

**Follow-up Audit of
Homeowners Protection Program
Department of Parks and
Public Infrastructure
Airport Division**

February 2004

Committee on Finance and Audit

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February 25, 2004

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed a follow-up audit of the Homeowners Protection Program (HOPP). HOPP is designed to provide relief from the noise associated with aircraft operations, primarily aircraft take-offs and landings. Participation in the program is limited to properties that are within a designated noise contour that surrounds General Mitchell International Airport.

This follow-up report indicates a dramatic improvement in homeowner satisfaction since our initial report in May, 2000. In addition, participation in the program by Disadvantaged Business Enterprise (DBE) firms was exceptional.

A response from the Acting Director, Department of Parks & Public Infrastructure is included as **Exhibit 6**. We appreciate the cooperation extended by the Department of Public Works, Airport and THC, Inc. staff during the audit.

Please refer this report to the Committee on Finance and Audit

Jerome J. Heer
Director of Audits

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, County Executive
Terry Kocourek, Acting Director, Department of Parks & Public Infrastructure
Thomas Kenney, Deputy Director, Department of Public Works
C. Barry Bateman, Director, General Mitchell International Airport
Cheryl Chamness, Project Manager, Terrell, Handley & Carroll
Linda Seemeyer, Director, Department of Administrative Services
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Follow-Up Audit of Homeowners Protection Program

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Summary

The Homeowners Protection Program (HOPP) is designed to provide relief from the noise associated with aircraft operations, primarily aircraft take-offs and landings. It provides three options for homeowners to choose from: (1) sound insulating their homes through installation of new doors, windows and other sound insulating techniques, (2) assisting residents in the sale of their properties, and (3) purchasing easements for \$2,500 from homeowners. Participation in the program is limited to properties that are within a designated noise contour that surrounds General Mitchell International Airport. When the program was first approved by the Federal Aviation Administration in 1995, 3,841 properties were eligible for program benefits. (As the Residential Sound Insulation Program for single family homes comes to an end in 2004, a new noise study has been initiated that may result in a re-assessment of eligibility for many of the 2,080 homeowners originally scheduled to receive either the \$2,500 property easement or assistance in selling their homes.)

When initial construction was performed on homes most affected by aircraft noise, problems quickly came to light concerning the quality of the work that was performed by contractors participating in the program. A report issued by the Department of Audit showed only 51% of homeowners were satisfied with the contractor that performed the work. Complaints were raised over the quality of the products, quality of the workmanship, length of time it took to perform the work, and an inability to get construction problems fixed.

Changes implemented by the County Board and Department of Parks and Public Infrastructure management have resulted in dramatic improvement in homeowner satisfaction. To gauge the impact of the new method, we conducted telephone interviews with 110 homeowners. This constituted 69% of the 159 homeowners who had work completed under the single parcel method at the beginning of our audit fieldwork. A remarkable 100% of homeowners surveyed indicated their overall level of satisfaction with the Residential Sound Insulation Program (SIP) was either excellent (79%) or good (21%).

High satisfaction marks were noted for each of the groups involved in the process for sound insulating a home. The program administrator, the consultant responsible for designing the home improvements, and the County construction managers each received excellent or good marks from 97% of surveyed homeowners. High marks were also given for general contractors, with 88% of respondents rating their work as excellent or good.

Our review of project files showed that contractors met timeliness standards in 228 (82%) of 278 parcels reviewed. The standard requiring parcels to be substantially completed within 30 work days was exceeded in 50 parcels reviewed (18%), with delays ranging from one day to 52 days past the 30-day standard.

Once a parcel is substantially completed, final completion of minor 'punch list' items must be completed within 10 work days. Ninety percent of 278 parcels reviewed failed to meet this standard, with delays ranging from one to 84 days. Eighty percent of the parcels incurred delays of more than 10 days. Waiting for ventilation testing to be performed contributed to these delays, but was by no means the only reason for the high rate of noncompliance with this standard.

In 2003, the HOPP program manager was responsible for administering sub-contracts totaling \$2.1 million with four consultants involved with the SIP. Reviews of these contracts and related billings, along with observation of day-to-day operations, showed that one of the consultants, with a contract totaling \$415,000, was paid \$125 per hour for work, virtually all of which would accurately be characterized as administrative support. About 91% of hours billed for 2003 for work performed by the consultant and staff consisted of tasks whose final product in most instances were color copies of various items, such as binders given to new program participants, meeting agendas, office stock, calendars, etc. Payments in 2003 for hourly work done by the consultant and the consultant's staff totaled \$93,125, including an overpayment of \$2,900 for work billed at an incorrect hourly rate in the first part of the year. The program manager has taken steps to reduce the hours billed under the contract for work done by the consultant, resulting in the billing of only 39% of total contract hours.

Similar work performed by a sub-consultant was billed under this contract. Duties performed included acting as an advocate for DBE construction contractors, along with those typically associated with an administrative support function, such as calling contractors to remind them of upcoming meetings, and maintaining a current log of contractor insurance, licensing and bonding. A total of \$127,625 (1,021 hours) was paid for this service in 2003.

On a positive note, participation in the program by Disadvantaged Business Enterprise (DBE) firms was exceptional. For 311 homes completed as of November 2003 for homes begun in the period of July 2001 through January 2003, 44% of over \$10.4 million in construction payments went to DBE firms.

As the Residential Sound Insulation Program for single family homes comes to an end in 2004, a new noise study is scheduled to be released soon that may result in a re-assessment of eligibility for many of the 2,080 homeowners originally scheduled to receive either the \$2,500 property easement or assistance in selling their homes.

Background

The Federal Aviation Administration (FAA) is responsible for administering multi-faceted programs to address the impact of aircraft noise on surrounding communities. The programs run the spectrum from abating aircraft noise (installing sound barriers, mandating the production of quieter aircraft engines, etc.) to mitigating noise by sound insulating homes and other structures significantly impacted by aircraft noise.

