350.00	\$35.00	\$665.00
107	1500	2	385.00	385.00	\$0.00	\$0.00

**\$ 59,015.00**

Blank rows are "flat roof only" participants; no information to be provided as there are no sloped portions

Low Sloped = 2/12 and under



<b>CHANGE ORDERS</b>
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Participant #	Allowable Change Orders		Disallowable Change Orders	
	Amount	Description	Amount	Description
29				
30				
31				
32	\$4,960.00	59shts of CDX plywood,96ft 1*2, 12ft 2*4	\$475.00	Double tear off
33				
34	\$980.00	7 sheets of plywood, 30ft of 1*6 fascia, 120ft of 1*2		
35	\$3,080.00	\$1900 for DK electric, 50ft of 1*10, 30ft of 1*6, 80ft of 1*10,40ft of 1*6		
36	\$1,332.00	150ft of 1*6 fascia, 3 sheets of CDX plywood, and 48ft of 2*4		
37	\$386.00	35ft 1*6 cedar, 22lf 1*8 cedar		
38	\$5,451.00	DK Electric		
39				
40				
41	\$1,714.00	154 ft of 1*6, 50ft of 1*8, 3 sheets of plywood, 10ft of 2*6		
42	\$960.00	10 sheet of plywood, 80 ft 1*2		
43	\$108.00	18ft of fascia;		
44	\$720.00	3 sheets of CDX plywood, 80ft 1*6		
45				
46	\$460.00	208 ft 1*8 decking, 30ft 2*4, 1 sheet of plywood		
47	\$1,800.00	Installed 2 inch ISO insulation per Brad		
48	\$720.00	80ft of flashing		
49	(\$1,710.00)	delete tear off		
50				
51				
52				
53	\$1,680.00	180lf of fascia, 3 sheets 1/2 in CDX plywood @ 2.50ft;		
54				
55				
56	\$1,180.00	\$890 for DK electric; remove turbines, cover and install 35ft ridge vent		
57	\$800.00	100lf of cedar fascia 8.00 per LF		
58	\$2,222.00	remove and replace metal door frame, 5 sheets of plywood, 50ft of 2*4, 36ft of 1*8, 80ft of 1*6, 96ft of 1*3		
59			\$3,132.00	roof planks, no access, beams



<b>CHANGE ORDERS</b>

Participant #	Allowable Change Orders		Disallowable Change Orders	
	Amount	Description	Amount	Description
60	\$13,366.00	556 of 2*6 TNG, 42sq of brown board insulation, 32ft of 1*8, 24ft of 1*2, 128 ft of 2*10, 90ft of 2*4, 40ft of 2*2, 40ft of 2*12, 48ft of 1*10, 25sheets of plywood, 12PC 4*4, 12ft of 1*6		
61			\$4,381.00	lack of detailed information
62	\$1,784.00	192 ft 1*2, 130 ft 1*8,60ft cobra		
63	\$2,615.00	180ft of 1*6, 180ft of 1*2, 100ft of 1*8, soffit 150ft replace		
64	\$448.00	64ft of 1*6 cedar, 32ft of 1*2		
65	\$3,120.00	36 sheets of plywood, 40ft of 1*6 fascia		
66	\$1,800.00	Installed 2 inch insulation per Brad		
67				
68	\$2,650.00	DK electric		
69				
70				
71	\$688.00	remove and replace 67lf 1*8 TNG roof planks, 48lf of 1*8 cedar fascia, 12lf of 3*8 beam, and 16sq ft of plywood soffit		
72				
73	\$1,120.00	200ft of 1*2, 6 sheets of plywood, 60ft of 2*4	\$1,200.00	200ft of 1*6 already charged on misc charges
74	\$99.00	Replace 30lf of 1*8 TNG decking and 8lf of 2*4		
75				
76				
77	\$160.00	2 sheets of 5*8 plywood		
78				
79				
80	\$354.00	4sq ft of triple layer of metal and cedar	\$385.00	duplicate charge for shingle upgrade
81				
82	\$528.00	feet of cedar fascia, 2 sheets 5*8 CDX plywood, ridge vent		
83				
84				
85				
86				
87				
88	\$770.00	based on measurements should only be 308 ft of soffit @ \$2.50	\$1,045.00	overcharge for soffit

