



BLM Companies LLC, Hurricane, UT

Single-Family Real Estate-Owned Management and
Marketing III Program
Field Service Area 4P

**Office of Audit, Region 5
Chicago, IL**

**Audit Report Number: 2017-CH-1011
September 30, 2017**



To: Gisele G. Roget, Deputy Assistant Secretary for Single Family Housing, HU

From: //signed//
Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

Subject: BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of BLM Companies LLC, field service manager, HUD's real estate-owned Management and Marketing III program.

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 <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 312-353-7832.



Audit Report Number: 2017-CH-1011

Date: September 30, 2017

BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements

Highlights

What We Audited and Why

We audited BLM Companies LLC, a contracted field service manager in HUD's real estate-owned Management and Marketing III program, as part of the activities included in our 2017 annual audit plan and because it was the sole contractor performing property preservation and protection services for U.S. Department of Housing and Urban Development (HUD)-acquired properties located in Ohio. Our audit objective was to determine whether BLM provided property preservation and protection services in accordance with its contract with HUD and its own requirements.

What We Found

BLM did not provide property preservation and protection services in accordance with its contract with HUD and its own requirements. Specifically, it did not ensure that it performed adequate initial services before recently acquired HUD-owned properties were promoted to ready-to-show status. BLM also did not ensure that HUD-owned and custodial properties were maintained in accordance with its contract with HUD. As a result, HUD lacked assurance that BLM maintained the properties in a manner that preserves communities and the value of the properties. Further, BLM inappropriately received more than \$25,000 in management fees for properties that were not maintained in accordance with its contract. If BLM does not improve its process for performing property preservation and protection services, HUD could inappropriately pay \$594,000 in monthly routine inspection fees for properties that are not maintained in accordance with its contract requirements over the next year.

What We Recommend

We recommend that HUD require BLM to (1) certify and support that the applicable deficiencies have been corrected for the 8 of 109 properties cited, (2) reimburse HUD more than \$25,000 for properties that did not receive proper preservation and protection services, and (3) implement adequate procedures and controls to ensure that all properties comply with its contract with HUD and its own requirements to prevent \$594,000 in HUD funds from being spent over the next year on management fees for properties that are not adequately maintained. Further, we recommend that HUD assess BLM's performance at least quarterly and if its performance does not improve, HUD should determine whether BLM has defaulted on its contract and take the appropriate actions.

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Background and Objective

The Federal Housing Administration (FHA) is an organizational unit within the U.S. Department of Housing and Urban Development (HUD) that administers the single-family mortgage insurance program. FHA insures approved lenders against the risk of loss on mortgages. In the event of a default on an FHA-insured loan, the lender acquires title to the property by foreclosure, a deed in lieu of foreclosure,¹ or other acquisition method; files a claim for insurance benefits; and conveys the property to HUD. As a result of acquisitions through the mortgage insurance program and other programs, HUD needs to manage and sell a sizable inventory of single-family homes in a manner that promotes home ownership, preserves communities, and maximizes the returns to the FHA insurance fund.

Since 1999, HUD has been outsourcing the disposition of its real estate-owned inventory to management and marketing contractors. On September 24, 2015, HUD entered into a management and marketing contract with BLM Companies LLC for field service management services² to successfully manage HUD-owned single-family properties and provide property preservation and protection services consisting of but not limited to inspecting, securing, performing cosmetic enhancements, repairing, and providing ongoing maintenance to the HUD-owned properties.

BLM is a company that provides property preservation services including lawn maintenance, debris removal, winterizations, securing, property verification, and repairs. It is the sole prime contractor serving as the field service manager in seven contract areas covering 28 States, including Ohio, for HUD's management and marketing program. BLM was incorporated on May 19, 2010, and its corporate office is located in Hurricane, UT. HUD's Homeownership Center in Philadelphia is responsible for the direct oversight of BLM's contract for the State of Ohio.

To implement its field service management contract with HUD, BLM uses subcontractors to perform the property preservation and protection services. According to the contract with HUD, BLM should maintain properties in ready-to-show condition and be liable for damages to all acquired properties due to failure to inspect or maintain the property in ready-to-show condition or secure the property or as a result of any other act, neglect, failure, or misconduct of the contractor, a subcontractor, or any management official. The contractor must indemnify HUD for losses due to any act, neglect, failure, or misconduct of the contractor, a subcontractor, or any management official. Therefore, BLM is responsible for ensuring that the properties are maintained in accordance with the contract with HUD and its own requirements.

¹ A deed in lieu of foreclosure is a transaction in which the homeowner voluntarily transfers title to the property to the lender in exchange for a release from the mortgage obligation.

² Field service managers are companies that provide property maintenance and preservation services consisting of but not limited to inspecting and securing properties, performing cosmetic enhancements or repairs, and providing ongoing property maintenance.

Our audit objective was to determine whether BLM provided property preservation and protection services for HUD-acquired single-family properties in accordance with its contract with HUD and its own requirements.

Results of Audit

Finding: BLM Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements

BLM did not provide property preservation and protection services in accordance with its contract with HUD and its own requirements. Specifically, it did not ensure that it performed adequate initial services³ before recently acquired HUD-owned properties were promoted to ready-to-show⁴ status. BLM also did not ensure that HUD-owned and custodial properties were maintained in accordance with its contract with HUD. These deficiencies occurred because BLM lacked adequate oversight of its subcontractors to ensure that properties were maintained in accordance with its contract and its own requirements. As a result, HUD lacked assurance that BLM maintained the properties in a manner that preserved communities and the value of the properties. Further, BLM inappropriately received more than \$25,000 in management fees for properties that were not maintained in accordance with its contract. If BLM does not improve its process for performing property preservation and protection services, HUD could inappropriately pay \$594,000 in monthly routine inspection fees over the next year for properties that are not maintained in accordance with contract requirements.

BLM Did Not Provide Adequate Property and Protection Services for HUD-Owned Properties

BLM did not provide adequate initial services for 20 of the 27 properties reviewed and properly maintain 89 of the 104 HUD-owned and custodial properties in its inventory in accordance with HUD's and its own requirements. The 109 (20 + 89) properties contained interior and exterior health and safety hazards and other deficiencies, which resulted in the properties not being in ready-to-show condition or failing to meet the standards in its contract. Appendix C contains the relevant criteria and appendixes D and E identify the properties with deficiencies.

Initial Services Were Inadequately Performed

As part of its contract with HUD, BLM was required to perform initial services for recently acquired properties to ensure that they were in ready-to-show condition, which included mitigating health and safety deficiencies. We observed 27 properties that had been recently serviced by BLM and promoted to ready-to-show status from February 21 through 23, 2017. Of the 27 properties, 20 (74 percent) had 91 interior or exterior health and safety hazard deficiencies, other deficiencies, or a combination of deficiencies that had not been resolved or

³ The initial services include removing debris, cleaning, performing maid services, completing the initial yard maintenance, mitigating health and safety concerns, and placing the property in ready-to-show condition.

⁴ A property is in ready-to-show condition when the interior and exterior are clean, in good repair, and free of hazards. The contract defines the term in more detail.

mitigated before the properties were determined to be in ready-to-show condition and listed for sale. Specifically,

- 19 properties had 45 interior health and safety hazards,
- 12 properties had 16 exterior health and safety hazards,
- 12 properties had 13 other interior deficiencies,
- 13 properties had 17 other exterior deficiencies.

HUD paid BLM \$19,280 to perform initial services for the 20 properties. We performed followup observations for four of the 20 properties, and determined that those properties had the same (recurring) deficiencies. Therefore, HUD also paid BLM \$625 in routine inspection fees for the properties that were not maintained in ready to show condition.

Properties Were Not Adequately Maintained

From BLM's active property inventory as of December 7, 2016, we statistically selected 104 properties to observe. The properties had been assigned to BLM, based on its contract, for the performance of routine preservation and protection services from February 3 through December 2, 2016. Of the 104 properties, 89 (86 percent) had 302 deficiencies consisting of interior or exterior health and safety hazard deficiencies, other deficiencies, or a combination of deficiencies. Specifically,

- 68 properties had 136 interior health and safety hazards,
- 34 properties had 39 exterior health and safety hazards,
- 41 properties had 53 other interior deficiencies,
- 54 properties had 74 other exterior deficiencies.

HUD paid BLM \$5,900 in routine inspection fees for 89 properties.

Eighty-Seven Properties Had One Hundred Eighty One Interior Health and Safety Hazards

Contrary to sections C.2.2 and C.5.2.2.1.2.1 of its contract, the interiors of 87 of the 131⁵ properties were not free of health and safety hazards. The 87 properties had 181 interior health and safety hazards. The following items are examples of interior health and safety hazards observed: broken glass-sharp edges, broken-cracked windows, blocked egress, unmitigated mold, exposed electrical, protruding nails and hooks, faulty-defective handrails, exposed rat poison, deteriorating property, malfunctioning sump pump, uncapped plumbing, active water intrusion, and activated gas.

Forty-Six Properties Had Fifty-Five Exterior Health and Safety Hazards

Contrary to sections C.5.2.2.1.2.1 and C.2.2 of its contract; the property management plan; the initial services vendor checklist; HUD Handbook 4000.1, paragraph III.A.2.t.ii(C)(7)(a); and BLM's field service manager contractor presentation, 46 of the 131 properties observed had 55 exterior health and safety hazards. The following items are examples of exterior health and safety hazards: sharp edges, exposed electrical, exposed nails or hooks, faulty handrails or stairs, property not properly secured, and tripping hazards.

Fifty-Three Properties Had Sixty-Six Other Interior Deficiencies

Contrary to section C.2.2 of its contract and the property management plan, 53 of 131 properties observed were not in ready-to-show condition. The 53 properties had 66 other interior deficiencies. The following items are examples of other deficiencies observed: interior graffiti, improperly dated sign-in sheet, interior debris, not in broom-swept condition, and nonwinterized plumbing.

Sixty-Seven Properties Had Ninety-One Other Exterior Deficiencies

Contrary to sections C.5.2.10.2 and C.2.2 of its contract and the initial services checklist, 67 of the 131 properties observed had other deficiencies. The 67 properties had 91 other exterior deficiencies. The following items are examples of other deficiencies observed: damaged or disconnected gutters, graffiti, landscaping that was not maintained, not in broom-swept condition, unsecured property, and inaccessible outbuildings.

The table below presents the type of deficiency observed and the location, either interior or exterior, for the 109 properties that had inadequate initial services or routine inspections.

⁵ The 131 properties consisted the 27 properties we observed for initial services + the 104 properties we observed for routine inspections.

Deficiency type	Interior health and safety	Exterior health and safety	Other interior deficiencies	Other exterior deficiencies
Broken glass or exposed sharp edges	18	6	-	-
Damaged roof or gutter (including disconnected gutter)	-	2	-	21
Blocked egress	3	-	-	-
Environmental hazard	14	-	-	-
Exposed electrical	53	5	-	-
Falling or tripping hazard	53	13	-	-
Faulty handrail-stairs	11	5	-	-
Vandalism	-	-	3	6
Inaccurate or missing sign-in sheet or incorrect notice displayed	-	-	3	-
Interior debris	4	-	13	-
Landscaping not maintained	-	-	-	54
Not broom swept or ready to show	-	-	41	1
Plumbing not winterized	-	-	6	-
Property deterioration	1	7	-	-
Property not properly secured or inaccessible	-	16	-	9
Sump pump malfunction-uncapped plumbing-water intrusion, gas on	24	-	-	-
Swimming pool uncovered or in poor condition	-	1	-	-
Totals	181	55	66	91

The following photographs illustrate examples of the deficiencies noted during observations of the 109 properties that were not maintained in accordance with BLM's contract with HUD or its own requirements.

Property RI89:
exterior graffiti on back
of property



Property RI95:
balusters with nails on
deck



Property RI93:
unsecured garage



Property RI48:
toilet not winterized



Property RI79:
unsecured removable
door to cellar



Property RI94:
deteriorated rear soffit



Property RI50:
flooded basement



Property RI104:
flooded basement.



Property RI86:
unmitigated mold in
basement



Property RI36:
standing water between
garage and kitchen



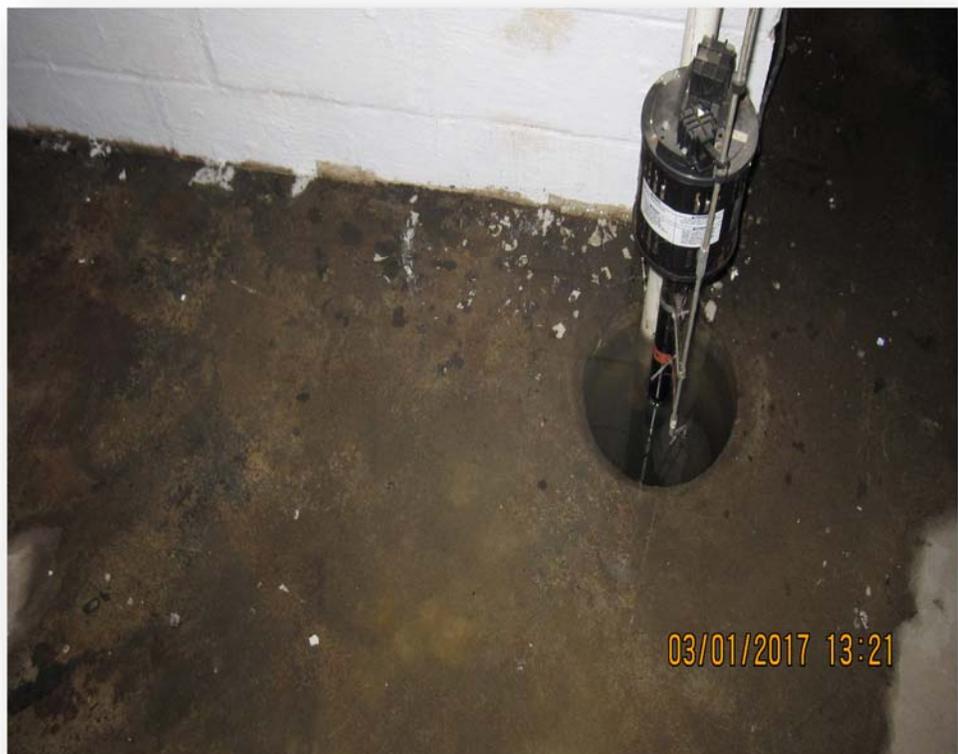
Property IS26:
flooded crawlspace



Property IS16:
hole in roof covered by
plastic bag – allowed
water intrusion



Property IS17:
malfunctioning
sump pump



Property IS6:
faulty handrail on front
porch



Property IS24:
exposed screw
and nail on rear deck



Property IS6:
unmitigated mold in
basement joists and
subfloor



Property IS19:
missing balusters in
upstairs bedroom



Property IS9:
broken-falling fence



We reviewed BLM’s inspection reports that had been completed after our property observations and determined that the deficiencies noted had not been identified or addressed. Additionally, we performed followup observations for 11 of the 109 properties to determine whether previously identified deficiencies had been addressed and whether there were additional deficiencies. The 11 properties were in BLM’s active inventory as of May 2017. Of the 11 properties observed, 10 had previously identified deficiencies that had not been fully resolved or mitigated. Specifically, the 10 properties had a total of 40 deficiencies. Of the 40 deficiencies, 34 had not been mitigated, which included 26 health and safety deficiencies. According to its contract with HUD, BLM was required to mitigate the identified health and safety deficiencies within 2 calendar days of its inspection or notification of the deficiencies. Further, we found that 8 of the 11 properties had additional or new deficiencies that had not been identified.

BLM Lacked Adequate Oversight of Its Subcontractors

BLM lacked adequate oversight of its subcontractors to ensure that property preservation and protection services were performed in accordance with its contract with HUD and its own requirements. BLM subcontracted the performance of the initial services and routine inspections to various vendors; however, it did not have an effective quality control process to oversee its subcontractors. For instance, although BLM conducted quality control reviews of its subcontractors, its reviews did not always identify deficiencies to ensure that the properties were in ready-to-show condition. For instance, of the 27 properties observed after the initial services had been completed by BLM’s subcontractors, 19 had undergone a quality control field

inspection by BLM's staff before our observations. However, BLM's quality control field reviews did not identify the deficiencies noted during our observations at 13 of the 19 properties.

In addition, BLM was required to provide HUD with a monthly quality control review report, summarizing its quality control review findings and the results of its quality control actions for the previous month. According to BLM's quality control plan, its goal was to review a minimum of 10 percent of the total property inventory in steps 1C (ready-to-show condition) through 7 (preliminary offer) every month. However, BLM did not maintain documentation to support that it had performed the required monthly reviews. Further, according to BLM's records, at least three subcontractors had performed quality control services on properties for which they had completed the initial services.

In addition, BLM required its subcontractors to take a minimum of 75 date-stamped photographs of the properties (35 exterior and 40 interior) as evidence of the routine inspections and the completion of work items. However, contrary to this requirement, BLM's contractors did not take or document in HUD's P260⁶ system the required number of photographs. During the audit, BLM explained that the requirement of 75 photographs was essentially a goal for the subcontractors to meet. However, since BLM subcontracted out the property preservation and protection services for HUD-owned properties and did not perform onsite reviews for all properties in its inventory, it relies on the photographs and other supporting information submitted by its subcontractors to ensure that it complies with its contract with HUD. In addition, BLM had software that allowed it to identify the location where each photograph was taken. However, not all of its subcontractors used the software for inspections. This software would enable BLM to be certain the contractor was at the property on the date and time of the inspection. Further, BLM required its vendors to ensure the camera or phone has the correct date and time stamp before taking photographs; however, the date of the inspection and the date on the related photographs did not always match.

BLM used a spreadsheet and a log to track the desktop reviews of its subcontractors' initial services and routine inspections. However, when we reviewed the documents, we identified properties that were no longer in its inventory at the time of the desk review. The time between the date of the reported review and the date the properties were removed from BLM's inventory ranged from 4 to 167 days. Properties were being identified as reviewed after the properties were no longer in inventory, so no recent inspection documents were reviewed.

