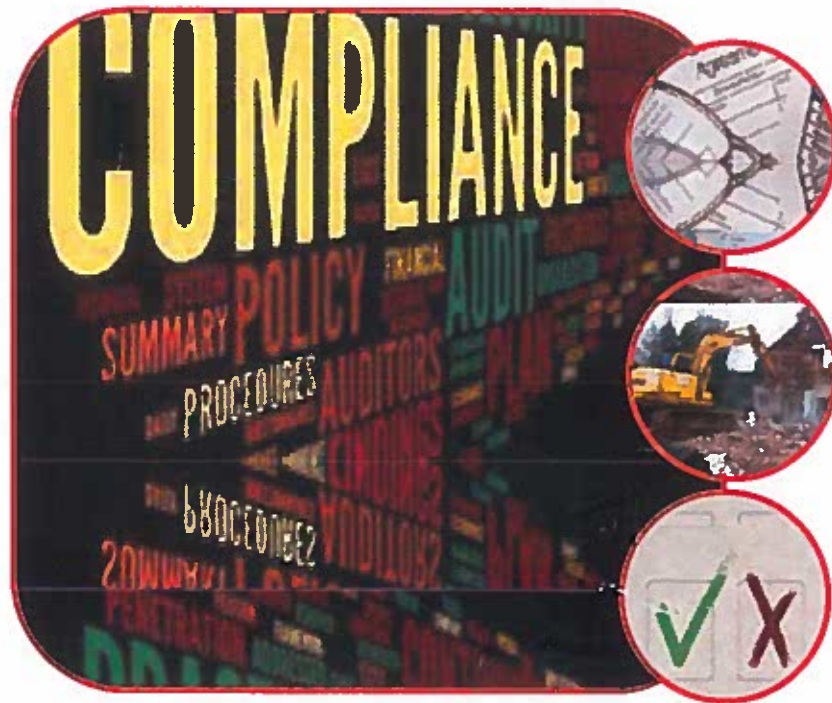


City of Detroit
OFFICE OF THE AUDITOR GENERAL



Audit of Demolition Activities
Interim Report
On
Contract Administration for
City-funded Residential Demolitions

November 2019



Office of the Auditor General


Mark W. Lockridge, Auditor General

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MEMORANDUM

DATE: November 8, 2019

TO: Honorable City Council

FROM: Mark W. Lockridge, CPA 
Auditor General

RE: Audit of Demolition Activities
Interim Report on Contract Administration for City-funded Demolitions

CC: Mayor Mike Duggan
David Bell, Director,
Buildings, Safety Engineering, and Environmental Department
Tyrone Clifton, Director, Detroit Building Authority
Boysie Jackson, Chief Procurement Officer, Office of the
Chief Financial Officer, Office of Contracting and Procurement
Arthur Jemison, Group Executive and Chief of Services and Infrastructure
David Massaron, Chief Financial Officer, Office of the Chief Financial Officer
John Naglick, Chief Deputy CFO/Finance Director, Office of the
Chief Financial Officer
Donald Rencher, Director, Housing, and Revitalization Department
Saskia Thompson, Executive Director, Detroit Land Bank Authority

Attached for your review is our interim report on Contract Administration for City-funded Demolitions in conjunction with our ongoing audit of Demolition Activities. This report contains our audit purpose, scope, objectives, approach and methodology, and conclusions; background; our audit findings and recommendations; and the responses from the Detroit Building Authority, the City of Detroit's Building, Safety Engineering and Environmental Department, the Housing and Revitalization Department, and the Office of the Chief Financial Officer, Office of Contracting and Procurement.

We would like to thank the employees of the above named organizations for their continued cooperation and assistance extended to us during this phase of the audit.

Copies of all of the Office of the Auditor General reports can be found on the City's Website: <https://www.detroitmi.gov/government/auditor-general>.

**AUDIT OF DEMOLITION ACTIVITIES
INTERIM REPORT ON
CONTRACT ADMINISTRATION FOR CITY-FUNDED RESIDENTIAL DEMOLITIONS
NOVEMBER 2019**

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Agency/Department Legend:

- * Buildings, Safety Engineering, and Environmental Department (BSEED)
- * Detroit Building Authority (DBA)
- * Housing, and Revitalization Department HRD
- * Office of the Chief Financial Officer, Office of Contracting and Procurement (OCP)

FINDING #	AUDIT FINDING	RELEVANT AGENCY/DEPARTMENT*				PAGE
		BSEED	DBA	HRD	OCP	
1.	Did Not Meet Contract Performance and Timeline Requirements		X	X		17
2.	Did Not Comply With City Policies and Procedures, State, Local, and Other Requirements Related to City-funded Residential Demolitions and Their Contracts		X	X		23
3.	Lack of Documentation to Support Authorization of Payment		X	X		29

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AUDIT FINDINGS AND RECOMMENDATIONS CONTINUED

FINDING #	AUDIT FINDING	RELEVANT AGENCY/DEPARTMENT*				PAGE
		BSEED	DBA	HRD	OCP	
4.	Contract Files Are Not Centralized and Data Related to Demolitions is Inconsistent and Unreliable		X	X	X	32
5.	Demolition Costs Were Not Recovered From Property Owners	X	X			38
6.	DBA Did Not Fulfill Its Duties As The Program Manager Over City-funded Demolitions		X			44

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**ATTACHMENT A: Consolidated Agencies/Departments
Response**

EXECUTIVE OVERVIEW

The Office of the Auditor General (OAG) was requested by City Council (October 2015) to conduct an audit into Demolition Activities. Our audit encompasses demolition and demolition related activities from the period of January 1, 2014 to December 31, 2018.

We discovered early on that the audit of demolition activity in the City would require a considerable amount of time and resources, since the activities are performed by several different entities. The processes are convoluted, complex, and change often. We limited the scope of the audit to focus on activities and transactions deemed as high risk in terms of internal controls, public safety, safeguarding assets, and those areas where there is a high probability of misappropriation and/or fraud.

The diagram below shows the Interim Audit Reports, Special Reports, and Memorandum(s) that we have issued to date in the execution of this audit:

Audit of Demolition Activities Overview of Published Reports and Memos

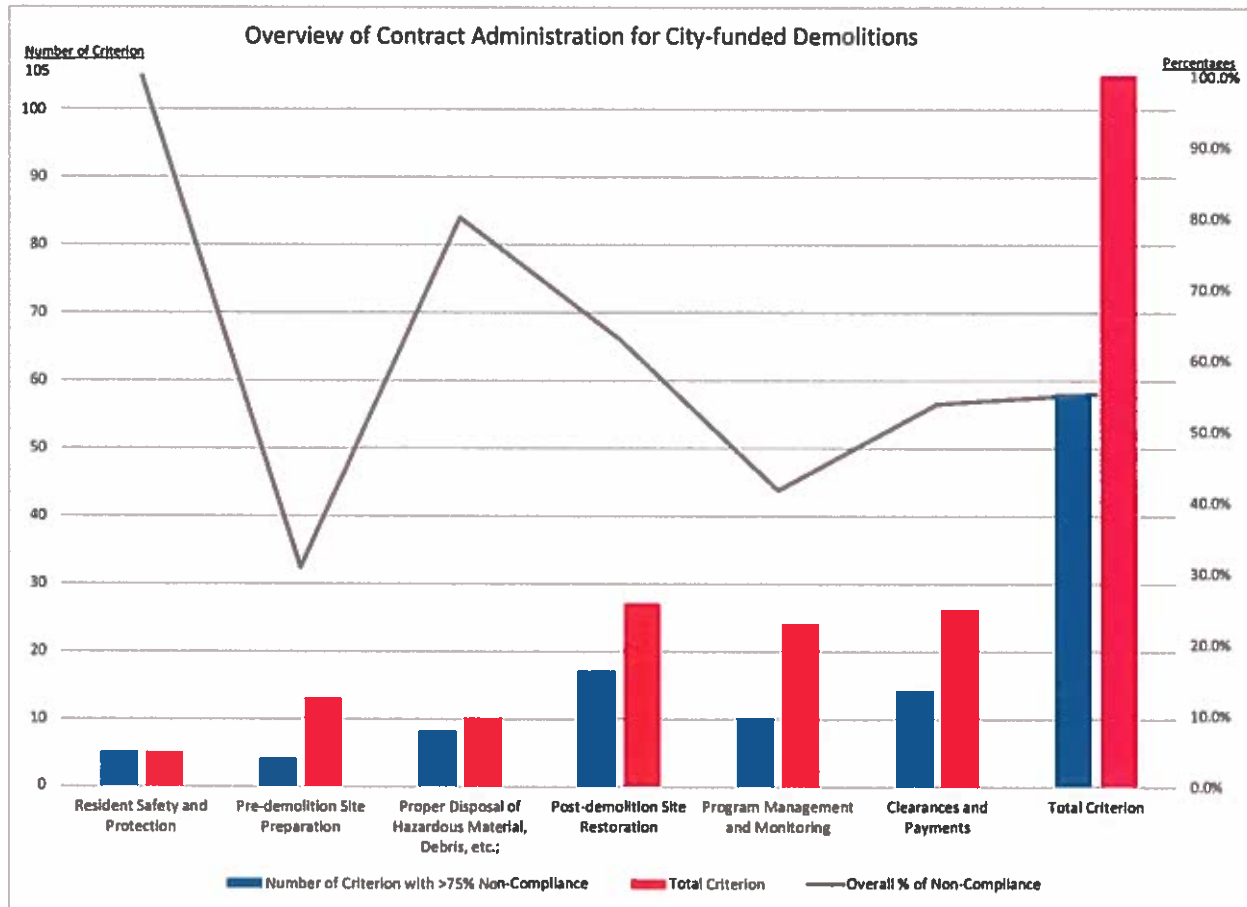


This Interim Audit Report focuses on the administration and performance of City-funded demolitions contracted primarily through the City's Housing and Revitalization Department, with oversight and program management provided by the Detroit Building Authority.

Our audit began by reviewing City policies and procedures, Requests for Proposals (RFP's) for demolition contracts, Memorandums of Understanding (MOU's), Demolition Management Agreements (DMA's), and other relevant federal, state, and local, laws, regulations, as deemed necessary to compile criteria for the audit. This review resulted

in a “checklist” of information and documents that should be included in each demolition contract file. The final checklist required over 600 hours of research and investigation and resulted in one hundred and five (105) different criterion which we used to audit (or test) a representative sample of City-funded demolitions. We grouped the criterion into six relevant “Areas of Impact” according to the impact and/or benefit to the public. The following table is a graphic presentation of the results of this portion of the Administration testing:

Overview of Contract Administration for City Funded Demolitions by Area of Impact



Notes: (A) See “Appendix A: Performance Summary of Contract Administration for City-funded Demolitions” on page 48 of this report, for more detailed results. The “Audit Checklist” contains one-hundred and five (105) different criterion. Each property in the sample was tested for contract administration against each criterion. The “Percentage of Noncompliance” represents the number/percentage of demolitions that did not comply with the specific requirement. Properties can “fail” the requirement if the required documentation or information was not found within the City’s files.

(B) The graph above presents an overview of the six “Areas of Impact” and their respective “Percentages of Noncompliance” where at least 35 of the 47 (or >75%) properties audited did not comply with the specific requirement.

Audit Impediment Relating to Timely Receipt of Audit Documentation

During the course of this audit, there were significant delays in receiving documentation. We began focusing on contract administration for City-funded demolitions in February 2017. We requested contract information on thirty-four properties that had been selected during previous audit work on the City's bid processes relating to demolitions.

The City Charter, Section 7.5-105, states that the "Powers and Duties" of the Auditor General:

- Shall have access to all financial records, human resource records, and other records of city agencies necessary to perform his/her functions;
- Shall investigate the administration and operation of any city agency and report findings and recommendations to the City Council and the Mayor;
- May request and shall be given necessary assistance and information by each agency;
- May subpoena witnesses, administer oaths, take testimony, require the production of evidence relevant to a matter under investigation, enter and inspect premises within the control of any agency during regular business hours. To enforce a subpoena or order for production of evidence or to impose any penalty prescribed for failure to obey a subpoena or order, the Auditor General shall apply to the appropriate court.

Four months later, we issued a subpoena to DBA for the information. Then in August 2017, due to the lack of responsiveness to the first subpoena, we issued a second subpoena to DBA. One item on the request related to the amount of dollars the City has spent supplementing demolitions funded by Hardest Hit Funds (HHF) and performed by the Land Bank. To date, we have not received a response from the Program Manager (DBA) who was directly responsible for coordinating these payments.

It should be noted that we presented our initial findings to all impacted departments in June 2018, and released a preliminary interim draft report to the Auditees in February 2019. The coordinated response pointed out that our sample of selected properties was old and stale, and did not include new processes that had been put in place to correct documented and reported issues. We then agreed to "roll-forward" our audit work through to December 31, 2018. Still, there were delays in receiving information relative to our new sample of sixty-two properties as detailed in the table on the following page:

Timeline of “Roll-Forward” Audit Work for City-funded Demolitions

Description	Date 2019	Approximate Weeks/Months Elapsed From the First Notice to Publish	Approximate Weeks/Months Elapsed From the First Receipt of Information
OAG’s “Notice to Publish” an interim audit report on the contract compliance for City-funded demolitions	2/08	-	
DBA submitted a consolidated response to the draft report	2/20	2 weeks	
OAG agreed to a new audit sample and requested data for all demolitions through December 2018	2/25	2 ½ weeks	
OAG’s initial request for documentation for the new “roll forward” audit sample of 62 properties	3/29	2 months	
Receipt of information for 15 (out of the 62) properties in the “roll-forward” sample	4/30	3 months	-
Meeting with Auditees’ to review issues with the data received and the status of the documentation for the remaining 47 properties in the audit sample	5/09	3 months	1 week
OAG’s request for information on the remaining 47 properties in the audit sample	5/09	3 months	1 week
OAG’s final request for information on the remaining 47 properties in the audit sample	6/13	4 months	1 month
OAG’s notice to proceed audit testing on information	6/28	5 months	2 months
Receipt of additional data for some properties from OCP	7/24	6 months	3 months
Receipt of additional data for some properties from other sources	10/25	9 months	6 months

Closing

Also included in this Report, are the results of other audit testing related to the:

- Timeliness of meeting demolition deadlines;
- Transparency of reported demolition costs;
- Completeness of contract files and payment request packages; and the

- Overall adequacy of program management activities.

In closing, the responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the management of those agencies/departments directly responsible for the activity.

Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter which states in part that:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director (or his Designee) who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

AUDIT PURPOSE, SCOPE, OBJECTIVES, APPROACH AND METHODOLOGY, AND CONCLUSIONS

Audit Purpose

The Audit of Demolition Activity is being performed in accordance with the Office of the Auditor General's charter mandate to make audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

Audit Scope

This is a limited scope performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) as compiled by the United States Government Accountability Office except for a Peer Review (*See "Appendix B: Generally Accepted Government Auditing Standards" for more information on GAGAS.*)

This performance audit focuses on the citywide demolition activity and demolition related activities for the period January 1, 2014 through December 31, 2018, performed by the following entities:

1. Detroit Land Bank Authority (Land Bank);
2. Detroit Buildings Authority (DBA);
3. Building Safety, Engineering and Environmental Department (BSEED);
4. Housing Revitalization Department (HRD);
5. Planning and Development Department (PDD);
6. General Services Division (GSD);
7. Offices in the Office of Chief Financial Officer;
 - a. Office of Contracting and Procurement (OCP);
 - b. Office of Financial Planning and Analysis (FP&A);
 - c. Office of the Assessor.

Audit Objectives

The objectives of the audit of Demolition Activities related to City-funded demolitions are:

- To determine if the DBA is in compliance with the Memorandum of Understanding between the DBA and the City;
- To determine if there is proper oversight of demolition contracts;
- To analyze and report on the cost of City-funded demolition activities;
- To determine if the City is complying with its dangerous buildings and demolition processes, and other relevant laws and regulations.

The OAG will issue reports that include findings and recommendations resulting from our audits, and responses from the relevant agencies and departments related to our findings.

Audit Approach and Methodology

To accomplish our objectives, our audit approach and methodology included:

- Reading relative prior audit reports;
- Reviewing prior audit workpapers, the City Charter, Executive Orders, financial reports, budget reports, the City's Comprehensive Annual Financial Report, organization charts, Finance Directives, Chief Financial Officer Directives, , and any other reports or directives pertinent to Citywide demolition;
- Gathering policies and procedures of core operations and other similar data;
- Conducting audit-planning meetings to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit;
- Developing questions regarding transactions, processes and procedures, controls, functions, records, and personnel;
- Interviewing relevant personal of entities directly involved in demolition and other relevant City personnel;
- Observing, documenting and testing of relevant processes, procedures, contracts and agreements;
- Examining a sample of demolished properties during the audit period to conclude on the appropriateness of demolition cost and proper contract administration;
- Conducting any necessary additional testing, and completing any other audit steps necessary to draw conclusions to the relevant objectives;
- Developing recommendations for all findings.

Note: See "Appendix B: Generally Accepted Government Auditing Standards" for more information on Fieldwork, Developing Findings, Reporting Conclusions and Recommendations in a Performance Audit.

Conclusions

Based upon the results of our audit, we have concluded that:

- DBA did not comply with the Demolition Management Agreement (DMA) between DBA and the City, and they did not perform their duties as the Program Manager relating to the proper management and oversight of the City's demolition program;
- DBA along with one or more City agencies, did not provide proper administration of demolition contracts and did not monitor or ensure that demolition contractors met all contract requirements. This resulted in contractors who:

1. Did not adhere to the performance timeline criteria as set forth in the demolition contracts, including starting work prior to receiving proper notices;
 2. Did not comply with some City policies and procedures, some state, local, and other requirements related to City-funded demolitions and contracts;
 3. Did not provide proper documentation for landfill and backfill receipts, and statuses of work in progress;
 4. Did not provide all required documentation for payment.
- DBA along with one or more City agencies, did not fully comply with the City's dangerous buildings and demolition processes and they did not fully comply other relevant laws and regulations;
 - The reporting for City-funded demolitions (including costs), lacks transparency, accuracy, and completeness.

We also found that there are unresolved prior audit findings relating to inadequate records management for the demolition process, the failure to recover the cost of demolition from property owners, and the lack of centralized contract files.

BACKGROUND

In August 2015, a two-year Demolition Management Agreement (DMA) was executed between the City (through its Housing and Revitalization Department (HRD) and its Building Safety, Engineering and Environmental Department (BSEED)) and the Detroit Building Authority (DBA). The agreement is similar to the Demolition Management Agreement, executed February 2015, between DBA and the Detroit Land Bank Authority (herein referred to as the "Land Bank"). Both agreements engaged DBA to act as the "Program Manager" and "coordinate and implement" the Demolition Program on behalf of the City. A new demolition agreement with DBA was approved by City Council on July 16, 2019. The term of the DMA is for three years, through August 18, 2022.

Effective dates of the agreements differ slightly. The DMA between the DBA and the City is in effect for two years from the date of the original agreement and is automatically extended without further action for an additional two year term, if neither party provides a Notice of Termination to the other party. On the other hand, the DMA between DBA and the Land Bank states that the term shall extend for two years from the date of approval with options to extend the contract for an additional one year period.

The DMA between the DBA and the City requires the parties to work together to develop an Annual Demolition Plan. The Scope of Services in the Agreement includes very specific, revised protocol for demolition and abatement of commercial structures. Other specific duties outlined in the DMA are as follows:

City Duties

- Engage all contractors and require contractors to comply with the City of Detroit Demolition Policies and Procedures. This includes making sure all appropriate language is in the contracts, and the Contractors have the required insurances.
- Pay all contractors through BSEED and HRD.

HRD Duties

- Ensure Community Development Block Grant (CDBG) funds are properly used and all reporting is done to comply with federal rules and regulations;
- Prepare and perform all environment requirements including scheduling and performing all necessary environmental testing and abatement;
- Pay DBA an "activity delivery fee" of \$250 for each residential structure and \$2,500 for each commercial structure that is demolished under the Demolition Program;
- Work with the BSEED to use fire escrow funds;
- Pay BSEED for the cost of its services.

BSEED Duties

- Identify properties for demolition, conduct inspections, verify property conditions and ownership, coordinate dangerous building designations and demolition orders, and maintain required documentation;
- Issue demolition permits and conduct inspections related to demolitions;
- Verify clearance and conditions after demolition and issue final approvals;
- Release any available fire escrow funding available for demolition.

DBA Duties

- Manage performance of the contractors engaged by the City under the Demolition Program;
- Develop a demolition strategy, including the identification of sources of funds available for demolition;
- Coordinate demolitions; conduct progress and final inspections, maintain documentation and provide reports;
- Maintain records in auditable form and make them available for audit;
- Record all liens related to the Demolition Program;
- Enter into and perform demolition and real property stabilization contracts requested in writing and accepted by the City.

Sources of Monies for City-wide Blight Investments and Demolitions

City-funded demolitions are paid for by various types and sources of funds. Listed below is a brief overview of these funds:

- City of Detroit Plan of Adjustment Restructuring Revenues
The City's approved "Eighth Amended Plan of Adjustment" included significant investments in infrastructure by investing approximately \$1.5 billion over ten years to improve basic and essential City services to citizens. The Plan of Adjustment allows the City to use surplus General Fund amounts (commonly referred to as Quality of Life (QOL) dollars) and to allocate over \$500 million for demolitions of blighted structures;
- Community Development Block Grants (CDBG)
CDBG grants are a U.S. Department of Housing and Urban Development (HUD) grant program for blight elimination for non-entitled local units of government. HUD's regulations states that grantees must disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments;
- Fire Insurance Escrow (FIE) Account
FIE was established by the State of Michigan's Public Act 218 of 1956. The Act establishes the amount of each fire insurance settlement to be escrowed. For residential property, the maximum amount that may be escrowed is 25% of the settlement or a maximum of \$7,873. The maximum for commercial and industrial properties is 25% of the settlement. The City is required to record the amount of

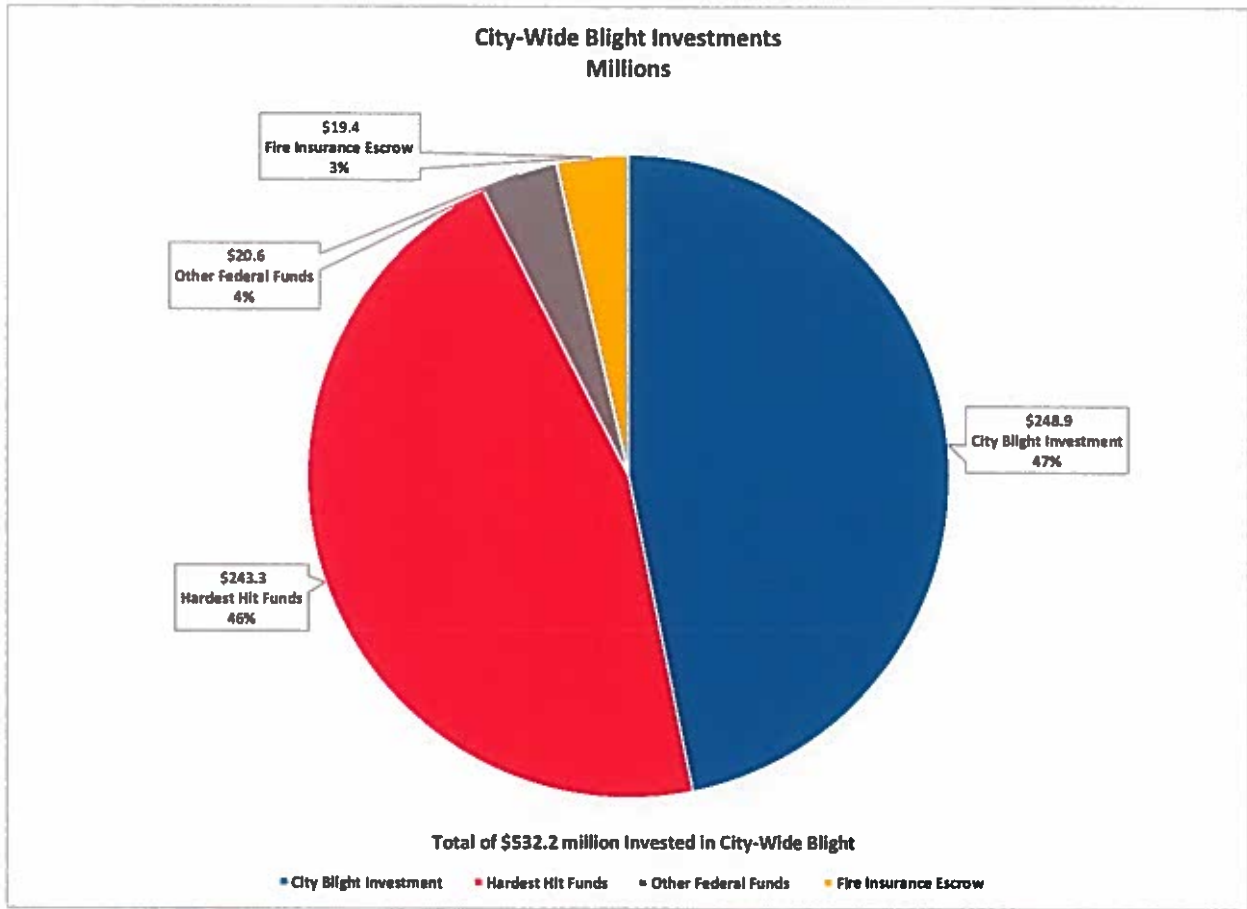
fire insurance escrow funds received and deposit the money in a trust or escrow account. Once the City receives reasonable proof that the building has been repaired or removed in conformance with local code requirements, or the insured party has entered into a contract with a contractor to repair, replace, or remove the structure for the insured party, the funds are to be released to the insured party. If reasonable proof is not received within 120 days, the City may use the retained proceeds to secure, repair, or demolish the damaged structure so that the structure is in compliance with local code requirements and applicable ordinances;

- **Neighborhood Stabilization Program (NSP)**
NSP grants are a HUD grant program for blight elimination. The program was authorized under Section 2301 of Title III of the Housing and Economic Recovery Act of 2008 (as amended.) The Act states that these funds are treated the same as CDBG funds;
- **Private and Other Funding**
Smaller numbers of demolitions are funded by private donations and/or private owners;
- **US Treasury Hardest Hit Funds (HHF)**
Another funding source for demolitions in the City is Hardest Hit Funds (HHF) which are awarded by the U.S. Department of Treasury, under the United States Troubled Asset Relief Program (TARP). In 2013, Michigan was granted authorization to use HHF funds for blight elimination. These funds are given to the Michigan State Housing Development Authority (MSHDA) to administer to its blight partners throughout the State of Michigan. The Detroit Land Bank Authority is its blight partner for the City, and the funds granted to can only be used for demolitions in designated HHF areas. The City provides supplemental funding to the Land Bank to fill “gaps” in the cost of demolitions, particularly when the cost exceeds the federal/state threshold of \$25,000 per structure.