<b>CHANGE ORDERS</b>
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Participant #	Allowable Change Orders		Disallowable Change Orders	
	Amount	Description	Amount	Description
89	\$2,053.00	removal of rear porch, double tear off fascia and beam, 9 sq ft double layer tear off	\$315.00	overcharge
90	\$8,231.00	\$6331 for DK electric; double tear off, 5 sheets of plywood, 180ft of 1*6 cedar fascia, 40ft of 2*8		
91				
92				
93			\$3,340.00	no description of charges provided
94	\$3,385.00	40ft of 2*6, 6 sheets of plywood, 70ft of 1*6, and 40ft of drip edge; \$1885 for DK Electric		
95	\$676.00	5 sheets of plywood, 24ft of 2*4, 30ft of 1*6		
96				
97	\$2,650.00	DK electric - main meter replaced		
98	\$744.00	72ft of 1*6, 12ft of 1*8, 12ft of 2*6, 36ft of 2*4		
99				
100	\$1,980.00	1 sheet plywood, open parapet wall to increase drainage, install new scupper, gutter, downspout, and repaint roof w/ elasto paint		
101				
102			\$225.00	no description of charges provided
103	\$4,344.00	1200ft of decking boards, 64ft of 2*6, 64ft of 1*4		
104				
105	\$2,860.00	80ft of 1*8, 150ft of 1*10, 90ft gutters and spouts		
106	\$1,376.00	160ft of 1*8, 24ft of 2*4		
107				
	<b>\$ 113,864</b>		<b>\$ 18,467</b>	

\* Total change orders = \$146,141. However, \$13,810 was excluded to avoid duplication from other schedules