In November 2016, HUD issued BLM a letter expressing its concern regarding BLM's performance of quality control reviews of its subcontractors. HUD stated that the initial services, including the performance of quality control reviews of its subcontractors' work to ensure that the work had been completed and that the properties were in ready-to-show condition, was required to be completed before BLM determined that the properties were in ready-to-show condition. The properties had been promoted to step 1C (ready to show) in HUD's P260 system

⁶ P260 is an internet-based system that serves as the primary system of record for all HUD real estate-owned case management transactions. The system will assign each HUD-owned property for contractors to track the disposition activity from conveyance to sale.

by HUD's asset manager based on BLM's assertions that initial services had been completed. The promoted properties were not in ready-to-show condition. BLM was informed of its lack of oversight of its quality control program at the early stage of our audit for issues that were identified prior to the commencement of the audit.

Conclusion

BLM lacked adequate oversight of its subcontractors to ensure that properties were maintained in accordance with its contract with HUD and its own requirements. As a result, HUD lacked assurance that BLM maintained the properties in a manner that preserved communities and the value of the properties. Further, BLM inappropriately received more than \$25,000 management fees for properties that were not maintained in accordance with its contract. If BLM does not improve its process for performing property preservation and protection services, HUD could inappropriately pay \$594,000 in monthly routine inspection fees over the next year for properties that are not maintained in accordance with its contract requirements.

Recommendations

We recommend that HUD's Deputy Assistant Secretary for Single Family Housing require BLM to

- 1A. Certify and provide supporting documentation showing that the identified deficiencies have been corrected for the 8 of 109⁷ properties cited in this audit report.
- 1B. Reimburse HUD \$19,280 in ineligible management fees for 20 properties for which initial services were improperly performed before promotion to ready-to-show status.
- 1C. Reimburse HUD \$6,525 in ineligible routine inspection fees for 93 properties⁸ that contained property preservation and protection deficiencies.
- 1D. Improve its quality control procedures to accurately track and conduct reviews in a manner that ensures all properties in its active inventory comply with HUD's and its own requirements to prevent \$594,000 in monthly routine inspection fees from being spent over the next year for properties that are not adequately maintained. The quality control procedures should include but not limited to continued training of BLM's staff and subcontractors on properly identifying and addressing property deficiencies; maintaining sufficient documentation of its

⁷ Of the 109 (89 routine inspections + 20 initial services), 94 properties were sold + 2 were reconveyed back to lenders + 4 were removed from BLM inventory. Thus, there were 8 properties still in BLM active inventory as of August 3, 2017.

⁸ The 93 properties consist of the 89 of 104 properties observed that had property preservation and protection deficiencies + the 4 of 27 properties observed regarding initial services for which we noted recurring deficiencies during our followup observations in May 2017. The \$6,525 is the sum of the ineligible routine inspection fees HUD paid BLM for the 89 properties (\$5,900) and the four properties that underwent initial services during February 21 through 23, 2017 and had routine inspections in the subsequent months through May 2017 (\$625).

monthly quality control reviews and corrective actions; verifying that the date-stamped photographs were for the corresponding inspection dates; and regularly updating its tracking mechanism for desktop reviews of inspections to ensure that it conducts desktop reviews for properties that are still in its inventory.

We recommend that HUD's Deputy Assistant Secretary for Single Family Housing

- 1E. Assess BLM's performance under the area 4P⁹ contract at least quarterly to determine whether it has improved its performance. If its performance does not improve, HUD in coordination with the Office of the Chief Procurement Officer should determine whether BLM has defaulted on its contract and take the appropriate actions.

⁹ The 4P contract covers the State of Ohio in its entirety.

Scope and Methodology

We performed our audit work from November 2016 through May 2017 at the Chicago regional office and Columbus field office, and we performed property observations in Ohio. The audit covered the period September 25, 2015, through May 30, 2017.

To accomplish our objective, we interviewed HUD's staff at the Philadelphia Homeownership Center and BLM's employees. In addition, we reviewed the following:

- BLM's contract with HUD, internal policies and procedures, property management plan, quality control plan, work order descriptions, quality control reports, and quality control review logs and scorecard reports¹⁰.
- Information in HUD's P260 system, including the active properties assigned to BLM's inventory, routine inspection reports and photographs, HUD property inspection reports, and initial services' photographs.

From the 1,278 active properties in BLM's 4P contract area (Ohio) inventory as of December 7, 2016, we statistically selected a stratified, two-stage cluster sample of 104 properties to observe. We used a statistical sample so the audit results could be projected to the universe. Of the 104 selected properties, we found that 89 properties were not maintained in accordance with BLM's contract with HUD or its own requirements. Projecting these results to the universe and deducting a statistical margin of error, we can say, with a one-side confidence interval of 95 percent, that this amounts to at least 990 properties that were not maintained in accordance with BLM's contract with HUD or its own requirements. Similarly, we found that of the fees paid, an average of \$38.75 per property was spent on properties that were not maintained in accordance with BLM's contract with HUD or its own requirements. Projecting this amount to the audit universe of 1,278 properties and deducting for a statistical margin of error, we can state, with a one-sided confidence interval of 95 percent that at least \$49,500 in ongoing monthly routine inspection fees was paid for properties that were not maintained in accordance with BLM's contract or its own requirements for 1 month. Over the next year, this is equivalent to an overpayment of \$594,000 (\$49,500 x 12 months) in property routine inspection fees paid for properties that are not maintained in accordance with BLM's contract or its own requirements.

Calculations below:

$(85.2\% - 1.833 \times 4.2\%) \times N = 77.5\% \times N \approx 990$ properties not adequately maintained
 $(42.6 - 1.833 \times 2.1) \times N = 38.75 \times N \approx \$49,500$ spent monthly for properties not adequately maintained

¹⁰ Scorecard reports are issued by HUD quarterly to assess the contractor's adherence to the standards detailed in the contract's performance requirements summary.

Further, we selected a representative nonstatistical sample of 27 properties that were promoted to ready-to-show condition in HUD's P260 system from February 21 through 23, 2017, to observe and determine whether BLM properly performed initial services for the HUD-acquired single-family properties before the properties were promoted to ready-to-show status. The results of the sample property observation were limited to the population reviewed and cannot be projected to the universe.

We relied in part on data maintained by BLM and its vendors or subcontractors in its work order and property management system and data entered into HUD's P260 system by BLM and its vendors or subcontractors. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes.

We provided our review results and supporting schedules to HUD's Acting Deputy Assistant Secretary for Single Family Housing; branch chief and government technical representative of the Philadelphia Homeownership Center, Real Estate Owned Division; and BLM's president.

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:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- 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.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- BLM lacked adequate oversight of its subcontractors to ensure that properties were maintained in accordance with its contract and its own requirements (finding).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	\$19,280	
1C	6,525	
1D		\$594,000
Totals	25,805	594,000

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if BLM implements our recommendations, HUD will stop incurring costs for properties that are not in ready-to-show condition or free of health and safety hazards and, instead, will spend those funds for properties maintained in accordance with its contract with HUD. Once BLM improves its oversight of its subcontractors, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2

Comment 3

Comment 4



BLM Response to HUD OIG Audit Results
Prepared by: Michael Temple - 4P Project Manager and Jennifer Orr - 4P Quality Control Manager
7/17/2017

OIG Audit Response – BLM – 4P Contract Area

BLM Companies, LLC (BLM) respectfully provides the following information and data to support its position on the OIG audit findings. Please review the information and data that BLM has provided and consider adjusting the audit conclusion based on the data, findings, and rationale provided below.

I. Introduction / Executive Summary

BLM respectfully disagrees with OIG's position that BLM should reimburse HUD approximately \$25,000 for property and preservation services allegedly not performed by BLM. BLM respectfully requests that HUD disregard OIG's recommendation that BLM reimburse HUD approximately \$25,000 for work allegedly not performed for the reasons cited in this response.

BLM and its subcontractors (collectively "BLM") perform significant work at each of the properties assigned to it by HUD from the very first inspection until the sale of each of the properties. With regard to the properties cited with deficiencies in OIG's report, the simple fact is BLM provided significant services at those 109 properties and exercised reasonable due diligence to discover and correct any deficiencies.

OIG's recommendation that BLM reimburse HUD approximately \$25,000 for work allegedly not performed at the 109 properties is both unreasonable and unfair. While it is not 100% clear to us how OIG calculated the approximately \$25,000 amount, it appears that OIG is recommending that BLM pay back all of the management fees related to 20 properties where OIG alleges BLM did not properly perform initial services and all of the inspection fees related to 93 properties where OIG discovered deficiencies. While BLM performed significant services at all of these properties, OIG appears to want to deny BLM any payment for those services due to a small number of deficiencies. Nowhere in BLM's contract does it state that BLM is not entitled to payment for the work it properly performs, therefore, it is improper for OIG to seek reimbursement from BLM for apparently all of the payments made to BLM in relation to these properties.

For every deficiency that OIG cites in its report, BLM has corrected thousands of other deficiencies and performed multiple different preservation services at its various properties. BLM works extremely hard with its subcontractor team and employees to discover and correct each and every deficiency it discovers. However, some of the deficiencies cited by OIG are simply outside of BLM's control to discover or correct. While BLM constantly strives for a quality performance on each property, the fact is that deficiencies are simply unpreventable at times for no fault of BLM or its subcontractors. That said, BLM certifies that the deficiencies cited by OIG in connection with the 109 properties still in BLM's inventory have been corrected where initial services have been performed.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 5

Please understand that BLM takes OIG’s deficiency allegations seriously, even though we disagree with OIG’s methods and findings. While BLM has had a robust quality control (QC) and corrective work protocol since the very beginning of its contract, BLM continues to improve both its QC and corrective work protocols. Specifically, BLM has implemented changes to both protocols in light of OIG’s findings in an effort to significantly minimize any future deficiency findings. BLM’s updated QC and corrective work protocols are addressed in detail below.

BLM is confident that its updated protocols are more than sufficient to alleviate any concerns HUD may have regarding BLM’s future performance. Further, HUD should completely disregard OIG’s position that \$594,000 could be spent over the next year on management fees for properties that are not adequately maintained by BLM. This allegation is wholly speculative and unquantifiable. Not only does OIG use a complex and convoluted calculation to arrive at this \$594,000 metric, it apparently seeks to withhold all payments from BLM for properties where deficiencies may be discovered, regardless of the amount of work performed by BLM at these properties, or the circumstances that contribute and are regularly found at HUD vacant properties. As stated above, BLM’s contract does not permit such a speculative or unreasonable method for calculating payments to be withheld from, or reimbursed by BLM.

In summary, BLM looks forward to working with HUD to continue to provide exceeding service on HUD properties assigned and to continue to improve its methodologies to mitigate issues of concern in the future. We look forward to working with HUD to alleviate any of its concerns and BLM will gladly implement additional corrective measures recommended by HUD.

II. BLM’s Corrective Action Protocols

The following measures constitute BLM’s corrective action protocols. In response to OIG’s audit report, BLM has implemented the following new measures to bolster its already robust corrective action plan:

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A. Corrective Action Plan Summary – BLM has put in place a twelve-point action plan in order to increase quality in the 4P contract area. The goal of the Corrective Action Plan is to increase quality in regards to promoting properties to step 1c in “Ready to Show Condition” and maintaining “Ready to Show Condition” throughout the life of each property in BLM’s and HUD’s inventory.

- o Shift in Geographical Assignments
- o Initial Service Quality Control
- o Focused Review Team Management
- o Concentrated Email Communications
- o Increased One on One Training
- o Review and Reporting of Yard Maintenance Work Orders
- o Review of AM Inspections
- o Automated Routine Exceptions Reporting
- o Routine Inspection Description and Title
- o Training Topics on Subcontractor Communication
- o Task Tracking
- o Quality Control Field Inspector

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B. Detailed Corrective Action Plan

BLM has implemented and continues to put in place a variety of processes and procedures to increase quality both at time of 1c promotion and throughout the life of the property in the inventory. Since the inception of the 4P contract, quality has increased and will continue to increase due to findings provided by OIG, consistent internal Desktop QC review and in-field quality control inspections, and feedback provided by HUD. BLM constantly strives to provide a high-quality service in a timely manner to HUD.

- 1) **Shift in Geographical Assignments** – BLM randomly shifts the geographical areas that subcontractors cover. This allows BLM to gain a secondary perspective on properties as well as getting further visuals on what levels of quality the subcontractors are providing to BLM and in turn HUD. In addition to giving BLM an added level of quality control on given properties, subcontractors know that at any given moment someone could be doing quality control on their work. BLM uses this process to ensure that properties are being maintained in “Ready to Show Condition” after 1c promotion.
- 2) **Initial Service Quality Control** – BLM has implemented a process that allows a measure of quality control on a property prior to 1c promotion to ensure the HUD asset is truly in “Ready to Show Condition”. BLM completes an infield quality control inspection by either a secondary subcontractor or a BLM employee. BLM reviews results of these inspections to have the initial subcontractor complete the work that would bring a property to “Ready to Show Condition” or the secondary subcontractor has the ability to bring the property to “Ready to Show”. Properties continue to go through BLM’s internal desktop review process prior to 1c as this process is not in lieu of that process. To date BLM has been able to do a field review of 56% of new acquisitions before promotion to 1c.
- 3) **Focused Review Team Management** – BLM has shifted the management of the internal desktop review team from one that services all areas to the management of each contract area. Management of this team now falls under the Project Manager (PM) and Quality Control Manager (QCM). This allows for increased communication among area management and the internal desktop review team for area concerns to be addressed in a timelier manner and to be communicated in a smaller group. The internal desktop review team can reach out to specific subcontractors for feedback and provide a focused analysis of the subcontractors in the 4P area to the PM and QCM.
- 4) **Concentrated Email Communications** – Utilizing a mass email tool, BLM can communicate training topics in a focused professional manner. BLM also has the ability to track which subcontractors have read and not read the email communication. BLM can then follow up with the subcontractors who did not open the email and work with them on a case by case basis.
- 5) **Increased One on One Training** – BLM has shifted our training focus from group trainings to one on one training with our subcontractors and employees. Most of our subcontractors have been in the property preservation industry for some time. “One on One” training opportunities allow BLM to discuss and train on topics more relevant to each subcontractor’s

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strengths and struggles. This allows us to view the work that each subcontractor has completed and make the training full of tips and best practices needed to help each specific subcontractor be successful in areas they may be struggling.

- 6) **Review and Reporting of Yard Maintenance Work Orders** – BLM is reviewing yard maintenance work orders to confirm work was completed correctly. If a property is found to not have had work completed correctly, then a high priority work order with a due date of the next calendar day is entered for the subcontractor to go back and complete services correctly. BLM has created a tracking report to ensure properties are addressed in a timely manner.
- 7) **Review of AM Inspections** – BLM's internal desk top review team has started reviewing the asset manager's initial inspection after 1C promotion. This process allows BLM to have additional visuals on the quality of work in the field at time of 1c promotion. Work orders as a result of these quality control reviews (ACTs) are issued to the subcontractor who completed the Initial Services work order according to the deficiency found. BLM uses this process as an added layer of quality control in order to gain a varied perspective of properties.
- 8) **Automated Routine Exceptions Reporting** – LM has created a real time electronic review tool that generates an email when an area of the routine inspection form is filled out with a topic of concern, for example: health and safety items, property not secure etc. This allows BLM to ask questions of the subcontractor, create follow up work orders, adjust utilities, or take another action necessary to maintain the property in "Ready to Show Condition" in real time.
- 9) **Routine Inspection Description and Title** – BLM is changing the title of the routine inspection to a title that is less focused on the inspection and more focused on keeping the property in "Ready to Show Condition". BLM is also changing the description of the work order to bullet point and highlight the biggest issues found on routine inspections.
- 10) **Training Topics on Subcontractor Communication** – Each week the state representatives are given a new topic to stress to subcontractors each time they communicate. An example would be a reminder that photos of not only locks should be taken, but also the jamb and strike plate. Another example of this communication would be the proof of a sump pump and functioning status are needed on each routine inspection is applicable.
- 11) **Task Tracking** – Internally, BLM's 4P team is creating a tracking system using work orders to make sure problem properties and activities are addressed in a timely manner. This will allow BLM to use currently successful tracking mechanisms for subcontractor work orders to help the 4P team to track internal tasks, which BLM believes will increase the quality and efficiency being delivered to HUD.
- 12) **Quality Control Field Inspector** – BLM works with a quality control field inspector (QCFI) in the 4P area. Their primary responsibility is to provide unbiased visuals on BLM's inventory. In the past, this inspector did a combination of both desktop and field reviews. BLM has shifted the QCFI's focus to be primarily in field reviews and the QCFI will remedy issues while onsite. BLM believes field reviews provide the best visual of what is actually occurring at the property.

III. Examples of Work Completed Prior to 1c Promotion

Ref to OIG Evaluation

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BLM believes that although there were issues found by OIG at the time of their inspections, a great deal of work was still completed by BLM subcontractors in efforts to bring properties to "Ready to Show Condition". BLM believes that the details of the work completed should be investigated thoroughly as completing work on HUD assets should not be denoted as pass or fail. OIG's Audit Report states that BLM should reimburse "HUD \$19,280 in ineligible management fees for 20 properties for which initial services were improperly performed before promotion to ready-to-show status." BLM believes that an in-depth review of the actual work completed to bring these properties to "Ready to Show Condition" will negate the dollar figure mentioned by OIG above. Below are two examples of the properties that were inspected by OIG shortly after 1c promotion.