From 2014 to September 2019, over \$532 million has been invested in the fight against blight in the City of Detroit.

The following chart and table provide an overview of blight investments by the major funding sources:

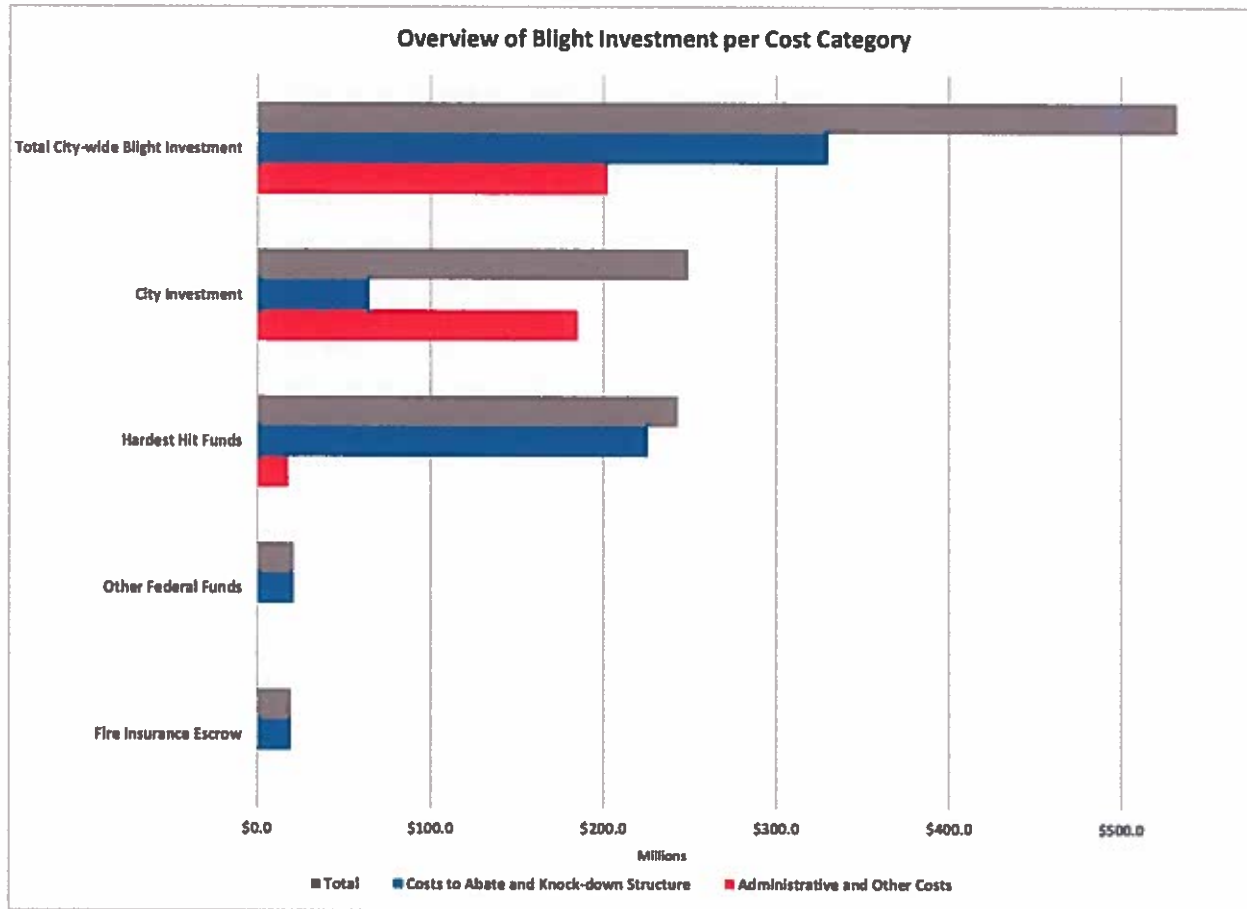
Overview of City-Wide Blight Investment by Major Funding Source



By Funding Source	Total City-Wide Blight Investment	
	Millions	Percentage
City Blight Investment	\$ 248.9	46.8%
Hardest Hit Funds	243.3	45.7%
Other Federal Funds	20.6	3.9%
Fire Insurance Escrow	19.4	3.6%
Total City-wide Blight Investment	\$ 532.2	100.0%

The following chart and table details the total City-wide investment in blight remediation broken down between the cost to abate and demolish structures, versus the cost to administer the programs:

Overview of City-Wide Blight Investment by Cost Category



By Funding Source	Millions		
	Total Cost per structure of Abatement and Knock-down	Administrative and Other Costs	Total
Hardest Hit Funds	\$ 225,603,326	\$ 17,743,750	\$ 243,347,076
City Investment	64,209,422	184,702,243	248,911,665
Other Federal Funds	20,548,856	-	20,548,856
Fire Insurance Escrow	19,402,176	-	19,402,176
Total City-wide Blight Investment	\$ 329,763,780	\$ 202,445,993	\$ 532,209,773

As shown, approximately \$330 million of this amount, can be attributed to the “hard” costs of demolition which includes the cost to (1) remove hazardous materials, (2) demolish the structure, and (3) complete the restoration of the property. These amounts (only) are included and reported in Salesforce by individual properties. During the audit period, and according to Salesforce, there were 19,175 residential and

commercial structures “knocked down” during this period:

Number of Structures Demolished by Type

Funding Source	Number of Structures Demolished	Total Cost per structure of Abatement and Knock-down	Average Cost per structure of Abatement and Knock-down
Residential HHF	14,195	\$225,603,326	\$15,893
Residential Non-HHF	4,291	\$64,152,235	\$14,950
Commercial	689	\$40,008,218	\$58,067
Totals	19,175	\$329,763,780	\$17,198

Another \$202 million of funds have been invested in administrative and other “soft” costs which include:

- Pre-demolition activities such as surveys of the property to identify hazardous materials;
- Personnel and other administrative cost to operate the demolition program. Included in these amounts are the;
 - City’s subsidies to the Land Bank and DBA for staff and personnel. However, these amounts do not include administrative cost of staff in City agencies/departments (i.e. HRD, BSEED, GSD, and OCFO/OCP) dedicated to blight remediation from fiscal years 2015-2019. Beginning with fiscal year 2020, the City now identifies and budgets blight investments by agency/department;
 - Additional payments from HHF funds to the Land Bank for lot maintenance and administrative costs calculated at \$1,250 per structure demolished.

The overall average cost of demolitions and other blight related costs is estimated at \$27,756 dollars per structure. This includes all funding sources and both residential and commercial demolitions during the audit period:

Average Cost of Demolitions Full Investment Cost

Cost Per Structure	Average Cost per structure of Abatement and Knock-down	Average Cost per structure of Administrative and Other Costs	Total Cost of Blight Investment per Structure
Total City-wide Blight Investment	\$ 329,763,780	\$ 202,445,993	\$ 532,209,773
Average per structure costs, based on 19,175 structures demolished (per Salesforce)	\$ 17,198	\$ 10,558	\$ 27,756

STATUS OF PRIOR AUDIT FINDINGS

Listed below are relative prior audit findings and the status of each finding that are related to demolition and demolition activities. The date listed is reflective of the last audit report in which the finding was published.

PRIOR AUDIT FINDINGS ON BUILDINGS, SAFETY ENGINEERING AND ENVIRONMENTAL DEPARTMENT

Note: Under the Demolition Management Agreement, ownership of this activity was transferred from Buildings, Safety Engineering and Environmental Department (BSEED), to the Detroit Building Authority and the Housing Revitalization Department's.

1. Inadequate Records Management for the Demolition Process (2010)

Some parts of this finding have not been resolved and they are discussed in the findings and page numbers as follows:

RELEVANT CONDITIONS	OTHER FINDING	PAGES
<i>The demolition process generates a substantial amount of data and record keeping. BSEED* does not have an appropriate record maintenance and retrieval system. The following conditions were discovered:</i>		
<ul style="list-style-type: none"> • <i>Staff was unable to locate some of the records requested by the auditors.</i> 	3	29
	6	44
<ul style="list-style-type: none"> • <i>Some files for building demolitions had incomplete permit information or missing inspection reports.</i> 	2	23
	3	29

2. Failure to Recover the Cost from Property Owners for Demolishing or Securing Structures (2010)

A part of this finding has not been resolved and it is discussed in the findings and page numbers as follows:

RELEVANT CONDITION	OTHER FINDING	PAGE
<i>BSEED* does not currently have a system in place to bill property owners for demolishing or securing properties. The property owners are not billed, nor are the accounts turned over to the City Treasurer or the Law Department for collection as required.</i>	5	38

PRIOR AUDIT FINDINGS ON THE OFFICE OF THE CHIEF FINANCIAL OFFICER, OFFICE OF CONTRACTING AND PROCUREMENT (Formerly known as the “Purchasing Division”)

3. The Purchasing Division Does Not Effectively Monitor Contracts or Contract File, (2011)

This finding is no longer applicable as the Purchasing Division is not responsible for monitoring insurance coverage during the life of the contract. They are only responsible for insuring appropriate coverage during the contract approval process.

4. Purchasing Division Lacks Good Internal Control (2011)

Some parts of this finding have not been resolved and they are discussed in the findings and page numbers as follows:

RELEVANT CONDITIONS	OTHER FINDING	PAGES
<i>The Purchasing Division does not have effective internal controls. Policies and procedures are not upheld. Published purchasing directives, policies, and procedures are not current and some directives conflict with City Ordinances.</i>		
<ul style="list-style-type: none"> <i>Contract files and sealed bids are not properly safeguarded.</i> 	4	32
<ul style="list-style-type: none"> <i>The Purchasing Division does not maintain complete files for the City's procurement activities and centralized record retention is non-existent.</i> 	4	32

AUDIT FINDINGS AND RECOMMENDATIONS

1. Did Not Meet Contract Performance and Timeline Requirements

The City (HRD) and DBA did not meet requirements related to contract performance and the timelines required to perform certain actions, for City-funded residential demolitions.

There are two different types of demolitions – Standard (or Non-Emergency) and Emergency:

- **Standard (or Non-Emergency)** demolitions are not the worst blighted structures and do not pose a threat to resident safety;
- **Emergency** demolitions may be carried out on an emergency basis and consist of demolishing structures that have the potential for creating harmful conditions for residents and neighboring structures.

Each type of demolition has specific criteria relating to performance and timeline requirements as detailed in this finding. Criteria is based on requirements set forth in the DMA, departmental policies and procedures, the City’s Charter and Building Code, state requirements set forth by the Michigan Department of Environmental Quality (MDEQ), and requirements set forth by the grantor of federal funds.

We audited forty-seven (47) residential demolitions broken down as follows:

City-Funded Demolitions – Types of Properties Audited		
	Number of Properties	Percentage
Emergency Demolitions	18	38%
Non-Emergency Demolitions	29	62%
Total Properties Audited	47	100%

Conditions

We found the following conditions of non-compliance with respect to the performance/timeline requirements required to complete certain actions related to demolition:

CONDITIONS RELATING TO PERFORMANCE AND TIMELINE ADMINISTRATION*						
CRITERIA/CONDITION		# YES	# NO	# N/A	% Non-Compliant	Comments
		A.	Did work start after receiving the Notice to Proceed (NTP) ^(A) ?	34	13	
B.	Did work start within the required timeframe after receiving the Notice to Proceed?					
	a. For Standard demolitions, did work start within 10 days from the Notice to Proceed? ^(A) ?	9	19	1	68%	N/A = (1) NTP not included in file

CONDITIONS RELATING TO PERFORMANCE AND TIMELINE ADMINISTRATION*						
CRITERIA/CONDITION		# YES	# NO	# N/A	% Non-Compliant	Comments
	b. For Emergency demolitions, did work start within 24 hours of receiving the Notice to Proceed?	3	15	0	83%	
C.	Was there evidence to show that the contractor started work ten (10) days after filing the Notice of Intent ^(B) for demolitions, or after 24 hours for Emergency demolitions?					
	a. For Standard demolitions, did work start after 10 days from the filing of the Notice of Intent?	13	0	1	0%	N/A = (1) NTP not included in file
	b. For Emergency demolitions, did work start after 24 hours from the filing of the Notice of Intent?	3	15	0	83%	
D.	Was the request for the Open Hole Inspection completed within 24-48 hours after knockdown of the structure and debris removed?	14	15	18	52%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
E.	Were demolition activities (including clean-up) completed by the required date (i.e. - by the project completion date on the Notice to Proceed document?)					
	a. Were Standard demolitions completed by the date indicated on the Notice to Proceed?	5	24	0	83%	
	b. Was emergency demolitions completed within 7 calendar days?	0	18	0	100%	

Notes: (A) The "Notice to Proceed" (NTP) is a document created and approved by an HRD representative, which is then given to the demolition contractor which signals and allows the contractor to begin execution of the demolition. For City-funded demolitions, the NTP usually coincides with release of the purchase order. The period of when work should start varies over the scope(s) of service for the 47 properties in our audit sample. The language is not clear with respect to the "start of work," Therefore, we based compliance on the start of the initial process which is applying for the wrecking permit or filing a "Notice of Intent to Renovate/Demolish."

(B) The "Notice of Intent to Renovate/Demolish" (NIT) is a document required by the State of Michigan Department of Environmental Quality (MDEQ), and must be filed by the contractor at least ten (10) days prior to beginning any work. Separate NIT's are required to be filed for abatement and demolition. More information is available at the Michigan Department of Environment, Great Lakes, and Energy website. The following is a link to the article – "Understanding the Asbestos NESHAP" (National Emission Standards for Hazardous Air Pollutants" at https://www.michigan.gov/documents/deq/deq-aqd-field-tpu-asbestos_NESHAP_fact_sheet_449332_7.pdf.

Average Times to Start and Complete Certain Demolition Activities

Based on our sample of forty-seven (47) properties, we found that the average time to start demolition work based on the “Notice to Proceed” date exceeded the expected timeframes:

- For demolitions from January 2014 to September 2015 (34 properties) there was an average of seventy-five (75) days from the date of the Notice to Proceed, to the date that the structure was demolished. Based on the criteria, work for Standard demolitions should have started within 10 days after receiving the notice, and within 24 hours for Emergency demolitions;
- For demolitions from September 2015 through December 2018 (13 properties), there was an average of eight (8) days between the Notice to Proceed and the knockdown date. All, except one, of the demolitions included in this average were emergency demolitions. Per the criteria, these demolitions should begin within 24 hours of receipt of the Notice to Proceed:
 - Two of the twelve (or 16%) have knockdown dates within 24 hours;
 - Two of the twelve (or 16%) have knockdown dates within 24-48 hours;
 - The remaining eight emergency demolitions during this period (or 66%), have knockdown dates greater than 48 hours.

We were unable to determine if the “backfill” of the open hole was completed within forty-eight (48) hours after the Open Hole Inspection by the City.

However, based on the City's timeline for required inspections of demolition sites, as evidenced by the period from the “Open Hole Inspection Approval” to “Final Grade Approval”, we determined that:

- Demolitions from January 2014 to September 2015 (34 properties in our sample) averaged 101 days to complete;
- Demolitions from September 2015 through December 2018 (13 properties in our sample) averaged 96 days to complete.

Criteria

The Demolition Management Agreement clearly states that the City is responsible for engaging all contractors and requiring them to comply with the demolition policies and procedures, including making sure all appropriate language is in the contracts. As the Program Manager for Demolitions, DBA is responsible for managing performance of the contractors engaged by the City under its demolition program.

Contracts for City-funded demolitions state that contractors are responsible for maintaining all qualified personnel, equipment, materials, and other resources necessary to perform the activities and adhering to the contract requirements, in a timely manner, as stated in the table below:

TYPE OF DEMOLITION	CONTRACT PERFORMANCE AND TIMELINE REQUIREMENTS
Non-Emergency or Standard Demolition	a. Begin work within 10 days after receiving a notice to proceed from the City's Demolition Division. It is the contractor's responsibility to notify the Demolition Division within 24 hours if the site is not accessible. At least 10 days prior to the start of any activities, the Contractor must file a notification of Intent to Renovate/Demolish with the Michigan Department of Environmental Quality with copies to Occupational Health Division, Asbestos Program, and the City's Demolition Division
	c. Complete load-out within 48 hours after knockdown (for demolitions with bid deadlines prior to September 15, 2017)
	d. Complete load-out within seven (7) calendar days after knockdown (for demolitions with bid deadlines on or after September 15, 2017)
	e. Backfill open holes within 48 hours after Open Hole Approval (for demolitions with bid deadlines prior to September 15, 2017)
	f. Backfill open holes within fourteen calendar days after Open Hole Approval (for demolitions with bid deadlines on or after September 15, 2017)
Emergency	d. Complete all demolition activities including clean-up by the date indicated on the Notice to Proceed
	a. Must begin work within 24 hours of receipt of Notice to Proceed
	b. Complete load out within 48 hours of knockdown
	c. Complete backfill within 48 hours after Open Hole Approval (for demolitions with bid deadlines prior to September 15, 2017)
	d. Complete backfill within five (5) calendar days after Open Hole Approval (for demolitions with bid deadlines on or after September 15, 2017)
d. Complete all demolition activities including clean-up within 7 calendar days	

The following types of notifications are required according to the Michigan Department of Environmental Quality (MDEQ) Asbestos National Emission Standards for Hazardous Air Pollutants (NESHAP) Regulations and Requirements:

A. Notifications for planned renovations:

- (1) Operation or a number of operations in which regulated asbestos-containing materials (RACM) will be removed within a given period of time and can be predicted;
- (2) 10 working-day notification required when amount of RACM to be removed equals or exceeds threshold;
- (3) Emergency renovation - must meet two main criteria:
 - i. Sudden and unexpected event
 - ii. If not immediately attended to would be health/safety hazard, damage equipment, and/or be an unreasonable financial burden.

B. Notifications for scheduled demolitions:

- (1) Demolition of structurally sound facility a 10 working-day notification required (even if there is no asbestos);
- (2) Ordered demolitions when:
 - i. Determined by city/county/state building inspector to be structurally unsound and in danger of imminent collapse;
 - ii. Notification required, must be postmarked or hand delivered as soon as possible but no later than the following work day. Order to demolish must be submitted with notification;
 - iii. Only situation where demolition can occur with less than 10 day notice.

Effect

Failing to adhere to state regulations, fiduciary requirements from grantors, terms of executed agreements and contracts, and City policies and procedures:

- Jeopardizes the safety and well-being of the citizens of Detroit;
- Puts the City at risk for potential fines, penalties, lawsuits, and other legal action;
- Allows lack of controls to exist which increases the potential for financial loss, including but not limited to, fraud, waste, and abuse.

Causes

According to representatives of HRD and DBA, completion dates listed on the NTP were "just estimated" based upon the total number of properties included in an demolition award package. It was stated that there were "no specific guidelines" to use when estimating the final completion date on the NTP. However, according to one HRD representative, new procedures have been implemented for estimating the

completion date and these are now stated in the RFP's scopes of services. The timeframe to complete demolitions are either 60, 90 or 120 days based upon the number of properties in the package. The representative also stated that monitoring demolitions to see if they were completed as scheduled was not a part of their current responsibilities.

Recommendations

We recommend that the City and DBA:

- A. Review each of the contract's performance and timeline requirements to determine if the criteria is feasible, reasonable, attainable, and if it complies with all state and local regulations;
- B. When necessary, document and update policy and procedural changes. Communicate updated policies and procedures to all parties/stakeholders involved with the demolition and demolition related activities;
- C. Determine current monitoring capabilities and responsible parties;
- D. Ensure that responsible employees and other relevant parties are adequately trained in the policies, procedures, and processes. The training should include documenting the risks of noncompliance and provide an understanding of the risks that existing controls mitigate.

2. Did Not Comply With City Policies and Procedures, State, Local, and Other Requirements Related to City-funded Residential Demolitions and Their Contracts

The City (HRD) and DBA did not comply with City policies and procedures, state, local, and other requirements related to City-funded residential demolitions and their contracts.

Conditions and Criterion

We audited forty-seven (47) residential demolitions against a “checklist” of contract requirements which were compiled from a detailed and extensive review of City policies and procedures, and state, local, and other requirements related to City-funded residential demolitions. Criterion was also taken directly from the RFP’s and the specific demolition contracts.

Our review resulted in one-hundred and five (105) specific contract Administration requirements for residential demolitions. For purposes of presentation (in this part of the report), we grouped the conditions/criterion into six “Areas of Impact” based on the operations and/or the effect on the public:

Criterion Included in each “Area of Impact”

- 1. Resident Safety and Protection (5 Criterion)** – requires Administration with posting detours around construction zones, installation, maintenance, and regular inspection of safety barriers, posting of “no trespassing” signs, and the taking of before and after pictures;
- 2. Pre-demolition Site Preparation (13 Criterion)**– includes requirements for preparing the site for demolition such as notifications of intent to renovate/demolish to the MDEQ, surveying and removal of hazardous materials, shutting off water, gas, and electrical utilities, and documenting existing damage to the sidewalk;
- 3. Proper Disposal of Hazardous Material, Debris, etc. (10 Criterion)** – stipulates that contractors comply with “wet-wet” requirements to minimize airborne toxins, and that asbestos, other hazardous materials, and debris are disposed of in a specific type of landfill within 48 hours after knockdown;
- 4. Post-demolition Site Restoration (27 Criterion)** – deals with proper restoration of the site after demolition of the structure and includes requirements to insure that the:
 - Proper type and quantity of backfill material was used to fill the hole;
 - Ground was leveled and graded to be smooth with other surfaces;
 - Correct type(s) of top-soil was used to finish the surface ground;
 - Sidewalks and streets were swept clean and washed down after demolition;
 - Contractors were held accountable for replacement or repair of the sidewalk if damaged;

- Timely requests to BSEED for required inspections of the demolition process (i.e. – knockdown, load-out, backfill, and final grade.)