**RECALCULATED PRICE OF ROOF**

**SEAL-TITE PRICE FOR ROOF**

Partic- pant #	RECALCULATED PRICE OF ROOF						SEAL-TITE PRICE FOR ROOF					Over/(Under) Charge (\$)				
	S.F. Sloped	Sloped Rate (\$)	Price of Sloped (\$)	S.F. Flat	Flat Rate (\$)	Price of Flat (\$)	Base Total (\$)	Allowed Additional Charges (\$)	Allowed Change Orders (\$)	Total Price (\$)	Base Rate Charged (\$)		Additional Charges (\$)	Upgrade Fees (\$)	Change Orders (\$)	Total Price (\$)
1	1,424	3.85	5,482.40		4.50	-	5,482.40	-	960.00	6,442.40	5,900.00	-	605.00	960.00	7,465.00	1,022.60
2	747	3.85	2,875.95	1651	4.50	7,429.50	10,305.45	-	100.00	10,405.45	11,950.00	798.00		100.00	12,848.00	2,442.55
3	1,302	3.85	5,012.70		4.50	-	5,012.70	250.00	1,760.00	7,022.70	7,700.00	893.00		1,760.00	10,353.00	3,330.30
4	2,440	3.50	8,540.00	906	4.50	4,077.00	12,617.00	-	-	12,617.00	14,765.00	780.00		-	15,545.00	2,928.00
5	1,638	3.50	5,733.00	765	4.50	3,442.50	9,175.50	180.00	3,966.00	13,321.50	9,950.00	2,028.00		6,727.00	18,705.00	5,383.50
6	1,529	3.50	5,351.50	162	4.50	729.00	6,080.50	-	360.00	6,440.50	6,500.00	150.00	560.00	360.00	7,570.00	1,129.50
7	1,345	3.50	4,707.50	750	4.50	3,375.00	8,082.50	485.00	(1,108.00)	7,459.50	12,135.00	1,388.00		(1,108.00)	12,415.00	4,955.50
8	3,846	3.50	13,461.00	401	4.50	1,804.50	15,265.50	-	-	15,265.50	18,805.00	452.00		-	19,257.00	3,991.50
9	2,145	3.50	7,507.50		4.50	-	7,507.50	-	-	7,507.50	11,165.00	703.00		-	11,868.00	4,360.50
10	1,016	3.85	3,911.60		4.50	-	3,911.60	-	-	3,911.60	4,235.00	715.00	385.00	-	5,335.00	1,423.40
11	1,908	3.50	6,678.00	455	4.50	2,047.50	8,725.50	-	984.00	9,709.50	9,690.00	243.00		984.00	10,917.00	1,207.50
12	1,448	3.50	5,068.00		4.50	-	5,068.00	-	762.00	5,830.00	5,950.00	-	595.00	762.00	7,307.00	1,477.00
13	1,446	3.50	5,061.00	700	4.50	3,150.00	8,211.00	250.00	-	8,461.00	9,200.00	250.00	560.00	-	10,010.00	1,549.00
14	1,011	3.50	3,538.50	693	4.50	3,118.50	6,657.00	250.00	180.00	7,087.00	10,590.00	930.00		180.00	11,700.00	4,613.00
15	1,464	3.50	5,124.00	276	4.50	1,242.00	6,366.00	200.00	952.00	7,518.00	7,895.00	1,014.00		1,160.00	10,069.00	2,551.00
16	2,224	3.50	7,784.00		4.50	-	7,784.00	250.00	1,840.00	9,874.00	9,450.00	925.00	875.00	1,840.00	13,090.00	3,216.00
17	1,885	3.50	6,597.50		4.50	-	6,597.50	2,388.00	-	8,985.50	9,240.00	3,578.00		-	12,818.00	3,832.50
18	1,350	3.85	5,197.50	626	4.50	2,817.00	8,014.50	-	4,050.00	12,064.50	8,700.00	675.00		4,050.00	13,425.00	1,360.50
19			-	1064	4.50	4,788.00	4,788.00	1,520.00	(1,800.00)	4,508.00	11,570.00	5,230.00		(1,800.00)	15,000.00	10,492.00
20			-	1080	4.50	4,860.00	4,860.00	1,600.00	2,200.00	8,660.00	10,220.00	6,753.00		3,200.00	20,173.00	11,513.00
21	1,300	3.85	5,005.00		4.50	-	5,005.00	-	460.00	5,465.00	5,775.00	-		460.00	6,235.00	770.00
22			-		4.50	-	-	-	-	-	2,700.00	720.00		-	3,420.00	3,420.00
23	1,990	3.50	6,965.00		4.50	-	6,965.00	-	1,960.00	8,925.00	10,010.00	700.00		1,960.00	12,670.00	3,745.00
24			-	432	4.50	1,944.00	1,944.00	-	600.00	2,544.00	3,470.00	750.00		600.00	4,820.00	2,276.00
25			-	936	4.50	4,212.00	4,212.00	2,000.00	2,960.00	9,172.00	5,400.00	3,875.00		2,960.00	12,235.00	3,063.00
26			-	769	4.50	3,460.50	3,460.50	-	1,800.00	5,260.50	3,530.00	550.00		1,800.00	5,880.00	619.50
27	3,047	3.50	10,664.50	570	4.50	2,565.00	13,229.50	3,200.00	4,370.00	20,799.50	20,370.00	4,519.00		4,370.00	29,259.00	8,459.50
28	2,853	3.50	9,985.50	760	4.50	3,420.00	13,405.50	100.00	1,864.00	15,369.50	14,765.00	1,019.00		1,864.00	17,648.00	2,278.50
29	1,242	3.50	4,347.00		4.50	-	4,347.00	150.00	-	4,497.00	5,005.00	725.00		-	5,730.00	1,233.00
30	1,530	3.50	5,355.00		4.50	-	5,355.00	-	-	5,355.00	12,130.00	507.00		-	12,637.00	7,282.00