The Homeowners Protection Program (HOPP) is a voluntary program that was established in Milwaukee County to assist residents impacted by noise associated with General Mitchell International Airport. It has options that are available to County residents to address the impact of aircraft noise on their homes, including:

- Sound insulating their homes to reduce noise through the Residential Sound Insulation Program (SIP). This option generally includes replacing windows and doors that have better sound resistant qualities, installing central air conditioning units, and adding additional insulation in walls and attics. Steps are also taken to ensure the home has proper ventilation after the modifications have been installed since the improvements tend to make homes more air tight.
- Assisting residents in the sale of their properties by helping them attain the fair market value for their residences.
- Purchasing of an easement over properties most affected by aircraft noise. Property owners who do not wish to move or have their homes sound insulated may opt to sell an easement on their property to the program for \$2,500. This easement stays with the property and precludes current or future owners from program participation.

Each of the three options outlined above results in the County obtaining an aviation easement from the participating homeowner.

To qualify for federal and state funding for this voluntary program, the FAA must approve the plans prepared by airports through a Part 150 study. This federally funded study provides noise exposure maps that show current noise conditions as well as those expected five years into the future. It also includes a noise compatibility study that discusses how aircraft noise is to be abated (use of quieter engines, different takeoff and approach vectors, etc.) and mitigated (acquiring homes, vacant land, insulating homes, etc.). The noise level at which funding is authorized is commonly described as the average day-night sound level (DNL) of 65 decibels (db).

The first study, approved in 1995, identified 3,841 properties eligible for relief. This is broken down to include 1,761 parcels within a DNL 68.5db contour, which were planned to be addressed in Phase I of the HOPP, and 2,080 parcels that fall between DNL 65db and DNL 68.5db, qualifying under Phase II (not yet begun). Phase I participation is summarized in **Exhibit 2**. It shows that 1,129 homes have been sound insulated as of December 12, 2003, 187 homes are in the process of being sound insulated, and 121 are still awaiting to be started in 2004. To date, 174 homeowners have selected the aviation easement option, and one homeowner has opted for sales assistance.

A new Part 150 study has been initiated. Once that study is certified by the FAA, the results will supercede any previous studies. The study is expected to show that the noise contours will have shrunk due to quieter jet engines and other airport strategies to reduce overall aircraft noise.

As noted earlier, FAA and state funding is available only for homes that fall within the DNL 65db contour, with limited exceptions. FAA approval has been granted to 'grandfather' homes that are already scheduled for Phase I construction. But Phase II eligibility will be predicated by the new DNL 65db contour. As a result, many of the 2,080 homeowners previously inside the DNL 65db noise contour may find that their eligibility status for program participation may be re-assessed.

Funding for the program is generally comprised of 80% federal, 10% state and 10% County dollars, with County contributions coming from the passenger facility charge of \$3 levied against every passenger departing General Mitchell International Airport (GMIA). **Exhibit 3**, which provides a yearly summary of program expenditures from 1995 to 2003, shows that the program has spent \$43.2 million through 2002, with another \$25.3 million budgeted for 2003. Construction related to sound insulating individual homes is expected to be completed by the end of 2004. Work will then begin on sound insulating 46 multi-family buildings that are within the DNL 68.5db. These time frames may change depending on the results of a new noise compatibility study that will soon be completed. Because noise patterns have changed since the last study, the results may dictate the need for program changes that could affect current completion estimates.

To implement Phase I of the SIP, homes were sound insulated using a 'bulk parcel' approach. Under this approach, construction contracts for the sound insulating of up to 100 homes or more were bid out to a single contractor. All the prime contractors for the program under the bulk parcel method were from out-of-state. The bulk parcel method caused significant problems, as reflected in a significant number of homeowner complaints at that time.

In May 2000, we issued a report that discussed homeowner satisfaction with the quality of the construction under the bulk parcel method. While homeowners generally had responded favorably to the improvement in noise levels after construction, recurring problems were noted with the quality of construction provided to many of the homes. Only 51% of homeowners reported satisfaction with the contractor that performed the work. Complaints were raised over the quality of the products, quality of the workmanship, length of time it took to perform the work, and an inability to get construction problems fixed.

To address these complaints, the Department of Parks and Public Infrastructure (DPPI) changed the basis of contracting to a 'single parcel' method. This approach, detailed in **Exhibit 4**, allows homeowners to participate in the selection of companies that may bid on the construction work to be performed on their homes. It also provided a greater ability for local construction companies to bid on the reduced-size projects. A key component to the single parcel method was that DPPI assumed the duties of the construction manager, helping to ensure the quality of the work performed.

HOPP has also been involved in other activities to help mitigate the problems that surfaced during the time the bulk parcel method was being used. In particular, a local contractor was selected to repair deficient construction. Costs incurred under this contract have totaled \$1.6 million as of November 2003. Also, problems were noted with the air quality within homes that had been sound insulated under the bulk parcel method. Homes had been insulated too tight, leaving little ability for inside air to be ventilated out of the home. The Quality Ventilation Program was initiated to provide for a free ventilation test, and to make necessary repairs to address air quality issues found. Costs for this program have totaled \$575,000 through November 2003.

Section 1: Homeowner Satisfaction with the Residential Sound Insulation Program

In May 2000 we issued a report that pointed out several problems with the Residential Sound Insulation Program. Many of these problems were associated with construction under the bulk parcel method. The County Board and program officials took action to end construction under the bulk parcel method, with the move to the single parcel method commencing in July 2001. Under the single parcel method, homeowners were permitted input on the selection of which companies could bid on the right to work on their homes.

To gauge the impact of the new single parcel method, we conducted telephone interviews with 110, or 69% of, homeowners.