5. Program Management and Monitoring (24 Criterion) – covers the necessary monitoring by the City, DBA, and the MDEQ during all phases of demolition. Monitoring and administration of demolitions include:

- Mobilizing the crew and confirming through on-site visuals that the correct property is being demolished;
- Making sure that contractors provide evidence of adhering to agreed schedules;
- Tracking of backfill material;
- Making sure that contractors obtain appropriate bond coverage;
- Assuring that contractors are not reimbursed for any cost incurred during a work stoppage;
- Ensuring that contract files are properly maintained.

6. Clearances and Payments (26 Criterion) – includes reviewing contractors invoices and requests for payment packages to verify they contain all required documentation, and evidence (when required) that the contract was approved by City Council. A recent criterion added to this area limits contractors from charging more than a ten-percent (10%) mark-up above the amount invoiced by any subcontractor.

The table below is an overview of the results of our testing summarized by the “Area of Impact.”

SUMMARY OF CONTRACT ADMINISTRATION TESTING						
AREA OF IMPACT	TOTAL NUMBER OF CRITERION	Percentage of Non-Compliance				N/A
		0% - 25%	>25% - 50%	>50% - 75%	>75%	
1. Resident Safety and Protection	5	-	-	-	5	-
2. Pre-demolition Site Preparation	13	2	2	5	4	-
3. Proper Disposal of Hazardous Material, Debris, etc.;	10	-	2	-	8	-
4. Post-demolition Site Restoration	27	1	2	1	17	6
5. Program Management and Monitoring	24	5	1	1	10	7
6. Clearances and Payments	26	8	1	1	14	2
Total	105	16	8	8	58	15

Notes: (A) The Percentage of Noncompliance represents the percentage of demolitions

audited that did not meet the specific requirement. Properties can “fail” the requirement if the required documentation or information was not found within the City’s files.

For example, our audit revealed that for each of the five criterion in the “Resident Safety and Protection” area of impact, the rate of noncompliance

DETAILS OF CONTRACT ADMINISTRATION TESTING							
RESIDENT SAFETY AND PROTECTION AREA OF IMPACT (ONLY)							
A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Resident Safety and Protection	1. Is there evidence that the Contractor adhered to the MI Manual for Uniform Control Devices for all vehicular and pedestrian detours around their construction zone?		0	47	0	100%	
Resident Safety and Protection	2. Is there any evidence that safety barriers of specific specification were installed during demolition?		0	47	0	100%	
Resident Safety and Protection	3. Is there any evidence that Contractor posted signs during all phases of demolition to prevent trespassing?		0	47	0	100%	
Resident Safety and Protection	4. Is there any evidence that Contractor is regularly inspecting and maintaining the safety barrier??		0	8	39	100%	N/A = (39) New process does not apply
Resident Safety and Protection	5. Before and After pictures (labeled)		11	36	0	77%	

(B) Details of each “Condition/Criterion” and the number and percentage of compliant and non-compliant demolitions can be found in **Appendix A: Performance Summary of Contract Administration for City-funded Demolitions** on page 48 of this report.

Sources of Criterion

The criteria listed above are based on detailed and extensive reviews of the following sources:

- Demolition Management Agreement by and between the City of Detroit (“City) and the Detroit Building Authority (August 2015);
- BSEED Dangerous Building Division, Standard Operating Procedure, Demolition Permit Inspection Procedure;
- DBA Demolition “Scopes of Services” and processes from September 2015 through December 2018;
- DBA Demolition Process Flowchart for City Residential Related Properties;
- Emergency Manager Order No. 15: Order Suspending Certain City Wrecking Requirements to Address Blight (August 2013);
- Emergency Manager Order No. 33: Order Suspending Certain City Demolition Requirements to Address Blight (August 2014);

- HRD City of Detroit Demolition Policies and procedures (October 2014);
- HRD Demolition Procedures (January 2016) and Demolition File Checklist;
- Michigan Department of Environmental Quality Standards, Air Quality Division, Asbestos National Emission Standards for Hazardous Air Pollutants (NESHAP) Regulations and Requirements;
- Neighborhood Stabilization Program Under Housing and Economic Recovery Act of 2008;
- OCP Scope of Services: Demolition of Residential Properties (January 2014 through December 2018);
- OCP Contract Administration Manual;
- Internal Control interviews with key operational staff in DBA and City agencies and departments.

Effect

Failing to adhere to City policies and procedures, state regulations, fiduciary requirements from grantors, terms of executed agreements and contracts:

- Diminishes the effectiveness and efficiency of operations;
- Jeopardizes the safety and well-being of the citizens of Detroit;
- Puts the City at risk for potential fines, penalties, lawsuits, and other legal action;
- Allows for override of controls, and/or the lack of controls which increases the potential for financial loss, including but not limited to, fraud, waste, and abuse.

Causes

When the control system is so complex or impractical, employees may be unable to adhere to it. Some of the criterion are too complex to be effectively monitored at the individual contract level. For example, the administration of landfill and backfill requirements may require separate monitoring, additional testing of soil samples, and subsequent follow-up, to ensure that the dirt being used in demolition activities actually meets the City's specifications.

As it relates to the areas of noncompliance, some of the various causes that were communicate to us include:

- Resident Safety and Protection
DBA management indicated that "it is not commercially reasonable to review and approve this documentation for every demolition." They stated that for [only] one of the criterion in this Area of Impact contractors were instructed to familiarize themselves with requirements of traffic control manual."
- Pre-demolition Site Preparation
DBA management indicated that "it is not commercially reasonable to review and approve this documentation for every demolition." They stated that for

[only] one of the criterion in this Area of Impact “contractors are responsible for the health and safety of the workers on site.”

- Proper Disposal of Hazardous Material, Debris, etc.
Relating to one of the criterion in this Area of Impact, DBA commented that there is “no record” of a request for authorization to use a type of lawn-seed different than “No-Mow”. This response suggests that ‘No-Mow was used in demolitions. However, we only found evidence in one of the demolitions we audited that documented that the contractor used the proper lawn-seed.
- Post-demolition Site Restoration
DBA stated that a third-party contractor monitors backfill dirt sources. They also stated that passage of the open hole and final grade inspections indicate that appropriate site restoration has occurred.
- Program Management and Monitoring
A HRD representative stated that monitoring of the demolition contractors and the work-in-progress was previously handled via a “WIP Excel Spreadsheet” report. The WIP reports were sent to many people (including a field operations manager who was terminated) and made management of demolitions in the field extremely inefficient and difficult. In at least one case, a staff person who assumed that aspect of monitoring did not have access to that information prior to the departure of the terminated employee and they could not locate the requested documentation. DBA could not provide supporting documentation for the process or speak to execution of the WIP reports. There was some confusion as to who (DBA or HRD) was responsible for the WIP reports and this aspect of monitoring. A manager in HRD admitted that more collaboration between all involved agencies [is] needed, and a determination made as to who is responsible for monitoring the contract files. There should be designated tasks for each department and custodian of the file. Most persons attributed the issues to the manual processes in place prior to the rollout of Salesforce for City-funded demolitions in 2016.
- Payments and Clearances
The HRD team stated that they had never seen, and were not familiar with the payment criteria included in the scope of services for City-funded demolitions as provided by OCP. They felt that there was a lack of adequate communication between OCP and HRD, and even within HRD, regarding the requirements for payment. The HRD team stated that since they did not have a checklist for the payment packets, they created their own requirements based on instructions from the OCFO Accounts Payable Division. They admitted that the requirements for payment in the RFP packet criteria, do not “rollover” to the actual documents required in the Office of the Chief Financial Officer (OCFO) for payment. The HRD representatives further revealed that they would accept a payment package without some information to meet billing deadlines.

Note: See “Finding 4: Lack of Documentation to Support Authorization of Payment” on page 32 of this report for more details on the results of audit work related to this Area of Impact..

Recommendations

- A. We recommend that the City and DBA conduct a thorough review of the contract requirements for City-funded residential demolitions;
- B. Management should develop and ensure that plans, policies, procedures, rules, and standards result in uniform actions among interdependent organizations:
 - Plans are decisions to take certain steps and are goal oriented. Tactical plans relating to day-to-day operations must include employment levels, technology, and customer needs. For plans to be successful, they must be devised rationally, where failure is not “pre-ordained”, and must provide for feedback and control;
 - Policies are general guides for action and permit managers to delegate authority while maintaining control. They should pre-decide issues and help avoid repeated analysis;
 - Procedures detail the exact manner in which a certain activity must be accomplished, and are often listed as a chronological sequence of events. For procedures to be effective, they must:
 - Clearly indicate who is responsible for what (i.e. accountability);
 - Be supported by adequate resources (people and equipment);
 - Provide for surveillance and progress reporting.
 - Rules are the simplest plans that do not allow for any discretion and must be followed as stated;
 - Standards, are norms against which activities are measured and help to determine whether actions comply with plans. Standards assume the attributes of control when they are used to determine whether actions meet the norms. Well-developed standards translate goals into specific measurable outputs or outcomes and let people know what is considered to be acceptable performance. Some examples of standards that are linked to plans include the quantity of output, accuracy of quality, costs, and timeliness.

3. Lack of Documentation to Support Authorization of Payment

HRD and DBA did not ensure that contractors complied with documentation requirements related to invoice and payment packets for City-funded residential demolitions. Demolition invoices and payment packets are first reviewed and approved by HRD prior to submitting to the OCFO Accounts Payable Division.

Conditions

Based on our review of the payment packets for the forty-seven (47) City-funded residential demolitions in our sample, we found that all payment packages were missing at least some of the required criteria. The overall average rate of noncompliance for the fourteen requirements is 66% as detailed below:

	CRITERIA/CONDITION	Number of Demolitions in Noncompliance	Percentage of Demolitions in Noncompliance
	Did the Request for Payment Packet contain the following?	Applied to all 47 demolitions except where noted*	
1.	A cover letter	6	13%
2.	Schedule of Values and Sworn Statement for each property address.	47	100%
3.	Sworn statement of waivers of lien from contractors and subcontractors	47	100%
4.	Building permit	1	2%
5.	Notification of Intent to Renovate/ Demolish	23	49%
6.	Final grade (or Winter grade when applicable) inspection receipt	47	100%
7.	Documentation of abatement activities and waste disposal	4 *Applies to (35); N/A = (12)	11%
8.	Documentation of origin of backfill and topsoil sources	45	95%
9.	Documentation of analytical data or certification verifying material is not contaminated	35	74%
10.	Documentation that Subcontractors are in Administration with the MI Workers' Disability Compensation Act requirement	47	100%
11.	Documentation that Subcontractors are licensed	47	100%
12.	Seeding and Watering Report	47	100%
13.	Seed tags identifying correct seed used per specification	47	100%
14.	Before and after pictures of the site (labeled)	47	100%

*Note: This "Condition/Criterion" is presented again in **Appendix A: Performance Summary of Contract Administration for City-funded Demolitions**, Question #59, on page 60 of this report.*

Criteria

The criteria for payment packages was taken directly from the "Scope of Service for Demolition of Residential Properties" provided by OCP. Representatives from OCP indicated that the contents for the Scope of Services for contracts come directly from the originating department. Procurement analysts work with the departments to insure that the contracts are legally sound and meet their needs.

The following controls are recommended in the "Accounting Procedures Manual for Local Units of Government in the State of Michigan:

- Someone with adequate knowledge and responsibility must approve each invoice or request for payment (if the governing body has knowledge of individual transactions, this will suffice; if not, such as in larger organizations, employees should be designated to perform this approval, including review of each invoice or other supporting documentation);
- Appropriate documentation (supporting invoices) must be attached to check copies for all disbursements. Vouchers must describe the payment to be made, indicate account number to be charged, and be signed by the person approving the disbursement.

Effect

Failing to adhere to contract requirements and best practice recommendations:

- Increases the probability of over or underpayment of vendor invoices;
- Allows for override of controls, and/or the lack of controls which increases the potential for financial loss, including but not limited to, fraud, waste, and abuse;
- Puts the City at risk for potential fines, penalties, lawsuits, and other legal action.

Causes

The HRD team stated that they had never seen, and were not familiar with the payment criteria included in the scope of services for City-funded demolitions as provided by OCP. They felt that there was a lack of communication between OCP and HRD regarding the requirements for payment. The HRD team stated that since they did not have a checklist for the payment packets, they created their own requirements based on instructions from the OCFO Accounts Payable Division. They admitted that the requirements for payment in the RFP packet criteria, do not "rollover" to the actual documents required in the Office of the Chief Financial Officer (OCF) for payment. The HRD representatives further revealed that they would accept a payment package without some information to meet billing deadlines. HRD informed us that they are now receiving more [payment] information from the contractors.

Recommendations

We discussed our findings and conclusions with management personnel, and recommend that HRD and OCP meet with appropriate members of the OCFO to:

- A. Align document requirements for payment processing that are stated in the contract scope of services, with the actual requirements for payment processing as directed by the OCFO's Accounts Payable Division;
- B. Utilize capabilities afforded by the City's new Enterprise Resource Planning (ERP) System to meet the needs of the OCFO for payments. According to Plante Moran's "Best Practices for Michigan Local Government Business Processes- Electronic Invoice Packages"¹:

Invoice packages contain the supporting documentation for two- or three-way matching [purchase requisitions, purchase orders, packing slips (or "receivers"), and invoices. Since some ERP systems now enable supporting documentation to be electronically attached and retained within the ERP system (including downloading supporting documentation from vendors such as financial institutions), and it is easy to "drill" through transactions to see the supporting documentation, it is no longer necessary to retain or review physical documentation to substantiate purchase activities and decisions. Workflow approvals should serve as a step to confirm that all necessary documentation is attached to transactions in the system. At year end, external [and internal] auditors can be given view-only access to the ERP system for any necessary audit procedures.

- C. Where applicable, revise the scope of services and contract language to clearly differentiate between internal department needs and documents necessary for payment.

¹ "Best Practices for Michigan Local Government Business Processes- Electronic Invoice Packages," Michigan Municipal Services Authority, 09/08/2014, Plante Moran.

4. Contract Files Are Not Centralized and Data Related to Demolitions is Inconsistent and Unreliable

The City (HRD and OCP) and DBA, did not comply with the City's Executive Order or the department's Standard Operating Procedures (OCP) as it relates to centralization of contract files, and the proper and adequate retention of contract documents. Data relating to City-funded demolitions is inconsistent and unreliable.

Conditions Relating to the Lack of Centralization

Supporting documentation for the administration of contracts related to demolition were scattered throughout various agencies, departments, and locations, and it was stored on various media forms, and multiple electronic systems, as detailed in the following table:

DEMOLITION CONTRACT FILE DOCUMENTATION			
AGENCY	STAFF AND DOCUMENTS LOCATION(S)		TYPES OF MEDIA/ DOCUMENTS
BSEED	BSEED	Coleman A. Young Municipal Center (CAYMC) 2 Woodward Avenue Suite 908 Detroit, MI 48226	<ul style="list-style-type: none"> • Hardcopy documents in departmental files • Hardcopy documents in employees' personal files • E-mails • Electronic documents on departmental shared storage drive(s) • Electronic documents on City-wide/City Owned enterprise systems shared storage drive(s) • Electronic documents on Non-City owned software (Salesforce*) • Employee personal/business flash drives
DBA	DBA Headquarters	Detroit Public Safety Headquarters (DPSH) 1301 W. Third Street 3rd Floor Detroit, MI 48226	
HRD	A. DBA Headquarters B. HRD Department	A. DPSH, 6 th Floor B. CAYMC, Suite 908	
OCP	OCFO-OCP Division	CAYMC, Suite 1008	

Note: Salesforce.com is an American cloud-based software company headquartered in San Francisco, California. Though the bulk of its revenue comes from its customer-relationship management (CRM) service, Salesforce also sells a complementary suite of enterprise applications focused on customer service, marketing automation, analytics and application development. "Salesforce" is a customer relationship management solution that brings companies and customers together. It is one integrated CRM platform that gives all departments — including marketing, sales, commerce, and service — a single, shared view of every customer. Salesforce is a customizable CRM software that enables businesses of any size to manage all aspects of customer relations and its features include task management, email marketing, lead management, marketing automation, and more.

Salesforce was originally obtained by the Land Bank as a transactional

database in an effort to provide transparency across divisions. When the Land Bank started using Salesforce it was realized that there was the ability to add operational layers to the database and use it for all parts of the Land Bank's work:

- *All properties and parcels across the City (approximately 380,000) are listed in Salesforce;*
- *Trust.Salesforce.com – Salesforce website that includes security information and maintenance schedules.*
- *The website is cloud-based and maintenance and updates are pushed-out by Salesforce. No maintenance is required by the Land Bank staff.*
- *Primary sources of electronic data include the City's Assessors Office (an update is received annually), the Wayne County Treasurer, and Motor City Mapping;*
- *Salesforce has a chatter feature that allows for Salesforce users to communicate back and forth about a property.*

Salesforce was launched for use by the Land Bank in March of 2015. DBA began using Salesforce to house City-funded demolitions in May 2015, and manually entered (i.e. – "backfilled") demolition data starting from January 1, 2014, and continuing through the audit period.

During the audit, there was extensive delays in receiving requested documentation from the various parties involved with demolitions. There was almost a one year delay in receiving information for our first audit sample (2017-2018), and additional delays in receiving information for our second audit sample (2018-2019.) During these periods, we found it necessary to twice subpoena one of the entities for the requested documents. Still, they were unable to provide all of the information, data, documents, reports, etc. that should be available for adequate administration of demolition and demolition related activities. Some examples relating to the lack of documentation include (but not limited to):

- Reports that contractors are required to submit to document their work, and are used to monitor the work and progress of demolitions (i.e. – WIP Excel Spreadsheets), were not always available and were not provided to us;
- Details of site visits and field monitoring by DBA's field liaisons were not always documented in the electronic repository (Salesforce);
- Changes in contractors, costs, and funding sources, were not always documented or correctly reflected in the electronic repositories. This resulted in discrepancies and inconsistencies between data in the respective repositories.

Conditions Relating to Inconsistent and Unreliable Demolition Data

According to the Demolition Program Manager (DBA), "Salesforce" is the electronic system of record for all demolitions City-wide regardless of funding source (i.e. HHF, City-funded QOL, FIE, etc.). Demolition contractors are required to enter certain information into the system throughout the demolition process. We requested and received various reports from DBA for all demolitions during the audit period (January 1, 2014 through December 31, 2018.) We focused on all demolitions labeled as "City-funded" and extracted a sample of ninety-six properties spanning the audit period:

City-Funded Demolitions – Total Audit Sample	
Year of Demolition	Number of Properties Per Year Requested
2014-2015	43
2016	17
2017	15
2018	21
Total Properties in Audit Sample	96

The following table details information for the selected demolitions, and shows that 29% of the information was not accurate as it relates to the funding source and the type of demolition:

City-Funded Demolitions – Properties Audited from Sample		
	Number of Properties	Percentage
Total Properties in Audit Sample	96	100%
Less: Properties labeled as City-Funded but the actual source of the funding was either confirmed as Land Bank HHF funded, confirmed as another source of funding (private), or the source was not confirmed nor identified.	26	27%
Less: Partial information received after deadline, properties not audited	21	22%
Less: Properties labeled as Residential but were actually commercial demolitions	2	2%
Total Properties Audited	47	49%

Criteria

In the prior audit of OCP (formerly the "Purchasing Division"), OAG benchmarked the purchasing and procurement activities of various municipal governments, and we found that the purchasing/procurement divisions are normally accountable for the retention of all records relating to the procurement process. This includes (1) the request for proposals, (2) all bids/responses received, and (3) the awarded contract. Further, across most companies, standard business practice dictates that the purchasing or

procurement division maintain a central file of all procurement documentation for efficient operations.

Effective August 2016, Executive Order 2015-4, City of Detroit Records Management Policy, states that:

Proper management of the public records-securing, retention, retrieval, disposal- is vital for effective and efficient government operations. It is necessary to have proper records management protocols in place for the City's own use of its records, as well as to comply with provisions of law. Accordingly, this Records Management Policy (Policy) shall apply to all employees, appointees, agents, independent contractors, and volunteers of the City of Detroit.

The Order specifically calls for the creation of and use of "Retention and Disposal Schedules." Primarily, activities should use the State of Michigan's general retention and disposal schedules for use by local units of government ("General Schedules") to identify how long records must be kept, when destruction is appropriate, and when certain records can be sent to the Detroit Public Library or Archives of Michigan for permanent preservation. The policy asserts that the "General Schedules may be supplemented by approved specific schedules (Agency-Specific Schedules) for circumstances or records not adequately covered by General Schedules."

The Order further identifies who is responsible for adherence to the "Records Management Policy", and the potential consequences of not adhering to the policy:

Each individual who creates, sends, or receives records in the performance of his or her official functions is responsible for retaining those records in accordance with this Policy. Failure to adhere to this Policy may result in applicable discipline, up to and including discharge from employment, termination of the contract, termination of the volunteer relationship, or expulsion.

OCP cited the same Executive Order as its authority for its Standard Operating Procedures (SOP) on e-Filing and Record Retention (Section 6.5.) The SOP announced that the City now "maintain all contract files electronically", and that the department and OCP must be "diligent in filling forms and attaching relevant documents" in the City's enterprise resource systems. According to the policy, "documents included in the file must include documentation of the entire procurement life cycle. This must include, but is not limited to, the following":

1. Bid documents and notice of award
2. Bonds and insurance
3. Conflict of interest forms
4. Post-award documents to and from the contractor
5. Notice to proceed
6. Approvals or waivers

7. Performance monitoring documents
8. Contract amendments
9. Delivery or contract price changes
10. Disputes, audits, and legal issues
11. Stop work orders
12. Contract closeout

Effect

The lack of a central file of all purchasing related documents reduces control and accountability and results in important documents either not being retained or scattered throughout various departments and agencies. Effective and efficient contract Administration monitoring is not possible if copies of executed contracts are not available.

In addition, failure to retain documentation can lead to fines and penalties for Noncompliance with the Freedom of Information Act, which requires municipalities to produce documentation upon request. Grantors can impose fines and penalties, and ultimately withdraw funds if adequate and complete documentation is not provided to support the allowed use of funds. Failure to provide documentation at the request of a subpoena can also result in significant monetary losses to the City and subject the City to legal actions.

Of all finance-related functions, the procurement function is the one that provides the greatest opportunity for government employees to use government resources to advance their personal interests. A perception that public officials are using the procurement system to reward themselves, their friends, or supporters, poisons the public's confidence in government and shakes its faith in the bureaucratic process.

Causes

There are multiple types of media and electronic systems that house demolition related data, information, and/or documents. There are multiple users that are responsible for maintaining, updating, and storing demolition data and information. In addition, there are multiple users that have access to the various electronic repositories. No single entity is responsible for the collection, storage, integrity and accuracy of data and records related to contract administration. This resulted in delays in obtaining information, inconsistencies in data, and the incompleteness of contract administration documents.

The following are other causes provided to us which contributed to the conditions listed above:

- According to OCP, the City did not have an electronic filing system for bids and purchase order information until late 2015. Demolition data for City-funded demolitions were backfilled in the system starting from January 2014, and

information is still manually entered into Salesforce;

- According to DBA, site visits by the field liaisons should have been documented in Salesforce, but were instead documented in a “Smartsheet” accessible through a mobile application. The “Smartsheet” does not interface or communicate with Salesforce. It should be noted that OAG was not informed about the “Smartsheet” during the course of our audit field work, and therefore, we cannot conclude on the accuracy or viability this data;
- According to HRD, not all of the information available in one activity was made available to other persons involved in contract file maintenance and payment processing. A staff person stated that there needed to be a collaboration between DBA and OCP, and noted that “a majority of the documents are kept within BSEED and OCP, [but] HRD is responsible for payment review.” They felt that “there should be designated tasks for each department and custodian of the file.”