(FHA Case Number 413-525234)

- **Items addressed on HPIR work order:**
 - Properly documenting property condition on HUD Property Inspection Report (HPIR) on form and through photographic evidence
 - Systems Testing
 - Tested electrical system
 - Pressure tested plumbing system
 - Winterized property
 - Secured property
 - Reported utility companies and meter readings
 - Capped water lines
 - Inspected roof
- **Items Addressed on Initial Services Work Order:**
 - Emptied mailbox
 - Posted notices
 - Cleaned the microwave
 - Cleaned the stove
 - Swept the kitchen floor
 - Cleaned toilet
 - Cleaned bathroom vanity
 - Cleaned shower surround and fixtures
 - Cleaned vanity and drawers
 - Cleaned medicine cabinet
 - Cleaned window sills
 - Swept bathroom floor
 - Mopped bathroom floor
 - Cleaned refrigerator
 - Cleaned return air vent
 - Cleaned utility closet
 - Cleaned behind refrigerator
 - Confirmed windows secure

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- o Pulled up blinds and dealt with cords
- o Cleaned windows
- o Vacuumed carpets
- o Wiped down fans
- o Swept entranceway
- o Cleaned kitchen cabinets
- o Cleaned kitchen sink
- o Wiped down dryer
- o Cut branches off the house
- o Placed air fresheners
- o Boarded dog door
- o Mopped entrance
- o Cut back landscaping
- o Swept out garage
- o Mopped kitchen floor
- o Marked trip hazards
- o Installed cap on water line
- o Zip tied water line
- o Cover on dryer outlet
- o Gas line capped
- o Panel box cover replaced

- **Items that were completed as a new acquisition that cannot be seen in the above work orders:**

- o Utility companies contacted
- o Overallowables researched

██████████ (FHA case number 411-473486)

- **Items addressed on HPIR work order:**

- o Properly documenting property condition on HUD Property Inspection Report (HPIR) on form and through photographic evidence
- o Systems Testing
 - Tested electrical system
 - Pressure tested plumbing system
- o Winterized property
- o Secured property
- o Reported utility companies and meter readings
- o Capped water lines
- o Inspected roof

- **Items Addressed on Initial Services Work Order:**

- o Cleaned bathroom sink

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- o Cleaned bathroom vanity
- o Cleaned the shower
- o Cleaned the tub
- o Swept bathroom floor
- o Picked up exterior debris
- o Cleaned kitchen cabinets
- o Cleaned kitchen counter
- o Mopped kitchen floor
- o Cleaned window sill
- o Cleaned 2nd bathroom sink
- o Cleaned 2nd bathroom vanity
- o Cleaned 2nd bathroom shower
- o Cleaned 2nd bathroom toilet
- o Removed hardware
- o Cleaned shelving
- o Cleaned windows
- o Confirmed windows secure
- o Removed smoke detector batteries
- o Cleaned cold air return
- o Cleaned vents
- o Vacuumed carpets
- o Swept hard floors
- o Mopped hard floors
- o Removed broken tree branch
- o Weedstrimmed
- o Cleaned kitchen sink
- o Cleaned range hood
- o Cleaned dishwasher
- o Cleaned kitchen sink
- o Swept garage
- o Removed peg board hooks
- o Marked trip hazards
- o Placed needed signage
- **Items that were completed as a new acquisition that cannot be seen in the above work orders:**
 - o Utility companies contacted
 - o Overallowables researched

IV. BLM Response to OIG 1c Property Observations

While BLM accepts that there were deficiencies found at some of the below properties that OIG visited shortly after 1c promotion, BLM believes that there was still a great amount of work completed to bring

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these properties to "Ready to Show Condition" based on contractual obligations per the definition in the Performance Work Statement (PWS).

Some of the issues noted can be attributed to changes of property condition outside of BLM's control. Examples of these include, but are not limited to: minor debris in the exterior of properties, water intrusion, and locking mechanism issues. In these 27 cases the Asset Manager (Sage Acquisitions) had been to the property prior to OIG inspection, which opens the property up to the possibility of a condition change. On average for the 27 cases inspected after 1c promotion, OIG was at the properties 6.59 days after 1c promotion and 5.67 days after the initial Asset Manager inspection.

HUD OIG 1c Observations	
Average Days: 1c to Initial AM Inspection Date	0.93
Average Days: Initial AM Inspection Date to OIG Inspection Date	5.67
Average Days: 1c Date to OIG Date	6.59

During Sage Acquisitions' initial asset manager inspections, only 3 properties (412-609252, 412-637212, and 413-322686) were noted as not in "Ready To Show Condition" by the asset manager and approved by HUD via "Property - Not in Ready to Show Condition (step 1c)" work order in P260.

- 412-609252 – AM Note: Property has - Blocks are missing at rear of garage. Opening is 3'H x 5". Window in kitchen is cracked all the way across.
 - o BLM Notes: BLM took responsibility and addressed issue after OIG visit.
- 412-637212 - AM Note: Basement ceiling tile are following down should be look at.
 - o BLM Notes: BLM took responsibility and addressed issue after OIG visit.
- 413-322686 – AM Note: The gutter is at the Brush at back of Lot. Lose Boards on the side of property, Pipe sticking out, Missing Sidewalk, Crack in Window in basement, Living Room/Glass cracked, Rotted floor looking up in Basement, Back Door storm door Glass Missing.
 - o BLM Notes: BLM took responsibility and addressed issue after OIG visit.

That being said, the asset manager deemed that 24 of the 27 properties were to be in "Ready To Show Condition" at the time of their initial inspection. While OIG noted that 74.07% were not in "Ready To Show Condition" at time of their inspection which was on average 5.67 after a different government contractor (Sage Acquisitions) was at the property. That same government contractor (Sage Acquisitions) noted that 88.89% of the properties were in "Ready To Show Condition" just 0.93 days on average after 1c promotion.

Not Ready to Show Work Order from AM (Sage)	Count	Percentage
Yes	3	11.11%
No	24	88.89%

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Of the 27 properties that OIG inspected after 1c promotion by BLM, 24 of those have been sold and are no longer in BLM's and HUD's inventory. 2 of the 27 (7.41%) have a current sales offer and the final

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property (413-419063) previously had a sales offer. BLM's quality of work does not seem to impede the marketing and sale of the HUD's assets.

Current Step	Count	Percentage	Note
10-Reconciled	23	88.89%	Sold - No Longer in Inventory
9-Sale Closed	1		
8-Sales Offer	2	7.41%	Current Sales Offer
5-Ready to List	1	3.70%	Previous Sales Offer

Average Days: 1c Promotion Date to Sold Date (OIG Sample)	86.85
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BLM has put into place a variety of processes and procedures in place to curb quality issues at time of 1c promotion as a result of data gained from HUD OIG's notes and findings that can be found in BLM's Corrective Action Plan

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BLM Response to Specific HUD OIG 1C Observations

- 1.) [REDACTED] (FHA case number 413-613550)
 - 1c Promotion Date: 2/23/2017
 - OIG Inspection Date: 2/27/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 88 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Exterior Debris (Lock box)
 - BLM Response: Review of Initial Services does not show lock box present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.
 - Exterior Debris (Beer can)
 - BLM Response: Review of Initial Services does not show beer can present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Extension was not connected to downspout
 - BLM Response: Unable to determine if extension was connected downspout at time of 1c promotion. Water intrusion does not appear to be present at property.

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- o
- Exterior unmarked trip hazard (metal fencing or grate)
 - BLM Response: Metal fence or grate not photographed on HPIR and/or initial services. Unable to determine location based on OIG photos.
- Trip hazards: (wavy linoleum flooring in closet)
 - BLM Response: Waves appear to be soft waves. Closet does not appear to be main walking area which would present major trip hazard.
- Trip hazards: missing heating vent cover
 - BLM Response: Vent cover should have been replaced or marked as trip hazard.
- Trip hazards: Nails, staples, and tack strips
 - BLM Response: Appears that some of the tack strip was removed. All tack strips should have been removed.
- Electrical hazard: Missing electrical outlet cover
 - BLM Response: Electrical outlet should have been covered.
- Not in broom-swept condition: Cobwebs
 - BLM Response: Cobwebs should have been addressed.
- Not in broom-swept condition: Debris in crawlspace
 - BLM Response: Debris should have been removed.

2.) [REDACTED] (FHA case number 412-550868)

- o 1cPromotion Date: 2/21/2017
- o OIG Inspection Date: 2/27/2017
- o Current Step: 10-Reconciled
- o Days in Inventory: 117 Days
- o Vendor still being utilized: Yes
- o Deficiencies Noted:
 - No deficiencies observed at this property

3.) [REDACTED] (FHA case number 412-443667)

- o 1cPromotion Date: 2/23/2017
- o OIG Inspection Date: 2/27/2017

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- o Current Step: 10-Reconciled
- o Days in Inventory: 118 Days
- o Vendor still being utilized: Yes
- o Deficiencies Noted:
 - Exterior: Debris/ Trash
 - Review of Initial Services does not show trash present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.
 - Exterior: Debris/ Trash (soda can)
 - BLM Response: Review of Initial Services does not show soda can present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Exterior: Debris/ Trash (rags / clothes)
 - BLM Response: Review of Initial Services does not show rag present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.
 - Exterior: Debris/ Trash (PVC pipe)
 - BLM Response: PVC does not appear to be present on Initial Services along fence line.
 - Exterior: Debris/ Trash (broken plate)
 - BLM Response: Review of Initial Services does not show broken plate present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.
 - Exterior: Debris/ Trash (shoe)
 - BLM Response: Review of Initial Services does not show shoe present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.
 - Exterior: Debris/ Trash (glove)
 - BLM Response: Review of Initial Services does not show shoe present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.
 - Exterior: Debris/ Trash (toy)
 - BLM Response: Review of Initial Services does not show toy present. Unable to determine location from OIG photos. Does not appear that lock box was on front door upon acquisition. If present, it was not photographed by vendor.

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- Exterior: Debris (Deck from above ground pool still standing – no pool)
 - BLM Response: BLM not contractually required to remove deck. Side of deck that would be a possible fall hazard is blocked off.
- Exterior: Bird nest
 - BLM Response: Bird nest should have been removed.
- Exterior: Damaged fence post with exposed screws
 - BLM Response: Should have been addressed.
- Interior not in broom-swept condition: Dirty spindles
 - BLM Response: Should have been addressed.
- Interior not in broom-swept condition: Cobwebs in kitchen
 - BLM Response: Should have been addressed.
- Interior not in broom-swept condition: Dirty ceiling fan
 - BLM Response: Should have been addressed.
- Interior: Missing electrical outlet cover
 - BLM Response: Should have been addressed.

- 4.) [REDACTED] (FHA case number 412-656192)
 - 1c Promotion Date: 2/23/2017
 - OIG Inspection Date: 2/27/2017
 - Current Step: 8-Sales Offer
 - Days in Inventory: 123 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Water in basement
 - BLM Response: Water not present upon 1c promotion. BLM has been addressing issue continuously throughout life of property. Property has wet basement as sump pump is present.



- 5.) [REDACTED] (FHA case number 412-550868)
 - 1c Promotion Date: 2/21/2017
 - OIG Inspection Date: 2/27/2017

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- 7.) [REDACTED] (FHA case number 412-609252)
 - 1c Promotion Date: 2/22/2017
 - OIG Inspection Date: 2/28/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 48 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Missing downspout on side of house
 - BLM Response: No water intrusion present.
 - Electrical wires not capped
 - BLM Response: Wires should have been capped.
 - Unsecured vent
 - BLM Response: Vent should have been covered to prevent intrusion from outside elements.
 - Nail protruding from interior door
 - BLM Response: Nail should have been addressed.
 - Unsecured (loose) handrail leading to upstairs (dry wall anchors that are significantly extended from the wall)
 - BLM Response: Previously existing handrail should have been tested by contractor.
 - Missing electrical outlet covers
 - BLM Response: Outlet should have been covered.
 - Unmarked trip hazard: basement (drain pipe; cap with wingnut covering)
 - BLM Response: Hazard should have been marked.
 - Interior not in broom-swept condition: Dirty ceiling fans (3 total)
 - BLM Response: Fans should have been dusted.
 - Interior not in broom-swept condition: Dirty kitchen wall (fur or hair and grease)
 - BLM Response: Kitchen wall should have been wiped down.
 - Cracked window

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- BLM Response: Window pane (of double paned window) should have been removed or taped.

- 8.) [REDACTED] (FHA case number 412-619649)
 - 1c Promotion Date: 2/23/2017
 - OIG Inspection Date: 2/28/2017
 - Current Step: 8-Sales Offer
 - Days in Inventory: 133 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Bird nest in dryer vent (side of property)
 - Unsecured property - Deadbolt with broken off key
 - BLM Response: Property appears to have been secure during AM initial inspection on 2/24/2017.
 - Unsecured property (Improperly installed door knob - could be pushed open as latch did not catch strike plate properly)
 - BLM Response: Appears to have been secured upon 1c promotion. AM initial inspection did not note any securement issues. BLM has since addressed the possible securement issue.
 - Interior not in broom-swept condition: Dirty window sill with dead insects
 - BLM Response: Should have been addressed.
 - Interior not in broom-swept condition: Dirty cabinet door
 - BLM Response: Should have been addressed.
 - Interior not in broom-swept condition: Pasta shells on kitchen floor
 - BLM Response: Should have been addressed.
 - Interior not in broom-swept condition: Pasta shells in food pantry
 - BLM Response: Should have been addressed.
 - Unmarked trip hazard (gas valve for fireplace not marked)
 - BLM Response: Should have been addressed.

- 9.) [REDACTED] (FHA case number 412-685170)
 - 1c Promotion Date: 2/22/2017
 - OIG Inspection Date: 2/28/2017
 - Current Step: 8-Sales Offer
 - Days in Inventory: 133 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Falling fence
 - Unsecured storage shed that was improperly padlocked
 - BLM Response: Storage shed was properly secured upon 1c promotion. AM initial inspection appears to have left the shed unsecured.

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- Interior not in broom-swept condition: fire place mantle was dusty
 - BLM Response: Should have been addressse d.
- Interior not in broom-swept condition: dirty ceiling fans
 - BLM Response: Should have been addressse d.
- Interior not in broom-swept condition: dusty drawers
 - BLM Response: Should have been addressse d.
- Interior not in broom-swept condition: soiled carpet
 - BLM Response: Should have been addressse d.
- Interior not in broom-swept condition: stained carpet
 - BLM Response: Stained carpets are not a contractual obligation for BLM. *PWS states: All floors must be cleaned and carpets vacuumed.*
- Interior not in broom-swept condition: debris (medication)
 - BLM Response: Should have been addressse d. Debris does not appear to be present on AM initial inspection on 2/23/2017.
- Interior not in broom-swept condition: debris
 - BLM Response: Should have been addressse d. Debris does not appear to be present on AM initial inspection on 2/23/2017.
- Interior not in broom-swept condition: debris
 - BLM Response: Should have been addressse d. Debris does not appear to be present on AM initial inspection on 2/23/2017.
- Interior not in broom-swept condition: dirty windows
 - BLM Response: Should have been addressse d.
- Interior not in broom-swept condition: dirty soap holder
 - BLM Response: Should have been addressse d.
- Interior not in broom-swept condition: debris (wooden block with exposed nail)
 - BLM Response: Should have been addressse d. Debris does not appear to be present on AM initial inspection on 2/23/2017.
- Unmarked trip hazard (loose / missing tiles in basement)
 - BLM Response: Should have been addressse d.
- Unmarked trip hazard (fireplace threshold)
 - BLM Response: Should have been addressse d.

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<ul style="list-style-type: none">▪ Gas was turned on (stove)<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Gas was turned on (furnace area)<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Gas was turned on (pilot light)<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Mold-like substance in closet<ul style="list-style-type: none">• BLM Response: Should have been addressed. <ul style="list-style-type: none">• 10.) [REDACTED] (FHA case number 412-500885)<ul style="list-style-type: none">○ 1c Promotion Date: 2/22/2017○ OIG Inspection Date: 2/28/2017○ Current Step: 10-Reconciled○ Days in Inventory: 56 Days○ Vendor still being utilized: Yes○ Deficiencies Noted:<ul style="list-style-type: none">▪ Exterior not in broom-swept condition: Debris<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Exterior not in broom-swept condition: Debris (basketball hoop not removed)<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Exterior not in broom-swept condition: Leaves<ul style="list-style-type: none">• BLM Response: Leaves were frozen to ground at time of 1c promotion.▪ Interior not in broom-swept condition: Dirty fan<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Interior not in broom-swept condition: Dirty fan<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Toilet needs to be re-winterized<ul style="list-style-type: none">• BLM Response: Winterization appears to have been completed properly on the HPIR. Appears to be a change of condition.▪ Unmarked trip hazard: (curled/torn threshold for linoleum leading down to basement)<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Unmarked trip hazard: (Missing flooring)<ul style="list-style-type: none">• BLM Response: Missing flooring appears to be by threshold, change of height does not appear to cause a trip hazard. • 11.) [REDACTED] (FHA case number 412-637212)<ul style="list-style-type: none">○ 1c Promotion Date: 2/22/2017○ OIG Inspection Date: 2/28/2017○ Current Step: 10-Reconciled○ Days in Inventory: 100 Days

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- o Vendor still being utilized: Yes
- o Deficiencies Noted:
 - No deficiencies observed at this property.

- 12.) [REDACTED] (FHA case number 413-601099)
 - o 1c Promotion Date: 2/22/2017
 - o OIG Inspection Date: 3/1/2017
 - o Current Step: 10-Reconciled
 - o Days in Inventory: 50 Days
 - o Vendor still being utilized: Yes
 - o Deficiencies Noted:
 - Exposed electrical wire in attached garage
 - BLM Response: Wire appears to be unstripped with sheathing covering the wire. Does not appear to pose hazard.

- 13.) [REDACTED] (FHA case number 413-419063)
 - o 1c Promotion Date: 2/23/2017
 - o OIG Inspection Date: 3/1/2017
 - o Current Step: 7-Preliminary Offer
 - o Days in Inventory: 134 Days
 - o Vendor still being utilized: Yes
 - o Deficiencies Noted:
 - Downspout not connected to extension on side of garage
 - BLM Response: Should have been addressed.
 - Downspout not connected to extension on side of garage (caused water intrusion)
 - BLM Response: Water intrusion not present at time of 1c promotion.
 - Missing electrical switch cover (in garage)
 - BLM Response: Should have been addressed.
 - Cracked window
 - BLM Response: Cannot determine where cracked window is based on OIG photos.
 - Unmarked trip hazard: (high step leading to/from garage)
 - BLM Response: Section 311.5 Residential Code of Ohio states maximum riser height to be 8 1/4 inch. Photo from OIG shows a riser of 7 1/4 inches. This does not pose a hazard.