To gauge the impact of the new method, we conducted telephone interviews with 110 homeowners. This constituted 69% of the 159 homeowners who had work completed under the single parcel method at the beginning of our audit fieldwork. The purpose of the interview was to determine the overall extent of homeowner satisfaction with the work performed, as well as with the performance of four separate entities involved in the construction process:

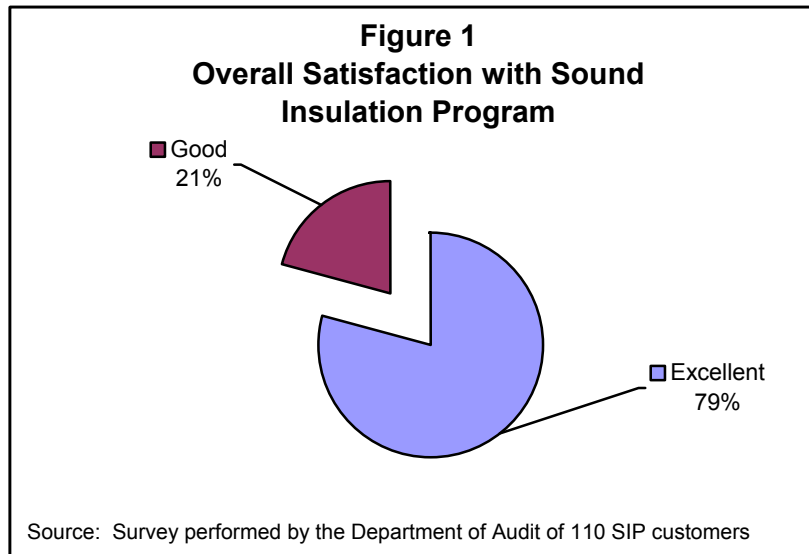
- Third Party Administrator: Department of Parks and Public Infrastructure management has contracted with the consultant firm of THC, Inc. (THC) to manage the day-to-day operations of the HOPP, including the residential SIP. THC is responsible for many facets of the program, such as meeting with homeowners to discuss program options, certifying that contractors meet established program standards, and putting together bid packages whereby contractors submit bids to install the noise reduction products for eligible homes. THC also functions as liaison between homeowners and all parties involved with the subsequent construction (architects, general contractors, inspectors, etc.).
- Design Team – The design team is responsible for inspecting eligible homes and determining what sound insulation products will be required to reduce the effects of aircraft noise. This generally includes replacing windows and doors,

adding insulation, and installing central air conditioning as needed.

- General and Subcontractors – General contractors bid on the work to be performed. If awarded the contracts, they are responsible for performing the work authorized by the design team, coordinating work with the subcontractors, and attaining established DBE participation goals.
- Construction Managers – This key component, performed by County staff, are responsible for ensuring that contractors follow the scope of work authorized to be performed in a timely and professional manner.

Overall Homeowner Satisfaction

Figure 1 shows the overall satisfaction of the 110 homeowners responding to the HOPP customer satisfaction survey.

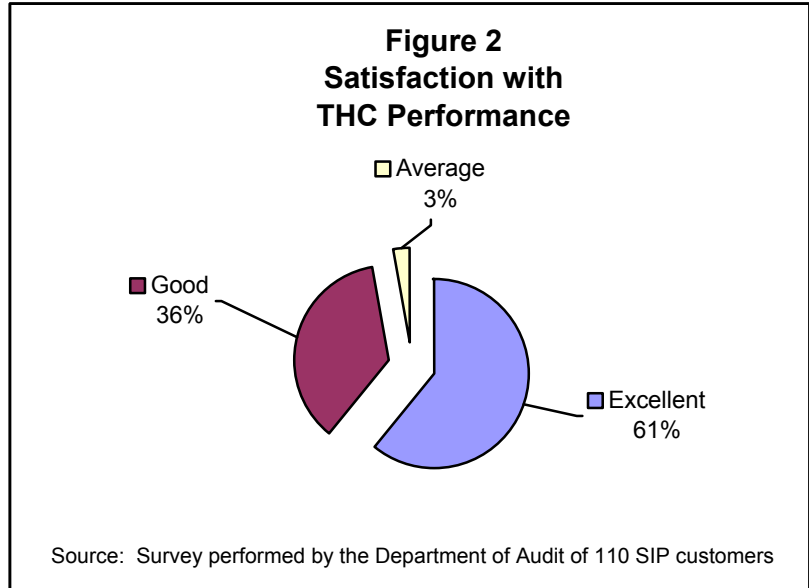


A remarkable 100% of the 110 homeowners with whom we spoke indicated their overall level of satisfaction with the SIP program was either excellent (79%) or good (21%).

A remarkable 100% of the 110 homeowners with whom we spoke indicated their overall level of satisfaction with the SIP program was either **excellent** (79%) or **good** (21%). In fact, we found the results to be so astonishing that we took the additional step of cross-matching our telephone survey data with the results of a separate written survey routinely administered by THC for monitoring purposes. This spot-check of approximately half our telephone survey responses showed that, indeed, the answers we received were consistent with prior survey responses from the same homeowners.

Homeowner Satisfaction with THC

Figure 2 displays a similar pattern of satisfaction with the performance of the program administrator, THC.

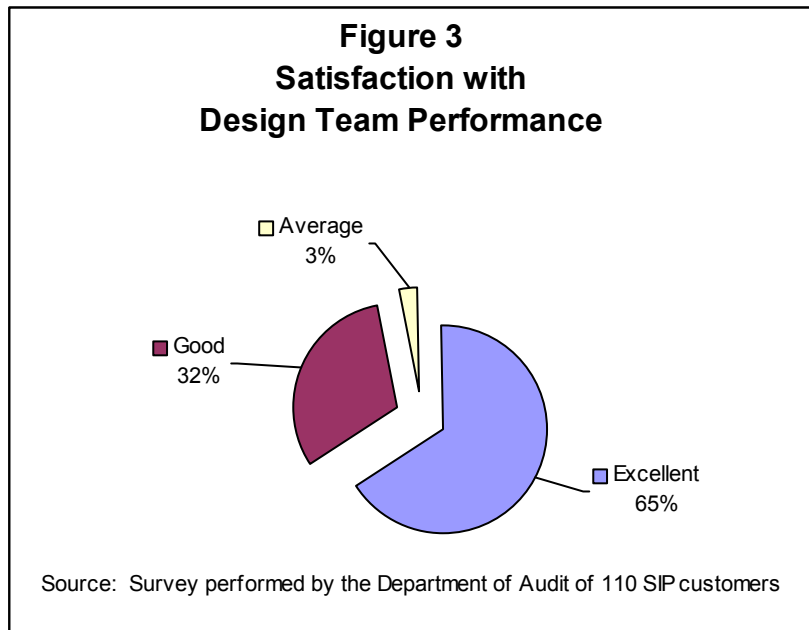


Of the homeowners surveyed, 97% rated THC's performance as either excellent (61%) or good (36%).

Of the 110 homeowners surveyed, 97% rated THC's performance as either **excellent** (61%) or **good** (36%). An additional 3% rated THC's performance as **average**.

