Summit Construction and Environmental Services, LLC, Richmond, VA

Single-Family Real Estate-Owned Properties' Lead-Based Paint Evaluation Services

Office of Audit, Region 3
Philadelphia, PA

Audit Report Number: 2019-PH-1005
September 25, 2019

To: Julie Shaffer, Director, Philadelphia Homeownership Center, 3AHH

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From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

Subject: Summit Construction and Environmental Services, LLC, Richmond, VA, Generally Complied With Requirements for Lead-Based Paint Evaluations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Summit Construction and Environmental Services, LLC's lead-based paint evaluation services.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at https://www.hudoig.gov/.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6735.

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Summit Construction and Environmental Services, LLC, Richmond, VA, Generally Complied With Requirements for Lead-Based Paint Evaluations

Highlights

What We Audited and Why

We audited Summit Construction and Environmental Services, LLC, because we received an anonymous complaint alleging that Summit Construction (1) did not perform lead-based paint evaluations in a timely manner, (2) did not produce adequate lead-based paint inspection reports in accordance with applicable requirements, and (3) showed favoritism toward certain contractors performing lead-paint inspections. Our objective was to determine whether the allegations in the complaint had merit. We focused the audit on determining whether Summit Construction (1) performed timely lead-based paint evaluations, (2) produced adequate lead-based paint evaluation reports, and (3) properly procured lead-based paint inspection services in accordance with its contract and U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The allegations in the complaint had no merit. Summit Construction generally performed timely lead-based paint evaluations and produced adequate lead-based paint evaluation reports in accordance with its contract and HUD requirements. Also, Summit Construction was not required to follow Federal procurement requirements when procuring subcontractors for lead-based paint inspection services.

What We Recommend

This report contains no recommendations.

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Background and Objective

The U.S. Department of Housing and Urban Development's (HUD) Office of Single Family Housing administers a program for lead-based evaluation and control of deteriorated lead-based paint in single-family real estate-owned properties. HUD requires that all single-family real estate-owned properties constructed before 1978 that are sold with Federal Housing Administration-insured financing receive a full lead-based paint evaluation, including visual assessments, lead-based paint inspections, paint stabilization plans, and clearance examinations.

Summit Construction and Environmental Services, LLC, is a contracting firm that is certified under the U.S. Small Business Administration's 8(a) Business Development Program.[1] Its headquarters is located in Richmond, VA, and it has branch offices in Washington, DC, and Chesapeake, VA. Summit Construction provides construction, facilities operations, and maintenance services to clients, such as the U.S. General Services Administration, U.S. Army Corps of Engineers, U.S. Department of the Army, HUD, and the Virginia Commonwealth University. Summit Construction performs lead-based paint evaluation services for HUD single-family real estate-owned properties located within the area covered by the Philadelphia Homeownership Center.[2]

On March 13, 2018, we received an anonymous complaint alleging that Summit Construction (1) did not perform lead-based paint evaluations in a timely manner, (2) did not produce adequate lead-based paint inspection reports in accordance with applicable requirements, and (3) showed favoritism toward certain contractors performing lead-paint inspections.

On September 22, 2015, HUD entered into a $3.6 million contract with Summit Construction to provide lead-based paint evaluation services. The contract was for 1 year with 4 option years. During the period December 2017 through November 2018,[3] HUD paid Summit Construction $777,194 for its services.

Our objective was to determine whether the allegations in the complaint had merit. We focused the audit on determining whether Summit Construction (1) performed timely lead-based paint evaluations, (2) produced adequate lead-based paint evaluation reports, and (3) properly procured lead-based paint inspection services in accordance with its contract and HUD requirements.

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1 The Small Business Administration's 8(a) Business Development Program is a business assistance program for small disadvantaged businesses. The program offers a broad scope of assistance to firms that are owned and controlled at least 51 percent by socially and economically disadvantaged individuals.

2 The Philadelphia Homeownership Center covers the following areas: District of Columbia, Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, West Virginia, Vermont, and Virginia.

3 Our audit period was December 1, 2017, to November 30, 2018.

Results of Audit

Finding: Summit Construction and Environmental Services Generally Complied With Requirements for Lead-Based Paint Evaluations

The allegations in the complaint had no merit. Summit Construction generally performed timely lead-based paint evaluations and produced adequate lead-based paint evaluation reports in accordance with its contract and HUD requirements. Also, Summit Construction was not required to follow Federal procurement requirements when procuring subcontractors for lead-based paint inspection services.