31	1,216	3.50	4,256.00		4.50	-	4,256.00	490.00	-	4,746.00	7,315.00	1,123.00		475.00	8,913.00	4,167.00
32	1,370	3.50	4,795.00		4.50	-	4,795.00	108.00	4,960.00	9,863.00	6,930.00	783.00		4,960.00	12,673.00	2,810.00
33			-	1342	4.50	6,039.00	6,039.00	3,076.00	-	9,115.00	6,300.00	3,833.00		-	10,133.00	1,018.00
34	1,994	3.50	6,979.00	615	4.50	2,767.50	9,746.50	64.00	980.00	10,790.50	12,710.00	1,427.00		980.00	15,117.00	4,326.50
35	2,737	3.50	9,579.50	270	4.50	1,215.00	10,794.50	2,000.00	3,080.00	15,874.50	15,980.00	8,288.00		3,080.00	27,348.00	11,473.50
36	6,116	3.50	21,406.00		4.50	-	21,406.00	1,750.00	1,332.00	24,488.00	27,720.00	5,695.00		1,332.00	34,747.00	10,259.00
37			-	1877	4.50	8,446.50	8,446.50	2,770.00	386.00	11,602.50	8,550.00	3,620.00		386.00	12,556.00	953.50
38	1,176	3.85	4,527.60		4.50	-	4,527.60	1,150.00	5,451.00	11,128.60	4,900.00	1,750.00	490.00	5,451.00	12,591.00	1,462.40
39	1,350	3.85	5,197.50	447	4.50	2,011.50	7,209.00	-	-	7,209.00	8,795.00	423.00		-	9,218.00	2,009.00
40	2,304	3.50	8,064.00		4.50	-	8,064.00	-	-	8,064.00	10,010.00	728.00		-	10,738.00	2,674.00
41	1,212	3.50	4,242.00	220	4.50	990.00	5,232.00	480.00	1,714.00	7,426.00	6,740.00	1,249.00		1,714.00	9,703.00	2,277.00
42	2,950	3.50	10,325.00	312	4.50	1,404.00	11,729.00	500.00	960.00	13,189.00	14,825.00	4,074.00		960.00	19,859.00	6,670.00
43	1,188	3.50	4,158.00		4.50	-	4,158.00	1,420.00	108.00	5,686.00	4,200.00	1,470.00	420.00	108.00	6,198.00	512.00
44	1,320	3.50	4,620.00		4.50	-	4,620.00	-	720.00	5,340.00	6,160.00	604.00		720.00	7,484.00	2,144.00
45	1,828	3.50	6,398.00	504	4.50	2,268.00	8,666.00	-	-	8,666.00	10,400.00	515.00		-	10,915.00	2,249.00
46	805	3.50	2,817.50	276	4.50	1,242.00	4,059.50	-	460.00	4,519.50	7,640.00	641.00		460.00	8,741.00	4,221.50
47			-	769	4.50	3,460.50	3,460.50	-	1,800.00	5,260.50	3,530.00	325.00		1,800.00	5,655.00	394.50
48			-	1035	4.50	4,657.50	4,657.50	720.00	720.00	6,097.50	5,400.00	3,600.00		720.00	9,720.00	3,622.50
49			-	1154	4.50	5,193.00	5,193.00	2,400.00	(1,710.00)	5,883.00	9,000.00	6,975.00		(1,710.00)	14,265.00	8,382.00
50			-	1224	4.50	5,508.00	5,508.00	3,900.00	-	9,408.00	8,550.00	6,656.00		-	15,206.00	5,798.00
51	1,072	3.50	3,752.00	394	4.50	1,773.00	5,525.00	-	-	5,525.00	8,025.00	650.00		-	8,675.00	3,150.00
52	1,983	3.50	6,940.50		4.50	-	6,940.50	222.00	-	7,162.50	7,700.00	914.00		-	8,614.00	1,451.50
53	1,370	3.50	4,795.00	528	4.50	2,376.00	7,171.00	-	1,680.00	8,851.00	8,900.00	1,900.00	665.00	1,680.00	13,145.00	4,294.00
54	2,114	3.50	7,399.00	450	4.50	2,025.00	9,424.00	-	-	9,424.00	12,645.00	860.00		-	13,505.00	4,081.00
55	1,280	3.50	4,480.00		4.50	-	4,480.00	-	-	4,480.00	5,250.00	-	525.00	-	5,775.00	1,295.00
56	1,419	3.85	5,463.15		4.50	-	5,463.15	-	1,180.00	6,643.15	6,545.00	714.00		1,180.00	8,439.00	1,795.85
57	1,574	3.50	5,509.00		4.50	-	5,509.00	-	800.00	6,309.00	8,600.00	-	595.00	800.00	9,995.00	3,686.00
58	1,721	3.50	6,023.50		4.50	-	6,023.50	250.00	2,222.00	8,495.50	7,315.00	465.00		2,222.00	10,002.00	1,506.50
59	1,384	3.50	4,844.00	200	4.50	900.00	5,744.00	-	-	5,744.00	5,450.00	600.00	455.00	3,132.00	9,637.00	3,893.00
60	2,768	3.50	9,688.00	543	4.50	2,443.50	12,131.50	250.00	13,366.00	25,747.50	15,500.00	800.00		13,366.00	29,666.00	3,918.50
61	1,485	3.50	5,197.50	639	4.50	2,875.50	8,073.00	-	-	8,073.00	8,795.00	150.00		4,381.00	13,326.00	5,253.00
62	3,247	3.50	11,364.50		4.50	-	11,364.50	240.00	1,784.00	13,388.50	15,015.00	671.00		1,784.00	17,470.00	4,081.50
63	1,368	3.85	5,266.80		4.50	-	5,266.80	1,440.00	2,615.00	9,321.80	5,775.00	1,440.00		2,615.00	9,830.00	508.20
64	1,240	3.50	4,340.00		4.50	-	4,340.00	135.00	448.00	4,923.00	6,930.00	758.00		448.00	8,136.00	3,213.00