Homeowner Satisfaction with Design Team

Figure 3 shows the results of our telephone survey of 110 homeowners regarding their level of satisfaction with the performance of the design team that worked on their sound insulation project.



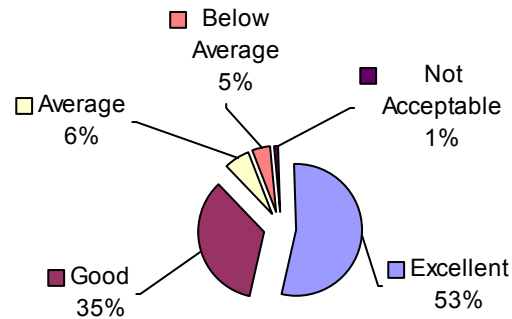
Once again, homeowner satisfaction was very high, with 97% rating their design team’s performance as either **excellent** (65%) or **good** (32%). An additional 3% rated the performance as **average**.

Homeowner Satisfaction with Prime Contractors

Figure 4 shows the results from our telephone survey of 110 homeowners regarding their level of satisfaction with the prime (general) construction contractor that performed the sound insulation work on their homes. While still overwhelmingly positive, the homeowner ratings for prime contractor performance reflected more variation, with a small number of homeowners indicating dissatisfaction.

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Figure 4
Satisfaction with
General Contractor Performance



Source: Survey performed by the Department of Audit of 110 SIP customers

Of the 110 homeowners surveyed, 88% rated the performance of the prime contractor as either **excellent** (53%) or **good** (35%). Another 6% indicated an **average** level of satisfaction, with 5% rating the general contractor's performance **below average** and 1% rating it **not acceptable**.

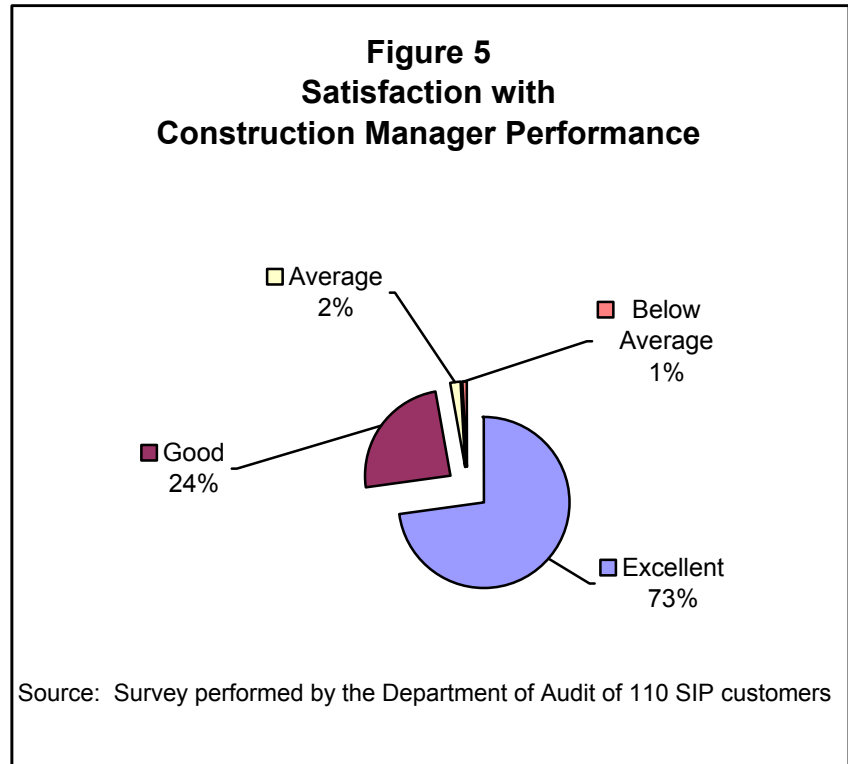
In reviewing the results of this survey question in greater detail, we noted the following:

Just four of the 11 contractors received any survey ratings indicating a below average or unacceptable performance.

- A total of 11 general contractors performed the SIP work for the 110 homeowners surveyed. Just four of the 11 contractors received any survey ratings indicating a **below average** or **not acceptable** performance.
- Isolating the results for the four contractors that received these lower ratings, the negative responses totaled just 8.7% (7.2% **below average** and 1.5% **not acceptable**) of all ratings for the group. These same four contractors had positive responses totaling 88.4% (53.6% **excellent** and 34.8% **good**). An additional 2.9% of the responses labeled the work of these four general contractors as **average**.
- Isolating the results for the seven contractors that received no negative ratings, the positive responses totaled 87.8% (53.7% **excellent** and 34.1% **good**). An additional 12.2% of the responses labeled the work of these seven general contractors as **average**.

Homeowner Satisfaction with Construction Managers

Figure 5 shows the results from our telephone survey of 110 homeowners regarding their level of satisfaction with the construction manager that provided oversight of the sound insulation work performed on their homes.



Once again, homeowner satisfaction was extremely high, with 97% rating their construction manager's performance as either **excellent** (73%) or **good** (24%). An additional 2% rated the performance as **average**, while 1% rated the performance **below average**.

Conclusions

Our telephone survey of 110 homeowners resulted in overwhelmingly positive ratings regarding their level of satisfaction with the Residential Sound Insulation Program, as well as with the performance of several key players in the program. The results of the survey, which was targeted to poll program participants under the single parcel method, indicates a

Our telephone survey of 110 homeowners resulted in overwhelmingly positive ratings regarding their level of satisfaction with the Sound Insulation Program.

significant improvement from a survey we conducted in 2000 of homeowners served under the multi-parcel method. For example, when we asked 186 homeowners their level of satisfaction with the general contractor who performed the sound insulation work on their homes, just 51% indicated they were satisfied. The fact that a similar question in our recent survey showed positive ratings by 88% of respondents supports anecdotal information from THC and airport personnel, as well as regular written surveys conducted by THC, that customer satisfaction with the SIP has greatly improved from just three years ago.

Section 2: Managing THC Consultant Contracts

As previously noted, the contract between DPPI and THC to administer the 2003 Residential Sound Insulation Program totaled \$3.4 million. This total includes about \$2.1 million for contracts that THC had with four consultants to help administer the program. **Table 1** lists the general services provided by each and both the contract and payment amounts for each consultant for 2003.