Regarding the inconsistent and unreliable data (from Salesforce) initially, representatives of both DBA and the Land Bank stated that they were not sure why the sample of demolitions reported as City-funded were not included in the OCP contracting process. Later, after meeting with DBA, it was stated that there was an error in producing the report which resulted in a 2% error rate in misstating the source of funding (i.e. City-funded versus other.) Subsequently, the DBA produced a “corrected” report which we have reviewed and found that the new data did not alter, but further substantiates our conclusions and findings.

Recommendations

We recommend that the City develop a strategic and comprehensive approach to electronic file management for the administration of demolition contracts (in particular). They should:

- Continue to enhance the electronic file management system (or a new system) so that it collects and retains applicable documents related to all contracts in a centralized repository;
- Ensure that the internal controls for the system are sufficient to provide accurate and reliable data. Policies and procedures should be well documented into one cohesive and comprehensive document;
- Review current policies and procedures to ensure that they are appropriate and can be implemented;
- Document changes and update policies and procedures as required;
- Communicate changes to all pertinent staff: Ensure that all users across the various agencies and departments are adequately trained on the centralized filing system and the record retention requirements.

5. Demolition Costs Were Not Recovered From Property Owners

The City (BSEED and HRD) and DBA did not attempt to recover the cost from either the Land Bank, or the prior property owners for the demolition of a residential property. Relating to the lack of cost recovery on [private] residential demolitions, this was a prior audit finding against BSEED and it remains unresolved.

Background Related to the Condition

We found several anomalies related to demolition activities for property located at 18476 Parkside, Detroit, Michigan. In February 2014, a fire occurred at the property. Since the property was privately owned, a portion of the fire insurance monies was remitted to the City to be kept in Fire Insurance Escrow Account. BSEED held a hearing on the property in October 2014, to begin the process of ordering a non-emergency demolition. We found the following noteworthy events surrounding the property:

- A. Inconsistencies related to who owned the property at the time it entered the demolition pipeline arose. Recorded in the Land Bank's "Sales Force" property inventory database is "chatter" from a DBA staff person who confirmed that the property was still privately owned as of March 30, 2015. However, a neighbor (who was instrumental in getting the property demolished, and who subsequently acquired the vacant lot from the Land Bank) incorrectly told other DBA representatives that it was owned by the Land Bank and was acquired through their Nuisance Abatement Program (NAP);

The "chatter" in the Sales Force database called the Nuisance Abatement of this residential property a "Mayor's One-timer." A representative from the Land Bank stated that NAP properties get identified in several different ways, including complaints from neighbors to the Land Bank, a City Councilperson, the Mayor, etc. They further explained that boundaries identified for the NAP program are "guidelines", and that properties that are outside the listed boundaries (like 18476 Parkside) can be selected for the program.

- B. Anomalies and conflicting information related to the timeline as to how and when the property changed ownership, when it moved through from the Land Bank's Nuisance Abatement Program to the demolition pipeline, versus when the Land Bank obtained "Quiet Title" to the property. In this case, the City issued a RFP for an asbestos survey on the property, a few weeks prior to the court granting ownership to the Land Bank.
- C. On June 8, 2016, the City issued a RFP on a City-funded contract for demolition even though the property was still owned by the Land Bank.
- D. Conflicting information on documents as to the type of demolition - whether it was an "ordered" (i.e. - standard) versus "an emergency" demolition. The award letter from OCP stated that it was an emergency demolition even though it did not meet the specific standards for an emergency demolition. It was very difficult for us to confirm the type of demolition with the parties involved with demolition. Only after we made several requests for clarification to OCP, HRD,

DBA, and BSEED, were we informed that it was not an emergency demolition but an “ordered” or standard demolition.

- E. A change order reducing the cost of the demolition in the amount of \$6,900 and concurrently, an invoice billing the Land Bank for the same amount and same property. This was unusual because in the Demo-tracker the property was listed as a City-funded demolition for this amount;
- F. Inconsistencies related to the name of the demolition contractor, the cost of the demolition versus the actual contractor and the actual cost of demolition reported in the City’s Open Data Portal Demo Tracker. The cost reported was \$6,900 versus the total actual cost of \$32,775. Approximately two years after the actual demolition, the cost was updated to reflect the total amount paid to the contractor. It should be noted that the update occurred only after we had several meetings with representatives from the City (HRD) and DBA;

Conditions

The City used \$17,580 of General Fund Quality of Life Dollars to partially fund the demolition of 18476 Parkside which was owned by the Land Bank, and neither the City (BSEED) nor DBA attempted to recover (or recover) the cost from either the Land Bank or the prior property owners.

Sources of Funds Used for Demolition

The invoicing and funding for the demolition of 18476 Parkside was unusual and came from three different sources as shown below:

BREAKDOWN OF FUNDS USED TO DEMOLISH 18476 PARKSIDE		
	Source of Funds	Amount
A.	Fire Insurance Escrow amount	\$ 8,295
B.	City of Detroit from Quality of Life Funds	17,580
	Subtotal City Funds	\$ 25,875
C.	Donation from Neighbor who intended to buy the lot once the house was demolished (paid by the Land Bank)	6,900
	Total Cost of the Demolition	\$ 32,775

- A. “Fire Insurance Escrow (FIE)” is the state law (described earlier in this report), that allows a municipality to require a percentage of insurance proceeds to be held in an escrow account designed to assist with the repair or demolition of properties that have suffered fire damage. The City (BSEED) had \$8,295 in the FIE Account for 18476 Parkside;

B. The invoicing and source of funding for the demolition of 18476 Parkside was unusual.

- The initial contract amount was for \$32,775, however, the contractor was directed by DBA to process a change order and reduce the contract price in an amount equal to the neighbor's donation. The contractor complied and:
 - a. Reduced the City's contract price by \$6,900;
 - b. Invoiced the Land Bank for the same amount; and
 - c. Subsequently received the monies the neighbor previously donated to the Land Bank.
- The reduced new City contract price was \$25,875 and was funded by:

City of Detroit from Quality of Life Funds*	\$17,580
Fire Insurance Escrow Funds	8,295
Total Cost of FIE and City Funds	\$25,875

Note: The amount paid to the contractor included a total of \$1,404 charges for BSEED's administrative fees. We were not able to confirm if the fees paid to the contractor were credited to BSEED as revenue for services.

C. According to recorded events, early in the process, a neighbor to 18476 Parkside, contacted DBA and stated they had \$7,000 to donate toward the demolition of the property. The monies were split and of this amount \$6,900 was paid to the demolition contractor, and \$100 remained with the Land Bank for the purchased of the vacant lot. The donation was handled through a "Demolition Donation Agreement" between the Land Bank and the neighbor. The purpose of the agreement is to allow private persons or entities to contract with the Land Bank for demolition services. It specifically states that:

If the Land Bank determines that the costs of the services exceed the Demolition Fee stated in the agreement then the Land Bank shall provide a written notice to the Donor describing in reasonable detail the amount of and reasons for the additional costs. The Donor shall pay to the Land Bank the additional costs described in the fee notice within ten business days from the date of the Fee Notice.

It should be noted that the neighbor's donation was given to the Land Bank and subsequently paid to the demolition contractor. According to the Demolition Donation Agreement, the Land Bank who owned the property, could have held the neighbor accountable for the full cost of the demolition.

Effect

State and local governments use charges, fees, and other cost recovery methods such as placing liens to help fund services. By not attempting to collect the cost of demolition from the property owner (or previous owners):

1. Leaves the City to pay for all demolitions, thereby reducing the amount of funds available for other City services;
2. Eliminates a possible deterrent that would make home owners "think twice" before walking away from fire damaged, neglected, or foreclosed property. In some cases, the property owner walks away from a mortgage, or collects the insurance money, and leaves the City to pay for the full cost of demolition.

While all programs allow for the use of management discretion and judgment, not following City Ordinances, management agreements, and policies and procedures, has a strong negative impact on the organization and its employees. Violation of rules often result in diminishing the culture and ethics of the organization.

The lack of a City policy for accepting donations toward demolitions and allowing for "one-off" and special situations are "red flag" signs of weak or no internal controls. This leaves an open door to fraud, waste, and abuse.

Criteria

The Administration and Enforcement rules under the City's Building Code of Ordinances states that²:

...the City may undertake demolition, maintenance or securing of any vacant building or structure that presents an imminent danger, is in an emergency condition, or is not in Administration with a notice or blight violation under this article. (i) In addition to all other remedies available under this article or at law, the costs of demolition, administration including the value of tasks performed by the City under this article shall be recorded as liens against the real property upon which the vacant building or structure is located. A lien that arises under this subsection shall be reported to the Board of Assessor, which shall assess the costs against the subject property. Any liens shall be enforced in the manner prescribed in state law, the Detroit City Charter and this Code for the enforcement of special assessment liens or tax liens.

DBA's responsibility to recover the cost of demolition is succinctly stated in the DMA between the City and DBA. It states that "DBA is responsible for recording all liens related to the Demolition Program."

² Detroit, Michigan - Code of Ordinances Chapter 9 - Buildings and Building Regulations Article I. - Detroit Property Maintenance Code Division 2. - Administration And Enforcement
https://library.municode.com/mi/detroit/codes/code_of_ordinances?nodeId=PTIICICO_CH9BUBURE_ARTIDEPRMACO_DIV2ADEN_S9-1-44CLUNVABUPRST

HRD's policies and procedures related to demolition that were in effect from October 2014 through January of 2016 (during which time the structure was demolished on 18476 Parkside) defines the Law Department's role in helping to recover the costs of demolition:

"The Legal Department shall provide a template to record a lien against the demolished property in the amount of the demolition and related costs paid with federal funds. HRD will prepare the lien documents and submit to the legal department for recording.

Causes

Both the DBA and the City of Detroit Law Department stated that they do not have a program that recovers or even attempts to recoup costs associated with residential demolitions, even though they both have legal and contractual obligations that require them to do so.

BSEED deferred the handling of "recovery programs" to the City's Law Department, since they would perform any legal actions.

Management in the Law Department explained that "no one is conducting recovery for residential properties," and they do not have any written policies or procedure for such a program. In addition, they do not use any of the mechanisms available to collect costs, such as levying liens on the property, filing lawsuits against property owners, and/or attaching liens to other assets. We were informed that in January 2018, (and as reported in the media), through the Mayor's Office, the City launched a new program to recover the costs of large and costly demolitions on commercial properties. However, according to the representative, "they are only chasing six figures specifically where land has value." The Law Department stated that an analysis is needed to determine if it is worth the time and money to pursue recovering costs associated with demolishing residential properties.

A representative of DBA did not confirm if it was "standard practice" for the City to pay a portion of the demolition of Land Bank owned properties who were part of the nuisance abatement program. They did state that "it depends" on the funds available for the property, and in this case since it had FIE funds, they decided to use additional City funds to complete the demolition. The representative stated that this was a "one-off" situation and that this was the only demolition that occurred this way.

Regarding the incorrect contractor named and costs displayed in Demo Tracker, and after we brought it to the attention of DBA management, a representative from DBA stated that "it was an error, it was not done to mislead, and that it would be corrected." Again, DBA defended the costs shown on the Demo Tracker to represent only the amount invoiced (for Land Bank demolitions), or the bid price (for City-funded demolitions), and no other associated demolition costs.

According to DBA management, even though the demolition was contracted and paid

through the City of Detroit, the donation was handled through the Land Bank authority, because the City does not have a policy or a mechanism that allows it to accept a donation of funds for a demolition.

Recommendations

We recommend that:

- A. The City follow the administration and enforcement rules of the City's Building Code related to the recovery of demolition costs. The City should establish guidelines and identify when it is feasible to attempt to recover residential demolition costs similar to the program in place for commercial properties. This might include targeting landlords who own multiple properties that have been demolished;
- B. The City investigate the feasibility of a change (increase) to the percentage of insurance proceeds to be held in fire insurance escrow account to offset more of the rising costs of residential demolitions;
- C. DBA adhere to the DMA and fulfill their responsibilities set forth therein and recover the cost of demolition;
- D. The City establish a program for the oversight of private demolitions that will:
 - Ensure that the rules and regulations designed to protect the public's health and safety are adhered to including (but not limited to) proper licensing for demolition, adherence to state and local safety and health standards, etc., in the case of private demolitions;
 - Allow the City to provide contract services for demolitions upon request from private owners;
 - Allow the City to receive donations from private donors (both individuals and organizations) toward the demolition of properties.

6. DBA Did Not Fulfill Its Duties As The Program Manager Over City-funded Demolitions

Overall, DBA did not fulfill its duties as the contracted program manager over City-funded demolitions.

Conditions

In August 2015, the City (acting through HRD and BSEED) entered into a demolition management agreement (DMA) with DBA, and contracted with them to serve as the program manager for City-funded demolitions. Responsibilities for each agency/organization involved in demolition were stated in the agreement. Based on our audit of selected City-funded demolitions, we found that DBA did not fulfill the following specific program manager duties as outlined in the DMA. We have also noted where these conditions are included in other findings in this Report:

	CONDITION	OTHER FINDING(S)	PAGE(S)
A.	Did not adequately manage the performance of the contractors engaged by the City under the demolition program	1 5	17 38
B.	Did not coordinate demolitions; conduct progress and final inspections, maintain documentation and provide reports	2 5	23 38
C.	Did not maintain records in auditable form and make them available for audit when requested	3 4 5	29 32 38
D.	Did not record all liens related to the demolition program	5	38

Criteria

Specific criteria for the conditions above is taken directly from the DMA between the City and DBA.

The Project Management Institute defines programs and the program manager as follows:

- A program is a group of projects managed in a coordinated way to obtain benefits not available from managing them individually;
- A program manager is a “super” project manager whose role is mainly operational since this person is responsible for planning and governance and for overseeing the successful delivery of the program’s output/product. Although knowledge of the business is important, there is more stress on his or her program management skills.

Program management is also defined as:

The process of managing several related projects, often with the intention of improving an organization's performance. The program manager has oversight of the purpose and status of the projects in a program and can use this oversight to support project-level activity to ensure the program goals are met by providing a decision-making capacity that cannot be achieved at [the] project level. The program manager may be well placed to provide this insight by actively seeking out such information from the project managers although in large and/or complex projects, a specific role may be required.

Effect

One of the "top and fatal consequences of poor planning in project management is project failure." Failure of the program manager to fulfill its duties, can result in the organization not achieving its objectives and goals. Operations are more likely to be inefficient and ineffective. Without proper oversight, activities are subject to fraud, waste, and abuse. Specifically (but not limited to), poor or inadequate program/project management can result in:

- Poor time management resulting in projects not being completed in time;
- Low productivity and output;
- Cost overruns and overspent budgets;
- Dissatisfied and unhappy customers;
- Long-lasting and irreversible reputational damage;
- Increased risk of harmful and costly legal actions.

Causes

DBA management stated that they were not aware of all of their responsibilities as listed in the DMA.

In addition, DBA m the following statements relating to program management:

- With a goal of demolishing over 100 structures every week, it is simply not realistic to expect any vendor or project manager to document or maintain documentation of compliance with every aspect of an extreme! intricate and complicated process;
- Read literally, [fulfilling all of the criterion/contract requirements] would require a contractor to maintain constant surveillance of the demolition site at all times;
- Such demands are unreasonable; complex commercial contracts place multiple requirements on vendors. The fact that those requirements exist does not mean that the contracting party must provide documentary evidence that every one of them is being fulfilled. Imagine a standard contract which requires a vendor's employees from refraining from drug or alcohol use "during work hours." It cannot be the case-and it is not the case-that the vendor must thus document that, at

every single moment during the work-day, employees are not using drugs or alcohol.

DBA's management felt that they were "closely monitoring contract compliance...but in a manner that is efficient and cost-effective."

Recommendation

We recommend that the administration consider bringing the program management of demolition under the auspices of the City, and under a single organization versus the current matrix organization structure.

According to the Project Management Institute³, "a matrix organization is defined as one in which there is dual or multiple managerial accountability and responsibility." Listed below are other characteristics of this type of organization:

- Implicit in the definition of the matrix organization is the recognition that the project is temporary whereas the functional departments are more permanent. Although all organizations are temporary in that they are constantly changing, the matrix is designed to be temporary and a particular organizational structure lasts only for the finite life of the project;
- The term "matrix project organization" refers to a multidisciplinary team whose members are drawn from various line or functional units of the hierarchical organization. The organization so developed is temporary in nature, since it is built around the project or specific task to be done rather than on organizational functions.

In the pure single-project management environment, there are advantages to this type structure which include (1) clear project objectives, (2) project integration of subsystems and work packages across functional departmental lines, (3) efficient use of resources, (4) effective information flows, (5) retention of disciplinary teams as projects come and go, (6) and other benefits related to morale, creation of specialized project managers, and less personnel trauma related to the project shutdown.

However, there are disadvantages with the matrix organization "outside" of a temporary project which are evident in the City's current program management structure:

- A. Complexity - the matrix organization is inherently more complex than either a functional or a pure project organization, since it is the superimposition of one on the other. This complexity shows itself in the following problems:
- Difficulties in monitoring and controlling;
 - Complex information flow;
 - Fast reaction may be difficult to coordinate. The project manager in the

³ "The Matrix Organization", Stuckenbruck, L. C. (1979). The matrix organization. Project Management Quarterly, 10(3), 21-33 <https://www.pmi.org/learning/library/matrix-organization-structure-reason-evolution-1837>

matrix usually does not have strong vested authority, therefore considerable negotiation is necessary to effect the change;

- Conflicting guidance as the more complex organization with two [or more] lines of authority always increases the possibility of conflicting instructions and guidance.
- B. Priorities - a matrix organization with a number of projects faces real problems with project priorities and resource allocation;
- C. Management goals - There is a constant, although often unperceived, struggle in balancing the goals and objectives of project and functional management;

Effective program management are based on sound principles of management. We recommend the following best practices for effective program management⁴

A. Maintain control over processes and operations:

1. Follow-up on all incomplete work systematically and in a timely manner to ensure removal of any interference with its completion;
2. Prepare periodic status reports of work progress for management review to determine whether work is progressing according to plan and whether established milestones are being reached;
3. Report all off-schedule and missed-scheduled jobs promptly to affected management for corrective action and/or establishment of measures to prevent future occurrences.

B. Surveillance over the Operation:

1. Confirm that the lines of feedback communication are still open and functioning as intended through periodic reviews;
2. Eliminate or reduce the causes of exceptions and deviations rather than accepting such variances as "normal" and covering them with specially designed procedures;
3. Perform periodic reviews of factors affecting cost of administration and operations, and see that timely and appropriate action is taken to keep costs consistent with plans and objectives.

C. Administration:

1. Make "clear-cut" assignments of responsibility for prompt expedition and feedback of information to management of variances between established budgets and schedules and actual accomplishments;
2. Perform periodic spot checks to ensure conformity with established requirements, in addition to normal monitoring of work in process and completed work.

⁴ "Sawyers Internal Auditing, 5th Edition, The Practice of Modern Internal Auditing", The Institute of Internal Audition, 2003.

Performance Summary of Contract Administration for City-funded Demolitions

**Performance Summary of
Contract Administration for City-funded Demolitions**

The following table identifies and summarizes criteria used for City of Detroit residential demolitions funded by the United States Housing and Urban Development (HUD) Community Development Block Grants (CDBG), Fire Insurance Escrow (FIE) funds, HUD Neighborhood Stabilization Program (NSP) Grants, and the City's Quality of Life (QOL) Blight Remediation Funds. The demolitions included here were not funded by Hardest Hit funds (HHF) and were not contracted through the Detroit Land Bank Authority (DLBA). The contracts were the responsibility of and contracted through the City's Office of the Chief Financial Officer, Office of Contracting and Procurement and the Housing and Revitalization Department. The Detroit Building Authority (DBA) serves as the Program Manager for Citywide demolitions.

The criterion is based on the State of Michigan's requirements, the City's policies and procedures, and actual contracts Scope of Services in force during the audit period and relating to demolition. We sampled the demolition of ninety-six (96) properties, covering various types of City-funded demolitions (emergency, fire related, and non-emergency):

City-Funded Demolitions – Total Audit Sample	
Year of Demolition	Number of Properties Per Year Requested
2014-2015	43
2016	17
2017	15
2018	21
Total Properties in Audit Sample	96

City-Funded Demolitions – Properties Audited from Sample		
	Number of Properties	Percentage
Total Properties in Audit Sample	96	100%
Less: Properties labeled as City-Funded but the actual source of the funding was either confirmed as Land Bank HHF funded, confirmed as another source of funding (private), or the source was not confirmed nor identified.	26	27%
Less: Partial information received after deadline, properties not audited	21	22%
Less: Properties labeled as Residential but were actually commercial demolitions	2	2%
Total Properties Audited	47	49%

Performance Summary of Contract Administration for City-funded Demolitions

City-Funded Demolitions – Types of Properties Audited		
	Number of Properties	Percentage
Emergency Demolitions	18	38%
Non-Emergency Demolitions	29	62%
Total Properties Audited	47	100%

Definitions of the Table Titles:

- A. **AREA OF IMPACT** – The Area of Impact groups the requirements into six logical categories:
 - 1) Resident Safety and Protection;
 - 2) Pre-demolition Site Preparation;
 - 3) Proper Disposal of Hazardous Material, Debris, etc.;
 - 4) Post-demolition Site Restoration;
 - 5) Program Management and Monitoring;
 - 6) Clearances and Payments.
- B. **CRITERION** – Audit criterion (i.e. condition) is contract requirements which were compiled from a detailed and extensive review of City policies and procedures, and state, local, and other requirements related to City-funded residential demolitions. Criterion was also taken directly from the RFP’s and the specific demolition contracts.
- C. **CODE** – The Code is a graphical representation of the results of testing and is the percentage of properties in Noncompliance for the given requirement:

Color Code	Percentage of Sample Non-Compliant
	0% - 25%
	>25% - 50%
	>50% - 75%
	>75%
	Not Applicable (N/A)

Results of the Audit Testing

- D. **YES** if the property demolished met the requirement and/or if the required information was found within the City’s files;
- E. **NO** if the property/demolition tested did not meet the requirement and/or the information was not found within the City’s files;

Performance Summary of Contract Administration for City-funded Demolitions

- F. **N/A** if the requirement is not applicable to the specific property/demolition.
- G. **PERCENTAGE (%) NON COMPLIANT** – represents the percentage of properties audited (excluding N/A's) that did not meet the requirement. Properties can “fail” the requirement if the required documentation or information was not found within the City’s files;
- H. **ADDITIONAL COMENTS** addresses any additional details related to that particular requirement.