- 14.) [REDACTED] (FHA Case Number 413-458581)
 - o 1c Promotion Date: 2/22/2017
 - o OIG Inspection Date: 3/1/2017
 - o Current Step: 10-Reconciled

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Evaluation**

Auditee Comments

Comment 9

- o Days in Inventory: 72 Days
- o Vendor still being utilized: Yes
- o Deficiencies Noted:
 - Debris in the yard
 - BLM Response: Review of Initial Services does not show beer can present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Unmarked trip hazard – hook in the floor of the rear deck
 - BLM Response: Should have been marked.
 - Slippery rear deck floor
 - BLM Response: Deck was dry at time of HPIR and Initial Services, BLM had no way of foreseeing that any significant water would cause wood to become slippery.
 - Unmarked trip hazard
 - BLM Response: Should have been addressed.
 - Uncovered electrical outlet
 - BLM Response: Should have been addressed.
 - Damaged electrical outlet cover
 - BLM Response: Should have been addressed.
 - Debris in bedroom closet
 - BLM Response: Debris does not appear to be present on AM initial inspection.
- 15.) [REDACTED] (FHA Case Number 413-525234)
 - o 1c Promotion Date: 2/22/2017
 - o OIG Inspection Date: 3/1/2017
 - o Current Step: 10-Reconciled
 - o Days in Inventory: 71 Days
 - o Vendor still being utilized: Yes
 - o Deficiencies Noted:
 - Debris in the yard
 - BLM Response: Review of Initial Services does not show beer can present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind. Brush debris should have been addressed.
 - Disconnected downspout extension
 - BLM Response: Should have been addressed.
 - Unmarked trip hazard – exposed carpeting tack strips
 - BLM Response: Should have been addressed.
 - Cracked window not taped
 - BLM Response: Should have been addressed.

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Comment 9

- Dirty ceiling fan
 - BLM Response: Should have been addressed.
- 16.) [REDACTED] (FHA Case Number 413-447190)
 - 1c Promotion Date: 2/23/2017
 - OIG Inspection Date: 3/1/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 57 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Debris in the yard
 - BLM Response: Review of Initial Services does not show screwdriver or strike plate present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Leaking roof (284 East Markison Avenue)
 - BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
 - Water damage in attic – roof leaking above (284 East Markison Avenue)
 - BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather-related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
 - Water damage in bedroom – roof leaking above (284 East Markison Avenue)
 - BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather-related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
 - Water damage in bedroom – roof leaking above (284 East Markison Avenue)

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- Dirty ceiling fan
 - BLM Response: Should have been addressed.
- 16.) [REDACTED] (FHA Case Number 413-447190)
 - 1c Promotion Date: 2/23/2017
 - OIG Inspection Date: 3/1/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 57 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Debris in the yard
 - BLM Response: Review of Initial Services does not show screwdriver or strike plate present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Leaking roof (284 East Markison Avenue)
 - BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
 - Water damage in attic – roof leaking above (284 East Markison Avenue)
 - BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather-related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
 - Water damage in bedroom – roof leaking above (284 East Markison Avenue)
 - BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather-related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
 - Water damage in bedroom – roof leaking above (284 East Markison Avenue)

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- BLM Response: Upon review of the HPIR and Initial Services, the roof appears to have been in good condition without any signs of damage or interior leaks. There were no weather-related issues that would have lead BLM to believe that there would have been an active leak present. Vendor noted that they "Inspected peaks, valleys, ridge lines/caps, chimneys, soffits, decking, boots and vents all pass no deficiencies found".
- Unmarked trip hazard (286 East Markison Avenue)
 - BLM Response: Trip hazard should have been marked.
- Improperly installed handrail (286 East Markison Avenue)
 - BLM Response: Handrail should have been installed with spacers.
- Sign-in sheet – one sheet for a multi-unit property
 - BLM Response: There should be multiple sign in sheets for each unit.
- 17.) [REDACTED] (FHA Case Number 413-322686)
 - 1c Promotion Date: 2/23/2017
 - OIG Inspection Date: 3/1/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 60 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Debris in the yard
 - BLM Response: Review of Initial Services does not show debris present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Downspout not attached
 - BLM Response: Downspout should have been attached.
 - Unsecured gutter
 - BLM Response: Gutters should have been secured.
 - Handrail does not extend the entire length of the stairway down to the basement.
 - BLM Response: Handrail should have been extended.
 - Standing water in the basement
 - BLM response: Property was promoted to 1c without standing water. Sump pump was in working condition and electricity was on.
 - No electricity to sump pump #1
 - BLM response: Property was promoted to 1c without standing water. Sump pump was in working condition and electricity was on.
 - Debris in sump pump #1
 - BLM response: Property was promoted to 1c without standing water. Sump pump was in working condition and electricity was on.

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	<ul style="list-style-type: none">▪ Sump pump #2 not working<ul style="list-style-type: none">• BLM response: Property was promoted to 1c without standing water. Sump pump was in working condition and electricity was on.▪ No electricity to sump pump #2<ul style="list-style-type: none">• BLM response: Property was promoted to 1c without standing water. Sump pump was in working condition and electricity was on.▪ Uncovered electrical outlet<ul style="list-style-type: none">• BLM Response: Outlet should have been covered.
	<ul style="list-style-type: none">• 18.) [REDACTED] (FHA Case Number 413-476605)<ul style="list-style-type: none">○ 1c Promotion Date: 2/23/2017○ OIG Inspection Date: 3/2/2017○ Current Step: 10-Reconaled○ Days in Inventory: 54 Days○ Vendor still being utilized: Yes○ Deficiencies Noted:<ul style="list-style-type: none">▪ No Deficiencies Noted.
	<ul style="list-style-type: none">• 19.) [REDACTED] (FHA Case Number 411-403841)<ul style="list-style-type: none">○ 1c Promotion Date: 2/22/2017○ OIG Inspection Date: 3/2/2017○ Current Step: 10-Reconaled○ Days in Inventory: 127 Days○ Vendor still being utilized: Yes○ Deficiencies Noted:<ul style="list-style-type: none">▪ Debris in the yard<ul style="list-style-type: none">• BLM Response: Review of Initial Services does not show debris present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.▪ Unmarked trip hazard<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Missing balusters – no protection from the opening below.<ul style="list-style-type: none">• BLM Response: Access should have been blocked off.▪ Dirty windowsill – dead insects<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Cobwebs<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Nails sticking out wood framing in the basement<ul style="list-style-type: none">• BLM Response: Should have been addressed.▪ Standing water in the basement

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Comment 9

- BLM Response: Standing water was not present at time of 1c promotion. Appears to be a condition change.

- 20.) [REDACTED] (FHA Case Number 411-374195)
 - o 1c Promotion Date: 2/22/2017
 - o OIG Inspection Date: 3/2/2017
 - o Current Step: 8-Sales Offer
 - o Days in Inventory: 138 Days
 - o Vendor still being utilized: No
 - o Deficiencies Noted:
 - Debris in the yard
 - BLM Response: Review of Initial Services does not show debris present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind. Brush debris should have been removed.
 - Unmarked trip hazard
 - Trip hazards should have been marked. Staples should have been removed.
 - No electricity to sump pump
 - Uncapped electrical wires
 - BLM Response: Wires appear to not be exposed and still in sheathing.

- 21.) [REDACTED] (FHA Case Number 411-442471)
 - o 1c Promotion Date: 2/22/2017
 - o OIG Inspection Date: 3/2/2017
 - o Current Step: 10-Reconciled
 - o Days in Inventory: 116 Days
 - o Vendor still being utilized: Yes
 - o Deficiencies Noted:
 - No Deficiencies Noted.

- 22.) [REDACTED] (FHA case number 411-285939)
 - o 1c Promotion Date: 2/23/2017
 - o OIG Inspection Date: 3/2/2017
 - o Current Step: 10-Reconciled
 - o Days in Inventory: 73 Days
 - o Vendor still being utilized: Yes
 - o Deficiencies Noted:
 - No Deficiencies Noted.

- 23.) [REDACTED] (FHA case number 411-390992)

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Evaluation**

Comment 9

Auditee Comments

- o 1c Promotion Date: 2/22/2017
- o OIG Inspection Date: 3/2/2017
- o Current Step: 10-Reconciled
- o Days in Inventory: 100 Days
- o Vendor still being utilized: No
- o Deficiencies Noted:
 - Bird nest in exterior light fixture above front door
 - BLM Response: Should have been addressed.
 - Exterior: missing electrical outlet cover
 - BLM Response: Should have been addressed.
 - Unmarked trip hazard: uneven flooring boards on balcony
 - BLM Response: Should have been addressed.
 - Interior: Missing electrical outlet / switch cover
 - BLM Response: Wires appear to be capped and do not pose an electrical hazard.
 - Interior: Unmarked trip hazard: Missing flooring and loose tiles
 - BLM Response: Should have been addressed.
 - Interior: Unmarked trip hazard: Missing flooring
 - BLM Response: Should have been addressed.

• 24.) [REDACTED] (FHA case number 411-403945)

- o 1c Promotion Date: 2/22/2017
- o OIG Inspection Date: 3/3/2017
- o Current Step: 10-Reconciled
- o Days in Inventory: 100 Days
- o Vendor still being utilized: Yes
- o Deficiencies Noted:
 - Missing guardrails on porch that is approximately 24 inches above the ground
 - BLM Response: Local codes require a guardrail when there is a porch or deck 30+ inches above the ground.
 - Extension not attached to downspout.
 - BLM Response: Downspout appears to be serving purpose and diverting water away from the home.
 - Exposed screws in front of storage shed
 - BLM Response: This should have been addressed.
 - Exposed nails underneath rail on porch (front porch)
 - BLM Response: This should have been addressed.
 - Exposed screws on rear deck
 - BLM Response: This should have been addressed.
 - Leaves/ tree branches in the gutter
 - BLM Response: This should have been addressed.

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Auditee Comments

- Bird nest
 - BLM Response: This should have been addressed.
- Missing electrical outlet cover in detached garage
 - BLM Response: This should have been addressed.
- Not in broom-swept condition: Dirty ceiling fans (3)
 - BLM Response: This should have been addressed.
- Missing handrails leading to basement
 - BLM Response: This should have been addressed.
- Damaged soffit
 - BLM Response: Damaged soffit does not appear to be allowing environmental elements or animals into the property.
- 25.) [REDACTED] (FHA case number 411-394966)
 - 1c Promotion Date: 2/22/2017
 - OIG Inspection Date: 3/3/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 57 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Debris / Trash in yard
 - BLM Response: Review of Initial Services does not show soda can present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Exposed nail / screw in exterior stair
 - BLM Response: Screw should have been removed.
- 26.) [REDACTED] (FHA case number 411-473486)
 - 1c Promotion Date: 2/22/2017
 - OIG Inspection Date: 3/3/2017
 - Current Step: 10-Reconciled
 - Days in Inventory: 85 Days
 - Vendor still being utilized: Yes
 - Deficiencies Noted:
 - Debris / Trash in yard
 - BLM Response: Review of Initial Services does not show soda can present. Unable to determine location from OIG photos. Vacant properties tend to have trash left by neighbors or blown in from wind.
 - Debris / Personal item (winch machine) in garage
 - BLM Response: Winch appears to be bolted down and possibly adds value to the home.
 - Unmarked trip hazard: (bolts in drive way)

Auditee Comments

Ref to OIG Evaluation

Comment 9

- BLM Response: Should have been addressed.
- Flooded crawlspace
 - BLM Response: Crawlspace was not flooded at time of 1c promotion. Appears to be a change in condition.
- Not in broom-swept condition: Dirty ceiling fans
 - BLM Response: Should have been addressed.
- Mold-like substance on window frames (less than 25 square feet)
 - BLM Response: Mold was addressed in another room of the property on the HPIR.
- 27.) [REDACTED] (FHA case number 413-607648)
 - o 1c Promotion Date: 2/22/2017
 - o OIG Inspection Date: 3/3/2017
 - o Current Step: 10-Reconciled
 - o Days in Inventory: 95 Days
 - o Vendor still being utilized: No
 - o Deficiencies Noted:
 - No deficiencies observed at this property.

Comment 10

V. BLM Response to OIG Routine Property Observations

BLM has thoroughly reviewed the OIG inspection results of the 88 properties for Routine Property Observations. BLM contests some of the issues noted at the properties visited by OIG can be due to property condition changes as well as OIG noting issues that are not considered a contractual obligation in the Performance Work Statement (PWS). Many other entities visit these properties throughout their time in the BLM and HUD inventory including, but not limited to asset managers, local listing brokers, potential home buyers, and other real estate agents. BLM can only ensure that properties are properly maintained in ready to show condition on their routine inspection visits and when they are notified of a potential issue. The potential issues or deficiencies that occur between routine inspections can be outside of BLM's control.

Comment 11

BLM does recognize that there were some routine inspections that were not completed correctly and did not leave the property in ready to show condition. BLM has taken corrective action to address the situation as a result of various internal reviews and OIG audit findings. BLM will continue to work with internal staff as well as subcontractors to ensure high quality of routine inspections. From 2/02/2016 (date of BLM's first property assignment in the 4P area) to 7/12/2017, BLM has had 5,688 HUD Vacant properties in the HUD inventory. Of those 5,688 properties, only 323 of those have been noted as Not Maintained in Ready to Show Condition (step 2-7), which equates to 5.68%, which means that 94.32% have been deemed maintained in Ready to Show Condition by the asset manager (Sage Acquisitions).

Auditee Comments

Ref to OIG Evaluation

Comment 11

Comment 12

Total HV Properties in BLM Inventory thru 7/12/2017	Properties Noted as Not Maintained in Ready to Show Condition (step 2-7)	Percent Noted as Not Maintained in Ready to Show Condition (step 2-7)	Percent Noted as Maintained in Ready to Show Condition (step 2-7)
5688	323	5.68%	94.32%

BLM has put into place a variety of processes and procedures to curb quality issues at time of routine inspections as a result of data gained from HUD OIG's notes and findings that can be found in BLM's Corrective Action Plan

BLM Response to Specific OIG Routine Property Observations

- 1) [REDACTED] (FHA Case Number 412-487706)
 - Deficiencies Noted: Debris inside and out, dirty floor, missing outlet cover, drain hole not covered
 - BLM Response: Property has sold. On Dec 15th a WON was entered for the above items but not completed due to the property selling.

- 2) [REDACTED] (FHA Case Number 412-758879)
 - Deficiencies Noted: Small window in glass block not secured, debris in sump pump
 - BLM Response: Property has sold. The window in question appears closed on the initial service, and vandalism work order on 11/18 but there are not photos of it on the following routines. Property sold immediately following OIG visit.



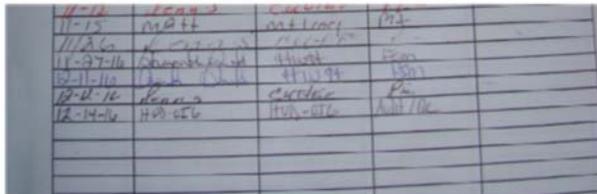
- 3) [REDACTED] (FHA Case Number 412-532456)
 - Deficiencies Noted: unsecured hatch, trip hazard (threshold)
 - BLM Response: Property has sold. BLM would not normally consider a threshold a trip hazard. No photo of hatch can be found on routines or initial services.

- 4) [REDACTED] (FHA Case Number 412-652706)
 - Deficiencies Noted: Property unsecured
 - BLM Response: Property has sold. Vendor on previous routine confirmed property was secure. Sign in sheet show someone at property between BLM and OIG.

Ref to OIG Evaluation

Comment 12

Auditee Comments



5) [REDACTED] (FHA Case Number 412-517452)

- Deficiencies Noted: Property unsecured
- BLM Response: Property has sold. Vendor was there day before and confirmed home was secure on routine. Often people, not associated with BLM, are in the home and do not use the sign in sheet.



6) [REDACTED] (FHA Case Number 412-635093)

- Deficiencies Noted: trip hazard, cob webs, insulation on floor, toilets no antifreeze, wires on the outside
- BLM Response: Property has sold. OIG was at the property on Dec 14th. BLM switched routine vendors to do a QC on properties. Items found by OIG were also identified by routine vendor on Dec 13th and a WON was entered where all of the OIG items as well as others were remedied by new routine vendor. WON was completed on Dec 22nd.

Work Order #	Work Order Type	Case #	Vendor	Status	Issued On	Date On	Completed On	Job Cost	County	State	Contract Area
03213231	Routine Inspection	412-635093	Heib Hall	Completed	12/5/2015	12/15/2015	12/13/2016	\$25.90	SUMMIT	OH	4P
# (R/INSPWO)- HUD REO Bi-Weekly: Independent Contractor agrees to supply all equipment, tools, materials, transportation.											
03264263	WON	412-635093	Heib Hall	Approved	12/15/2016	12/19/2016	12/22/2016	\$25.90	SUMMIT	OH	4P
# a) power on arrival b) A/C on the furnace is gone or gutted. Along with the plumbing to them. c) Villenization compris											
03293089	Routine Inspection	412-635093	Heib Hall	Completed	12/24/2016	12/29/2016	12/27/2016	\$25.90	SUMMIT	OH	4P

7) [REDACTED] (FHA Case Number 412-418025)

- Deficiencies Noted: Leaves and trash under porch and in gutters, kitchen counters dirty, bedroom wall dirty

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Comment 12

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- BLM Response: Property has sold. Leaves were cleaned at the property on initial service but the area under the porch and gutters appear to be missed. There is a photo of the kitchen counter being cleaned but obviously it was not done well. Bathroom wall is questionable as to if it is something we would address. This vendor is doing a good job today. The QC from OIG was sent to them as a reminder to not miss these items or document things that would not come clean.