Table 1
THC Consultants for 2003

<u>Services Provided</u>	<u>Contract Amount</u>	<u>Amount Paid</u>
Architectural Design Services	\$ 751,230	\$ 536,617
Ventilation Services & Database Support	545,620	195,923
Public Relations & Administrative Support	415,150	241,458
Legal Services	<u>350,000</u>	<u>317,237</u>
Total Consultants to THC	\$ <u>2,062,000</u>	\$ <u>1,291,235</u>

Source: THC, Inc.

During our review of THC's day-to-day operations, we observed some of the tasks performed by some of its subcontracted consultants.

The contract between the County and THC lists the tasks that THC and these consultants are expected to perform along with the applicable rates of payment. During our review of THC's day-to-day operations, we observed some of the tasks performed by some of the consultants. We also reviewed invoices provided by each of the consultants detailing what work was being performed. In particular, we noted that virtually all of the work product provided by the public relations consulting firm would accurately be characterized as administrative support.

This conclusion was reached not only by observation but also through a review of the 2003 contract between the consultant and THC, and the monthly invoices for the year. The contract provides details of 14 tasks and associated sub-tasks to be performed (see **Exhibit 5**). According to the THC program

Only 39% of the maximum contract hours for tasks performed by the consultant and staff were actually billed.

manager, all but one of the tasks were performed by the consultant or the consultant's staff. The remaining task was performed by a sub-consultant to the public relations firm. **Table 2** provides a breakout of tasks between the consultant and a sub-consultant in summary fashion, along with the contracted hours, actual hours billed in 2003, and the percentage of maximum contract hours that the consultant and sub-consultant have billed for the year. While the contract authorizes 3,110 hours of work, only 57% of those hours have been billed by the consultant, including only 39% for tasks performed by the consultant and staff.

	<u>No. of Tasks</u>	<u>Contract Hours</u>	<u>Actual Hours</u>	<u>Percent of Individual Contract Hours</u>
Work by:				
Consultant	13	1,910	745	39%
Sub-consultant	<u>1</u>	<u>1,200</u>	<u>1,021</u>	<u>85%</u>
Total	<u>14</u>	<u>3,110</u>	<u>1,766</u>	<u>57%</u>

Source: Consultant contract and invoices for 2003.

Many of the tasks performed by the consultant were administrative support in nature.

Consultant Work

Exhibit 5 lists all of the tasks and subtasks that were included in the 2003 contract for the consultant and sub-consultant. As this exhibit shows, many of the tasks were administrative support in nature. For example, Tasks 1 and 9 refer to work required to copy and assemble binders for homeowners and contractors. Task 4 is for maintenance of contractor brochures and notebooks. Task 8 is for preparation of written communication. Tasks 11 and 12 refer to replenishing office supplies (HOPP letterhead, envelopes, etc) and contractor signs. Tasks 6 and 13 refer to preparing agendas and obtaining supplies and food for various meetings, and providing light refreshments for meetings. Given the relatively basic skill level necessary for these tasks,

Given the relatively basic skill level necessary, we question the \$125 hourly rate paid by the County through THC for these services.

we question the appropriateness of the \$125 hourly rate paid by the County through THC for these services. Task 14 (setup for all meetings, technical assistance and maintenance of the lower level of the building at which THC is located) is to be billed at \$75 per hour. The maintenance referred to in the contract is, in reality, more accurately described as housekeeping duties such as setting up and taking down chairs and cleaning tables of refuse after meetings.

Discussions with the THC program manager showed that the work product of most of the tasks consisted of color copies of various items, such as binder materials, agendas, office stock, calendars, etc. A total of 677 hours were billed for these tasks, representing 91% of the consultant's 745 billed hours.

It should be pointed out that some tasks, such as preparing newsletters for homeowners (Task 2) and preparing training sessions for program contractors (Task 5), do require a higher skill set than the administrative support-type tasks mentioned above. However, no time was billed to either of these tasks for the year.

We also identified overpayments for certain tasks that were incorrectly billed at the rate of \$125 per hour.

We also identified overpayments for certain tasks that were incorrectly billed at the rate of \$125 per hour. These tasks should have been billed at the lower rate of \$75 per hour established by contract for "meeting set up, technical assistance and lower level maintenance." A review of 2003 reimbursements submitted under the current SIP contract showed that 58 hours were charged at the \$125 rate from January through May 2003, resulting in a \$2,900 overpayment.

Sub-consultant Work

One of the tasks performed by a sub-consultant under the public relations contract is "contractor outreach and advocacy." The person performing this task is generally responsible for working with contractors involved in the HOPP. There are six sub-tasks

listed in the contract. The individual performing this function has been working exclusively with contractors already participating in the program. Most of his time is spent acting as an advocate for DBE contractors when construction issues arise. Other duties have been those typically associated with an administrative support function, such as calling contractors to remind them of upcoming meetings, and maintaining a current log of contractor insurance, licensing and bonding. A total of \$127,625 (1,021 hours) was paid for this service.

There does not appear to be the continuing need for such highly paid consulting work in this area.

The need for a public relations component to the SIP was apparent as the program suffered through poor publicity associated with the previous use of the bulk parcel method. It is evident that past efforts by this sub-consultant have proved helpful in making the program as successful as indicated by current homeowner satisfaction. However, the performance of the SIP has improved with the change to the single parcel method, and the need to promote the new program has diminished. Thus, there does not appear to be the continuing need for such highly paid consulting work in this area.

Many of the tasks being paid at \$125 per hour could easily be performed by existing clerical staff without creating difficulties in other areas.

According to THC management, the program has experienced some administrative operating efficiencies over the two years that the single parcel method has been in place. Thus, it is believed that many of the tasks being paid at \$125 per hour could easily be performed by existing clerical staff without creating difficulties in other areas. We concur in this assessment, and further believe that significant cost savings could be realized even if overtime had to be incurred by THC staff at times to perform these functions.

While our focus was the residential SIP, we noted that this subcontractor was also performing essentially the same administrative functions under contract with THC for the Quality Ventilation Program. That contract for 2002-2004 calls for payments of \$125 per hour for all services, with a contract

maximum of \$221,200, of which \$93,463 has been paid through December 2003.