The results of the audit of Contract Administration for City-funded demolitions is shown in the Summary and Detail Table(s) below:

SUMMARY OF CONTRACT ADMINISTRATION TESTING						
AREA OF IMPACT	TOTAL NUMBER OF CRITERION	Percentage of Non-Compliance				N/A
		0% - 25%	>25% - 50%	>50% - 75%	>75%	
1. Resident Safety and Protection	5	-	-	-	5	-
2. Pre-demolition Site Preparation	13	2	2	5	4	-
3. Proper Disposal of Hazardous Material, Debris, etc.;	10	-	2	-	8	-
4. Post-demolition Site Restoration	27	1	2	1	17	6
5. Program Management and Monitoring	24	5	1	1	10	7
6. Clearances and Payments	26	8	1	1	14	2
Total	105	16	8	8	58	15

APPENDIX A

Performance Summary of Contract Administration for City-funded Demolitions

DETAILS OF CONTRACT ADMINISTRATION TESTING							
A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Resident Safety and Protection	1. Is there evidence that the Contractor adhered to the MI Manual for Uniform Control Devices for all vehicular and pedestrian detours around their construction zone?		0	47	0	100%	
Resident Safety and Protection	2. Is there any evidence that safety barriers of specific specification were installed during demolition?		0	47	0	100%	
Resident Safety and Protection	3. Is there any evidence that Contractor posted signs during all phases of demolition to prevent trespassing?		0	47	0	100%	
Resident Safety and Protection	4. Is there any evidence that Contractor is regularly inspecting and maintaining the safety barrier??		0	8	39	100%	N/A = (39) New process does not apply
Resident Safety and Protection	5. Before and After pictures (labeled)		11	36	0	77%	
Pre-Demolition Site Preparation	6. Is there any evidence that the City (owner) provided the Contractor "Asbestos Survey" at the time the contractor was authorized to begin work on the site.		2	27	18	93%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
Pre-Demolition Site Preparation	7. Does the "Asbestos Survey" stated above include the followings: <ul style="list-style-type: none"> a. List of the type of each waste or material present; b. Location within the property of such wastes; c. Quantity of each material/waste; d. Recommendations for specific disposal protocol. 		2	27	18	93%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply

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DETAILS OF CONTRACT ADMINISTRATION TESTING							
A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Pre-Demolition Site Preparation	8. Is there any evidence that prior to disposal of any waste, the Contractor submitted HASP (Health and Safety Plan) at addresses requiring abatement. HASP should include: <ul style="list-style-type: none"> a. Necessary precautions and safety procedures as indicated in the Asbestos Survey, or in the Owner approved change order b. Detailed information regarding temporary controls, such as lock-out/tag-out procedures, and hazardous/regulated material handling 		16	1	30	6%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply; N/A = (12) stated criteria does not apply
Pre-Demolition Site Preparation	9. Is there any evidence that Contractor submitted to MDEQ a completed form of <u>Notification of Intent to Renovate/Demolish</u> Form at least <u>10 working days</u> in advance of asbestos abatement activities or prior to any activities after receiving the Notice to Proceed?		9	13	25	59%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply; N/A = (7) stated criteria does not apply
Pre-Demolition Site Preparation	10. Is there any evidence that Contractor submitted to the City sampling and analysis for airborne concentration of asbestos fibers?		15	14	18	48%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
Pre-Demolition Site Preparation	11. Is there any evidence that Contractor submitted Post-abatement air monitoring and it was completed by an independent third party contractor?		13	16	18	55%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
Pre-Demolition Site Preparation	12. Is there any evidence that pre-existing damage on the side walk had been marked		0	8	39	100%	N/A = (39) stated criteria does not apply

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AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Proper Disposal of Hazardous Material, Debris, etc.	13. Is there any evidence that asbestos waste was disposed in Type II Landfill?		0	47	0	100%	
Proper Disposal of Hazardous Material, Debris, etc.	14. Is there evidence that the Contractor complied with the wet-wet Requirements		0	47	0	100%	
Proper Disposal of Hazardous Material, Debris, etc.	15. Is there evidence that the Contractor did disconnect water service in accordance with the procedures		0	8	39	100%	N/A = (39) stated criteria does not apply
Proper Disposal of Hazardous Material, Debris, etc.	16. Is there evidence that the Contractor is following the Wetting & Dust control protocol?		0	8	39	100%	N/A = (39) stated criteria does not apply
Proper Disposal of Hazardous Material, Debris, etc.	17. Is there evidence that the Contractor used the required equipment for wetting?		0	8	39	100%	N/A = (39) stated criteria does not apply
Proper Disposal of Hazardous Material, Debris, etc.	18. Is there evidence of the property being thoroughly wetted during the demo and removal of debris?		0	8	39	100%	N/A = (39) stated criteria does not apply
Proper Disposal of Hazardous Material, Debris, etc.	19. Is there any evidence that all debris was disposed in licensed Type II sanitary landfill?		0	47	0	100%	
Proper Disposal of Hazardous Material, Debris, etc.	20. Is there any evidence that copies of landfill receipts for every load removed were maintained for each day and were available for inspection?		0	47	0	100%	
Proper Disposal of Hazardous Material, Debris, etc.	21. Is there any evidence that Load-out of demolition debris was completed <u>within 48 hours after</u> knockdown date (applies to both Emergency and Non-Emergency?)		30	16	1	35%	N/A = (1) unknown
Proper Disposal of Hazardous Material, Debris, etc.	22. Is there any evidence that manifests for the disposal of waste and materials were furnished to the City or its authorized rep?		29	18	0	38%	
Post-demolition Site Restoration	23. Is there evidence that the Contractor complied with the Backfill Requirements?		1	46	0	98%	

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AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Post-demolition Site Restoration	24. Is there any evidence that stockpiling locations used by the Contractor were acceptable by the City?		0	0	47	N/A	N/A = (47) there is no evidence in the files that stockpiling was used, therefore unable to conclude on the criteria
Post-demolition Site Restoration	25. Is there any evidence that Contractor submitted "Dust Control and Monitoring Plan" prior to stockpiling to address sources of fugitive emissions from the site?		0	0	47	N/A	
Post-demolition Site Restoration	26. Is there any evidence that the Contractor obtained approval from the City to transport soil to the stockpile site of a residential site?		0	0	47	N/A	
Post-demolition Site Restoration	27. Is there an evidence that the Contractor removed the following from all disturbed ground surfaces before the open hole inspection and placement of fill: <ul style="list-style-type: none"> a. Vegetation b. Topsoil c. Debris d. Trash e. Wet and unsatisfactory soil materials f. Obstructions g. Deleterious materials 		0	0	47	N/A	This criterion cannot be monitored easily. It is assumed that this did take place prior to the site passing the Open Hole Inspection.
Post-demolition Site Restoration	28. Is there an evidence that the Contractor placed backfill and fill materials in layers of 18" in loose depth?		0	47	0	100%	
Post-demolition Site Restoration	29. Is there any documentation that Contractor obtained approval from the City before discharging excavation water to either of the followings: <ul style="list-style-type: none"> a. Municipal storm system, or to the b. Surface waters 		0	47	0	100%	

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Post-demolition Site Restoration	30. Is there any evidence that leveling of the grading provided smooth transition among all surfaces and that leveling prevented: a. Excessive runoff into adjacent streets, b. Pooling in the lot area itself		47	0	0	0%	
Post-demolition Site Restoration	31. Is there any evidence that the top soil used on top of the grading was 4" in depth?		0	47	0	100%	
Post-demolition Site Restoration	32. Is there any documentation that analytical data of the top soil used was uncontaminated? Or is there any certification from the borrow source that topsoil is uncontaminated?		0	47	0	100%	
Post-demolition Site Restoration	33. Is there evidence that Seed and Straw was not applied until Final Grade Approval is received from BSEED?		0	8	39	100%	N/A = (39) stated criteria does not apply
Post-demolition Site Restoration	34. Is there evidence that the clean soil consists of at-least 20% organic material?		0	8	39	100%	N/A = (39) stated criteria does not apply
Post-demolition Site Restoration	35. Is there any evidence that "No Mow" lawn seed was used?		1	46	0	100%	
Post-demolition Site Restoration	36. Was authorization obtained from the City when a type other than "No Mow" was used?		0	46	1	100%	N/A = (1) property does not fit this category
Post-demolition Site Restoration	37. Is there any evidence that straw mulch was used in the planting area?		10	37	0	100%	
Post-demolition Site Restoration	38. Is there any evidence that the site was watered within 7 days of the seeding date?		0	47	0	100%	
Post-demolition Site Restoration	39. Is there any evidence that the sidewalks and streets are swept clean and washed down after load-out?		0	47	0	100%	
Post-demolition Site Restoration	40. Is there evidence that the contractor is held accountable for the replacement of the sidewalk if damaged?		0	8	39	100%	N/A = (39) stated criteria does not apply

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AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Post-demolition Site Restoration	41. Is there evidence of contractors following protocol for the "if the sidewalks are replaced if damaged" contract terms?		0	8	39	100%	N/A = (39) stated criteria does not apply
Post-demolition Site Restoration	42. Is there is pre-existing damage on sidewalk, curb or drive approach, is there any evidence of this (i.e. flag, painted stake) identifiable in pictures?		0	8	39	100%	N/A = (39) stated criteria does not apply
Post-demolition Site Restoration	43. Is there any evidence that the following inspections were requested by the contractor from BSEED at least 24 hours prior to the date of inspections for every non- emergency demolition?						
	a. Barricades/Knockdown		13	16	18	55%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
	b. b. Load-out		0	29	18	100%	
	c. Open Hole		15	14	18	48%	
	d. Backfill		0	29	18	100%	
	e. Final Grade		15	14	18	48%	
Program Management and Monitoring	44. Are there any evidences that the site was monitored by the City or its rep. during all phases of: a. Demolition and b. Backfilling		0	47	0	100%	
Program Management and Monitoring	45. Is there any evidence that Contractor denied EPA personnel to: a. Enter demolition sites b. Review any records, c. Inspect any demolition methods, and/or d. Sample or observe any emissions?		0	0	47	N/A	N/A = (47) There are no properties that fit this category

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Program Management and Monitoring	46. Is there any evidence that the agreed upon schedules could not be kept due to unforeseen circumstances?						
Program Management and Monitoring	a. If yes, did the Contractor request a modification to the schedules?		0	2	45	100%	N/A = (45) stated criteria does not apply
Program Management and Monitoring	b. If yes, did the City or its rep. issue a written approval to the Contractor?		0	2	45	100%	
Program Management and Monitoring	47. Is there any evidence that Contractor submitted via emails WIP status on Excel Format on all open activities every: a. Monday, b. Wednesday, and c. Friday		0	47	0	100%	
Program Management and Monitoring	48. Is there any evidence that Contractor submitted copies of the following to the City or its rep: a. Electronic notification of <u>Intent to Renovate/Demolish</u> that was filed with the MDEQ.		34	13	0	28%	
Program Management and Monitoring	49. Is there any evidence that the City or its rep. conducted final clearance inspection to confirm that: a. Hazardous Materials were removed, and b. All records are in proper order? Note: The inspection is done per the discretion of the City or its rep.		47	0	0	0%	
Program Management and Monitoring	50. Is there evidence that equipment and crews have mobilized to the correct side by reviewing all existing documentation and confirming through on-site visual observation?		7	1	39	13%	N/A = (39) stated criteria does not apply

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Program Management and Monitoring	51. If the final clearance was done, but not approved by the City, did the contractor return to the site to achieve acceptable clearance inspection and all hazardous and asbestos materials were removed?		0	0	47	N/A	This criterion cannot be monitored easily. It is assumed that this did take place prior to the site passing the Final Clearance.
Clearances and Payments	52. Did the contractor submit landfill receipts or waste manifests with invoice, within <u>10</u> days of the completion of the project? If No, payment will not be processed.		0	47	0	100%	
Clearances and Payments	53. Is there any evidence that payment was processed before manifests and invoices were submitted?		0	47	0	100%	Some documents were missing from all contracts prior to payment
Post-demolition Site Restoration	54. Is there any evidence that contractor used Category 3 backfill materials?		0	0	47	N/A	
Post-demolition Site Restoration	55. If yes, did the contractor submit to the City a Request for Approval to use Category 3 Backfill Material?		0	0	47	N/A	
Program Management and Monitoring	56. Did Contractor submit weekly Backfill Material tracking logs for all backfill categories (1, 2, &3) to the Owner's Document Repository and uploaded to a designated electronic platform? Note: The logs should show: a. Source, b. End use location, c. Quantities, and d. Dates		0	47	0	100%	

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Clearances and Payments	57. Were all documentation presented on organization's letterhead?		47	0	0	0%	
Clearances and Payments	58. Was the Request for Payment for each property broken down into the following cost categories: a. Abatement b. Demolition c. Seeding d. Grading, and e. Total for the specified property		0	47	0	100%	

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Clearances and Payments	59. Did the Request for Payment Packet contain the following:						
	a. A cover letter		41	6	0	13%	
	b. Schedule of Values and Sworn Statement for each property address		0	47	0	100%	
	c. Sworn statement of waivers of lien from contractors and subcontractors		0	47	0	100%	
	d. Building permit		46	1	0	2%	
	e. Notification of Intent to Renovate/ Demolish		24	23	0	49%	
	f. Final grade inspection receipt		0	47	0	100%	
	g. Documentation of abatement activities and waste disposal		31	4	12	11%	
	h. Documentation of origin of backfill and topsoil sources		2	45	0	96%	
	i. Documentation of analytical data or certification verifying material is not contaminated		12	35	0	74%	
	j. Documentation that Subcontractors are in compliance with the MI Workers' Disability Compensation Act requirement		0	47	0	100%	
	k. Documentation that Subcontractors are licensed		0	47	0	100%	
	l. Seeding and Watering Report		0	47	0	100%	
	m. Seed tags identifying correct seed used per specification		0	47	0	100%	
n. Before and after pictures of the site (labeled)		0	47	0	100%		

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Clearances and Payments	60. Is there an evidence that the structure was removed from the bid or from the award?		0	0	47	N/A	N/A = (47) These two questions are related and there were no properties that fit this category
Clearances and Payments	61. If yes, was the reason for removal due to either of the following prior to actual demolition date? a. the structure is destroyed by fire or other calamity beyond its present condition, or due to b. The presence of environmental hazards If no, briefly state the reason of removal and attach evidence to this report		0	0	47	N/A	
Program Management and Monitoring	62. Is there an evidence that the original agreed upon schedules were modified?		0	0	47	N/A	N/A = (47) These two questions are related and there were no properties that fit this category
Program Management and Monitoring	63. If yes, was the reason for schedules modification due to unforeseen circumstances that caused work to be performed outside of Contractors' usual workweek? If No, briefly state the reasons of modification and attach evidence to this report.		0	0	47	N/A	
Program Management and Monitoring	64. Is there any evidence that the stated contract protocols were revised?		5	42	0	89%	
Clearances and Payments	65. Does the actual permit and inspection dates match what is in Tidemark?		26	8	13	24%	N/A = (13) properties were not tested for the stated criterion
Clearances and Payments	66. Is there evidence of the Notice to Proceed documentation being in the file?		47	0	0	0%	

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Clearances and Payments	67. Is there evidence that the contractor started work after the Notice to Proceed documentation was received?		45	2	0	4%	
Program Management and Monitoring	68. Is there evidence that the contractor started work 10 days (Or 24 hours if emergency demolition) after filing the Notice of Intent with MDEQ?		37	10	0	21%	
Program Management and Monitoring	69. Was there evidence that the site was accessible for demolition after the 10 days? If not, is there evidence in the file showing that the contractor notified the Demolition Division within 24 hours of this situation?		0	29	18	100%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
Program Management and Monitoring	70. After the Open Hole Inspection, is there evidence that the Backfill was completed within 48 hours?		2	45	0	96%	
Program Management and Monitoring	71. Is there any evidence that the complete demolition activities including clean-up by the dated indicated on the Notice to Proceed? (for non-emergency)		3	26	18	90%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
Program Management and Monitoring	72. For emergency: Were all the demolition activities, including clean up completed within 7 calendar days?		2	16	29	89%	N/A = (29) Standard (Non-Emergency) Demolitions, Emergency criteria do not apply
Pre-Demolition Site Preparation	73. Is there evidence of utility shut off requests for the following?						
	a. Water		14	15	18	52%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
	b. Gas		24	5	18	17%	
c. Electric		19	10	18	34%		

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A	B	C	D	E	F	G	H
AREA OF IMPACT	RFP AND HRD REQUIREMENTS	CODE	# YES	# NO	# N/A	% Non-Compliant	COMMENTS
Pre-Demolition Site Preparation	74. Is there evidence or confirmation of utility disconnects?						
	a. Water		10	19	18	66%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
	b. Gas		21	8	18	28%	
	c. Electric		14	15	18	52%	
Program Management and Monitoring	75. Is there evidence of the contractor obtaining, furnishing, and maintaining insurance during the term of its contract		0	0	47	N/A	N/A = (47) this criteria is appropriately applied during the Bid Process
Program Management and Monitoring	76. Is there evidence of the demolition permit or any other required permit maintained in the file for the contractor?		46	1	0	2%	
Program Management and Monitoring	77. Is there evidence that the contractor has violated the work area and caused damage for the site's property boundaries?		0	0	47	N/A	N/A = (47) there were no properties that fit this category
Program Management and Monitoring	78. Is there evidence of a stop of work by the owner or authorized representative, and if yes, did the contractor get reimbursed for any cost incurred during the stoppage?		0	0	47	N/A	N/A = (47) there were no properties that fit this category
Program Management and Monitoring	79. Is there evidence of a Performance and Payment Bond for the contract price provided by the Contractor?		43	4	0	9%	
Program Management and Monitoring	80. Is there an award letter in the file?		21	26	0	55%	
Clearances and Payments	81. Is there a PO or contract in the file?		47	0	0	0%	
Clearances and Payments	82. Was the contract approved by City Council?		1	28	18	97%	N/A = (18) Emergency Ordered Demolitions, stated criteria does not apply
Clearances and Payments	83. Is there evidence that the contractor did not charge more than 10% above the amount invoiced by any subcontractor?		0	8	39	100%	N/A = (39) stated criteria does not apply

Generally Accepted Government Auditing Standards for Performance Audits

The following excerpt is related to Generally Accepted Government Auditing Standards as compiled by the compiled by the United States Government Accountability Office (GAO) for Performance Audits. According to the GAO and GAGAS⁵:

§2.10: Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The term "program" is used in GAGAS to include government entities, organizations, programs, activities, and functions.

§2.11 Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; Administration; and prospective analyses. These overall objectives are not mutually exclusive. Thus, a performance audit may have more than one overall objective. For example, a performance audit with an objective of determining or evaluating program effectiveness may also involve an additional objective of evaluating internal controls to determine the reasons for a program's lack of effectiveness or how effectiveness can be improved.

- a. Program effectiveness and results audit objectives are frequently interrelated with economy and efficiency objectives. Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results.
- b. Internal control audit objectives relate to an assessment of one or more components of an organization's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or Administration with applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control comprises the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal control includes the processes and procedures for planning, organizing, directing, and controlling program operations, and management's system for measuring, reporting, and monitoring program performance.
- c. Administration audit objectives relate to an assessment of Administration with criteria established by provisions of laws, regulations, contracts, or grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Administration requirements can be either financial or nonfinancial.

⁵ Government Auditing Standards (Yellow Book) 2011 Revision; www.gao.gov/yellowbook.

Generally Accepted Government Auditing Standards for Performance Audits

There are four “Elements of a Finding” in a Performance Audit. The following excerpt(s) from GAGAS describe how auditors develop Findings

§6.73 Auditors should plan and perform procedures to develop the elements of a finding necessary to address the audit objectives. In addition, if auditors are able to sufficiently develop the elements of a finding, they should develop recommendations for corrective action if they are significant within the context of the audit objectives. The elements needed for a finding are related to the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding.

§6.75 Condition: Condition is a situation that exists. The condition is determined and documented during the audit.

§6.37 Criteria: Auditors should identify criteria. Criteria represent the laws, regulations, contracts, grant agreements, standards, specific requirements, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations included in the report. Auditors should use criteria that are relevant to the audit.

§6.76 Cause: The cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor or factors contributing to the difference between the condition and the criteria.

§6.77 Effect or potential effect: The effect is a clear, logical link to establish the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria). The effect or potential effect identifies the outcomes or consequences of the condition. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, “effect” is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

GAGAS, also provides the following “Reporting Standards for Performance Audits”:

§7.27 Conclusions: Auditors should report conclusions based on the audit objectives and the audit findings. Report conclusions are logical inferences about the program based on the auditors’ findings, not merely a summary of the findings. The strength of the auditors’ conclusions depends on the sufficiency and appropriateness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are more compelling

Generally Accepted Government Auditing Standards for Performance Audits

if they lead to the auditors' recommendations and convince the knowledgeable user of the report that action is necessary.

§7.28 Recommendations: Auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified deficiencies and findings, and clearly state the actions recommended.

§7.29 Effective recommendations encourage improvements in the conduct of government programs and operations. Recommendations are effective when they are addressed to parties that have the authority to act and when the recommended actions are specific, practical, cost effective, and measurable.

Glossary

*Definition sourced from www.dictionary.reference.com

NAME	DESCRIPTION
BSEED	<p>City of Detroit Buildings, Safety Engineering and Environmental Department</p> <p>The BSEED has traditionally housed the City's demolition efforts and continues to oversee the demolition of houses through the Fire Insurance Escrow Fund and dangerous buildings. Its mission is to provide for the safety, health, and welfare of the general public as it pertains to buildings, and their environs in an efficient, cost effective, user friendly and professional manner. BSEED enforces construction, property maintenance, environmental administration, and zoning codes, which preserve and enhance property values and promote a quality of life to make Detroit a preferred place to reside and conduct business. BSEED is also the City's Environmental Affairs Department.</p>
CDBG	<p>Community Development Block Grant</p> <p>The CDBG program is a Federal grant program operated by the U.S. Department of Housing and Urban Development. This program provides entitlement grants to local governments for community development activities. The grant amount is determined by formula and varies from year to year according to the amount appropriated nationally by the U.S. Congress. The overall goal of Detroit's CDBG program is to develop a viable urban community by providing funding for decent housing, economic opportunities, needed services, and a suitable living environment, primarily for persons of low and moderate income. CDBG funds may be used for a wide variety of activities including home rehabilitation, construction and rehabilitation of community facilities, demolition of blighted buildings, acquisition, relocation, and preparation of property for new development, economic development, public services, planning, and administration of the program.</p>

Glossary

NAME	DESCRIPTION
DBA	<p>Detroit Building Authority</p> <p>DBA is a quasi-governmental body that is governed by a Board in which the City appoints the voting majority of DBA's Board Members and is able to impose its will. Although legally separate, DBA is included in the operations and activities of the City because it was entirely incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining buildings, automobile parking lots or structures, and recreational facilities for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants received by the City.</p>
DLBA	<p>Detroit Land Bank Authority (also referred to as "Land Bank" in the audit report)</p> <p>The Land Bank was created by the City and the Michigan Land Bank in order to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of that property and to promote economic growth in the City. The City and the DLBA have entered into an enforceable contract for the Land Bank to carry out programs designed to stabilize neighborhoods through nuisance proceedings, blight abatement, acquisitions and dispositions, and demolitions. Through the Memorandum of Understanding between the City and the Land Bank the City is to provide Quality of Life and bankruptcy exit financing toward this goal.</p>
DMA	<p>Demolition Management Agreement</p> <p>An agreement executed between the City (through its Housing and Revitalization Department) and its Building Safety, Engineering and Environmental Department (BSEED) and the Detroit Building Authority on August 11, 2015. The DMA engages DBA to act as Program Manager and "coordinate and implement" the Demolition Program on behalf of the City.</p>

Glossary

NAME	DESCRIPTION
FIE	<p>Fire Insurance Escrow</p> <p>The City has participated in the State of Michigan's Fire Insurance Withholding program since July 1982. The State's program provides participating municipalities with some financial protection against the cost of repairing, replacing, or demolishing a damaged structure following a loss from fire, explosion, vandalism, malicious mischief, wind, hail, riot, or civil commotion. A municipality may receive a portion of a policyholder's final insurance settlement, which is to be held in a specified escrow account until the structure is repaired, replaced, or demolished. If the structure is not repaired, replaced, or demolished, the municipality must use the funds to repair, replace, or demolish the structure.</p>
GFAO	<p>Government Finance Officers Association</p> <p>Founded in 1906, represents public finance officials throughout the United States and Canada. The association's more than 19,400 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions. GFOA's mission is to advance excellence in state and local government financial management. GFOA has accepted the leadership challenge of public finance. To meet the many needs of its members, the organization provides best practice guidance, consulting, networking opportunities, publications including books, e-books, and periodicals, recognition programs, research, and training opportunities for those in the profession.</p>
GSD	<p>City of Detroit General Services Department</p> <p>The mission of GSD is to support City operations through space planning, urban forestry, and managing municipal facilities, grounds, fleet, and inventory.</p>
HHF	<p>Hardest Hit Fund</p> <p>First announced in February 2010, the Hardest Hit Fund provides \$7.6 billion to the 18 hardest hit states, plus the</p>