**RECALCULATED PRICE OF ROOF**

**SEAL-TITE PRICE FOR ROOF**

Particip- pant #	S.F.		Price of Sloped (\$)	Flat		Base Total (\$)	Allowed Additional Charges (\$)	Allowed Change Orders (\$)	Total Price (\$)	Base Rate Charged (\$)	Additional Charges (\$)	Upgrade Fees (\$)	Change Orders (\$)	Total Price (\$)	Over/(Under) Charge (\$)	
	Sloped	Rate (\$)		S.F. Flat	Rate (\$)											Price of Flat (\$)
65	911	3.50	3,188.50	138	4.50	621.00	3,809.50	-	3,120.00	6,929.50	6,675.00	2,058.00		3,120.00	11,853.00	4,923.50
66			-	769	4.50	3,460.50	3,460.50	-	1,800.00	5,260.50	4,050.00	150.00		1,800.00	6,000.00	739.50
67	2,593	3.50	9,075.50	286	4.50	1,287.00	10,362.50	(3,000.00)	-	7,362.50	15,275.00	(2,115.00)		-	13,160.00	5,797.50
68	928	3.50	3,248.00	1760	4.50	7,920.00	11,168.00	-	2,650.00	13,818.00	13,650.00	-	420.00	2,650.00	16,720.00	2,902.00
69			-	1076	4.50	4,842.00	4,842.00	2,200.00	-	7,042.00	6,750.00	4,070.00		-	10,820.00	3,778.00
70	2,154	3.50	7,539.00		4.50	-	7,539.00	-	-	7,539.00	11,935.00	748.00		-	12,683.00	5,144.00
71			-	658	4.50	2,961.00	2,961.00	-	688.00	3,649.00	12,550.00	763.00		688.00	14,001.00	10,352.00
72	1,939	3.50	6,786.50		4.50	-	6,786.50	610.00	-	7,396.50	9,625.00	1,308.00		-	10,933.00	3,536.50
73	1,920	3.50	6,720.00		4.50	-	6,720.00	1,560.00	1,120.00	9,400.00	8,470.00	2,260.00		2,320.00	13,050.00	3,650.00
74	1,650	3.50	5,775.00	839	4.50	3,775.50	9,550.50	1,140.00	99.00	10,789.50	13,290.00	1,992.00		99.00	15,381.00	4,591.50
75	982	3.50	3,437.00	790	4.50	3,555.00	6,992.00	-	-	6,992.00	10,275.00	1,038.00		-	11,313.00	4,321.00
76	2,946	3.50	10,311.00		4.50	-	10,311.00	-	-	10,311.00	12,705.00	-		-	12,705.00	2,394.00
77	1,620	3.50	5,670.00		4.50	-	5,670.00	250.00	160.00	6,080.00	7,700.00	942.00		160.00	8,802.00	2,722.00
78	1,332	3.85	5,128.20		4.50	-	5,128.20	300.00	-	5,428.20	5,775.00	927.00		-	6,702.00	1,273.80
79	3,252	3.50	11,382.00		4.50	-	11,382.00	168.00	-	11,550.00	13,300.00	950.00		-	14,250.00	2,700.00
80	975	3.50	3,412.50	515	4.50	2,317.50	5,730.00	-	354.00	6,084.00	7,385.00	440.00		739.00	8,564.00	2,480.00
81			-	759	4.50	3,415.50	3,415.50	1,600.00	-	5,015.50	3,600.00	2,180.00		-	5,780.00	764.50
82	2,004	3.50	7,014.00		4.50	-	7,014.00	-	528.00	7,542.00	8,050.00	-		528.00	8,578.00	1,036.00
83	1,496	3.50	5,236.00	344	4.50	1,548.00	6,784.00	-	-	6,784.00	9,115.00	827.00		-	9,942.00	3,158.00
84	1,410	3.50	4,935.00		4.50	-	4,935.00	-	-	4,935.00	5,950.00	240.00	595.00	-	6,785.00	1,850.00