8) [REDACTED] (FHA Case Number 412-556767)

- Deficiencies Noted: Dirty fan, unsecured shed, unwinterized toilet
- BLM Response: Property has sold. Fans were cleaned on the initial service and appear to be in good condition on the routine photos. OIG photo does show some dust requiring a refresh. Shed is not really a shed and has missing wood on the doors. There is a second shed on the property. The shed in question is less than 5 feet high and may be a wood box. The toilet is compromised and vendor took photos of it but didn't fix it. Vendor has been communicated with concerning expectations on routines.

9) [REDACTED] (FHA Case Number 412-624093)

- Deficiencies Noted: Leaves in the yard, wires exposed, dirty light fixture, trip hazard on a transition and flooring
- BLM Response: Property has sold. Leaves were cleaned on the initial service. Several routines have snow on the ground. Wires do not have any exposed ends. There is nothing to do. The light fixture does have some dust, the transition should have been marked but the floor is not something we would typically mark.



10) [REDACTED] (FHA Case Number 412-541056)

- Deficiencies Noted: damaged soffit and exposed wires
- BLM Response: Property has sold. The soffit is not something we would repair. No photos of the exposed wire.

11) [REDACTED] (FHA Case Number 412-591923)

- Deficiencies Noted: Exterior is not maintained, dirty light fixture, uncapped garage wires, trip hazard in basement

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- BLM Response: Property has sold. Yard maintenance completed on Dec 5th. Not sure where the OIG photos were taken but photos for work order look pretty good. Looks pretty good on initial service as well too. Cannot see basement floor or wires in garage.



12) [REDACTED] (FHA Case Number 412-360143)

- Deficiencies Noted: Holes in floor, missing switch plate, outlet out of the wall, disconnected downspout, metal trip hazard
- BLM Response: Property has sold. The holes in the floor are not large enough to be hazards. The switch plate is missing. The outlet is coming out of the wall but all wires are connected, the downspout appears to be damaged but does not appear to affect the water flow, cannot tell where the metal trip hazard is to address.



13) [REDACTED] (FHA Case Number 412-597752)

- Deficiencies Noted: Unsecure shed, drain hole, shelving in garage, damaged pool
- BLM Response: Property has sold. Shed was locked and secure on initial service, drain hole could have been marked but does have a cover and not large enough for a foot, shelving in garage is attached and would not be removed, the damaged pool is not something we would address.



14) [REDACTED] (FHA Case Number 412-463432)

- Deficiencies Noted: Dirty bathroom fixture, debris on exterior and interior, exposed wires
- BLM Response: Property has sold. Exterior debris found under the snow. Exposed wires were addressed with caps. Light fixture and interior debris needed to be addressed.

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- 15) [REDACTED] (FHA Case Number 412-716226)
- Deficiencies Noted: dirty spots on floor (they call it rodent feces, looks like dead bugs) outlet out of the wall, carpet ripples, cobweb
 - BLM Response: Property has sold. Carpet ripples are not a trip hazard. Outlet's exposed wires are capped. The cobweb can happen overnight. The debris on the floor needed to be addressed.

- 16) [REDACTED] (FHA Case Number 412-600855)
- Deficiencies Noted: No Issues
 - BLM Response: Property has sold.

- 17) [REDACTED] (FHA Case Number 411-469342)
- Deficiencies Noted: Exterior has leaves, bees nest, broken fence board, swimming pool cover pushed back, shed unsecure, downspout disconnected, uncapped electrical wire on the exterior, exterior electrical box (says uncovered), drywall dust on stairs, panel coming off wall, ceiling tile on floor, mold in basement
 - BLM Response: Property has sold. Exterior had leaves and these were under snow and could not be addressed. Leaves were clean on initial service. Broken fence board is not something that we would address, swimming pool cover was on during prior inspection, shed was secure on initial service, downspout was disconnected, there was a cut wire needing caps coming out of conduit on the exterior, the exterior electrical box is fine as it is in a box meant to be used on the outside of a home, debris on stairs and floor was cleaned on next routine as well as ceiling tile. The mold is questionable.



- 18) [REDACTED] (FHA Case Number 411-320989)
- Deficiencies Noted: leaves, tack strip and uncovered vents, old FSM sign
 - BLM Response: CS property still in inventory. Leaves look good on yard maintenance work order completed 1/2/17. Initial service has not been completed and tack strip and vent covers not addressed as these are not considered immediate health and safety issues. Cannot tell where old FSM sign was and did not see on BLM routines.

- 19) [REDACTED] (FHA Case Number 411-411019)
- Deficiencies Noted: loose carpet, outlet with tape rather than cover

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- BLMResponse: Property has sold. Neither of these items are documented in BLM photos. Both should be addressed.

20) [REDACTED] (FHA Case Number 411-375900)

- Deficiencies Noted: Leaves, yard debris, broken window, water in home
- BLMResponse: Property is still in inventory. It went from CS to HV on 12/3/17. Leaves and gutters were clear and pictures are in the initial service, property appears to be dry both before and after OIG visit, do not see broken window and cannot tell where it is. ACT was entered for current vendor to verify no windows are broken. No broken windows were found.



21) [REDACTED] (FHA Case Number 411-437568)

- Deficiencies Noted: No issues
- BLMResponse: Property has sold

22) [REDACTED] (FHA Case Number 411-421118)

- Deficiencies Noted: Unsecured garage door, damaged handrail, uncovered electrical outlets, no power to sump, graffiti
- BLMResponse: Property has sold. No close-up photos in our file to see garage lock, handrail appears to still be functional, outlets need covered although we have no photos, no verification of power to sump, vendor reminded to call from site. Graffiti is words but not considered something we would cover.

23) [REDACTED] (FHA Case Number 411-349111)

- Deficiencies Noted: Leaves, debris under deck, water cover broken, no power to sump
- BLMResponse: CS property left inventory middle of January. Debris would not have been removed, yard maintenance was not kept up, crack water meter cap (very small kind), would not have been addressed by BLM. Vendor not with us any longer.

24) [REDACTED] (FHA Case Number 411-389959)

- Deficiencies Noted: Leaves, slider not closing properly, missing stairs, graffiti, missing outlet covers

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- BLM Response: Property has sold. Leaves were clean the end of November, no photos in our files of slider or graffiti. Graffiti should be addressed as well as missing covers. The stairs is something we would not address.

25) [REDACTED] (FHA Case Number 412-532516)

- Deficiencies Noted: pond fencing collapsing, trip hazard, exposed electrical wire, uncapped electrical wires,
- BLM Response: Property has sold. Pond fencing was still marking the trip hazard. It continued to fall and was called out on a QC inspection and was repaired via an ACT work order prior to OIG results. The trip hazard was not what would be deemed a trip hazard it was trim coming loose from the wall, the exposed wire would not be addressed as the ends were secure in outlet fixture. Uncapped wires should have been addressed although they were covered with electrical tape.

#	Work Order Type	Case #	Vendor	Status	Issued On	Due On	On	Cost	County	State	Area
03570741	ACT Level 3 - 48 Hour Response	412-532516	All Pro Construction	Completed	3/8/2017	3/8/2017	3/6/2017	\$0.00	CRAWFORD	OH	4P
† Remove debris from small pool in yard and reinstall orange mesh fence Independent Contractor agrees to supply all equip.											
03523612	Routine Inspection	412-532516	All Pro Construction	Completed	3/29/2017	3/23/2017	3/23/2017	\$25.00	CRAWFORD	OH	4P
† (RINSPYD) HUD REQ Bi-Weekly. Independent Contractor agrees to supply all equipment, tools, materials, transportation.											

26) [REDACTED] (FHA Case Number 412-726242)

- Deficiencies Noted: debris in yard, broken handrail, uneven concrete, door screwed shut, basement mold, uncovered electrical wires
- BLM Response: Property has sold. Debris should be removed on each routine and can pile up between routines. Broken handrail was not addressed. Uneven concrete would not have been addressed. Basement mold does not appear to have been an issue on HPIR/Initial, no idea why door was screwed shut. Electrical wires should have been capped.

27) [REDACTED] (FHA Case Number 412-634889)

- Deficiencies Noted: No electricity to sump pump
- BLM Response: Property has sold. Routines before and after OIG visit state power is on and sump pump works. Meter photos show power is on.

Sump Pumps (Flooding)

g. Is Sump Pump On Site? Yes No N/A

h. Is The Power On? Yes No N/A

i. Is The Sump Pump Operational? Yes No N/A

j. Is The Crawl Space Flooded? Yes No N/A

k. How Many Inches of Water In Crawl?

l. What Is The Source Of Crawl Water?

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28)	[REDACTED] (FHA Case Number 412-535593)	<ul style="list-style-type: none">• Deficiencies Noted: uncovered hole in ground, hole in wall with debris, dirty window sill, outlet covers broken, sump pump no electricity• BLM Response: Property has sold. Power appears to not be on. Other issues would have needed to be addressed.
29)	[REDACTED] (FHA Case Number 412-494638)	<ul style="list-style-type: none">• Deficiencies Noted: unsecured bottom step, missing outlet cover• BLM Response: Property has sold. No pictures or mention of step. Outlet cover was not replaced
30)	[REDACTED] (FHA Case Number 412-687426)	<ul style="list-style-type: none">• Deficiencies Noted: downspout disconnected, debris in dishwasher, tack strip, dirty floor• BLM Response: Property has sold. All items are found on property. Vendor no longer working with BLM.
31)	[REDACTED] (FHA Case Number 412-664532)	<ul style="list-style-type: none">• Deficiencies Noted: Debris pile of paper behind door, clean top of frig• BLM Response: Property has sold. Neither evidence of paper nor evidence of it being thrown away.
32)	[REDACTED] (FHA Case Number 412-658075)	<ul style="list-style-type: none">• Deficiencies Noted: toilet not winterized, out leaning from wall, debris in dishwasher, door screwed shut, dirty ceiling fan, water in basement• BLM Response: Property has sold. All items appear to be an issue. No photos to confirm or deny paper in basement. Vendor no longer working for BLM.
33)	[REDACTED] (FHA Case Number 412-567270)	<ul style="list-style-type: none">• Deficiencies Noted: Uncovered electrical outlet• BLM Response: Property has sold. Outlet was half covered should have used appropriate plate.
34)	[REDACTED] (FHA case number 412-411602)	<ul style="list-style-type: none">• Deficiencies Noted: bushes not trimmed, graffiti on garage door, vines on home, broken window, debris in basement, toilet drains need capped, water in basement• BLM Response: Property has sold. Water was pumped out of basement on multiple occasions both before and after OIG. Other items did exist; again, vendor is no longer with BLM.

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0330716	Routine Inspection	412-41662	Ohio Preservation Reclamation Services (OPRS)	Completed	12/27/2016	1/2/2017	1/2/2017	\$25.00	LUCAS OH	4P	Act
<p>↑ (RINSPWO)- HUD REO Bi-Weekly. Independent Contractor agrees to supply all equipment, tools, materials, transportation.</p>											
03308717	Health and Safety WCN	412-41662	Ohio Preservation Reclamation Services (OPRS)	Completed	12/28/2016	12/29/2016	12/29/2016	\$25.00	LUCAS OH	4P	Act
<p>↑ looks like basement is flooded. Not shown on last routine. Please return, check drain and remove any water is there.</p>											
03357025	Routine Inspection	412-41662	Ohio Preservation Reclamation Services (OPRS)	Completed	1/9/2017	1/19/2017	1/19/2017	\$25.00	LUCAS OH	4P	Act
<p>↑ (RINSPWO)- HUD REO Bi-Weekly. Independent Contractor agrees to supply all equipment, tools, materials, transportation.</p>											

35) [REDACTED] (FHA Case Number 412-493104)

- Deficiencies Noted: debris in yard, missing cover, missing caps on wires, dirty bathroom floor
- BLM Response: Property has sold. QC was completed and there were a lot of limbs that need to be removed. All other items appear to be an issue. Vendor is no longer working with BLM.

36) [REDACTED] (FHA Case Number 412-561945)

- Deficiencies Noted: No Issues found
- BLM Response: Property has sold.

37) [REDACTED] (FHA Case Number 412-661552)

- Deficiencies Noted: No Issues Found
- BLM Response: Property has sold.

38) [REDACTED] (FHA Case Number 412-620804)

- Deficiencies Noted: debris in sump, uncovered outlet, uncapped wires
- BLM Response: Property has sold. No routines after OIG visit.

39) [REDACTED] (FHA Case Number 412-515316)

- Deficiencies Noted: unmarked exterior trip hazards, missing outlet covers, exterior door with caulk, hole in roof
- BLM Response: Property has left our inventory. . no evidence of hole in roof – no leaking water, caulk does not appear to keep door from opening, no photos showing covers added or exterior breaks in concrete marked.

40) [REDACTED] (FHA Case Number 412-632250)

- Deficiencies Noted: exterior not maintained, gutter pulling away, trip hazards not marked
- BLM Response: Property is held off market. ACT was entered to address above concerns.

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Item ID	Description	Status	Start Date	End Date	Amount	Agency	Comments
02054919	ACT Level 4 - Complete on road Routine	Completed	6/19/2017	7/12/2017		SENECA OH 4P	
03074147	Yard Maintenance	Approved	6/23/2017	7/29/2017	\$25.00	SENECA OH 4P	

- 41) [REDACTED] (FHA case number 413-502284)
- Deficiencies Noted: leaves and limbs in yard, cans in shed, outlets not covered, unmarked trip hazard, bees nest, cob webs, falling ceiling tile, insulation has fallen, exposed wires
 - BLM Response: Property has sold. Leaves were cleaned in yard maintenance work order on Dec 4th. Wires were capped or terminated. BLM does not address an appropriately covered wire. Other items not photographed by BLM vendor. Trip hazards appear to be reasonable transitions. Vendor was reminded about documenting everything on routine and making sure home is in RTS condition.



- 42) [REDACTED] (FHA case number 411-452165)
- Deficiencies Noted: Leaves and trip hazard
 - BLM Response: Property has sold. Leaves were cleaned on Dec 12th. BLM does not consider the bar area to be a trip hazard. A trip hazard is something that is unexpected. This is a step up and a different type of flooring. It stands out on its own.



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- 43) [REDACTED] (FHA case number 411-349650)
- Deficiencies Noted: damaged soffit, exterior debris, broken window
 - BLM Response: Property has sold. Damaged soffit would not be repaired, snow was covering ground on last routine so debris would have been missed, broken window was indicated on routine form but not called in, vendor has been instructed to change this practice.

- 44) [REDACTED] (FHA case number 411-470160)
- Deficiencies Noted: exterior debris, gutters full, exterior trip hazard, uncovered outlets, rear door lock, un capped copper lines
 - BLM Response: Property has sold. Exterior debris can be new. Gutters cleaned on the 12th. OIG is not seeing full gutters just dirty. Exterior trip hazard is just a crack; rear door was repaired on Dec 24th. Deadbolt was working. Outlets should have been covered. Capping water lines is not something we would do, considered a repair.



- 45) [REDACTED] (FHA case number 411-356072)
- Deficiencies Noted: Exterior debris, overgrown bush, unsecure shed, unsecure sunroom, birds nest, mud for bees
 - BLM Response: Property was a CS property no longer in inventory. In a CS property vendor is instructed to not remove anything as one person's debris could be another's important document, bees nest was not active, birds nest would not have been removed as this is an initial service item, sunroom would not have been secured it did not provide access into the home.

- 46) [REDACTED] (FHA case number 411-414595)
- Deficiencies Noted: Exterior debris, cold air return dirty, debris in attic, outlet not covered
 - BLM Response: Property has sold. All items should have been addressed.

- 47) [REDACTED] (FHA case number 411-385801)
- Deficiencies Noted: Exterior debris, downspout not connected, hole in garage, uncovered electrical outlet, unsecured handrails
 - BLM Response: Property has sold. BLM was unable to return to the property after the OIG visit. All can be changes in condition. None of these items seen on previous routines.

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48)	[REDACTED] (FHA case number 411-402250)
	<ul style="list-style-type: none">• Deficiencies Noted: Yard debris, ripped carpet, vent hole, jagged siding under door, mold, dehumidifier not plugged in, antifreeze bottle, insulation on floor, dust on fan, wires with tape not caps,• BLM Response: Property has sold. Yard debris could be property change. Carpet should have been marked but looked better during initial services, vent hole appears to be covered during initial service, jagged under door is not something BLM would address, dehumidifier does not have to be plugged in, antifreeze bottle should be discarded as well as debris on the carpet, mold appears to be a change in condition, wire should have caps.
49)	[REDACTED] (FHA case number 411-410078)
	<ul style="list-style-type: none">• Deficiencies Noted: downspout with freeing water, bolts in concrete in garage• BLM Response: Property has sold. Downspout does not appear to cause water intrusion, bolts in garage should be marked but cannot tell exactly where they are
50)	[REDACTED] (FHA case number 411-515624)
	<ul style="list-style-type: none">• Deficiencies Noted: gutter not extended from home, outlet cover missing, stained carpet, debris in cabinet, active leak from hot water heater, toilet not winterized, birds nest behind light and in soffit• BLM Response: Property has sold. Gutter fine as long as water not entering home, outlet cover needs replaced, carpet being stained is not something BLM would address, debris should be removed, no evidence of active leak and hot water heater has a cap, toilet possibly not winterized due to testing, birds' nests should be removed
51)	[REDACTED] (FHA case number 411-541970)
	<ul style="list-style-type: none">• Deficiencies Noted: No deficiencies• BLM Response: Property has sold
52)	[REDACTED] (FHA case number 411-350162)
	<ul style="list-style-type: none">• Deficiencies Noted: long grass and exterior debris, debris in gutter, exposed wiring, rear door unsecured, trip hazard• BLM Response: Property has sold. Grass was cut and maintained the end of November; the yard maintenance in December has the ground covered in snow. Property sold immediately after. Debris should have been removed. Wiring is appropriately capped; unsecure rear was a result of forced entry and was repaired. The trip hazard should have been marked.