Glossary

	<p>District of Columbia, to develop locally-tailored programs to assist struggling homeowners in their communities. On February 19, 2016, an additional \$2 billion was allocated to HHF as a part of the Consolidated Appropriations Act, 2016. The total HHF allocation is now \$9.6 billion. HHF programs are designed and administered by each state's Housing Finance Agency (HFA). Most of these programs are aimed at helping unemployed homeowners remain in their homes while they search for new employment and those who owe more on their mortgage than their home is worth. State HFAs have until the end of 2020 to utilize funds allocated under HHF.</p>
HRD	<p>City of Detroit Housing and Revitalization Department The mission of HRD is to invest City resources into multifamily housing, neighborhood commercial districts, and public improvements to create places that retain current and attract new Detroiters. It exists to fully realize its potential as the City's community development investment arm.</p>
HUD	<p>US Department of Housing and Urban Development The United States Department of Housing and Urban Development (HUD) is a Cabinet department in the Executive branch of the United States federal government. Although its beginnings were in the House and Home Financing Agency, it was founded as a Cabinet department in 1965, as part of the "Great Society" program of President Lyndon Johnson, to develop and execute policies on housing and metropolises.</p>
IGA	<p>Intergovernmental Governmental Agreement A contractual agreement between one or more governmental agencies, including, but not limited to, an interlocal agreement to jointly exercise any power, privilege, or authority that the agencies share in common and that each might exercise separately under the Urban Cooperation Act of 1967.</p>
LARA	<p>Department of Licensing and Regulatory Affairs Oversees the licensing and regulation of more than 1.2 million individuals and entities in Michigan on an annual basis. LARA supports business growth and job creation while safeguarding Michigan's citizens through a simple, fair, efficient, and transparent regulatory structure.</p>

Glossary

NAME	DESCRIPTION
LPD	<p>City of Detroit Legislative Policy Division</p> <p>A consolidation of three (3) former, separate divisions:</p> <ul style="list-style-type: none"> • Research & Analysis: Responsible for researching, monitoring, evaluating, and advising on matters, particularly legal. Additional duties include service as chief legal advisor and general counsel to the Honorable Detroit City Council (Council), staffing of designated task forces and committees, and representing Council at various meetings with the administration and community entities; • Fiscal Analysis: Responsible for compiling, studying and reviewing all financial information necessary to advise the Council on budgetary and financial matters and help promote and protect the economic welfare of Detroit's citizens; • City Planning Commission: Responsible for advising on matters pertaining to the social, physical, and economic development of the City and act as the Zoning Commission. The Commission serves both the legislative branch and the citizens of Detroit by acting as a representative of the community, serving as a conduit for opinions from the community and proactively initiating matters for consideration by the Council.
MDEQ	<p>Michigan Department of Environmental Quality</p> <p>The Michigan Department of Environmental Quality promotes wise management of Michigan's air, land, and water resources to support a sustainable environment, healthy communities, and vibrant economy. It's "Guiding Principles" include being:</p> <ul style="list-style-type: none"> • Leaders in environmental stewardship; • Partners in economic development; • Providers of excellent customer service. <p>Their vision is to reduce public health and environmental risks, assist Michigan communities with addressing infrastructure needs, and build external partnerships to address Michigan's environmental issues through the authorities granted to us by the Michigan Legislature and Constitution.</p>

Glossary

MHA	<p>Michigan Housing Authority The Michigan Homeowner Assistance Nonprofit Housing Corporation acting through the Michigan State Housing Development Authority, received federal funds in 2010 from the U.S. Department of the Treasury to help Michigan take a step forward through a comprehensive, statewide strategy that is aimed at helping homeowners prevent foreclosure and stabilize communities. Through the StepForwardMichigan.org website, homeowners who have experienced a hardship impacting their ability to pay their mortgage, property taxes, or condominium fees can find out more information about the program and print an application for a Hardest Hit Fund loan.</p>
MLB	<p>State of Michigan Land Bank Fast Track Authority The purpose of the Michigan Land Bank Fast Track Authority is to promote economic growth in this state through the acquisition, assembly, and disposal of public property, including tax reverted property, in a coordinated manner to foster the development of that property, and to promote and support land bank operations at the county and local levels.</p>
MOU	<p>Memorandum of Understanding A document that describes the general principles of an agreement between parties, but does not amount to a substantive contract.</p>
MSHDA	<p>Michigan State Housing Development Authority The Authority created under the State Housing Development Authority act of 1966. Provides financial and technical assistance through public and private partnerships to create and preserve safe and decent affordable housing</p>
NAP	<p>Nuisance Abatement Program The Detroit Land Bank Authority launched its improved Nuisance Abatement Program in the Spring of 2014. Its ultimate goal is combating blight in order to rebuild dilapidated neighborhoods for the general health, safety, and welfare of the community. NAP focuses on properties that are boarded, open to trespass, neglected, and/or dangerous throughout the city of Detroit.</p>

Glossary

NAME	DESCRIPTION
NSP	<p>Neighborhood Stabilization Program</p> <p>Authorized under Section 2301 of Title III of the Housing and Economic Recovery Act of 2008, as amended, Congress appropriated \$4 billion for the Neighborhood Stabilization Program to provide grants to every State and certain local communities to purchase foreclosed-upon or abandoned homes and rehabilitate, resell, or redevelop these homes to stabilize neighborhoods and stem the decline in value of neighboring homes. The Act states that amounts appropriated, revenues generated, or amounts otherwise made available to States and units of general local government under Section 2301 will be treated as though such funds were Community Development Block Grant funds under Title I of the Housing and Community Development Act of 1974.</p>
OAG	<p>City of Detroit Office of the Auditor General</p> <p>The OAG performs audits of each City agency and prepares written reports which convey the resultant audit findings and recommendations to the City Council, the Mayor and the management of each agency. OAG is under the direction and control of the Auditor General, who is appointed by a majority of city council members serving. The Auditor General shall be a certified public accountant. The term of Auditor General is ten (10) years beginning with the taking of office.</p>
PDD	<p>City of Detroit Planning and Development Department</p> <p>The mission of PDD is to provide a vision for the physical, social, and economic development of the City.</p>
QOL	<p>Quality of Life Funds</p> <p>Post-Petition Financing secured to fund the City's Revenue and Restructuring Initiatives outlined in the approved Plan of Adjustment.</p>
RRI	<p>Revenue and Restructuring Initiatives</p> <p>A set of financial and operational initiatives the City must adhere to as set forth in the City's approved Plan of Adjustment.</p>

Glossary

NAME	DESCRIPTION
SIGTARP	<p data-bbox="553 226 1419 296">Office of the Special Inspector General Troubled Asset Relief Program</p> <p data-bbox="610 302 1471 663">The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), to protect taxpayers who funded the bailout known as the \$475 billion Troubled Asset Relief Program (TARP). A watchdog for American taxpayers, SIGTARP is a law enforcement agency with the authority to search, seize, and arrest. SIGTARP has a responsibility to conduct oversight over everything and everyone related to TARP. SIGTARP conducts audits and makes recommendations to improve the effectiveness and efficiency of TARP programs, and to prevent fraud, abuse, and waste.</p>
TARP	<p data-bbox="553 672 992 701">Troubled Asset Relief Program</p> <p data-bbox="610 707 1484 915">The Troubled Asset Relief Program (TARP) is a program of the United States government to purchase assets and equity from financial institutions to strengthen its financial sector that was signed into law by U.S. President George W. Bush on October 3, 2008. It was a component of the government's measures in 2008 to address the subprime mortgage crisis.</p>

Consolidated Agencies/Departments Response



November 8, 2019

Mark W Lockridge, CPA
Auditor General
Office of the Auditor General
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
Detroit, MI 48226

RE: Audit of Demolition Activities—Second Draft Contract Administration for City-Funded Residential Demolitions Interim Report

Dear Mr. Lockridge,

I write in response to your “Audit of Demolition Activities: Interim Report on Contract Administration for City-Funded Residential Demolitions” (hereinafter, the “Report”).

At the outset, I wish to highlight a systemic error that undermines the usefulness and reliability of your Report. The Report purports to base its findings on (1) a stale sample of 34 residential properties that were demolished in 2014 and 2015; and (2) a “new” sample of 62 residential properties that were demolished in 2016, 2017, and 2018. As the Report itself notes, however, this “new” sample does not capture the work that has been done on City-funded residential demolitions over the past four years. *See* Report at 34. That is because the new sample contained multiple demolitions which were not City-funded, were not residential, or for which you lacked full information. *Id.*

As a result, the Report ultimately audited just 13 properties from 2016, 2017, and 2018, twelve of which were emergency demolitions *Id.* at 19. Your Report, in other words, is based on an audit of only *one* City-funded standard residential demolition—out of 1,386—that was conducted during the those three years. Obviously, that is not a representative sample. It is surely not enough to justify a Report which offers such sweeping conclusions.

Your decision to rely on a non-representative sample is not just a procedural error. It entirely undermines your audit’s substance. The City and DBA now assiduously track contract compliance on a whole host of the 90 contract “criteria” you suggest must be tracked. Appendix B to this letter provides a sample of ten demolitions from your “new” audit list of 62, and demonstrates that the City and DBA are in compliance with close to 100% of the commercially reasonable criteria that you identified.¹ Had you included a more recent sample, you would undoubtedly have reached different conclusions about today’s demolition processes.

Your Report blames the City and DBA for the fact that your “new” sample of 62 properties consisted largely of properties which were non-residential and/or non-City funded—that is, properties that were outside the scope of your audit. Specifically, you suggest that “unreliable data (from Salesforce)” erroneously listed as “City-funded” properties that were not, in fact, City-funded. *Id.* at 37. That is simply incorrect. During the course of your audit, you asked a junior DBA analyst to arrange the Salesforce

¹ The demolition team selected, from your sample of 62, ten of the most recent City-funded residential demolitions that had been completed through final grade.



extract in a specific way. You asked that analyst to create a new field that defined which of the over 16,000 demolitions done to date were City-funded, and which were not.

In response to *your* request, the junior analyst created a quick algorithm that designated everything that was not HHF funded as “City Funded.” That assumption was not accurate—and, for what it is worth, did not even exclude all HHF-funded properties. The algorithm thus wrongly suggested that many non-City funded properties were City funded. But importantly, *Salesforce* expressly, and correctly, listed the funding source on all of those properties.

By way of example, the following table shows how certain addresses were misconstrued by the junior analyst as City-funded, even though *Salesforce* expressly stated otherwise:

Address (in Salesforce)	Funding Source (in Salesforce)	City/DBA designation (analyst’s interpretation)
8058 Thaddeus	Private	City
14566 Burt Rd	Private	City
14356 Rockdale	Private	City
15406 Archdale	Rehabbed and Ready	City
3313 Superior	Other	City
12050 Kentucky	HHF	City

It is unfair for you to blame the City and DBA for failing to track funding sources, when the City and DBA *do* track funding sources—and the only confusion as to the funding sources came in response to an analysis that you requested.

Compounding that error, you refused to consider information in your “new” sample demonstrating strict compliance with the criteria you identified. Your Report notes that you declined to audit 21 properties because you received “partial information” on those properties after a self-imposed “deadline.” *Id.* at 37. Had you audited those properties, you would have seen that the City and DBA are documenting compliance with many of the 90 criteria you suggest must be tracked. Again, a table showing ten recent properties that were demolished—drawn from the pool of 21 properties that you refused to consider—is included as Appendix B.

All of this severely undermines the usefulness of your Report. In February 2018, you released a draft report that—though it purported to cover approximately 4,000 demolitions through June 30, 2018—was based on just thirty-four cherry-picked demolitions, all of which took place between January, 2014 and September, 2015. In response, I noted that your report misled readers “into believing [it was] based on recent demolition activities.” Response to Audit of Demolition Activities, February 20, 2019, at 2 (attached as Appendix A). I further noted that, because “demolition procedures were totally overhauled in late 2015,” your report “has almost no relevance today.” *Id.* To your credit, you informed me that you



would be updating your property sample, and that you would release a new report that was actually based on current practices.

Lamentably, however, your most recent draft report repeats the same errors. For whatever reason, the Report continues to focus primarily on properties that were demolished in 2014 and 2015—a bygone era of demolition that bears almost no resemblance to the program that is operating today. A staggering 34 out of the 47 properties that are the subject of the current Report are from your old, stale sample. Twelve of the remaining 13 properties were emergency demolitions, and are thus not representative of the ordinary processes used to conduct residential demolitions.

That defies both standard auditing practices, and common sense. Pursuant to government auditing standards (“GAO Standards”), auditors must sample using “appropriate selection method,” depending on the “audit objectives.” United States Government Accountability Office, *Government Auditing Standards* § 8.107 (2011) (“GAO Standards”) (available at <http://www.gao.gov/assets/590/587281.pdf>). Your audit purports to “encompass[] demolition and demolition related activities from the period of January 1, 2014 to December 31, 2018.” Report at 1. Given your defined scope, it is inconceivable—and inexcusable—to base your findings on a sample in which (1) over 72% of the demolitions were from 2014 and 2015; (2) an additional 26% were emergency demolitions, and (3) just *one* property sampled was a standard demolition completed under the currently operative procedures.

As I wrote in my previous response, your decision to rely on “an unrepresentative, outdated sample of demolition files severely undermines the Report’s accuracy and credibility.” Response, Appendix A, at 7. I have attached, as Appendix A, my previous response to your February draft report. Although you have now had nearly a year to reframe your audit, your latest Report continues to be undermined by the exact same errors as your previous draft.

In short, your latest Report, like the previous draft, is deeply flawed and misleading. The errors that I pointed out in my previous response largely remain, and I stand by the objections in my previous response.

In addition to your Report’s inaccurate and misleading sampling techniques, three other points bear emphasis.

First, at various points in the Report, you fault the City and DBA for failing to ensure that “contractors complied with documentation requirements related to invoice and payment packets.” *Id.* at 29. That is wrong. You apparently based your conclusion on the fact that financial documents are not stored in the Salesforce system. But Salesforce has not historically been used to track financial documents. Financial documents (such as contracts, invoices and payments) are tracked in Bidsync and Oracle, not Salesforce. Had you chosen to work with City and DBA personnel—and to look in the right place—you would have concluded that financial information is assiduously tracked. Included in Appendix D is an outline of the financial process for contract and invoices processing and storage.

Second, like your previous draft, the latest Report is premised on a series of conceptual errors. Most notably, your Report faults City and DBA for failing to comply with policies and procedures that were enacted *after the sampled demolitions were completed*. For example: you note that the 34 sampled demolitions from 2014 and 2015—that is, the vast majority of your sample—failed to demonstrate compliance with “HRD Demolition Procedures” that were issued *in January 2016*. Report at 21. It is both illogical and unfair to suggest that demolition personnel should have required compliance with standards that had not yet even been adopted.



Third, and perhaps most fundamentally, your Report is based on profound misunderstandings of commercial realities. As I noted in my February response to your previous draft:

You seem to envision a process in which City personnel are constantly surveilling demolition contractors, to ensure that they are complying with every single provision in their contract. In the real world, nobody does that. And if the City *did* decide to babysit each and every one of its contractors, it would require a massive expenditure of taxpayer funds that would dramatically slow the pace of demolitions in neighborhoods...

The Report, for example, faults DBA for not obtaining documentary evidence of compliance with "the MI Manual for Uniform Control Devices for all vehicular and pedestrian detours." Report at 50. It envisions contractors submitting "evidence that safety barriers . . . were installed during demolition." *Id.* And it suggests that DBA should have obtained "evidence that Contractor posted signs during *all* phases of demolition to prevent trespassing." *Id.* (emphasis added).

Such demands are unreasonable. Complex commercial contracts place multiple requirements on vendors. The fact that those requirements *exist* does not mean that the contracting party must provide documentary evidence that every one of them is being fulfilled. A simple example proves the point. Imagine a standard contract which requires a vendor's employees from refraining from drug or alcohol use "during work hours." It cannot be the case—and it is not the case—that the vendor must thus document that, at every single moment during the work-day, her employees are not using drugs or alcohol.

Though that example might seem hyperbolic, the documentation you suggest was required is only slightly less absurd. Take, for example, your suggestion that evidence must be provided that signs were "posted . . . during *all* phases of demolition." *Id.* Read literally, that would require a contractor to maintain constant surveillance of the demolition site at all times. Your report does not specify the means by which such evidence should be provided, and I can only guess at what you are envisioning. But any type of evidence which would satisfy the "all phases of demolition" criterion would be prohibitively expensive. If we were to try to prove that signage was posted during "all" demolition phases, we would need either to install video surveillance cameras at every demolition site, or to hire a human being to watch the site at all times. Either option would cost significant sums of money. And ultimately, those costs would be borne by the taxpayers.

Response, Appendix A, at 2, 6.

Despite my previous response, you have failed to adjust your latest Report to account for commercial realities. Your assertion that the City and DBA must engage in profligate, unreasonable oversight of demolition contractors is as flawed today as it was last February. The City, under your reasoning, would be faced with two unappealing choices. On the one hand, the City and/or DBA could engage in constant surveillance of demolition contractors—at great cost to taxpayers—to ensure compliance with even the most banal of contracting requirements (e.g., compliance with "the MI Manual for Uniform Control Devices"). Alternatively, the City could strip its contracts of requirements that serve the best interest of Detroit residents, simply because it cannot require documentation of compliance at all times.

Neither of those options are palatable. And neither serves the best interests of Detroiters. In the final analysis, then, many of the conclusions in Report—in addition to being misleading, unfair, and unrepresentative—threaten to impose great harm on the residents of Detroit.



1301 Third Street • Suite 328 • Detroit, MI 48226 • 313-224-0174 phone • 313-224-4998 fax

All of that being said, I want to assure you that the demolition team does intend to implement several of the recommendations in your Report. The demolition team intends to bring the demolition program in-house, to be run by the City of Detroit. We are committed to continuing to improve our data-sharing processes. We are, moreover, constantly seeking to develop and improve our plans, processes, policies, and standards. Just recently, for example, we have implemented checklists for invoice approval; checklists for field liaisons; and third-party monitoring for dirt sourcing. We are also currently testing how we might improve compliance with demolition schedules using specifically articulated milestones and financial penalties for those who fail to reach them.

In the final analysis, we are committed to continually improving the demolition program, and to ensuring that dangerous, blighted structures are removed from our City's landscape in a safe, timely, and cost-effective manner. We had hoped (and continue to hope) that the Auditor General's Office would be a partner in this work, and that you would help us improve our processes to the benefit of all Detroiters. Unfortunately, the choices you have made in conducting this audit—and the series of draft reports you have released over the past year—have failed to help us move forward. Instead, you have presented us with an unrepresentative, commercially unreasonable critique of a demolition program that has long since evolved.

A finding-by-finding response to your latest draft Report is attached as Appendix C.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyrone Clifton", written over a light blue grid background.

Tyrone Clifton
Director, Detroit Building Authority

CC: David Bell, Director, BSEED
Boysie Jackson, Chief Procurement Officer
Donald Rencher, Director, Housing and Revitalization Department
David Massaron, Chief Financial Officer, OCFO
Bethany Melitz, Chief of Administration

Appendix A: Previous Response to Audit Draft



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February 20, 2019

Mark W. Lockridge, CPA
Auditor General
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Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
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**RE: Audit of Demolition Activities
Interim Report on Contract Compliance for City-funded Demolitions**

Dear Mr. Lockridge,

I write in response to your “Audit of Citywide Demolition Activity on Contract Compliance for City-Funded Residential Demolitions” (hereinafter, the “Report”). Below, and in this letter’s appendices, you will find the finding-by-finding responses you requested.¹

At the outset, though, I wish to highlight three overarching concerns with the Report. These concerns, in my view, are so fundamental that they undermine the Report’s usefulness. I urge you to revise your Report to reflect these concerns, and to bring it in line with accepted professional standards.

First, your Report is both mislabeled and misleading. The Report purports to reflect a comprehensive audit of approximately 4,000 demolitions through June 30, 2018. But the Report is actually based on just *thirty-four* cherry-picked demolitions, all of which took place between January, 2014 and September, 2015. The Report makes no mention of that fact. To the contrary, the Report says that it covers “demolition related activities . . . *through June 30, 2018.*” Report at 4 (emphasis added).

Intentionally or otherwise, that statement misleads readers—including City Council, the public, and the press—into believing your Report is based on recent demolition activities. It is not. And that confusion severely undermines the Report’s credibility.

¹ As a preliminary matter, please note that this response does not use the finding-by-finding response template that your office provided. That is because, in my view, the Report suffers from several overarching issues. Rather than repeat those issues on a finding-by-finding basis, I have chosen to address them universally in this letter. The specific, finding-by-finding responses you requested are attached as Appendix A. In addition, please note that this letter and its appendices are meant to serve as the coordinated response for all the City agencies you audited, including HRD, BSEED, and OCP.

Second, and relatedly, the Report's narrow focus on 2014 and 2015 demolitions means that it has almost no relevance today. Your auditors were repeatedly informed that the City's demolition procedures were totally overhauled in late 2015. Yet for whatever reason, you chose not to examine *any* demolitions that were conducted under current processes. Had you done so, you would have learned that virtually every one of the procedures for which you fault the demolition program have been changed.

In light of those late-2015 process improvements, the current demolition program bears almost no resemblance to the one described in your Report. As a result, your Report is not a "performance audit" at all. A "performance audit," under established professional standards, is supposed to help management improve *current* performance. The Report, however, does nothing of the sort. Instead, it is a historical retrospective that critiques demolition procedures that were changed several years ago.

Third, even putting aside these issues, your Report is premised on a series of conceptual errors. For example, your Report faults the 2015 demolition program for failing to follow standards that were enacted in 2016. Unless you think demolition personnel have (or ought to have) future-vision, that critique is both illogical and unfair.

What is more, your Report misapprehends the realities of commercial contracting and compliance. You seem to envision a process in which City personnel are constantly surveilling demolition contractors, to ensure that they are complying with every single provision in their contract. In the real world, nobody does that. And if the City *did* decide to babysit each and every one of its contractors, it would require a massive expenditure of taxpayer funds that would dramatically slow the pace of demolitions in neighborhoods.

The remainder of this response letter proceeds in three parts. Part I explains why your decision to base your Report on antiquated files was inconsistent with established professional norms, and undermines the Report's usefulness and credibility. Building on that theme, Part II explains that many of the "issues" you identify in your Report have long since been corrected. Had you chosen to focus on *current* demolition practices, your Report would undoubtedly have reflected those corrections.

Finally, Part III explains why many of the remaining "issues" your Report identifies are not issues at all. Your report seems to suggest that the DBA, and various City agencies, should require documented proof of compliance with every aspect of every contract. That demand is commercially unreasonable and runs contrary to established best practices. Moreover, were we to accede to that demand, it would dramatically increase the cost of demolitions in the City—harming taxpayers and the residents who must now shoulder the burden of living near blighted structures.

I. The Report—in Violation of Professional Standards—Fails to Identify a Scope, and Relies on Outdated, Unrepresentative Demolition Files

To begin, your Report purports to cover qualifying² demolitions from January, 2014 through June, 2018. Report at 4. During that period, the City conducted nearly 4,000 qualifying demolitions. Yet your entire Report is based on a sample of files relating to just 34 demolitions. And all 34 of the demolitions you used as the basis for your Report were conducted before September 2015.

Last summer, when you were circulating *internal* documents about your audit, the time period from which you sampled files was crystal clear. A previous draft document, which I reviewed, indicated that the 34 demolitions you “sampled” for your audit were all “demolitions performed by the City from January 2014 through September 2015.” See Appendix B, *Office of the Auditor General: Audit of Citywide Demolition Activity: January 1, 2014 – June 30, 2018*, at 1. And on June 27, 2018, I, demolition director Tim Palazzolo, and other City personnel engaged in discussions with your office about those 34 demolitions. As preparation for that meeting, you prepared a list of the 34 “sampled” demolitions—the latest of which was demolished in September, 2015. See Appendix C-2, *Audited Properties*.

Yet now that your Report has been prepared for public consumption, it omits any mention of the time period from which you “sampled” demolitions. I am puzzled by your office’s decision to hold back that crucial information from City Council, the Mayor, and the public. Withholding that information is not just an error; it is actively misleading. By omitting the actual time period from which you “sampled” files, your Report creates the impression that it is trained on current demolition procedures.