85	428	3.50	1,498.00	126	4.50	567.00	2,065.00	120.00	-	2,185.00	2,825.00	620.00		-	3,445.00	1,260.00
86	608	3.50	2,128.00		4.50	-	2,128.00	250.00	-	2,378.00	2,310.00	1,950.00		-	4,260.00	1,882.00
87			-	1463	4.50	6,583.50	6,583.50	-	-	6,583.50	12,020.00	830.00		-	12,850.00	6,266.50
88	852	3.85	3,280.20	943	4.50	4,243.50	7,523.70	250.00	770.00	8,543.70	7,100.00	450.00	350.00	1,815.00	9,715.00	1,171.30
89	912	3.85	3,511.20		4.50	-	3,511.20	-	2,053.00	5,564.20	4,050.00	-		2,368.00	6,418.00	853.80
90	1180	3.50	4,130.00	187	4.50	841.50	4,971.50	1,720.00	8,231.00	14,922.50	5,900.00	1,720.00	455.00	8,231.00	16,306.00	1,383.50
91	886	3.50	3,101.00	643	4.50	2,893.50	5,994.50	250.00	-	6,244.50	7,770.00	1,100.00		-	8,870.00	2,625.50
92	1,179	3.50	4,126.50		4.50	-	4,126.50	-	-	4,126.50	6,545.00	624.00		-	7,169.00	3,042.50
93	1,418	3.50	4,963.00		4.50	-	4,963.00	1,320.00	-	6,283.00	7,700.00	2,846.00		3,340.00	13,886.00	7,603.00
94	2,202	3.50	7,707.00	430	4.50	1,935.00	9,642.00	375.00	3,385.00	13,402.00	14,400.00	2,500.00	910.00	3,385.00	21,195.00	7,793.00
95	1,446	3.50	5,061.00		4.50	-	5,061.00	-	676.00	5,737.00	6,160.00	654.00		676.00	7,490.00	1,753.00
96	1,383	3.50	4,840.50		4.50	-	4,840.50	250.00	-	5,090.50	6,675.00	941.00		-	7,616.00	2,525.50
97	1,018	3.85	3,919.30	544	4.50	2,448.00	6,367.30	285.00	2,650.00	9,302.30	4,620.00	1,061.00		2,650.00	8,331.00	(971.30)
98	1,214	3.50	4,249.00		4.50	-	4,249.00	250.00	744.00	5,243.00	5,005.00	900.00		744.00	6,649.00	1,406.00
99	1,260	3.50	4,410.00	156	4.50	702.00	5,112.00	-	-	5,112.00	8,215.00	409.00		-	8,624.00	3,512.00
100			-	1310	4.50	5,895.00	5,895.00	2,800.00	1,980.00	10,675.00	7,650.00	4,635.00		1,980.00	14,265.00	3,590.00
101	1,152	3.85	4,435.20		4.50	-	4,435.20	480.00	-	4,915.20	5,390.00	1,065.00		-	6,455.00	1,539.80
102			-	769	4.50	3,460.50	3,460.50	-	-	3,460.50	4,150.00	50.00		225.00	4,425.00	964.50
103	1,272	3.50	4,452.00		4.50	-	4,452.00	250.00	4,344.00	9,046.00	7,315.00	489.00		4,344.00	12,148.00	3,102.00
104	2,546	3.50	8,911.00	375	4.50	1,687.50	10,598.50	-	-	10,598.50	14,955.00	850.00		-	15,805.00	5,206.50
105	2,236	3.50	7,826.00		4.50	-	7,826.00	250.00	2,860.00	10,936.00	8,085.00	2,280.00		2,860.00	13,225.00	2,289.00
106	1,794	3.50	6,279.00		4.50	-	6,279.00	1,540.00	1,376.00	9,195.00	7,315.00	3,680.00		1,376.00	12,371.00	3,176.00
107	1,350	3.85	5,197.50	160	4.50	720.00	5,917.50	480.00	-	6,397.50	6,675.00	1,300.00		-	7,975.00	1,577.50
										<u>\$874,772.80</u>					<u>\$1,231,914.00</u>	<u>\$357,141.20</u>