Summary

Work performed by the consultant is based on assignments made by THC. To THC's credit, it has managed the work performed under the public relations contract to reduce the hours billed under the contract. As previously noted in **Table 2**, the work assigned by THC to the consultant for 2003 has resulted in only 745 of the available 1,910 total contract hours (39%) being billed. According to THC, it has begun to further reduce the work assigned to the consultant by handling the printing of the meeting agendas in-house on a standard black and white copier.

To THC's credit, it has managed the work performed under the public relations contract to reduce the hours billed.

We concur with the steps taken by THC management in trying to control program costs in this area. Similar actions need to be taken with regard to the sub-consultant and the number of hours billed. For 2003, the sub-consultant billed 85% of available contract hours for work that is likely not necessary at the volume or rate billed. We therefore recommend that DPPI management:

1. *Evaluate, in consultation with THC management, the appropriate level and cost of services to be procured from consultants.*
2. *Recover from THC the \$2,900 overpaid for the months reviewed.*

Section 3: Contract Compliance

Our audit objectives included determining whether or not THC managed the Residential Sound Insulation Program in compliance with contract and program requirements. To address this objective we reviewed contractor compliance with the standards for timely completion of the construction process. We also looked for contractor compliance with paying the proper prevailing wage scale for hourly employees at the work sites.

Contractors are required to substantially complete all agreed-upon construction within 30 work days of the date that construction begins.

Timely Completion of Parcel Construction

The HOPP operating manual contains numerous requirements that contractors are to follow. In particular, contractors are required to substantially complete all agreed-upon construction within 30 work days of date that construction begins. Substantial completion in general means about 95 percent of the work has been completed, leaving only minor “punch list” items (such as paint or staining touch up, etc.) to complete. Once that point has been reached, contractors have another ten work days to complete punch list items.

We reviewed compliance with timeliness standards for 286 parcels.

We reviewed THC files showing the dates when all significant events took place during the home sound insulation process. We also verified with source documents the recorded dates to provide assurance that the data was reliable. In all, we reviewed compliance with the above timeliness standards for 286 parcels, representing construction started prior to January 2003 (with completion dates as late as September 6, 2003).

Timeliness for Substantial Completion

The standard for substantial completion is 30 work days (not including weekends and holidays). However, contractors are not held responsible for delays beyond their control. For example, if a delay is caused because the supplier made a mistake, or sent wrong sized windows due to the supplier’s error, then the

contractor can get a time extension because of the delay. Conversely, if the delay is because the contractor failed to place the order, or placed an order for the wrong window, the contractor is held responsible. Penalties include the assessment of deficiency points. If too many are accumulated, the contractor can be restricted or disqualified from submitting bids in the next bid cycle.

Of the 286 parcels eight did not have the Request for Substantial Completion form or any other documentation to indicate that substantial completion had been reached.

Of the 286 parcels completed for bid cycles through December 2002, eight did not have the Request for Substantial Completion form or any other documentation to indicate that substantial completion had been reached. While dates of final completion had been documented, the absence of this form would indicate that the second payment to the contractor, generally reflecting the direct labor cost of performing the work, had been approved for payment by THC without an authorizing document.

An analysis of the remaining 278 parcels under construction showed that 228 parcels (82%) were completed within the 30 work day requirement.

An analysis of the remaining 278 parcels under construction showed that 228 parcels (82%) were completed within the 30 work day requirement. For the 50 parcels that exceeded the requirement, delays ranged from one day to 52 days past the 30 work day standard. Nineteen of the 50 parcels (38%) exceeded the standard by more than ten days.

Timeliness of Final Completion

The contractor has ten work days from the point of substantial completion to reach final completion, generally requiring the contractor to complete the relatively minor work associated with a punch list item. Requests for final payment forms are also filed with THC upon completion of punch list items.

For the 278 parcels, we noted that 251 (90%) parcels with documented points of substantial completion, did not meet the timeliness standard for final completion. Delays ranged from one to 84 days. Of the 251 parcels, 200 (80%) exceeded the ten-day timeliness standard by more than ten days.

A major cause for the high percentage of delays, as well as the significant length of several of the delays, was due to ventilation testing. Ventilation testing generally is not performed until construction is substantially completed, otherwise the test results may not be accurate.

However, this alone cannot account for many of the delays. We factored out the delays due to ventilation testing by using the date that the ventilation testing was completed as an alternative start date for completing punch list items. Still, 130 parcels (47%) exceeded the ten-day timeliness standard for final completion. Further, 53 of the 130 parcels (41%) exceeded the standard by more than ten days.

It is important to note that contractors are not necessarily the party responsible for the delays.

It is important to note that contractors are not necessarily the party responsible for the delays. Suppliers can also be at fault, and when such instances occur, time extensions for completion can be granted by construction managers. Even the homeowner can contribute to the delays by not being available to review punch list items. We reviewed nine case files for parcels in which significant delays were incurred in meeting the timeline for substantial completion, final completion, or both. The following summarizes the conditions noted for these files:

- For three parcels, the supplier was responsible for the delays in completing the project on time.
- For two other parcels, both the supplier and the contractor had a hand in causing the delays. In both instances, the contractor was assessed deficiency points.
- In the remaining four parcels, case file data is unclear as to which party is responsible for the delays. In three cases it appears that a supplier is at fault, but it cannot be determined if the supplier's delays were related to improper measurements, delays in ordering, or other conditions for which the contractor is responsible. In one case deficiency points were assessed, but not in the other two. In the fourth case, a window had to be re-installed three times, but again the reasons for having to do so were not documented. No deficiency points were assessed.

The high frequency of missed timeline standards indicate the potential for improvement, especially in terms of documenting the specific reasons for the delays.

The high frequency of missed timeliness standards indicate the potential for improvement, especially in terms of documenting the specific reasons for the delays. This is generally the responsibility of the construction manager, who uses judgment in evaluating the circumstances surrounding the delays when assessing deficiency points. On the other hand, the positive survey responses indicate that homeowners were very satisfied with the program. This reflects well on all parties (THC, the construction managers and the contractors) that have contact with the homeowners.