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53) [REDACTED] (FHA case number 411-461544)

- Deficiencies Noted: yard debris, loose gutter, uncovered electrical outlets and switches, open wire, debris in the house, tack strip
- BLM Response: Property has sold. Yard debris should have been removed and switches and outlets covered, tack strip removed and wires capped. The loose gutter is not something BLM would address.

54) [REDACTED] (FHA case number 411-386540)

- Deficiencies Noted: Bushes need to be cut, yard debris, soiled carpet, uncovered outlet, electric on, mold on wall, carpet rolls, loose floor tiles, rotten floor by tub, loose ceiling tiles
- BLM Response: Property has sold. OIG has wrong case number, should be 411-365017. Bushes could be neater but believed to be off the home. Debris can be a change in condition. Soiled carpet is not addressed by FSM. Uncovered outlet should be addressed. The electric being on is not an issue. Mold was addressed with bleach prior to OIG. Carpet rolls and floor tiles were marked. Rotten floor would not be addressed by FSM. Ceiling tiles to not appear to be a threat of falling.



55) [REDACTED] (FHA case number 411-428660)

- Deficiencies Noted: landscaping not maintained (debris), debris in home, writing on window, tack strip, peeling ceiling, falling ceiling tile
- BLM Response: Property has sold. Appears to be a change with the items in the yard, all else should be addressed.

56) [REDACTED] (FHA case number 411-517735)

- Deficiencies Noted: Dirty fan, missing outlet cover
- BLM Response: Property has sold. Items should have been addressed.

57) [REDACTED] (FHA Case Number 413-499430)

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	<ul style="list-style-type: none">• Deficiencies Noted: Outlets uncovered, wire needs caps, uncovered piece of tack strip, board with nail behind kitchen door• BLM Response: Property has not had initial service and is waiting for reconveyance.
58)	<p>██████████ (FHA Case Number 413-402622)</p> <ul style="list-style-type: none">• Deficiencies Noted: Exterior debris, bushes trimmed, gutters emptied, trip hazards, roof leak, water in basement, broken window, uncovered outlet, ceiling tile hanging• BLM Response: Property has sold. Most recent yard maintenance property was covered in snow. Ceiling tile not in danger of falling. Windows should be addressed and uncovered outlet.
59)	<p>██████████ (FHA Case Number 412-463552)</p> <ul style="list-style-type: none">• Deficiencies Noted: Uncovered outlets, linoleum trip hazards, inaccessible lock on shed• BLM Response: At the time property had not had a completed initial service. Outlets covered and trip hazards marked during initial service. Shed does not belong to property.
60)	<p>██████████ (FHA Case Number 412-538011)</p> <ul style="list-style-type: none">• Deficiencies Noted: uncovered outlets, dirty frig, dead bird, broken glass, hole in floor• BLM Response: Property is no longer in inventory. Initial services have not been completed. It left to be reconveyed back to the bank.
61)	<p>██████████ (FHA Case Number 412-745418)</p> <ul style="list-style-type: none">• Deficiencies Noted: Uncovered outlet, birds nest, water on floor, tack strip, ceiling tiles loose, loose handrail• BLM Response: Property has sold. No evidence these items were addressed but they should have been.
62)	<p>██████████ (FHA case number 413-477337)</p> <ul style="list-style-type: none">• Deficiencies Noted: concrete stairs crumbling, porch railing has no vertical members, unsecure door, unsecure window, cobwebs, uncovered outlet, trip hazard, loose linoleum• BLM Response: Property has sold. Stairs should have been blocked. Porch railing was fine as is. Door appeared to be secure. Window not a continued issue. Outlet should have been covered and trip hazards addressed.
63)	<p>██████████ (FHA Case Number 413-464797)</p> <ul style="list-style-type: none">• Deficiencies Noted: Dead bugs, unwinterized toilet, graffiti, cellar hatch, un marked trip hazards, uncovered outlet,• BLM Response: Property has sold. Cellar hatch appears to be secured. This is how vendor gained access. Possible toilet was unwinterized for seller. Other items should have been addressed.

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64) [REDACTED] (FHA Case Number 413-565320)

- Deficiencies Noted: no deficiencies
- BLM Response: Property has sold

65) [REDACTED] (FHA Case Number 413-512105)

- Deficiencies Noted: Garage door damaged and could not enter, broken window on garage, loose linoleum
- BLM Response: Property has sold. Garage was accessible on HPIR. Broken window and linoleum needed to be addressed.



66) [REDACTED] (FHA Case Number 413-522903)

- Deficiencies Noted: Mold, unsecure garage door
- BLM Response: Property has sold. 25 SQFT of mold was addressed on initial service. Garage appears secure.



67) [REDACTED] (FHA case number 411-386540)

- Deficiencies Noted: Switch missing cover
- BLM Response: Property has sold. Switch cover should be added

68) [REDACTED] (FHA case number 411-403612)

- Deficiencies Noted: Trip hazards, uncovered dryer vent, outlet coming out of wall
- BLM Response: Property has sold. Trip hazards referenced are not trip hazards, vent needs to be covered, outlet not an issue.

69) [REDACTED] (FHA case number 411-398025)

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- Deficiencies Noted: debris in the home, uncovered electrical outlet
- BLM Response: Property has sold. Debris appears to be in basement. Not shown on previous photos. Might have been removed by new owner.

70) [REDACTED] (FHA case number 411-334698)

- Deficiencies Noted: Mold in basement, debris on carpet, uncovered electrical outlets
- BLM Response: Property has sold. These issues should have been addressed. The mold does appear to be a condition change since the initial service.

71) [REDACTED] (FHA case number 411-372084)

- Deficiencies Noted: debris in the home, uncovered outlets, remaining pad and tack strip
- BLM Response: Property has sold. Because of these reviews this contractor will no longer be completing initial services.

72) [REDACTED] (FHA case number 411-385733)

- Deficiencies Noted: wood structure to be removed, damaged screen door handle, sticker on door, dirty baseboard, tack strip, outlet cover broken, unmarked trip hazards
- BLM Response: Property has sold. The wood structure would not have been removed as it was attached and permanent. The screen door handle didn't keep the door from functioning, the sticker on the door was not graffiti, a few of the trip hazards were not hazards but appropriate transitions. The drain should have been marked, the outlet cover should have been replaced and the tack strip should have been removed.

73) [REDACTED] (FHA case number 411-488068)

- Deficiencies Noted: leaves in the gutter and stairwell, missing or broken outlet covers, graffiti on the house
- BLM Response: Property has sold. All the found issues should have been addressed.

74) [REDACTED] (FHA case number 411-379346)

- Deficiencies Noted: bush touching the home, power not on for sump
- BLM Response: Property is a HECM and has not had an initial service completed. There is a bush touching the home but the remainder of the bushes and the yard are maintained very nicely, power has been restored to the sump pump.

Sump Pumps (Flooding)	
g. Is Sump Pump On Site?	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
h. Is The Power On?	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
i. Is The Sump Pump Operational?	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
j. Is The Crawl Space Flooded?	<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> N/A
k. How Many Inches of Water in Crawl?	No <input type="text"/>
l. What Is The Source Of Crawl Water?	No <input type="text"/>

75) [REDACTED] (FHA case number 411-357383)

- Deficiencies Noted: debris in the home, uncovered outlet
- BLM Response: This is a custodial property and initial services have not been completed.

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76)	[REDACTED] (FHA case number 411-456118)	<ul style="list-style-type: none">• Deficiencies Noted: Gutters need to be cleaned• BLM Response: Property has sold. With the late fall and early snow the weather did not allow us to address the leaves before the property sold.
77)	[REDACTED] (FHA case number 411-494569)	<ul style="list-style-type: none">• Deficiencies Noted: Items in gutter, damaged soffit, garage door able to be opened too far• BLM Response: Property has sold. Property sold immediately after inspection not allowing us to address the gutters. The soffit is not something we would address. The lock should have been moved on the garage door.
78)	[REDACTED] (FHA case number 411-371622)	<ul style="list-style-type: none">• Deficiencies Noted: soffit damaged, dirty floors near baseboard• BLM Response: Property has sold. The soffit is not something we would repair unless it allows access to the home. The floors needed to be cleaned.
79)	[REDACTED] (FHA case number 411-507952)	<ul style="list-style-type: none">• Deficiencies Noted: remove deck debris, mark trip hazards, vent needs cover, power not on for sump• BLM Response: Property is closed. Deck debris needs to be removed. Some trip hazards are legitimate and need to be marked, others are not an issue, next routine indicates power is on.
80)	[REDACTED] (FHA case number 411-249726)	<ul style="list-style-type: none">• Deficiencies Noted: exterior debris, disconnect down spout, outlet cover missing, interior debris, very dirty floors• BLM Response: Property is closed. The disconnected downspout would not be repaired unless it was causing water in the basement. All other issues should have been addressed.
81)	[REDACTED] (FHA case number 411-471926)	<ul style="list-style-type: none">• Deficiencies Noted: Exterior debris, debris in sink, trip hazard• BLM Response: Property has sold. Do not see debris on next routines. Trip hazard should have been marked and debris removed.
82)	[REDACTED] (FHA case number 411-362361)	<ul style="list-style-type: none">• Deficiencies Noted: exterior debris and bushes need to be trimmed• BLM Response: This is a custodial property that left our inventory quickly after this inspection. The bushes should have been maintained but the yard debris would not have been removed as initial services were not performed.
83)	[REDACTED] (FHA case number 413-445794)	<ul style="list-style-type: none">• Deficiencies Noted: Window leak, unmarked trip hazards, outlets needs a cover, small window crack• BLM Response: Property has sold. The window does not have a leak. The water is from condensation. The window crack is very small and is likely to be due to changing weather conditions. Outlet needs a cover and trip hazards addressed.

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- 84) [REDACTED] (FHA case number 413-614752)
 - Deficiencies Noted: Exposed electrical outlets, trip hazards
 - BLM Response: Property has sold. Outlets need addressed. Do not agree areas are trip hazards.

- 85) [REDACTED] (FHA case number 413-528807)
 - Deficiencies Noted: debris, damaged front door knob
 - BLM Response: Property is a Custodial property so an initial service has not been completed. OIG says door can be pushed open but also says they used their key. An attorney notice has kept us from entering the property.

- 86) [REDACTED] (FHA case number 413-408863)
 - Deficiencies Noted: mold in basement, uncovered outlet, sump not plugged in
 - BLM Response: Property has sold. On routine prior to inspection and the routine after the inspection the vendor indicates the sump pump is operational, uncovered outlet needs to be addressed, 25 square feet of mold was addressed on the initial service

- 87) [REDACTED] (FHA case number 413-457012)
 - Deficiencies Noted: no deficiencies found
 - BLM Response: Property was a custodial property and is no longer in our inventory.

- 88) [REDACTED] (FHA case number 413-413599)
 - Deficiencies Noted: flooded basement, birds nest, cracked window, mold, uncovered septic tank
 - BLM Response: Property is a CS property still in our inventory. Basement was pumped out on the 12th. Septic Tank is covered. Initial Service has not taken place and other items have not been addressed.

VI. Previous Response to OIG Findings

BLM believes to have a complete picture and understanding of their position on the OIG findings that a previous response to OIG also needs to be included. Please consider the information below.

BLM Response to HUD OIG Survey Results
Prepared by: [REDACTED] – 4P Project Manager & [REDACTED] 4P Quality Control Manager
3/24/2017

BLM appreciates the OIG staff working with us on the audit and pointing out the below issues. While most of the issues are not contract performance requirements (found within the Performance Work Statement (PWS)), we are working to further strengthen our internal controls to avoid similar issues in the future. Below you will find our detailed response.

Introduction:

The survey objectives provided to BLM for the 4P area state that the scope is “to assess BLM Companies’ internal controls and quality control program related to its contracts with HUD and to determine if BLM Companies provided property preservation and protection services in accordance with its contracts and

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HUD requirements." BLM's internal controls, processes, and procedures are in place to ensure that BLM meets and exceeds contractual compliance per the PWS for the 4P contract area (contract number DU204SA-15-D-14). In the below review, BLM will address each section of the document provided for the "Survey Results Meeting" in regards to contractual compliance to HUD.

OIG Survey Results Comment: BLM's internal controls were not adequately implemented to ensure that it performed in accordance with its contract with HUD for preservation and protection services.

OIG Survey Results Comment: BLM required that a minimum of 75 date-stamped photographs are submitted for each routine inspection along with a clear picture of the sign-in sheet. Its work order system is supposed to identify duplicate photographs. For the 16 properties reviewed in P260 for the inspections (32) before and after our observations, we found that of the 32 inspections reports (1) 18 (56.25 percent) had less than the required 75 photographs (2) 20 (62.5 percent) contained duplicate photographs and (3) 13 (40.63) percent did not have a clear photograph of the sign-in sheet

BLM Response:

- BLM's intention was to give the contractor a goal to meet by stating 75 photos were needed. As we mention below 75 photos is not always needed to provide a good routine. BLM will be softening their language in work orders when it comes to the number of photos to give way for those instances when it is not possible to reach the required number.
- While the number of photographs per routine inspection is an internal goal, it is not specified in the PWS, nor is the number noted in the HUD approved Property Management Plan (PMP). Furthermore, there is a multitude of reasons that there would not be 75 photographs in a routine inspection work order or would have a poorer quality photo.
- Possible reasons for fewer than 75 photos include: Lead Based Paint Stabilization is taking place and the vendor is not permitted to enter the home. Only exterior photos would be provided in this case. Also, a home could be smaller in square footage and not necessarily need 75 photos to fully document the condition of the property.
 - For example: A condominium or apartment may not require the 75-photo benchmark set by BLM.
- HUD's system of record, P260, requires files to be under 20MB. Due to this reason, photos must be resized which would attribute to some sign-in sheets being of low photo quality from routine inspections.
- Per section C.5.2.3.2 of the PWS, BLM is "required to conduct routine inspections and report inspection results on FSM Property Inspection Form (Attachment 7). Notwithstanding the allowance of one day to upload documents generally, as noted elsewhere, the routine inspection reports must be uploaded within the 10th and 14th day interval. The contractor will receive credit for performing an inspection if they perform and report inspection results, upload completed FSM Property Inspection Form with photo documentation as required by HUD, completely populate all required fields in P260, and upload a copy of the sign-in sheet clearly

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identifying the FSM inspector, date, and purpose of the visit into P260 during the 10th and 14th day weekly inspection intervals.”

- o BLM is meeting or exceeding the HUD scorecard guidelines for the Q-3 metric in the 4P area.

OIG Survey Results Comment: BLM is required, on a monthly basis, to provide HUD with a quality control review report, summarizing the results of its quality control actions and findings for quality control reviews performed during the prior month. The report should also include a copy of the previous month’s communication log. However, BLM’s communication and quality control review logs did not always support what was stated in the quality control review reports for September 2016 through November 2016. For instance, 75 of the 307 properties listed in BLM’s October and November 2016 quality control review reports were not included on its supporting quality control review logs. Further, BLM reported that it had been contacted 990 times for October 2016; however, its communications log showed that BLM was contacted only 146 times. According to BLM’s quality control plan, its goal is to review a minimum of 10 percent of the total inventory in Steps 1c (ready to show condition) through 7 (preliminary offer) every month; however, BLM did not maintain supporting documentation for the inventory that it had reviewed.

BLM Response:

- BLM tracks quality control reviews both in BLM’s system of record as well as the reviewers’ production logs.
 - o Based on data pulled as of 3/8/17, BLM completed at least 10% of reviews for the entire active inventory. See the table below:

Type	Sep-16	Oct-16	Nov-16
ACT Level 1 - Emergency Response Needed	0	1	1
ACT Level 2 - 24 Hour Response	14	8	16
ACT Level 3 - 48 Hour Response	4	7	9
ACT Level 4 - Complete on next Routine	33	24	17
Quality Control - In Field QC	85	43	68
Desktop	188	103	117
Total Reviews	324	186	228
Properties in Inventory	1688	1564	1424
% of Reviews	19.19%	11.89%	16.01%

- The 990 contacts are for BLM as a whole, generally calls, emails, and voicemails are not specific to 1 contract area. While BLM tries to document full which contract area various communications relate to, this is not always a feasible option.
 - o PWS Section C.5.4.1 states “The Report shall also include a copy of the previous month’s Communication Log”, but does not note that the communications need to be specific to the given contract area.

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- In the past 3 months 4P has reviewed between 37%-40% of its active inventory. The communications log, at the request of the 4P HUD GTR, is no longer a part of the monthly QC report submitted by BLM.

Type	Dec 2016	Jan 2017	Feb 2017
ACT Level 1 - Emergency Response Needed (Not used in new report)	2	11	1
ACT Level 2 - 24 Hour Response (Not used in new report)	16	28	10
ACT Level 3 - 48 Hour Response (Not used in new report)	6	14	11
ACT Level 4 - Complete on next Routine (Not used in new report)	32	22	21
Quality Control - In Field QC	84	94	175
Desktop	336	258	190
Total Reviews (In Field + Desktop)	420	352	365
Properties in Inventory	1148	940	923
% of Reviews	36.59%	37.45%	39.54%

OIG Survey Results Comment: In HUD's letter of concern on performance of contract dated November 22, 2016, HUD cited concerns regarding BLM's performance. Specifically, BLM's (1) failure to pay utility accounts which could constitute a lien against HUD homes and (2) noncompliance with its contract requirements for determining proper conveyance condition from an FHA lender (HUD noted 41 cases where BLM moved properties to Step 1c (Ready to Show condition) that were not in conveyance condition). In addition, HUD expressed concern regarding BLM's internal quality control reviews of BLM's subcontractors.

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BLM Response: As stated in the PMP, BLM sends notification letters to utility providers to collect all the information needed to meet its obligations as defined in the PWS sections concerning lienable utilities. The process of determining the correct utility providers to notify is made effective through BLM's research and experience. Though there is no timeline requirement in the PWS, BLM issues its notifications immediately. When responses are received, BLM conducts further research to ensure that payments are correct and responsibility between the mortgagee, HUD, 3.0 FSM, and BLM is determined. Ultimately, BLM issues payments that address each utility bill and utility lien that is obtained through this notification process as outlined in the PMP.