**AUDIT OF THE BLUE ROOF PROGRAM**  
**Distribution List**

**Lois Frankel, Mayor**

**City Commissioners (5)**

**Audit Committee Members (4)**

**Ed Mitchell, City Administrator**

**Dorritt Miller, Deputy City Administrator**

**Ken Rearden, Assistant City Administrator**

**Claudia McKenna, City Attorney**

**Nancy Urcheck, Deputy City Attorney**

**Samuel Thomas, Senior Specialist Attorney**

**Blane Kauthen, City Clerk**

**Neil Melick, Construction Services Director**

**Randy Sherman, Finance Director**

**Emelda Johnson, Housing and Community Development Director**

**Patrick Cooney, Human Resources Director**

# MEMO



CITY ADMINISTRATION

To: Imogene Isaacs, Internal Auditor  
From: Ed Mitchell, City Administrator  
Date: September 14, 2007  
Subject: Audit of the Blue Roof Program

City Attorney Claudia McKenna and I have reviewed the Draft of the Audit of the Blue Roof Program and concur with the recommendations.

While your audit was underway, Ms. Lelia W. Allen, Director, Housing Department, City of Orlando, performed a Peer to Peer Assessment of the Economic and Community Development Department. Ms. Allen made some recommendations regarding policies and procedures for the implementation of the grant programs. She also agreed to share with us some of the City of Orlando documents.

More importantly, we employed, Ms. Emelda Johnson, as Director for the Economic and Community Development Department, renamed the Housing and Community Development Department (HCD). Ms. Johnson will join the City on September 17.

Our plan for corrective action is to: (1) discuss the audit with Ms. Johnson, (2) work with her to develop policies and procedures and formalize these in a new operating manual, (3) have her work with Ms. McKenna to recover overcharges, and (4) encourage her to develop a good working relationship with our area HUD office.

In the meantime, HCD has implemented a number of operational improvements under the direction of Sam Thomas, Senior Assistant City Attorney who has been serving as Interim Department Director. These operational improvements include: 1) with the assistance of the City's MIS department, the development of a comprehensive, step by step computerized procedure to guide the housing rehabilitation process from initial contact with applicants through final project completion; 2) development of standardized housing rehabilitation documents, including grant/loan agreements, construction contracts, mortgages, notes and other documents, all of which have been incorporated into the computerized systems which, with the mail merge function, will automatically incorporate common information into all documents; 3) increased in-house training, including a comprehensive procurement seminar conducted by the City's procurement official, Nora Laudermilk.

We appreciate the work that went into this audit and will take all steps possible to strengthen the internal controls over HCD's housing and grant programs.

*"An Equal Opportunity Employer"*

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