Meeting timeliness standards is an important element to continued program success and satisfaction. While there may be extenuating circumstances that impact the ability to achieve these standards, we see a need to improve the documentation of such factors. This will help provide the support needed to assess deficiency points as needed to maintain program integrity. We recommend that DPPI management:

- 3. Enforce contract requirements for timely completion of parcels. This includes more complete documentation of reasons for delays, more frequent assessment of deficiency points if warranted, and adjustment to the starting point of the punch list timeliness standard to reflect the impact of ventilation testing on timely completion.*

Contractors' Payment of Prevailing Wage Rates to Its Staff

Contractors participating in HOPP are required to pay its employees working at the homeowner's residence the prevailing union rate for the type of work being performed (i.e., electricians are paid the prevailing union scale for electricians, etc.). Earlier this year, the Wisconsin Alliance for Fair Contracting (WAFC) performed a review testing for this requirement. WAFC is a labor-management organization that provides "a level playing field" through compliance with applicable laws in public construction.

The report noted that, for the 30 parcels reviewed, contractors were in compliance with the prevailing wage rate laws.

Rather than repeat the work that had already been done, we relied on the report generated from the review to demonstrate compliance with the paying of union scale. Its report noted that, for the 30 parcels reviewed, contractors were in compliance with the prevailing wage rate laws.

Section 4: Disadvantaged Business Enterprise Participation

The County's overall DBE participation goals generally applicable to federally funded construction work were 34.5% in 2001, 27% in 2002 and 28.5% in 2003.

As with other County construction and professional services contracts, the County has established goals for participation by minority, women and disadvantaged business enterprises (collectively referred to in this report as DBE firms) in the residential SIP. The County's overall DBE participation goals generally applicable to federally funded airport construction work were 34.5% in 2001, 27% in 2002 and 28.5% in 2003. The purpose of the DBE program is to help ensure a level playing field and foster equal opportunity for DBE firms to bid on County contracts.

Recognizing the potential for difficulty in attaining the overall DBE participation goal in each individual parcel due to the large volume of small dollar projects, Department of Parks and Public Infrastructure management sought and obtained modification of these general goals for the SIP program in 2001. Specific DBE participation goals contained in individual project contracts awarded for SIP work are established by THC in conjunction with the County's Disadvantaged Business Development Office (DBD). DBE goals, established for each parcel, range from 10% to 25%. This range is used to accommodate varying types of construction work needed for different parcels, as well as the availability of qualified DBE firms to participate in the project.

DBE participation in the residential SIP has been well above the established goals.

With the concurrence of DPPI management, achievement of DBE goals is measured by looking at an entire bid cycle, generally about 25 to 30 homes per month. On this basis, DBE participation in the residential SIP has been well above the established goals. As shown in **Table 3**, for the 311 homes completed as of November 2003 originating from the bid cycles of July 2001 through January 2003, overall DBE participation was 44% (\$4,584,126 of \$10,419,450). No bid cycle fell under

31%, which is well above the established DBE per parcel goal of 10% - 25%, as well as the overall County goal for federally funded construction work.

**Table 3
DBE Participation by Bid Cycles
July 2001 through January 2003**

<u>Bid Cycle (Mo.-Yr.)</u>	<u>Number of Homes</u>	<u>Contract Payments</u>	<u>DBE Amount</u>	<u>DBE %</u>
7-01	4	\$ 155,297	\$ 75,466	49%
8-01	5	175,838	63,415	36%
9-01	9	276,879	123,924	45%
10-01	10	341,900	193,225	57%
11-01	21	776,623	272,942	35%
12-01	16	622,391	230,907	37%
1-02	24	838,646	483,120	58%
2-02	21	791,777	323,234	41%
3-02*	-0-	-N/A-	-N/A-	-N/A-
4-02	21	701,752	300,326	43%
5-02	25	919,721	384,649	42%
6-02	21	725,317	335,966	46%
7-02	20	588,148	222,791	38%
8-02	14	375,008	137,843	37%
9-02	17	503,039	220,834	44%
10-02	20	678,244	212,320	31%
11-02	16	436,629	154,734	35%
12-02	24	832,827	473,913	57%
1-03	<u>23</u>	<u>679,414</u>	<u>374,517</u>	<u>55%</u>
Total	<u>311</u>	<u>\$10,419,450</u>	<u>\$4,584,126</u>	<u>44%</u>

* Note: There was no March 2002 bid cycle.

Source: THC records.

We noted commendable achievement by nearly all the 12 general contractors that worked on the 152 parcels.

In reviewing the DBE participation record for 152 parcels completed as of June 2003, we noted commendable achievement by nearly all the 12 general contractors that worked on the 152 parcels. Seven general contractors met their goals for every parcel, including four that are DBE certified contractors. Five others met them to varying degrees, reaching specific parcel goals in 33 of 78 parcels (42%). Two of the five contractors were responsible for 37 of the remaining 45 parcels in which the parcel goals were not met.

Although specific per parcel DBE goals were not met in these 45 parcels, there was still an average of 14% DBE participation on these parcels. It should also be noted that files for each of the 45 parcels contained the required certifying statements indicating a good faith effort was made to achieve the goal.

Given the high overall DBE participation rate of 44% of contract payments, we applaud DPPI for its role in emphasizing DBE participation, and encourage it to work with those general contractors experiencing difficulty in reaching per parcel DBE goals to help improve their performance in this area.

Audit Scope

The objectives of this audit were to determine if the HOPP is being operated and managed by THC in accordance with (1) the Residential Sound Insulation Program - Homeowner's Protection Program Procedures manual; (2) the terms of the agreement between Milwaukee County and THC, and all amendments to the agreement covering HOPP; and (3) all appropriate governmental requirements for HOPP. In addition, we attempted to determine the extent to which homeowners participating in the single parcel method were satisfied with the products and service received by all parties involved with administering the HOPP (suppliers, contractors, construction managers, consultants, THC staff); and assess the completeness and accuracy of payroll documentation provided by contractors, including the effectiveness of training provided to them. We focused our survey work on homes completed under the single parcel method for 2001 and 2002. The audit was conducted under standards set forth in the United States General Accounting Office *Government Auditing Standards*, with the exception of the standard relating to periodic peer review. We limited our review to the items specified in this Scope section. During the course of this audit we performed the following tasks:

- Reviewed federal, state and County legislation concerning program requirements for the Residential Sound Insulation Program;
- Interviewed management and staff from the Department of Parks and Public Infrastructure, Airport, THC and program contractors;
- Surveyed 110 homeowners in which the sound insulation construction of their homes had begun in 2001 and 2002 and subsequently been completed;
- Examined contracts between Milwaukee County, THC and its consultants;
- Reviewed a sample of detailed billings from THC and its consultants to the County from 2003;
- Reviewed external reports relating to the payment of union scale wages to construction workers;
- Contacted three other airports concerning various aspects of their residential SIP; and
- Interviewed contractors concerning the training received in participating in the SIP.