Utility lien accounts discovered by the Buyer Select Closing Agents (BSCA) are found via a title search. These searches, and their associated costs, are not defined as an FSM responsibility in the PWS nor are they identified as an approach to resolving these accounts in the PMP. It has been found on many occasions that accurate payoff amounts and billing histories for these accounts can only be obtained through a closing agent's title search.

Whenever a closing agent, Sage Acquisitions (the 4P HUD Asset Manager), or HUD staff presents a utility lien account that was not rendered to BLM in response to the notification process, BLM strives to obtain the documentation HUD requires to issue correct payment with a breakdown of responsibility. The time frame in which a closing agent's title search occurs, the resulting documentation is provided to Sage

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who then renders it to BLM, often results in very little time to fulfill HUD's requirements for issuing payment. Regardless, BLM strives to fulfill these requirements in the shortest amount of time possible. BLM often works in concert with Sage staff and closing agents but only to ensure that payment is processed in a correct way and thereby avert any delays. However, once again, it is because of the requirements of various utility providers (including the title search and request fees) that the closing agent and, as an intermediary, Sage Acquisitions, assume roles in obtaining account information that (due to the limitations established in the PWS) an FSM is unable to obtain directly.

BLM is meeting both C.5.2.4 Utilities & C.5.2.4.1 Utility Lien requirements per the PWS.

OIG Survey Results Comment: BLM's contracts with its subcontractors/vendors did not contain BLM's president's signature as required. As a result, being that the contracts contained the signature of only one party, the contracts may not be enforceable. The president stated that there was a glitch with the electronic system used for executing the contracts.

- BLM Response: Although not a contract requirement, BLM has modified the new subcontracts. Going forward, BLM will ensure they are signed by both parties.

OIG Survey Results Comment: BLM did not always provide preservation and protection services in accordance with its contract with HUD and its own requirements. We reviewed 16 properties, 15 were HUD-owned vacant and 1 was a custodial property. For the 15 HUD-owned vacant properties, we determined 13 were promoted to ready to show condition and listed for sale as of the date of our observations, and two were placed in a held off market status.

- For the 13 HUD-owned vacant properties, 12 contained deficiencies that made the properties not ready to show. The 12 properties contained interior, exterior, and health and safety violations, or a combination of the deficiencies. The deficiencies included, properties not secured or improperly secured, tripping hazards, cutting hazards, sump pump not being powered, debris in yards, peeling paint, graffiti, unsecured handrails, mold, and properties not in broom swept condition. The remaining property was appropriately maintained in ready to show condition.
- For the two HUD-owned vacant properties (FHA case numbers 412-420698 and 412-557916) that were placed in a held off market status, BLM performed the HUD property inspection report and had been performing routine inspections for both properties. FHA case number 412-420698 was reconveyed to the lender on January 30, 2017, after our property observation on December 12, 2016 during which we found that the property was not properly secured and had a tripping hazard in the driveway and a hole in the roof, which allowed for water intrusion. For the remaining property (FHA case number 412-557916), which was in the process of being reconveyed, the inspection date on the sign-in sheet did not match the date of the routine inspection in HUD's system; shrubs were unkept; and unmarked tripping hazards were present.

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- *The one custodial property was not free of contractor debris and secured against unauthorized entry. Specifically, an item used for winterization was left inside the property; the door knob was improperly installed, so that it would not lock properly*

BLM Response: Due to our own QC process, the vendor responsible for most of the audited homes viewed in the Cincinnati area, is no longer performing preservation services for BLM. Ohio has had a particularly odd fall/winter which has resulted in leaves falling later in the season. There is photographic evidence that two of the properties were completely leaf free just two weeks prior to the OIG inspection.

BLM Response to OIG Property Inspections:

BLM is working to address these issues and our internal controls to avoid the same issues in the future.

- [REDACTED] (FHA case number 412-523364)
 - **OIG Inspection Date: 12/12/2016**
 - Improperly Dated Sign-in Sheet
 - *Sign in sheet was dated 12/13/2016; however, HUD-OIG/Audit completed their observation on 12/12/2016. Therefore, it would not be possible for the contractor to complete their routine inspection on 12/13/2016.*
 - BLM Response: BLM has launched an investigation into this vendor marking sign in sheets improperly. This is not an acceptable practice to BLM. This vendor had 2 similar issues in the same time frame. When asked about the issue, the contractor stated they realized their error on the sign in sheets. This vendor is being audited for any further discrepancies with sign in dates.
 - Garage was inaccessible
 - HUD-OIG /Audit was not provided the appropriate pad lock key by contract area 4P's Project Manager.
 - BLM Response: Upon further investigation BLM provided an accurate key but some locks manufactured require a key cut the same but thinner. Auditors were given a different key to use. The garage was accessible with thinner key.
 - Carriage bolts extended 6.5 inches from Plexiglas securing window and nail protruded from door frame.
 - Carriage bolts secured Plexiglas covering on exterior of window. Interior section of bolt protruded more than 6.5 inches from interior walls creating a hazard. Nail protruding from trim area attaching trim to door frame.
 - BLM Response: Property was being secured by bolts. Nail was previously in the molding/frame. Appears that movement of molding/frame exposed the nail, this was due to documented vandalism on cutting back carriage bolts. BLM will further train the vendor network on cutting back carriage bolts. Property had been previously vandalized.
 - Unmarked trip hazards
 - Threshold between hardwood surfaces from kitchen to living room popping up in corner of step

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- BLM Response: Transition strip is slightly raised, however, not enough to cause a trip hazard in our opinion.

- [REDACTED] (FHA case number 412-463883)

- o **OIG Inspection Date: 12/12/2016**
- o *Property was Unsecured*

- The dead bolt was unlocked at time of observation and the latch on the door knob was not catching the strike plate, so primary door knob on the side door was not installed properly.
 - BLM Response: AM was last person (12/9) at property prior to OIG visit. Property was left unsecure by AM.
 - Confirmed by vendor 12/1



- o Water not properly draining from downspout
 - The downspout was not connected which caused pooling of water against the foundation.
 - BLM Response: Snow was on the ground at time of OIG inspection. BLM nor OIG can determine if pooling water was due to lack of downspout. Does not appear that any water intrusion was present.
- o Home not in broom swept condition
 - There were significant spider webs in the basement that had not been cleared.
 - BLM Response: Property was in a Step 8 at time of OIG inspection, increased traffic from AM, LLB, and potential buyers causes homes to need refreshed between inspections.
- o Exterior outbuilding chipped paint not identified
 - The outbuilding (garage) had chipped paint that was not identified in the routines or the HUD Property Inspection Report.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

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- [REDACTED] (FHA case number 412-420698)
 - **OIG Inspection Date: 12/12/2016**
 - BLM Response: Property reconveyed and was removed from BLM's inventory. Initial Services were never completed and property never moved to a step 1c.
 - When properties are not in conveyance condition, which is defined as "Properties that are conveyed free of surchargeable damage" per the PWS, they are reviewed for reconveyance by HUD and the Mortgagee Compliance Manager (MCM). HUD and the MCM then determine if the property should be conveyed back to the mortgagee.
 - Gutter full of debris
 - Gutter on rear of house was overflowing with debris. The area was nearby where the roof/soffit was rotting.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - Unmarked uneven driveway trip hazard
 - The front portion of the driveway was cracked and uneven with one section substantially higher than the other creating a trip hazard.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - Unkept bushes.
 - Bushes growing against the back exterior of home.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - Side door to attached garage unsecured
 - The side entry door to the garage was unsecured and able to be opened without a key. The last person listed on the sign-in sheet was BLM's routine inspector on 12/05/2016. The audit team was able to re-secure the property.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - Hole in in roof/soffit that was allowing elements into home (allowing for water intrusion)
 - Audit team identified through the attic a section of the roof that was rotted to the extent that it was letting light into what should have been a dark attic. Upon further exterior inspection, it was apparent that a rotted section of the roof was exposing the interior of the attic.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - [REDACTED] (FHA case number 412-503803)
 - **OIG Inspection Date: 12/12/2016**
 - Unsecurely attached handrail for home stairway
-
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- The area where the metal railing attached to the wall at the top of the stairway was not securely fastened to the wall. By placing a small amount of weight on the rail, the audit team was able to remove it from the wall.
 - BLM Response: The handrail was secured by BLM on the following routine inspection.



- o Water intrusion/leak on basement floor.
 - There was a leak on the basement floor from where the water meter connected to the main line.



- [REDACTED] (FHA case number 412-623455)
 - o **OIG Inspection Date: 12/13/2016**
 - o Peeling paint in Several Interior Location.
 - There were several rooms and windowsills that had visible paint that was peeling away at the surface.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - o Front door knob loose.
 - Although the front door knob was still functional, it could be loosened to the extent that there was a significant gap between the door and the edge of the door knob.

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- BLM Response: Door knob was functional and property was secure.



- o Unmarked tripping hazard at first step in house.
 - There was a ripped piece of carpeting on the first step of the stairway inside of the front door leading up to the second floor of the house.
 - BLM Response: Trip hazard should have been addressed. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

- o Handrail not secured (at steps in exterior in the rear of house)
 - Handrail at rear of the house was not stable and could be moved with little force. The picture shows that the first post is not perpendicular to the ground.
 - BLM Response: A post not being perpendicular does not necessarily deem a handrail not secured. While handrail can move with a little force, it appears that it would serve its purpose to provide support.



- o Sump pump not receiving electrical power
 - The outlet was tested with the sump pump plugged in as well as after the sump pump was unplugged, and the tester emitted a green light, indicating that the sump pump was not on.
 - BLM Response: Routine inspection from 12/12/2016 shows outlet to sump pump being tested and providing power. No water intrusion present at property. In addition, sump pumps are run at BLM's discretion based off environmental conditions, and only when necessary to protect and preserve the property. Sump pumps are not required to be functional in the HUD 3.8 contract

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- [REDACTED] (FHA case number 412-557916)
 - **OIG Inspection Date: 12/13/2016**
 - BLM Response: Property reconveyed and removed from BLM's inventory. Initial Services were never completed and property never moved to 1c.
 - Sign-in Sheet does not agree with date of routine inspection in P260.
 - Sign in sheet was dated 12/12/2016 by the inspector; however, HUD-OIG/Audit completed their observation on 12/13/2016 and took a picture of the sign in sheet. The date of the inspection in P260 was December 13, 2016, and the audit team did not observe a signature on the sign-in sheet by an inspector for that date. So, the date of the inspection was inaccurately reported by the inspector.
 - BLM Response: Please see note above in first case regarding this particular vendor.
 - Shed was inaccessible
 - HUD-OIG/Audit was not provided the appropriate pad lock key by contract area 4P's Project Manager.
- [REDACTED] (FHA case number 412-557916)
 - Unmarked trip hazards
 - Waves in carpet in a bedroom, recessed register that was dented in, and tiles removed by furnace and basement. None of these areas had red tape to warn of danger.
 - BLM Response: As these are soft waves of small height, BLM did not deem these waves as a trip hazard.
 - Shrubs unkept
 - The shrubs in the front of the home were overhanging on to the entry stoop and interfered with accessing the home.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.



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- [REDACTED] (FHA case number 412-560654)
 - **OIG Inspection Date: 12/13/2016**
 - Gutter not properly repaired causing water intrusion
 - There was a vertical 2x4 holding up the second story gutter that was propped up against the first story roof. It was not entirely holding the gutter up.
 - BLM Response: Vendor made repairs which appear to have not worked due to weather. Increased snow and ice put extra pressure on gutter and downspouts. Due to snow and ice, making repairs would be unsafe.
 - Debris in Gutter
 - On several sides of the home debris was overflowing from the gutter, and was visible from standing on the ground looking up at the property.
 - BLM Response: Due to snow and ice, removing leaves/debris would be unsafe. Unusual winter weather caused leaves to fall later in the season.
 - Interior Stairway not adequately supported
 - Main stairway lacked brace to effectively support top of stairs. Stairway was observed retracting from original installation area.
 - BLM Response: BLM believes that stairs are in correct working order how they are installed. Does not appear to be a safety hazard.
 - Downspout disconnected in middle
 - The downspout was not connected and disjointed in the middle which caused pooling of water against the foundation.
 - BLM Response: Ice in the downspout appears to have caused damage. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance especially in regards to downspouts and water intrusion.
 - Nails protruding
 - Side door of home frame had deteriorated causing nails to protrude below foot thresh hold.
 - BLM Response: Deteriorating wood exposed nails. BLM should have addressed. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- [REDACTED] (FHA case number 412-700713)
 - No significant Exceptions.
 - BLM Response: BLM agrees with this assessment.



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- [REDACTED] (FHA case number 411-491088)
 - Landscape issue – leaves in the yard
 - Leaves were evident throughout the yard, and the property was observed in the middle of December.
 - BLM Response: Leaves were previously covered in snow and at times ice.
- 
- Unmarked trip hazards
 - Hardwood flooring between the kitchen and dining room was elevated and not marked. A bedroom was missing a piece of hardwood flooring and was unmarked. Missing and chipped tiles were unmarked.
 - BLM Response: One trip hazard appears to have been marked with tape. Elevated flooring piece was previously intact and not causing a trip hazard. Increased traffic due to pending sale causes condition changes. Missing/chipped tiles did not cause enough of a height difference to be deemed a trip hazard.
- 
- Dirty light fixture in bathroom
 - Bathroom light fixture had thick layer of dust and dirt.
 - BLM Response: Light fixture should have been refreshed.
 - Debris in the house
 - Piece of flooring between the kitchen and dining room and carbon dioxide tank in the basement.
 - BLM Response: Piece of flooring was previously intact.
 - Unsecured electrical outlets and switches
 - There were unsecured electrical outlets and switches in a bathroom.

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- BLM Response: Light switches and outlets should have been secured and covered.
- This property is not considered to be in ready to show condition by BLM. The vendor who did the initial service is no longer with BLM and the routine vendor has been coached about the importance of leaving the home in ready to show condition during routine inspections.

• [REDACTED] (FHA case number 411-423079)

- **OIG Inspection Date: 12/16/2016**
- Property was undergoing Lead Based Paint Stabilization, entering property could have caused dust to move and cause LBP Clearance to fail. This would increase HUD's holding time and cost of this property.
- Landscape issue – leaves and debris in the yard
 - Leaves covered the front and back yards of the property. The rear door to the basement, which is below ground level, had a pile of leaves in front of the door. Debris such as mail, a garbage bag, and rotted plywood were scattered in the yard and driveway.
 - BLM Response: Leaves were frozen to ground on previous yard maintenance. BLM recognizes that small debris can blow onto the properties at any time. Vendors are reminded to always remove and dispose of such debris.



- Unmarked trip hazards
 - Flooring between the kitchen and dining room is elevated and not marked. A bedroom is missing a piece of hardwood flooring, and it is unmarked. Chipped tiles are unmarked. There was exposed carpeting tack strips in an upstairs bedroom.
 - BLM Response: BLM is not permitted to enter the property during this period to address any issues due to the stabilization signage.



- Debris in the house
 - A heat register cover was laying on the floor. There was garbage throughout the house, items inside the dishwasher, and decorative lights in the basement.

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- BLM Response: BLM is not permitted to enter the property during this period to address any issues due to the stabilization signage.
- o Faulty handrail
 - A broken handrailing bracket was still attached to the drywall. Although another handrailing was installed over it, the bracket edge was sharp.
 - BLM Response: BLM is not permitted to enter the property during this period to address any issues due to the stabilization signage.
- o Dirty bathroom
 - Several different sections of the bathroom were dirty
 - BLM Response: BLM is not permitted to enter the property during this period to address any issues due to the stabilization signage.
- o Carriage bolt extended through plywood that was used to secure a broken glass panel in the side entry door.
 - A carriage bolt secured a broken glass panel in the side entry door. Interior section of bolt protruded.
 - BLM Response: BLM is not permitted to enter the property during this period to address any issues due to the stabilization signage.
- o Mold in the basement less than 25 square feet
 - Section of basement drywall has had mold substance on surface
 - BLM Response: BLM is not permitted to enter the property during this period to address any issues due to the stabilization signage. BLM addressed up to 25 square feet on Initial Services.

• [REDACTED] (FHA case number 411-421498)

- o **OIG Inspection Date: 12/16/2016**
- o Landscape issue – leaves in the yard
 - Leaves were apparent throughout yard, and property observation was performed in the middle of December.
 - BLM Response: Leaves were frozen to ground on previous yard maintenance.



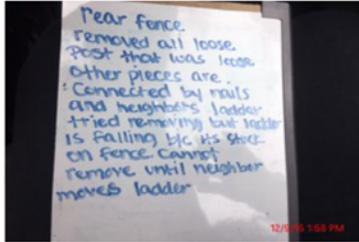
- o Debris in backyard – wood from damaged fence
 - Damaged portions of fence were laying in the back yard.

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- BLM Response: Fence appears to belong to neighbor.



- Uneven/broken concrete on sidewalk to the rear basement door.
 - Uneven/broken sidewalk near rear basement from rear of home was a trip hazard (unmarked) and not identified in the inspection.
 - BLM Response: Should have been marked as a trip hazard. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

- Unsecured exterior handrail
 - The handrail to the rear entry door was not secured.
 - BLM Response: Handrail appears to be secure.



- Door frame for exterior door to basement not completely attached to the house
 - Exterior frame to rear of basement had large gap that allowed light and possibly elements and rodents into property.
 - BLM Response: Gap appears to be new, either from weather or increased use. BLM should cover gap.



- Upstairs window was open and window frame was rotted

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- The opening was caused by the rotten wood, and it was large enough to allow elements through the window.
 - BLM Response: Window was previously secure, increased wood rot appears to have caused a condition change. BLM should address.



- Section of wall by trim contained phallic image.
 - BLM Response: Image should be painted over. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

[REDACTED] (FHA case number 411-348567)

- **OIG Inspection Date: 12/16/2016**
- Landscape issue – leaves in the yard
 - BLM Response: Leaves were frozen to ground on previous yard maintenance.