Summit Construction Generally Performed Lead-Based Paint Evaluations in a Timely Manner

According to its contract with HUD, Summit Construction was required to complete and submit the results of its lead-based paint evaluation services, such as performing visual assessments, conducting lead-based paint inspections, preparing paint stabilization plans, and conducting clearance examinations, to its field service manager within 6 business days of the initial assignment. Of the 1,511 properties inspected during the period December 2017 through November 2018, Summit Construction completed and submitted the results of its lead-based paint evaluation services for 1,441 properties, or 95 percent, within 6 business days of the initial assignment as required. For the remaining 70 properties, it completed and submitted the results of its lead-based paint evaluation services beyond 6 business days. Of those 70 properties, it completed and submitted the results of its services for

- 55 properties 1 day late,
- 8 properties 2 days late,
- 4 properties 3 days late,
- 2 properties 4 days late, and
- 1 property 7 days late.

In most cases, Summit Construction completed and submitted the results of its services late because either (1) extreme weather caused inspection delays or (2) it had issues finding qualified inspectors to perform inspections in Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

Summit Construction Produced Adequate Lead-Based Paint Evaluation Reports

According to its contract with HUD, Summit Construction was required to create lead-based paint evaluation reports in accordance with regulations at 24 CFR (Code of Federal Regulations) 35.1320(a), to include an inspection data supplement, which addresses each residence, room, area, and exterior site for which a lead-based paint inspection was performed. Specifically, the contract required the lead-based paint evaluation reports to contain (1) a summary of findings,

(2) a lead-based paint inspection data supplement, (3) a tabular listing of findings, and (4) field data collected during the inspection. The contract also required Summit Construction to prepare a lead-based paint stabilization plan that identified the locations of deteriorated lead-based paint for stabilization and a cost estimate for implementing the plan for each property where deteriorated lead-based paint was found. Finally, the contract required Summit Construction to prepare a clearance report, which provided documentation of the hazard reduction or maintenance activity, as well as the results of the clearance examination. We reviewed lead-based paint evaluation reports, along with stabilization plans and clearance reports when applicable, for 16 properties and determined that the reports contained all of the items required in the contract.

Federal Procurement Requirements Did Not Apply to Summit Construction's Selection of Subcontractors

In June 2015, HUD issued a request for proposal to obtain lead-based paint evaluation services for single-family properties owned by HUD within the Philadelphia Homeownership Center area. The request for proposal stated that HUD would award the contract to the lowest priced technically acceptable contractor that represented the best value to the government. On September 22, 2015, HUD awarded the contract to Summit Construction. Summit Construction used five subcontractors to assist with performing lead-based paint evaluation services under the contract. Because HUD competitively awarded the contract to Summit Construction based on its response to the request for proposal, including its price estimate, Summit Construction was not required to follow the procurement requirements at 2 CFR 200.318 through 200.326 when procuring subcontractors for lead-based paint inspection services. The request for proposal and contract did not include requirements for Summit Construction to follow the procurement requirements when procuring subcontractors.

Recommendations

This report contains no recommendations.

Scope and Methodology

We conducted the audit from December 2018 to September 2019 at Summit Construction's office located at 6290 Old Warwick Road, Richmond, VA, and our office located in Philadelphia, PA. The audit covered the period December 2017 through November 2018 but was expanded to include reviewing two HUD contractor performance assessment reports of Summit Construction for the periods September 2015 through September 2016 and September 2016 through September 2017.

To accomplish our objective, we reviewed

- relevant HUD regulations guidance,
- the contract between HUD and Summit Construction,
- Summit Construction's policies and procedures for lead-based paint evaluations, and
- HUD's contractor performance assessment reports of Summit Construction, dated May 11 and October 3, 2017.

We also interviewed Summit Construction employees and HUD staff.

To achieve our audit objective, we relied in part on computer-processed data, such as lead-based paint evaluation data from Summit Construction's computer system. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes. The testing entailed comparing the computer-processed data to lead-based paint evaluation reports provided by Summit Construction.

During the period December 1, 2017, through November 30, 2018, Summit Construction performed lead-based paint evaluation services on 1,511 properties. We reviewed inspection records for all of the properties to determine whether Summit Construction performed timely lead-based paint evaluations. We also nonstatistically selected and reviewed lead-based paint evaluation reports for 16 properties that were inspected by Summit Construction during the period December 2017 through March 2018 to determine whether it produced adequate lead-based paint inspection evaluation reports. Summit Construction separated its work area (the geographic area managed by the Philadelphia Homeownership Center) into four smaller areas to manage its work. We selected the three oldest passed evaluations and the oldest failed evaluation from each of those four areas. Therefore, the sample of 16 evaluations that we reviewed consisted of 12 passed evaluations and 4 failed evaluations. Because our review did not identify any issues, we did not review additional reports, and we did not project our audit results to the population.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

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

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of HUD's internal control.

Appendix

Appendix A

Auditee Comments and OIG's Evaluation

We provided Summit Construction a copy of the draft audit report for review. We had an exit conference with Summit Construction and HUD's Office of Single Family staff to discuss the audit results. Summit Construction chose not to provide written comments for this audit report.