**Status of Completion of Homes
Residential Sound Insulation Program
As of December 12, 2003**

Total Properties Eligible to Participate in Phase 1 Residential SIP		1,761
Less Non-Single Family Properties:		
Multi-Family Buildings (to be sound insulated following Residential SIP)	46	
Ineligible/Commercial Properties	5	
Vacant Land Parcels	<u>21</u>	
Total Non-Single Family Homes		<u>72</u>
Total Single Family Homes Eligible to Participate in Phase 1 Residential SIP		1,689
Less Completed Homes:		
Homes Sound Insulated Under Bulk Parcel Method	719	
Homes Sound Insulated Under Single Parcel Method	<u>410</u>	
Total Completed Homes		1,129
Less Homes in Various Stages of Construction – Not Yet Completed:		
Homes in the Construction Stage	46	
Homes in the Product Procurement Stage	90	
Homes in the Design Stage	<u>51</u>	
Total Homes in Process		187
Less Homeowners Choosing Other Options:		
Aviation Easement Option	174	
Sales Assistance Option	<u>1</u>	
Total Homeowners Choosing Alternative Options		175
Less Homeowners Not Currently Participating in Program:		
Homeowner Declined Participation	9	
Homeowner Did Not Respond to Residential SIP Offer	28	
Homeowner Postponed Participation (undecided)	19	
Homeowner Not Currently Eligible Until Issues are Resolved (outstanding legal issues, or need to make structural improvements before work can commence)	<u>21</u>	
Total Homeowners Not Currently Participating in SIP		77
Total Properties Homes that have been Addressed		<u>1,568</u>
Homes in Future Bid Cycles		121*

* This number could increase to some extent based on actions taken by the 77 currently non-participating homeowners.

Source: Information compiled by THC for Department of Audit

**HOPP Residential Sound Insulation Program
Cost & Revenue Information
1995-2003**

Expenses:	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	Total Actual	% Of Total	Budget 2003
THC Contract	\$15,878	\$1,895,456	\$1,010,515	\$2,012,104	\$3,390,275	\$2,084,072	\$2,579,382	\$3,348,321	\$16,336,003	37.85%	\$8,257,526
Construction Contracts			4,225,896	2,725,372	5,420,795	3,874,692	2,396,579	7,181,687	25,825,021	59.84%	14,839,986
Other	<u>0</u>	<u>270,874</u>	<u>66,157</u>	<u>512,637</u>	<u>407,758</u>	<u>(462,804)</u>	<u>20,462</u>	<u>182,203</u>	<u>997,287</u>	<u>2.31%</u>	<u>2,172,488</u>
Total Expenses	<u>\$15,878</u>	<u>\$2,166,330</u>	<u>\$5,302,568</u>	<u>\$5,250,113</u>	<u>\$9,218,828</u>	<u>\$5,495,960</u>	<u>\$4,996,423</u>	<u>\$10,712,211</u>	<u>\$43,158,311</u>	<u>100.00%</u>	<u>\$25,270,000</u>
Revenues:											
Grants				\$1,204,740	\$6,607,243	\$4,614,083	\$1,787,528	\$9,744,217	\$23,957,811	52.54%	\$16,248,547
Passenger Facility Charges			\$2,902,176	4,045,373	2,316,148	748,090	2,770,954	3,810,292	16,593,033	36.39%	6,225,745
Bond Proceeds – PFC Backed	\$4,234,600								4,234,600	9.29%	
Land Sales								219,608	219,608	0.48%	120,067
Interest Earned		109,601							109,601	0.24%	
Insurance Proceeds							480,903		480,903	1.06%	
Possible Additional PFC Amt.	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.00%</u>	<u>238,397</u>
Total Revenues	<u>\$-0-</u>	<u>\$4,344,201</u>	<u>\$2,902,176</u>	<u>\$5,250,113</u>	<u>\$8,923,391</u>	<u>\$5,362,173</u>	<u>\$5,039,385</u>	<u>\$13,774,117</u>	<u>\$45,595,556</u>	<u>100.00%</u>	<u>\$22,832,756</u>

Source: General Mitchell International Airport financial records.

Explanation of the Single Parcel Method
Residential Sound Insulation Program
Effective July 2001

Pre-Construction Phase
Home Design and Contractor Selection

Tasks Performed

- x Public relations firm works with THC to publicize program to homeowners and contractors and provide homeowners with brochures and other program information.
- x DPW Construction Management Team conducts pre-certification training sessions for general and subcontractors that meet program guidelines.
- x THC notifies homeowners of their eligibility, options they qualify for, and conducts an informational presentation for those homeowners interested in participating.
- x Design Team meets with homeowner and THC staff to produce work specifications, which are provided to contractors to allow them to make bids.
- x Homeowner meets with participating general contractors to select four that can bid on their work.
- x Contractors submit bids on homes. Successful bidder submits DBE and other scheduling plans to construction manager for approval.
- x Construction management and THC review bids and award contracts.

Key Players

Homeowners

DPW-Construction Management Team

THC-Program Administrator

General Contractors

Design Team

Public Relations Firm

Construction Phase

- x A THC homeowner agent and construction manager are assigned to each home. They coordinate scheduling of work with each homeowner and address all construction or contractor concerns of the homeowner.
- x Contractors perform work according to specifications, obtain prior approval from construction manager before doing any additional work, and submit requests for payments.
- x Construction manager monitors work progress, and when work is substantially completed (defined as 95% complete), reviews the work with homeowner to ensure specified work has been satisfactorily completed. Also issues punch list of minor finishing work to be completed, as needed.
- x Homeowner completes a satisfaction survey concerning the quality of service provided by all parties.

Homeowners

DPW-Construction Management Team

THC-Program Administrator

General Contractors