More fundamentally, I am puzzled by your substantive decision to limit your audit to 2014 and 2015 demolitions in the first place. The only rationale you have ever given for that decision came in your previous correspondence—which noted that the “original audit scope period” was between January 2014 and September 2015. See Appendix B at 1. But your Report indicates that your audit is meant to cover demolitions *through June, 2018*. Report at 4. And, in the course of conducting a wide-ranging audit of the City’s demolition program, you have never before—or since—indicated that you understand your mandate to be limited to the “original audit scope period.”

Further complicating matters, your Report itself evinces confusion about the audit’s scope, and the standards that apply. At points, for example, you fault the City and DBA for failing to comply with policies and procedures that were enacted *after the sampled demolitions were completed*. For example: you note that the 34 sampled demolitions failed to comply with “HRD Demolition Procedures” that were issued in January 2016. Report at 21. Logically, those procedures could not possibly have applied to demolitions that took place between January 2014 and September 2015.³

² A qualifying definition, per your report, is one “funded by the United States Housing and Urban Development (HUD) Community Development Block Grants (CDBG), Fire Insurance Escrow (FIE) funds, HUD Neighborhood Stabilization Program (NSP) Grants, and the City’s Quality of Life (QOL) Blight Remediation Funds.” Report, Appendix A, *Contract Compliance for City-funded Demolitions Performance Summary*, at 1.

³ As another example, you reference Executive Order 2015-4, which was made effective on September 2, 2015—after the bulk of your “sampled” demolitions took place. Report at 36. (Your Report erroneously notes that the Executive Order was “[e]ffective August 2016”).

Either the scope of your audit is limited to demolitions completed in 2014 and 2015, or it is not. If it is limited to 2014-15, your decision to portray the audit as one which encompassed *current* demolition activities is inappropriate. If it is not so limited, it was highly inappropriate for you to sample only files related to demolitions that were completed long ago, and to draw conclusions based primarily on those files.

That is not just my view. Pursuant to government auditing standards (“GAO Standards”), auditors must plainly define the scope of any planned audit, including “*the period of time reviewed.*” United States Government Accountability Office, *Government Auditing Standards* § 6.09 (2011) (“GAO Standards”) (available at <http://www.gao.gov/assets/590/587281.pdf>) (emphasis added). In addition, auditors must “communicate an overview of . . . the timing of the performance audit and planned reporting” to “management of the audited entity.” *Id.* § 6.47. To this day, you have failed to provide me an “overview” of the scope and timing of your audit—and your Report only exacerbates that confusion.

The GAO Standards apply not just to federal entities, but also provide guidance for audits of local units of government in Michigan. See State of Michigan, *Audit Manual for Local Units of Government in Michigan* at 2 (2012) (available at http://www.michigan.gov/documents/treasury/Audit_Manual_for_LUG_in_Michigan_383593_7.pdf) (noting that when a local unit of government is subject to a single audit, “the financial records must be audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards”). Lamentably, your office has once again failed to follow these well-established practices.⁴ And the continued lack of clarity regarding the scope of your audit has needlessly increased the uncertainty under which the City’s demolition program operates.

II. Many “Concerns” Addressed in the Report Have Since Been Rectified

In addition, your reliance on stale demolition files paints an outdated, unrepresentative picture of the City’s demolition program. Many of the issues you flagged from 2014 and 2015 have long since been rectified. And, by focusing exclusively on long-discarded demolition procedures that cannot possibly be changed, your Report again flouts the professional standards applicable to performance audits.

Beginning in late 2015—in other words, *after* the last demolitions you sampled—the DLBA migrated all data management and tracking for the demolition program to Salesforce, a web-based platform which can be accessed on any enabled device. The DBA worked diligently with the DLBA to build out Salesforce to accommodate City-funded demolitions, and the DBA continues to work with the DLBA and the City to facilitate more robust and integrated data management and tracking of demolitions.

⁴ In 2017, when your office released its “Special Report Highlighting Concerns Relative to the City’s Demolition Program,” it did so without providing either the DBA or the Detroit Land Bank Authority the opportunity to comment. That decision flouted multiple GAO standards. See *United States Government Accountability Office, Government Auditing Standards* §§ 6.47, 7.32; 7.33.

Today, all City- and DLBA-funded demolitions are tracked on Salesforce, and the DBA has modified the demolition Scope of Services to require Salesforce reporting by demolition vendors. Demolition vendors must report key performance metrics on Salesforce, such as the knock down date, open hole request date, and final grade request date. These metrics allow the DBA to track the performance of every vendor who performs any demolition on behalf of the City and the DLBA.

The use of Salesforce extends beyond demolition vendors to environmental consultants. All pre-demolition environmental due diligence is now tracked on Salesforce, including the quality assurance/control measures which the DBA has set in place. Environmental consultants are held to similarly rigorous standards for documentation and reporting, and the data in Salesforce allow the DBA to track the performance of every vendor who performs any environmental due diligence on behalf of the City and the DLBA.

If a vendor fails to meet the key performance measures, the DBA may issue a Letter of Discipline. Furthermore, if a vendor fails to report or inaccurately reports data on Salesforce, the DBA may issue a Letter of Discipline. Vendors who receive multiple Letters of Discipline may be determined ineligible for the award of future demolition work. To date, the DBA has issued 89 Letters of Discipline which has resulted in the suspension of three vendors for a total of 240 days.

I have attached, as Appendix D, a list of all the performance metrics that are currently tracked on Salesforce. Many of the performance metrics that are tracked on Salesforce correspond with the "RFP and HRD Requirements" your Report contends are not being tracked. I have cross-referenced the Salesforce metrics with the "RFP and HRD Requirements" you list in your Report.

In sum: for nearly four years, the DBA has been operating under an entirely different system for contractor performance than it had in place during the time period from which you pulled files. The DBA's currently operative system tracks and manages contractors—and holds them to account if they fail to abide by key performance measures in the contract. Whatever relevance the Report has regarding demolitions conducted in 2014 and 2015, it has no relevance today.

As a result, despite being characterized as a "performance audit," *see* Report at 4, the Report fails to meet the most basic standards applicable to performance audits. Per applicable GAO standards, a performance audit must "provide objective analysis to assist management . . . to improve program performance and operations." GAO Standards § 2.10 (emphasis added). By focusing almost entirely on processes that were long ago abandoned, your Report eliminates any realistic possibility that it will help "improve program performance and operations." The taxpayers who funded your audit deserved better.

III. The Report Imposes Unrealistic, Commercially Unreasonable Demands

In addition to relying on stale data from a long-abandoned system, the Report envisions a contract compliance process that is commercially unreasonable, logistically untenable, and would be prohibitively expensive. With a goal of demolishing over 100 structures every week, it

is simply not realistic to expect any vendor or project manager to document or maintain documentation of compliance with every aspect of an extremely intricate and complicated process.

The Report, for example, faults DBA for not obtaining documentary evidence of compliance with “the MI Manual for Uniform Control Devices for all vehicular and pedestrian detours.” Report at 50. It envisions contractors submitting “evidence that safety barriers . . . were installed during demolition.” *Id.* And it suggests that DBA should have obtained “evidence that Contractor posted signs during *all* phases of demolition to prevent trespassing.” *Id.* (emphasis added).

Such demands are unreasonable. Complex commercial contracts place multiple requirements on vendors. The fact that those requirements *exist* does not mean that the contracting party must provide documentary evidence that every one of them is being fulfilled. A simple example proves the point. Imagine a standard contract which requires a vendor's employees from refraining from drug or alcohol use “during work hours.” It cannot be the case—and it is not the case—that the vendor must thus document that, at every single moment during the work-day, her employees are not using drugs or alcohol.

Though that example might seem hyperbolic, the documentation you suggest was required is only slightly less absurd. Take, for example, your suggestion that evidence must be provided that signs were “posted . . . during *all* phases of demolition.” *Id.* Read literally, that would require a contractor to maintain constant surveillance of the demolition site at all times. Your report does not specify the means by which such evidence should be provided, and I can only guess at what you are envisioning. But any type of evidence which would satisfy the “all phases of demolition” criterion would be prohibitively expensive. If we were to try to prove that signage was posted during “all” demolition phases, we would need either to install video surveillance cameras at every demolition site, or to hire a human being to watch the site at all times. Either option would cost significant sums of money. And ultimately, those costs would be borne by the taxpayers.

These costs of are great concern to me—and to the residents of Detroit. When the monetary costs of demolition rise, it means that the City can remove fewer blighted, dangerous structures that pose a threat to the physical safety and well-being of Detroit families. That would impose real hardships, on real human beings. I cannot, in good conscience, envision telling a family with a young child that the City is unable to remove the hulking, burned-out structure next door to their home because of costs associated with documenting compliance with “the MI Manual for Uniform Control Devices for all vehicular and pedestrian detours.” *See* Report at 50.

None of this is to suggest that DBA or the City are failing to hold contractors to account. We *are* monitoring contract compliance—we just do so in a cost-effective, commercially reasonable manner. As noted in the previous section, *see infra* Section II, the DBA has worked with multiple City and state departments and agencies to identify some key points in the demolition process where documentation is encouraged by best practice. Beyond that, the DBA has consistently and openly encouraged vendors to document as much as possible, even if the vendor is not expressly required to document a particular activity.

The DBA has employed up to six field liaisons and a field supervisor who are responsible for monitoring and reporting on demolition activities in the field. The DBA strategically deploys its field team based upon a number of considerations, including the performance history of the vendors currently working in the field, the type of work being performed on any given day, and the geographic distribution of work being performed. The DBA field team works closely with the demolition vendors and the community to clearly communicate the performance requirements of the Scope of Services. When the field team observes any potential violation of the Scope of Services, the field team will communicate with the vendor and provide the vendor an opportunity to resolve the issue. If the vendor fails to correct or resolve the issue, then the field team documents the conditions on a site and convey all available documentation to the DBA Compliance Manager for disciplinary action.

For the most egregious violations of the Scope, the DBA will issue Health & Safety Violations. Vendors who receive Health & Safety Violations may be determined ineligible for the award of future demolition work for a period of thirty (30) to four hundred and eighty (480) days. To date, the DBA has issued 60 Health & Safety Violations which has resulted in the suspension of 20 vendors for a total of 2,219 days.

In short, the DBA is closely monitoring contract compliance. But we do so in a manner that is efficient and cost-effective. Our duty to the City's taxpayers and residents demands nothing less.

* * *

I hope that this letter has helped to alleviate any concerns you may have. I remain available for questions, and to address any remaining concerns. Members of my Board, DBA staff, and City personnel also stand ready to answer any questions you may have.

I end with two points. *First*, I want to reiterate how disappointed I am in the confusing, unprofessional manner in which you are conducting this audit. Your decision to select an unrepresentative, outdated sample of demolition files severely undermined the Report's accuracy and credibility. Worse, as the Report itself demonstrates, your auditors were told that the files they were examining were not reflective of current processes.⁵ Yet your office chose to move ahead with a deeply flawed, misleading analysis.

I hope that—rather than simply attaching this response to your Report—you will take stock of these concerns, and thoroughly revise the Report. I also hope that your far-reaching audit will soon be wrapped up. Finally, I hope that, when conducting future audits, your office will abide by established professional standards.

Second, I wish to emphasize the critical importance of DBA's work—and the human costs that would be imposed if we mechanistically (and profligately) sought to require documentation for every contract condition. You suggest that “non-emergency” demolitions “do

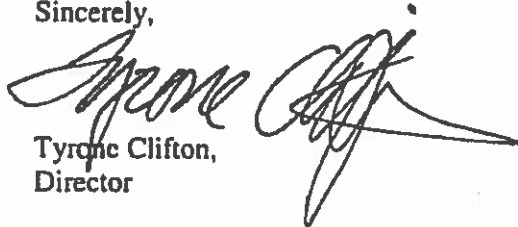
⁵ See Report at 22 (quoting a representative from the DBA explaining that record-keeping was difficult “prior to the rollout of Salesforce”); *id.* at 25 (quoting an HRD representative as explaining that contractors did not submit breakdowns of costs “prior to 2015”).

not pose a threat” to public health and safety. Report at 13. That is wrong. Your position obscures the threats which blighted structures pose to the citizens of Detroit, undermines the urgency and importance of blight elimination, and attempts to delegitimize the necessary work of the DBA and our partner City Departments.

We deeply respect the office of the Auditor General, and your crucial role in suggesting needed process improvements. But such suggestions must ultimately be made with the best interests of Detroit residents in mind. Your Report fails on that account.

A finding-by-finding response is attached as Appendix A.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tyrone Clifton', written over a printed name and title.

Tyrone Clifton,
Director

CC: David Bell, Director, BSEED
Boysie Jackson, Chief Procurement Officer
Arthur Jemison, Group Executive, Chief of Services & Infrastructure
David Massaron, Acting Chief Financial Officer
John Naglick, Chief Deputy CFO/Finance Director
Donald Rencher, Director, Housing and Revitalization Department
Saskia Thompson, Executive Director, Detroit Land Bank Authority

Appendix B: A Sample of Ten Recent Demolitions

	Area of Impact	Total Number of Criterion	Criterion Evaluated	Of the criterion evaluated, % compliant	Of the criterion evaluated, % non-compliant	Not Commercially Feasible or Not Applicable (N/A)
1	Resident Safety and Protection	5	1	95%	5%	4
2	Pre-demolition Site Preparation	13	11	100%	0%	2
3	Proper Disposal of Hazardous Materials, Debris, etc	10	5	100%	0%	5
4	Post-demolition Site Restoration	27	12	81%	19%	15
5	Program Management and Monitoring	24	16	98%	2%	8
6	Clearance and Payments	26	13	97%	3%	13

Evidence of compliance has been sent to the Auditor General's office on 10/25/19. The following addresses were used for the recent property sample:

12741 Meyers

19420 Lenore

5275 Wayburn

19751 Trinity

4159 Van Dyke

7322 Lawton

19031 Heyden

4405 Helen

9728 Kensington

4650 Helen

Appendix C: Finding-by-Finding Response

Finding No. 1: Did Not Meet Contract Performance and Timeline Requirements

- Department/Agency Response to the Recommendation(s): This finding and recommendation is based on procedures that have long been discarded. As outlined in our cover letter, all data management and tracking for the demolition program—including key contract-performance metrics and timeline tracking—has been migrated to Salesforce.

In addition, the City and DBA now have a dedicated Production/Quality Assurance Manager and several field staffing personnel. The Production Manager and field staff help to mitigate and/or eliminate many of the front-end issues as well as improving monitoring and tracking the timeliness of individual demolition projects. If a demolition is not progressing in a timely manner, it is quickly discovered and one of the DBA staff personnel contacts the contractor in order to hopefully get the case back on schedule if possible.

- Implementation Date and/or Timeline: N/A
- Implementation Contact Name and Phone Number: N/A

Finding No. 2: Did Not Comply With City Policies and Procedures, and State, Local, and Other Requirements Related to City-funded Residential Demolitions and their Contracts

- Department/Agency Response to the Recommendation(s): This finding and recommendation is based on procedures that have long been discarded. As outlined in our cover letter, all data management and tracking for the demolition program—including key contract-performance metrics and timeline tracking—has been migrated to Salesforce. Examples of increased compliance from recent properties can be found in Appendix B.

In addition, as outlined in our cover letter, we reject the implication that because a quality control metric cannot be consistently tracked, it should not be contractually required. See Cover Letter, Section III. We will continue to contractually require contractors to abide by the highest possible standards when performing residential demolitions in Detroit.

- Implementation Date and/or Timeline: N/A
- Implementation Contact Name and Phone Number: N/A

Finding No. 3: Lack of Documentation to Support Authorization of Payment

- Department/Agency Response to the Recommendation(s): This finding and recommendation is based on procedures that have long been discarded. As outlined in our cover letter and in Appendix D, all documentation to support authorization of payment is now accessible via Salesforce and/or the City invoicing system. The OCFO currently uses the Oracle Cloud ERP system to process and validate invoices based on a 3-Way Match (Invoice, PO, System Receipt) for all purchase order vendors. This represents approximately 90% of all of the Account Payable disbursements. In addition, Oracle Cloud allows vendors to attach Invoices and any

supporting documentation to the supplier portal, and the OCFO policy requires that all Receipts have supporting documentation in the system.

- Implementation Date and/or Timeline: N/A
- Implementation Contact Name and Phone Number: N/A

Finding No. 4: Contract Files are Not Centralized and Data Related to Demolitions is Inconsistent and Unreliable

- Department/Agency Response to the Recommendation(s): This finding and recommendation is based on procedures that have long been discarded. As outlined in our cover letter and Appendix D, all documentation is now centrally accessible via Salesforce.
- Implementation Date and/or Timeline: N/A
- Implementation Contact Name and Phone Number: N/A

Finding No. 5: Demolition Costs Were Not Recovered From Property Owners

- Department/Agency Response to the Recommendation(s): The decision whether to try to recover demolition costs from property owners ultimately rests with the Law Department. In many instances, it is simply not worth the cost of attempting to recover demolition costs from individuals or entities who may be judgment- proof. The Law Department continuously evaluates the prospects of recovery, and will continue to do so on a go-forward basis.
- Implementation Date and/or Timeline: N/A
- Implementation Contact Name and Phone Number: N/A

Finding No. 8: DBA Did Not Fulfill Its Duties As The Program Manager Over City- funded Demolitions

- Department/Agency Response to the Recommendation(s): DBA rejects this finding. The Report is based on stale, outdated data which in no way reflects current practice.
- Implementation Date and/or Timeline: N/A
- Implementation Contact Name and Phone Number: N/A

Appendix D

AREA OF IMPACT	RFP AND HRD REQUIREMENTS	Data/Document Entered By	Monitored By	Source	Related Salesforce Field/FDE	Comments (Corrections)
Resident Safety and Protection	1. Is there evidence that the Contractor adhered to the MI Manual for Uniform Control Devices for all vehicular and pedestrian detours around their construction zone?	N/A	DBA	N/A	N/A	The demolition contractor is required to do this but not required to provide evidence for each demolition site, unless requested to do so.
Resident Safety and Protection	2. Is there any evidence that safety barriers of specific specification were installed during demolition?	N/A	DBA	N/A	N/A	The demolition contractor is required to do this but not required to provide evidence for each demolition site, unless requested to do so.
Resident Safety and Protection	3. Is there any evidence that Contractor posted signs during all phases of demolition to prevent trespassing?	N/A	DBA	N/A	N/A	Lawn signs are provided to contractors to be posted on site the day of knockdown warning residents to stay off site. (See attachment.) It is not commercially reasonable to review and approve this documentation for ALL PHASES of every demolition.
Resident Safety and Protection	4. Before and After pictures (labeled)	Demo Contractor	HRD	Salesforce	DocuVault	Improved from the start of the program. Contractors have always been required to take before and after pictures but not always required to provide evidence. As the program moved onto Salesforce in 2015, it became more feasible for contractors to upload before and after pictures therefore this is now done through upload into DocuVault. *4405 Helen only has picture of before.
Pre-Demolition Site Preparation	5. Is there any evidence that the City (owner) provided the Contractor "Asbestos Survey" at the time the contractor was authorized to begin work on the site.	Environmental Contractor	DBA	Salesforce	ASB Document URL, ASB Survey Complete Date, ASB Survey Status	Asbestos survey reports are provided to the demolition contractors at the time of bid so they know exactly what needs to be abated and can give an appropriate bid. As Salesforce was fully implemented, the surveys were loaded into the system therefore always accessible to the contractors.
Pre-Demolition Site Preparation	6. Does the "Asbestos Survey" stated above include the followings a. List of the type of each waste or material present, b. Location within the property of such wastes, c. Quantity of each material/waste, d. Recommendations for specific disposal protocol.	Environmental Contractor	DBA	Salesforce	ASB Document URL	Yes, all listed information is included in each asbestos survey report which is given to the contractors at time of bid and is now held in Salesforce to be accessed at any time.
Pre-Demolition Site Preparation	7. Is there any evidence that prior to disposal of any waste, the Contractor submitted HASP (Health and Safety Plan) at addresses requiring abatement HASP should include a. Necessary precautions and safety procedures as indicated in the Asbestos Survey, or in the Owner approved change order. b. Detailed information regarding temporary controls, such as lock-out/tag-out procedures, and hazardous/regulate material handling.	N/A	DBA	N/A	N/A	Contractor must prepare the HASP and make available to the Owner or authorized representative upon request. It is not commercially reasonable to review and approve this documentation for every demolition. The contractor is responsible for the health and safety of the workers on site.
Pre-Demolition Site Preparation	8. Is there any evidence that Contractor submitted to MDEQ a completed form of Notification of Intent to <u>Remove/Demolish</u> Form at least <u>10 working days</u> in advance of asbestos abatement activities or prior to any activities after receiving the Notice to Proceed?	Demo Contractor/DBA	DBA/HRD	LARA/Salesforce	MDEQ Abatement Notification ID, MDEQ Abatement Notification Start Date, MDEQ Abatement Notification End Date, MDEQ Abatement Contractor N/A/mc, MDEW Abatement Notification Type, MDEQ Demolition Notification ID, MDEQ Demolition Notification Start Date, MDEQ Demolition Notification End Date, MDEQ Demolition Contractor N/A/mc, MDEQ Demolition Notification Type.	Demolition contractor must notify EGLE (formerly MDEQ) of their intent to demolish 10 business days before demolition. HRD requires the notification in their invoicing packet via contractor upload to DocuVault. In addition, DBA pulls the data directly from EGLE's website and uploads weekly into Salesforce. See attached report. There is no abatement notification for 4405 Helen since this property was an emergency demolition.

Appendix D

Pre-Demolition Site Preparation	9 Is there any evidence that Contractor submitted to the City sampling and analysis for airborne concentration of asbestos fibers?	Demo contractor	HRD	Salesforce	DocuVault	The demolition contractor is required to do this but not required to provide evidence for each demolition site unless requested to do so
Pre-Demolition Site Preparation	10 Is there any evidence that Contractor submitted Post-abatement air monitoring and it was completed by an independent third party contractor?	Demo Contractor	HRD	Salesforce	DocuVault	Contractors are required to submit an air monitoring clearance statement for each property into DocuVault
Proper Disposal of Hazardous Material, Debris, etc.	11 Is there any evidence that asbestos waste was disposed in Type II Landfill?	Demo Contractor	HRD	Salesforce	DocuVault	Waste load tickets/manifests are uploaded by demo contractors to DocuVault
Proper Disposal of Hazardous Material, Debris, etc.	12 Is there evidence that the Contractor complied with the wet-wet Requirements	DBA Field Liaisons	HRD	Smartsheet	N/A	This has always been required, it just wasn't documented. Now, field Liaisons monitor demolitions and the use of water and complete a checklist for every observed demolition. The checklist includes wet-wet. See attachment
Proper Disposal of Hazardous Material, Debris, etc.	13 Is there any evidence that all debris was disposed in licensed Type II sanitary landfill?	Demo Contractor	HRD	Salesforce	DocuVault	Waste load tickets/manifests are uploaded by demo contractors to DocuVault
Proper Disposal of Hazardous Material, Debris, etc.	14 Is there any evidence that copies of landfill receipts for every load removed were maintained for each day and were available for inspection?	Demo Contractor	HRD	Salesforce	DocuVault	Waste load tickets/manifests are uploaded by demo contractors to DocuVault
Proper Disposal of Hazardous Material, Debris, etc.	15 Is there any evidence that Load-out of demolition debris was completed within 48 hours after knockdown date (applies to both Emergency and Non-Emergency)?	Demo Contractor	DBA	Salesforce	Knock down date and Open hole requested	The demolition contractor is required to do this but not required to show evidence. We know load out is complete when Open hole inspection request is entered into SF.
Proper Disposal of Hazardous Material, Debris, etc.	16 Is there any evidence that manifests for the disposal of waste and materials were furnished to the City or its authorized rep?	Demo Contractor	HRD	Salesforce	DocuVault	Waste load tickets/manifests are uploaded by demo contractors to DocuVault
Post-demolition Site Restoration	17 Is there evidence that the Contractor complied with the Backfill Requirements?	Demo Contractor	DBA/HRD	Backfill Platform/Salesforce	Backfill Transaction Object, Backfill Source, Backfill Quantity	A certified consultant has been in place since the beginning of this program. Demolition contractors must submit backfill documentation to the backfill platform for source review and approval. Once approved, demolition contractors create individual transactions for each property in Salesforce and upload the trucking (load) tickets to DocuVault. Process has changed since the start of the program. See attachment showing the key changes and protocols added.
Post-demolition Site Restoration	18 Is there any evidence that stockpiling locations used by the Contractor were acceptable by the City?	Demo Contractor	DBA	Backfill Platform/Salesforce	Backfill Transaction Object, Backfill Source, Backfill Quantity	If a contractor needs/wants to stockpile, they must submit proposed stockpiling locations and operational plans to the DBA or their assigned consultant for review and approval. Failure to receive approval prior to stockpiling may result in denial of the backfill. In these instances, stockpiling was not necessary as backfill was taken directly to the demolition site.
Post-demolition Site Restoration	19 Is there any evidence that Contractor submitted "Dust Control and Monitoring Plan" prior to stockpiling to address sources of fugitive emissions from the site?	N/A	BSEED	N/A	N/A	If a contractor needs/wants to stockpile, they must submit proposed stockpiling locations and operational plans to the DBA or their assigned consultant for review and approval. Failure to receive approval prior to stockpiling may result in denial of the backfill. In these instances, stockpiling was not necessary as backfill was taken directly to the demolition site.
Post-demolition Site Restoration	20 Is there any evidence that the Contractor obtained approval from the City to transport soil to the stockpile site of a residential site?	N/A	N/A	N/A	N/A	Sampling is done at the stockpile location. Any potential risk is mitigated because sampling is done on-site. Process has changed since the start of the program. See attachment showing the key changes and protocols added.
Post-demolition Site Restoration	21 Is there an evidence that the Contractor removed the following from all disturbed ground surfaces before the open hole inspection and placement of fill: a. Vegetation b. Topsoil c. Debris d. Trash e. Wet and unsatisfactory soil materials f. Obstructions g. Deleterious materials	BSEED	BSEED/DBA	Salesforce	BSEED Open Hole Approval, BSEED Open Hole Failed	This is evidenced by the fact that there is a final grade approval by BSEED in Salesforce. Once contractor is satisfied with open hole requirement, an Open Hole request is sent to BSEED via Salesforce. If BSEED is not satisfied with the site has been properly cleared, the open hole inspection would fail. Each site was properly cleared, evidenced by the open hole approval date in Salesforce.
Post-demolition Site Restoration	22 Is there an evidence that the Contractor placed backfill and fill materials in layers of 18" in loose depth?	N/A	DBA	N/A	N/A	Contractors are expected to follow all applicable laws, regulations and authorities. This is a reference only to ensure compliance. Contractors are not required to provide documentation to prove compliance.

Appendix D

Post-demolition Site Restoration	23 Is there any documentation that Contractor obtained approval from the City before discharging excavation water to either of the followings a. Municipal storm system, or to the b. Surface waters	Demo Contractor	GLWA	N/A	N/A	Contractors may pump out water and the contractor is responsible for obtaining and providing the discharge approval from GLWA.
Post-demolition Site Restoration	24 Is there any evidence that leveling of the grading provided smooth transition among all surfaces and that leveling prevented a. Excessive runoff into adjacent streets. b. Pooling in the lot area itself	Demo Contractor	BSEED/DBA	Salesforce	BSEED Winter/Final Grade Approval, BSEED Winter/Final Grade Failed	This is evidenced by the fact that there is a final grade approval by BSEED in Salesforce. Once contractor is satisfied with grading, their Winter or Final grade request (depending on time of year) is sent to BSEED via Salesforce and BSEED reviews for compliance. If grading did not meet requirements of the scope, the approval would be denied. Due to the fact that all sites passed a final grade, grading was appropriate.
Post-demolition Site Restoration	25 Is there any evidence that the top soil used on top of the grading was 4" in depth?	Demo Contractor	BSEED	Salesforce	BSEED Winter/Final Grade Approval, BSEED Winter/Final Grade Failed	This is evidenced by the fact that there is a final grade approval by BSEED. Once contractor is satisfied with grading, their Winter or Final grade request (depending on time of year) is sent to BSEED via Salesforce and BSEED reviews for compliance. If topsoil did not meet requirements of the scope, the approval would be denied. Due to the fact that all sites passed a final grade, topsoil was appropriate.
Post-demolition Site Restoration	26 Is there any documentation that analytical data of the top soil used was uncontaminated? Or is there any certification from the borrow source that topsoil is uncontaminated?	Demo Contractor	DBA	Salesforce	Backfill Transaction Object, Backfill Source, Backfill Quantity	This process has changed and improved since the program began in 2014 with increased reporting to the backfill platform. Please see attached timeline and Backfill presentation. While this wasn't documented in 2014-15, it is today.
Post-demolition Site Restoration	27 Is there any evidence that "No Mow" lawn seed was used?	N/A	N/A	N/A	N/A	The demolition contractor is required to use this product but not required to provide evidence for each demolition site, unless requested to do so.
Post-demolition Site Restoration	28 Was authorization obtained from the City when a type other than "No Mow" was used?	N/A	DBA	N/A	N/A	No contractor has asked to do this. If they did, it would be reviewed by DBA.
Post-demolition Site Restoration	29 Is there any evidence that straw mulch was used in the planting area?	Demo Contractor	DBA	Salesforce	DocuVault , Sidewalk Replacement Photos URL	This is evidenced by the fact that there is a BSEED final grade approval.
Post-demolition Site Restoration	30 Is there any evidence that the site was watered within 7 days of the seeding date?	N/A	DBA	N/A	N/A	Contractors are expected to follow all applicable laws, regulations and authorities. This is a reference only to ensure compliance. Contractors are not required to provide documentation to prove compliance.
Post-demolition Site Restoration	31 Is there any evidence that the sidewalks and streets are swept clean and washed down after load-out?	Demo Contractor or DPW	DBA	Salesforce	Sidewalk Replacement Photos URL	Contractors are expected to follow all applicable laws, regulations and authorities. This is a reference only to ensure compliance. Contractors are not required to provide documentation to prove compliance.
Post-demolition Site Restoration	32 Is there any evidence that the following inspections were requested by the contractor from BSEED at least 24 hours prior to the date of inspections for every non-emergency demolition?					
	a. Bercades/Knockdown	DBA	DBA	Smartsheet	N/A	DBA monitors and completes a demo observation checklist at each site. First site inspection is done by BSEED at open hole.
	b. Load-out	N/A	N/A	N/A	N/A	Contractors are expected to follow all applicable laws, regulations and authorities. This is a reference only to ensure compliance. Contractors are not required to provide documentation to prove compliance.
	c. Open Hole	Demo Contractor	BSEED	Salesforce	BSEED Open Hole Request/Approval	BSEED receives open hole inspection requests via Salesforce and generally responds and completes inspection by the next business day.
	d. Backfill	Demo Contractor	BSEED	Salesforce	Backfill Complete Date	BSEED performs inspections.
	e. Final Grade	Demo Contractor	BSEED	Salesforce	BSEED Final Grade Request/Approval	Once contractor is satisfied with grading, their Winter or Final grade request is sent to BSEED via Salesforce, (depending on the time of year), and BSEED reviews for compliance.
Program Management and Monitoring	33 Are there any evidences that the site was monitored by the City or its rep during all phases of a. Demolition and b. Backfilling	DBA/BSEED	DBA/BSEED	Salesforce/Smartsheet	DocuVault	DBA and/or BSEED complete the above-mentioned checklists for demolition, open hole inspection, backfill and winter/final grade inspection.
Program Management and Monitoring	34 Is there any evidence that Contractor denied EPA personnel to: a. Enter demolition sites b. Review any records, c. Inspect any demolition methods, and/or d. Sample or observe any emissions?	N/A	EPA	N/A	N/A	If access was ever denied, EPA would have informed the DBA and City.
Program Management and Monitoring	35 Is there any evidence that the agreed upon schedules could not be kept due to unforeseen circumstances?	Demo Contractor	DBA	Salesforce	Planned Knock Down Date	If a contractor needs to move a knock date to another day, that new date is entered into Salesforce by the demo contractor and notes are entered into the notes field.

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Program Management and Monitoring	a. If yes, did the Contractor request a modification to the schedules?	Demo Contractor	DBA	Salesforce	Planned Knock Down Date	If a contractor needs to move a knock date to another day, that new date is entered into Salesforce by the demo contractor and notes are entered into the notes field
Program Management and Monitoring	b. If yes, did the City or its rep issue a written approval to the Contractor?	N/A	DBA	N/A	N/A	Written approval has not been required, entry into Salesforce is required
Program Management and Monitoring	36 Is there any evidence that Contractor submitted via emails WIP status on Excel Format on all open activities every a. Monday, b. Wednesday, and c. Friday	Demo Contractor/BSE/ED	DBA	Salesforce	N/A	In 2014, before Salesforce, demolition contractors submitted WIP reports via excel 3 days a week. With the implementation of Salesforce, WIP reports are no longer necessary. All operational data is now tracked and maintained in Salesforce.
Program Management and Monitoring	37 Is there any evidence that Contractor submitted copies of the following to the City or its rep: a. Electronic notification of <u>Intent to Remove/Demolish</u> that was filed with the MDEQ	Demo Contractor/DBA	DBA/HRD	LAR/V/Salesforce	MDEQ Abatement Notification ID, MDEQ Abatement Notification Start Date, MDEQ Abatement Notification End Date, MDEQ Abatement Contractor N/Ame, MDEW Abatement Notification Type, MDEQ Demolition Notification ID, MDEQ Demolition Notification Start Date, MDEQ Demolition Notification End Date, MDEQ Demolition Contractor N/Ame, MDEQ Demolition Notification Type.	Demolition contractor must notify EGLE (formerly MDEQ) of their intent to demolish 10 business days before demolition. HRD requires the notification in their invoicing packet via contractor upload to DocuVault
Program Management and Monitoring	38 Is there any evidence that the City or its rep conducted final <u>clearance inspection</u> to confirm that a. hazardous materials were removed, and b. All records are in proper order? Note: The inspection is done per the discretion of the City or its rep	Environmental Contractor	DBA	Salesforce	<ul style="list-style-type: none"> • ASB Verifier N/Ame • ASB Post Abatement Verification Status • ASB Post Abatement Document URL • ASB Post Abatement Notes • ASB Post Abatement Insp Date • ASB Post Abatement Passed Date • ASB Post Abatement Failed Date • ASB Post Abatement Areas IN/Accessible • ASB Post Abatement Times Failed 	Yes A third party environmental consultant conducts a post abatement inspection and if cleared, will upload a Post Abatement Verification (PAV) to Salesforce. All demolitions must have a cleared PAV Statement prior to knocking, with the exception of Emergency Demolitions
Program Management and Monitoring	39. If the final clearance was done, but not approved by the City, did the contractor return to the site to achieve acceptable clearance inspection and all hazardous and asbestos materials were removed?	Environmental Contractor	DBA	Salesforce	<ul style="list-style-type: none"> • ASB Post Abatement Passed Date • ASB Post Abatement Failed Date • ASB Post Abatement Times Failed 	Yes A third party environmental consultant conducts a post abatement inspection. If it fails, the abatement contractor must return to the site to complete removal of all remaining hazardous materials. A second post abatement inspection is performed, and if cleared, a Post Abatement Verification (PAV) will be posted to Salesforce allowing the knock to take place.

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Clearances and Payments	40 Did the contractor submit landfill receipts or waste manifests with invoice, within 10 days of the completion of the project? If No, payment will not be processed	Demo Contractor	HRD	Salesforce/Oracle	DocuVault/Oracle	This is no longer part of the scope. Contractors are encouraged to submit invoices as quickly as possible.
Clearances and Payments	41 Is there any evidence that payment was processed before manifests and invoices were submitted?	N/A	HRD	N/A	N/A	All required documentation must be submitted prior to payment.
Post-demolition Site Restoration	42 Is there any evidence that contractor used Category 3 backfill materials?	Demo Contractor	DBA	Salesforce/Backfill Platform	Backfill Transaction Object, Backfill Source, Backfill Quantity	Demolition contractors must submit category 3 backfill documentation and information to the backfill platform for source review and approval. Once approved, demolition contractors create individual transactions for each property in Salesforce and upload the trucking (load) tickets to DocuVault. All properties with "N/A" (Not Applicable) were backfilled with either a Category 1 or Category 2 material. Therefore, the Contractor would not have presented any evidence of using a Category 3 material.
Post-demolition Site Restoration	43 If yes, did the contractor submit to the City a Request for Approval to use Category 3 Backfill Material?	Demo Contractor	DBA	Salesforce/Backfill Platform	Backfill Transaction Object, Backfill Source, Backfill Quantity	Demolition contractors must submit category 3 backfill documentation and information to the backfill platform for source review and approval. Once approved, demolition contractors create individual transactions for each property in Salesforce and upload the trucking (load) tickets to DocuVault. All properties with "N/A" (Not Applicable) were backfilled with either a Category 1 or Category 2 material. Therefore, the Contractor would not have presented any evidence of using a Category 3 material.
Program Management and Monitoring	44 Did Contractor submit weekly Backfill Material tracking logs for all backfill categories (1, 2, &3) to the <u>Owner's Document Repository</u> and <u>uploaded to a designated electronic platform</u> ? Note: The logs should show a. Source, b. End use location, c. Quantities, and d. Dates	Demo Contractor	DBA	Salesforce/Backfill Platform	Backfill Complete (date), Public/Private Backfill Source, Quantity	Demolition contractors must submit backfill documentation and information to the backfill platform for source review and approval. Once approved, demolition contractors create individual transactions for each property in Salesforce and upload the trucking (load) tickets to DocuVault.
Clearances and Payments	45 Were all documentation presented on organization's letterhead?	Demo Contractor	HRD	Salesforce/Oracle	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD.
Clearances and Payments	46 Was the Request for Payment for each property broken down into the following cost categories a. Abatement b. Demolition c. Seeding d. Grading, and e. Total for the specified property	Demo Contractor	HRD	Salesforce/Oracle	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD. Breakdown into subcategories has not been required.
Clearances and Payments	47 Did the Request for Payment Packet contain the following					
	a. A cover letter	Demo Contractor	HRD	Salesforce/Oracle	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD. Invoice is on company letterhead but a cover letter has not been required.
	b. Schedule of Values and Sworn Statement for each property address	N/A	N/A	N/A	N/A	The demolition contractor is not required to provide.
	c. Sworn statement of waivers of lien from contractors and subcontractors	N/A	N/A	N/A	N/A	The demolition contractor is not required to provide.
	d. Building permit	Demo Contractor	HRD	Salesforce	DocuVault	
	e. Notification of Intent to Renovate/Demolish	Demo Contractor	HRD	Salesforce	DocuVault	
	f. Final grade inspection receipt	Demo Contractor	HRD	Salesforce	DocuVault	
	g. Documentation of abatement activities and waste disposal	Demo Contractor	HRD	Salesforce	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD.
	h. Documentation of origin of backfill and topsoil sources	Demo Contractor	HRD	Salesforce	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD.
	i. Documentation of analytical data or certification verifying material is not contaminated	Demo Contractor	HRD	Salesforce	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD.
j. Documentation that Subcontractors are in compliance with the MI Workers' Disability Compensation Act requirement	N/A	HRD	N/A	N/A	The demolition contractor is required to do this but not required to provide evidence for each demolition site.	
k. Documentation that Subcontractors are licensed	N/A	HRD	N/A	N/A	Contractors are expected to follow all applicable laws, regulations and authorities. This is a reference only to ensure compliance. Contractors are not required to provide documentation to prove compliance.	

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	l Seeding and Watering Report	N/A	HRD	Salesforce	DocuVault	The demolition contractor is required to do this but not required to provide evidence for each demolition site.
	m Seed tags identifying correct seed used per specification	N/A	HRD	Salesforce	DocuVault	The demolition contractor is required to do this but not required to provide evidence for each demolition site.
	n. Before and after pictures of the site (labeled)	Demo Contractor	HRD	Salesforce	DocuVault	To receive payment, the demolition contractors must submit all required invoicing documents to HRD *4405 Helen only has picture of before
Clearances and Payments	48 Is there an evidence that the structure was removed from the bid or from the award?	OCP	DBA/VOCF	Salesforce/Oracle	Returned by Contractor RFP field on Salesforce Used to track all old or pulled Prop groups, not just contractor Returns Also Salesforce Reports folder for Demo Contractors	The DBA assigns contractors on Salesforce only to properties they have received a Notice to Proceed on. Also tracks which groups the properties were pulled from on Salesforce. Contractors have reports available to them on Salesforce with all contracted properties. If they do not see a property on Salesforce, they can check their contract to confirm it was pulled after the time of bid or award
Clearances and Payments	49 If yes, was the reason for removal due to either of the following prior to actual demolition date? a. the structure is destroyed by fire or other calamity beyond its present condition, or due to b. The presence of environmental hazards If no, briefly state the reason of removal and attach evidence to this report	N/A	N/A	Salesforce	N/A	
Program Management and Monitoring	50 Is there an evidence that the original agreed upon schedules were modified?	Demo Contractor	DBA	Salesforce	Planned Knock Down Date	If a contractor needs to move a knock date to another day, that new date is entered into Salesforce by the demo contractor
Program Management and Monitoring	51 If yes, was the reason for schedules modification due to unforeseen circumstances that caused work to be performed outside of Contractors' usual workweek? If No, briefly state the reasons of modification and attach evidence to this report	DBA	DBA	Salesforce	DBA Field Notes, DBA Field Notes Date, DBA Field Notes Closed Date	Field issues are tracked on Salesforce via those fields if this is the reason for the modified schedules.
Program Management and Monitoring	52 Is there any evidence that the stated contract protocols were revised?	OCP	OCP	Salesforce/Oracle	N/A	
Clearances and Payments	53 Does the actual permit and inspection dates match what is in Tidemark?	Demo Contractor & BSEED	DBA/BSEED	Salesforce	Final Grade Requested Winter Grade Requested BSEED Fees Owed BSEED Open Hole Approved Final Grade Second Request Final Grade Inspection Scheduled Winter Grade Second Request BSEED Winter Grade Approved Winter Grade Inspection Scheduled BSEED Final Grade Approved BSEED Open Hole Failed BSEED Winter Grade Failed Open Hole Requested BSEED Final Grade Failed Open Hole 2nd request BSEED Open Hole	Demo contractor enters Open Hole, Final Grade or Winter Grade inspection requests on Salesforce. BSEED schedules the inspections, enters those dates on Salesforce and then enters the approvals or fails into Salesforce. Please note that Tidemark has now been replaced by Accela.
Clearances and Payments	54 Is there evidence of the Notice to Proceed documentation being in the file?	HRD	DBA	Salesforce	Demo Contractor Proceed Date	DBA Also Adds Date to Salesforce

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Clearances and Payments	55 Is there evidence that the contractor started work after the Notice to Proceed documentation was received?	Demo Contractor	DBA	Salesforce	Abatement Sub-Contractor, Abatement Start Date, Planned Knock Down Date, Knock Down Date, Open Hole Request, Winter/Final Grade Request	Please see Salesforce report to see dates for Notice to Proceed and knock date
Program Management and Monitoring	56 Is there evidence that the contractor started work 10 days (Or 24 hours if emergency demolition) after filing the Notice of Intent with MDEQ?	Demo Contractor	DBA	Salesforce	MDEQ Abatement Notification ID, MDEQ Abatement Notification Start Date, MDEQ Abatement Notification End Date, MDEQ Abatement Contractor Name, MDEQ Abatement Notification Type, MDEQ Abatement Sub-Contractor, Abatement Start Date, Planned Knock Down Date, Knock Down Date, Open Hole Request, Winter/Final Grade Request	Please see Salesforce report to see dates for Notice to Proceed and knock date
Program Management and Monitoring	57 Was there evidence that the site was accessible for demolition after the 10 days? If not, is there evidence in the file showing that the contractor notified the Demolition Division within 24 hours of this situation?	Demo Contractor	DBA	Salesforce	MDEQ Abatement Notification ID, MDEQ Abatement Notification Start Date, MDEQ Abatement Notification End Date, MDEQ Abatement Contractor Name, MDEQ Abatement Notification Type, MDEQ Abatement Sub-Contractor, Abatement Start Date, Planned Knock Down Date, Knock Down Date, Open Hole Request, Winter/Final Grade Request	BSEED will notify the DBA if the property becomes an emergency demolition, and the DBA will work with the City to quickly move the property to demolition
Program Management and Monitoring	58 After the Open Hole Inspection, is there evidence that the Backfill was completed within 48 hours?	Demo Contractor	DBA	Salesforce	Backfill Complete (date), Final/Winter Grade Requested	The backfill policy is no longer 48 hours, it is 14 days after Open Hole Approval Please see Salesforce report for dates
Program Management and Monitoring	59 Is there any evidence that the complete demolition activities including clean-up by the dated indicated on the Notice to Proceed? (for non- emergency)	Demo Contractor & BSEED	DBA	Salesforce	Demo Contractor Proceed Date, Knock Down Date, Open Hole Requested, BSEED Open Hole Approved, Final Grade Requested, BSEED Final Grade Approved	Please see Salesforce report for all relevant demolition dates

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Program Management and Monitoring	60 For emergency Were all the demolition activities, including clean up completed within 7 calendar days?	Demo Contractor & BSEED	DBA	Salesforce	Demo Contractor Proceed Date, Knock Down Date, Open Hole Requested, BSEED Open Hole Approved, Final Grade Requested, BSEED Final Grade Approved	Please see Salesforce report for all relevant demolition dates
Pre-Demolition Site Preparation	61 Is there evidence of utility shut off requests for the following?					
	a Water	N/A	N/A	N/A	N/A	Demolition contractors are authorized to shut off and disconnect water services to each assigned property
	b Gas	DBA	DBA	Salesforce	UTIL	DBA receives e-mail confirmation from DTE and inputs disconnect information into Salesforce
Pre-Demolition Site Preparation	c Electric	DBA	DBA	Salesforce	UTIL	DBA receives e-mail confirmation from DTE and inputs disconnect information into Salesforce
	62 Is there evidence or confirmation of utility disconnects?					
	a Water	N/A	N/A	N/A	N/A	Demolition contractors are authorized to shut off and disconnect water services to each assigned property
Pre-Demolition Site Preparation	b Gas	DBA	DBA	Salesforce	Util Gas Cut Date	DBA receives e-mail confirmation from DTE and inputs disconnect information into Salesforce
	c Electric	DBA	DBA	Salesforce	Util Electric Cut Date	DBA receives e-mail confirmation from DTE and inputs disconnect information into Salesforce
Program Management and Monitoring	63 Is there evidence of the contractor obtaining and maintaining insurance during the term of its contract? Furnished certificate of insurance?	Demo Contractor	OCP	Hard copy and electronic copy	N/A	Not tracked on Salesforce, OCP requests insurance certificates at the time of Notice of Award and maintain certificates through the term of the agreement
Program Management and Monitoring	64 Is there evidence of the demolition permit or any other required permit maintained in the file for the contractor?	BSEED	HRD	Salesforce	DocuVault	BSEED issues wrecking permit which is then provided by the demo contractor as part of the invoice packet which is reviewed by HRD
Program Management and Monitoring	65 Is there evidence of a Performance and Payment Bond for the contract price provided by the Contractor?	Demo Contractor	OCP	Hard copy and electronic copy	N/A	Not tracked on Salesforce, OCP requests bonds at the time of Notice of Award
Program Management and Monitoring	66 Is there an award letter in the file?	OCP	OCP	Salesforce/Oracle	Notice of Award Date	DBA enters the Award Date in Salesforce, OCP maintains documents
Clearances and Payments	67 Is there a PO or contract in the file?	OCP	OCP	Oracle	N/A	OCP maintains documents
Clearances and Payments	70. Was the contract approved by City Council?	OCP	OCP	Oracle	N/A	OCP submits all City demolition contracts to City Council for review and approval