- Unmarked trip hazard
 - Chipped tiles in upstairs bathroom are unmarked.
 - BLM Response: Difference in height from chipped tiles does not deem this a trip hazard.



- Door frame for the front entry door not completely attached to the house
 - Significant gap between doorframe and home.

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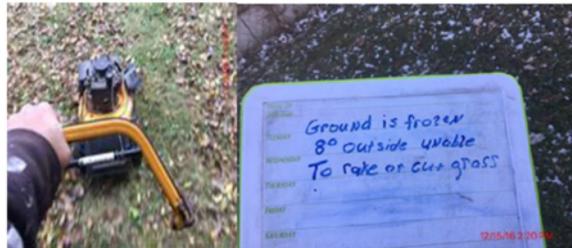
- BLM Response: Gap appears to be new, either from weather or increased use. BLM should cover gap.



- Peeling interior paint not identified
 - Paint was peeling in the first floor fireplace area. It was not identified in the FSM routine inspection forms dated December 7, and December 20, 2016.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- Peeling exterior paint not identified
 - Paint was peeling in the first floor fireplace area. It was not identified in the FSM routine inspection forms dated December 7, and December 20, 2016.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

- [REDACTED] (FHA case number 411-306179)

- OIG Inspection Date: 12/16/2016
- Landscape issue – leaves and debris in the yard/exterior of the property
 - Leaves were evident throughout back yard and were particularly thick close to the property.
 - BLM Response: Leaves were frozen to ground on previous yard maintenance.



- Hasp on rear entry door not properly installed

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- One part of the hasp should have been fastened to the door jamb and the other should have been fastened to the door. However, the one part was not installed on the door. Therefore, the property was not properly secured.
 - BLM Response: Hasp should have been properly secured with padlock. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- Unmarked trip hazard – exterior
 - Flooring on the front porch was uneven.
 - BLM Response: The difference in height does not seem great enough to deem a trip hazard.
- 
- Unmarked trip hazards - interior
 - An electrical wire running along the kitchen floor was not marked or taped. Carpeting was coming up at the seams and was not marked by tape or secured.
 - BLM Response: Trip hazards should have been marked. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- Debris in the property
 - Box for a doorstop was on the kitchen counter. In addition there were two bottles in a bed room and a garbage bag. This appeared in the pictures from the first inspection on 12/03/2016.
 - BLM Response: Debris should have been removed. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- Window sills were not clean
 - There were dead insects on the upstairs window sills of the property.
 - BLM Response: Property needed a full maid refresh. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- Signs from another FSM contractor were posted throughout the interior of the house
 - Signs appeared to have been from prior field service manager, and were there from at least February 2016 to present.
 - BLM Response: Signs should have been changed out at time of transition.

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- This property is not considered to be in ready to show condition by BLM. While the initial service was completed prior to BLM being the FSM, the routine vendor has been coached about the importance of leaving the home in ready to show condition during routine inspections.

- [REDACTED] (FHA case number 411-355824)
 - **OIG Inspection Date: 12/16/2016**
 - Landscape issue – leaves and tree limbs in the yard
 - Heavy leaf coverage in yard and additionally a large tree limb that had fallen and not been removed from the yard.
 - BLM Response: Leaves were previously frozen to the ground. Tree appears to be a property condition change and should be addressed by BLM.
 - Hole in the side of the garage
 - Large hole in side of garage allowed elements and vermin into the garage.
 - BLM Response: Hole should be covered. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
 - Unmarked trip hazards
 - Carpeting seams were not taped. Also, exposed carpeting tack strips were in a bedroom.
 - BLM Response: Carpeting seams did not appear to have a height differential that would deem them a trip hazard or to be loose. Please see OIG photo to below. Tack strips should have been removed. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

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**Ref to OIG
Evaluation**

Comment 18

Auditee Comments



- o Dirty carpeting
 - Carpeting was extensively stained throughout the home.



- BLM Response: Stained carpeting is not always a dirty carpet. Carpets were cleaned during initial services.

[REDACTED] (FHA case number 411-351805)

- o **OIG Inspection Date: 12/16/2016**
- o Property was a HECM-CS – Initial Services were not performed on home.
- o Unsecured front door
 - Door knob was improperly installed so it would not lock properly (the property could be entered without a key); and the door latch would not interlock with the strike plate.
 - BLM Response: Property should have been secured. The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- o Debris in the house
 - An empty jug of antifreeze (winterization equipment) was left inside the house.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.

[REDACTED] (FHA case number 411-511323)

- o Landscape issue – leaves in the yard

**Ref to OIG
Evaluation**

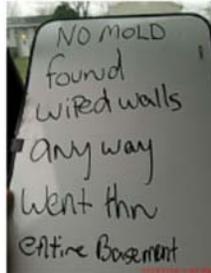
Comment 18

Auditee Comments

- Backyard and deck had substantial leave coverage, and the property was observed in the middle of December.
 - BLM Response: Leaves were frozen to ground on previous yard maintenance.
- Graffiti on front door
 - Permanent marker on front door identified property deficiencies. Potential property concerns should not be identified on the front door.
 - BLM Response: This was a property condition change and was not present on previous inspections. BLM should address.



- Cobwebs on front door
 - Door hinge area and section of front door by frame contained cobwebs.
 - BLM Response: The responsible vendor has been put on notice of the issue, has been (or will be) provided updated training on the correct procedures, and has committed to improving its future performance.
- Nail protruding from rear deck handrail
 - BLM Response: Nail appears to be slightly protruding. Nail heads is smooth and does not seem to pose and risk or hazard.
- Damaged roof shingles
 - Up folded roof shingles were identified from ground observation of the property.
 - BLM Response: While there were damaged shingles, there was not an active roof leak at the property.
- Mold in the basement less than 25 square feet
 - Extensive section of drywall contained mold.
 - BLM Response: BLM addressed up to 25 square feet on Initial Services.



- Gap in laundry room wall

Auditee Comments

Ref to OIG Evaluation

Comment 18

- Mid-landing section of stairs lacked rail or wall, and there was a drop down between the landing area and basement floor.
 - BLM Response: Access is blocked by pipes, sink, and hot water heater.



Comment 19

VII. Conclusion

BLM has thoroughly reviewed all of the documentation, information, and supporting photos provided by OIG. While there may have been some instances where minor discrepancies were noted, these discrepancies, many of which were out of BLM's control, pale in comparison to the thousands of issues that BLM discovers and corrects at its assigned properties on a daily basis. Many times, there are changes to condition that occur from visit to visit of the FSM services. As a reminder, properties are sold in "as is condition", as well as there are many other entities/parties that enter HUD properties on a regular basis, whether instances occur, and so forth that are outside of the immediate control of the FSM. To claim that HUD should withhold all payments from BLM for properties where deficiencies may be discovered, regardless of the amount of work performed by BLM at these properties, is outside of the contractual agreement or obligations between the two parties. As stated above, BLM's contract does not permit such a speculative or unreasonable method for calculating payments to be withheld from, or reimbursed by BLM. BLM respectfully requests that HUD omit OIG's recommendation that BLM reimburse HUD for work allegedly not performed.

Comment 20

BLM continuously strives to improve the services provided to HUD in the 4P area. As was shown throughout this response, BLM has worked closely with OIG during this audit, has taken the claims and findings very seriously, as it always does when similar conversations take place with HUD themselves. BLM will continue to communicate, further train, and boost its own internal controls. BLM looks forward to working with HUD to ensure adequate property preservation services are being performed in the 4P area in the future.

OIG Evaluation of Auditee Comments

- Comment 1 BLM disagreed with our position that it should reimburse HUD approximately \$25,000 for property and preservation services “allegedly” not performed and requested that HUD disregard our recommendation. We disagree with BLM’s comments. Based on our observations and supporting photographs, we identified properties that had interior or exterior health and safety hazards or other deficiencies. Therefore, we had sufficient evidence to support that our audit conclusions and findings were valid, and that our recommendations were reasonable and appropriate. During the audit, we provided BLM with supporting photographs along with detailed descriptions of the properties that had deficiencies. After the issuance of the final audit report, BLM will have an opportunity to work with HUD to determine the appropriate actions to be taken to address the audit recommendations.
- Comment 2 BLM stated that it and its subcontractors performed significant work at each of the assigned properties, including the 109 properties cited in the report, and exercised reasonable due diligence to discover and correct any deficiencies. We disagree. Although there was documentation supporting that BLM and its subcontractors had performed services at the properties we observed, the properties cited in our audit report were not maintained in accordance with its contract with HUD and its own requirements. Specifically, according to its contract, for a property to be in ready-to-show condition, BLM was required to meet certain requirements, and take all actions necessary to ensure that the properties were being maintained in ready-to-show condition. However, based on our property observations, BLM did not exercise reasonable due diligence to ensure that the properties were maintained in ready-to-show condition in accordance with its contract.
- Comment 3 BLM contends that OIG’s recommendation that approximately \$25,000 be reimbursed was unreasonable and unfair and that it was not 100 percent clear how the amount was calculated. Further, BLM stated that it performed significant services at all of the questioned properties and its contract with HUD does not state that BLM was not entitled to payment for work performed. We disagree. We presented sufficient evidence to support our audit conclusions and findings, and that our recommendations were reasonable and appropriate to address BLM’s noncompliance with its contract with HUD. We also provided BLM with the information on how we calculated the questioned amount.

Further, while we acknowledge that BLM’s contract with HUD did not mention withholding or reimbursement of payments, BLM should not be entitled to payment for subpar work or work that had not been performed. As previously stated, based on our property observations, we concluded that BLM did not

provide property preservation and protection services in accordance with its contract with HUD and its own requirements.

Comment 4 BLM stated that it had corrected thousands of other deficiencies and that some of the deficiencies in the report were outside of its control to discover or correct and were unpreventable. Further, BLM stated that the deficiencies cited for the 109 properties still in its inventory have been corrected where initial services have been performed. We commend BLM on addressing other deficiencies; however, we can comment only on the deficiencies found at the properties we observed. During our audit, we were cognizant of deficiencies that could be characterized as being outside of BLM's control or unpreventable, and reviewed BLM's before and after inspection reports of the properties we observed, as applicable. The deficiencies cited in this audit report were within BLM's control and preventable. However, due to BLM's ineffective quality control process to oversee its subcontractors' performance, it failed to ensure that the properties were preserved and protected in accordance with its contract with HUD and its own requirements.

In addition, we reviewed the information provided by BLM with its written response and made changes, as appropriate. As for the deficiencies for which BLM did to not provide supporting documentation, it should work closely with HUD to determine the appropriate actions to be taken to address the audit recommendations.

Comment 5 BLM stated that HUD should completely disregard OIG's recommendation that improving its quality control procedures could prevent \$594,000 in inspection fees from being spent for properties that were not adequately maintained, adding that it was speculative and unquantifiable. Further, it contends that OIG used a complex and convoluted calculation to determine the amount. We disagree. We used common statistical sampling models to identify a representative sample of the properties in BLM's inventory at the time of our observations. We used common projection formulas to estimate the error rate in the population sampled. Our methodology section for projecting the audit results to the universe, as detailed in the scope and methodology section of this report, is a valid statistical estimate of future savings. Funds to be put to better use, as defined by the Inspector General Act of 1978, as amended, are estimates of future HUD funds that could be used more efficiently if an OIG recommendation is implemented and does not entail repayment of funds.

Comment 6 BLM stated that in response to our audit report, it has implemented new measures to bolster its "already robust" corrective action plan. It also listed the measures including a 12-point action plan that it has put in place. We commend BLM on the corrective actions taken or measures implemented in response to our audit report. We did not test or review the implementation of these corrective actions or measures. BLM should work closely with HUD to ensure that it has

adequately improved its quality control procedures and that those procedures are fully implemented.

Comment 7 BLM stated that it believed that although issues were found during our “inspections”, its subcontractors had completed a great deal of work to bring the properties to ready-to-show condition. Further, it believed that the details of the work completed should be investigated thoroughly as completing work on HUD assets should not be denoted as pass or fail, and an in-depth review of the actual work completed by its subcontractors would negate the questioned costs of \$19,280 in ineligible management fees for the 20 properties. We disagree. The report does not address or dispute whether its subcontractors completed work at the properties. However, contrary to HUD’s requirements, BLM’s subcontractors did not always perform adequate initial services, including mitigating health and safety deficiencies, before the properties had been promoted to step 1C, ready-to-show status. Therefore, BLM should not expect payment for failing to comply with its contract with HUD when performing subpar work. In addition, BLM did not provide documentation to support its assertions that a pass-fail basis would lead to properties that were managed in line with HUD’s requirements and marketable.

Comment 8 BLM acknowledged that there were deficiencies found at some of the properties that we observed shortly after the properties were promoted to 1C (ready-to-show status) but stated that it believed that there was still a great amount of work completed to bring these properties to ready-to-show condition based on contractual obligations. In addition, BLM contends that some of the issues noted can be attributed to changes in property conditions outside of BLM’s control. Also, HUD’s asset manager contractor, Sage Acquisition, determined that 88.89 percent of the properties that we had observed were in ready-to-show condition. Further, it stated that 24 of the 27 (88.89 percent) properties had been sold and its quality of work did not seem to hinder the marketing and sale of HUD’s assets.

As previously stated in comment 7, we are not disputing whether its subcontractors completed work at the properties. However, contrary to HUD’s requirements, BLM’s subcontractors did not always perform adequate initial services, including mitigating health and safety deficiencies, before the properties had been promoted to step 1C, ready-to-show status. BLM did not provide documentation to support its assertion that some of the issues noted were due to changes in property conditions that were outside of BLM’s control. Further, our audit did not include a review of HUD’s asset manager contractor or the marketing and sale of the properties. Although 88.89 percent of the properties we observed had been sold, because BLM was not ensuring that its subcontractors performed adequate initial services on these properties, HUD lacked assurance that the properties were maintained in a manner that preserved the communities and the value of the properties.

Comment 9 BLM provided its response to our property observations for each of the 27 properties that had initial services performed before being promoted to ready-to-show status. BLM generally disagreed with the cited deficiencies, with some exceptions, stating certain deficiencies should have been addressed. For instance, in addition to its explanation for each property, BLM indicated that 24 of the 27 properties had been sold. We reviewed and considered BLM's written response to the 27 properties, 7 of which we observed but did not cite in the draft audit report. We made necessary adjustments to the final audit report where applicable based on their explanations including that property debris can be caused by weather or neighbors and that some deficiencies were not evident from pictures in the prior inspection. Due to the volume of information, we will provide BLM and HUD a separate schedule of our evaluation and response for each property.

Comment 10 BLM contends that some of the issues we noted during our property observations could be attributed to property condition changes¹¹, and that we also noted issues that BLM did not consider to be contractual obligations. BLM further stated that it could only ensure that properties were properly maintained during its routine inspections or when it had been notified of a potential issue, and issues that occurred between its inspections could be outside of its control.

Our evaluation of the observed deficiencies included considering whether they could be attributed to property condition changes, and the issues cited in the audit report were not outside of BLM's contractual obligations. Based on our property observations, 89 (86 percent) of the 104 properties were not maintained in accordance with BLM's contract with HUD or its own requirements. We included in appendix C of the audit report the applicable criteria for the deficiencies cited. Further, the deficiencies cited in this audit report were within BLM's control. We reviewed BLM's before and after inspection reports for the properties cited in this report, and noted that the photographs or previous inspection reports did not always capture or report the locations of the deficiencies we identified during our observations. Therefore, due to BLM's ineffective quality control process it failed to adequately oversee the performance of its subcontractors, thus resulting in properties not being in compliance with its contract.

Comment 11 BLM acknowledged that there were some routine inspections that had not been completed correctly, which resulted in the properties not being in ready-to-show condition. It stated that it has taken corrective actions to address the situation. Further, BLM contends that of the assigned properties from February 2, 2016, to July 12, 2017, 94.32 percent have been deemed maintained in ready-to-show condition by HUD's asset manager contractor. We commend BLM for taking corrective actions. It should work closely with HUD to ensure that BLM and its

¹¹ These are changes that may occur between inspections or services, or may be caused by factors outside of the field service manager's control.

subcontractors properly complete routine inspections to ensure that the properties are being maintained in ready-to-show condition. Further, BLM did not provide documentation to support its assertion regarding the properties that had been determined to be in ready-to-show condition. Lastly, a review of HUD's asset manager was not part of this audit. The audit reviewed BLM's performance under its contract with HUD.

- Comment 12 BLM provided its response to our property observations for 88 properties that had routine inspections. BLM generally disagreed with the cited deficiencies with some exceptions. In addition to its explanation for each property, BLM indicated that more than 70 of the 88 properties had been sold. We reviewed and considered BLM's written response for the 88 properties, and made necessary adjustments to the final audit report. For example, we revised recommendation 1A to account for the properties that had been sold or were no longer assigned to BLM. Due to the volume of information, we will provide BLM and HUD a separate schedule of our evaluation and response for each property.
- Comment 13 BLM indicated that its internal work order requirements are goals that were not necessary for all properties and that photographs must be resized which limits their clarity. BLM's contract with HUD describes the required property preservation services for HUD's real estate-owned properties. It also requires BLM to mitigate health and safety hazards and maintain the properties in ready-to-show condition until sold. BLM's work order internal procedures require its subcontractors to take a minimum of 75 date-stamped photographs of the properties (35 exterior and 40 interior) as evidence of the routine inspections and the completion of work items. However, contrary to this requirement, BLM's subcontractors did not take or document in HUD's P260 system the required number of photographs. During the audit, BLM explained that the requirement of 75 photographs was essentially a goal for its subcontractors to meet. But for many properties including those that met the goal, the photographs were either blurry or too similar to existing photographs so that BLM could not adequately and effectively monitor its subcontractors' performance. However, since BLM subcontracted out the property preservation and protection services for HUD-owned properties and did not perform onsite reviews for all properties in its inventory, it relied on the photographs and other supporting information submitted by its subcontractors without sufficiently verifying their work.
- Comment 14 BLM contends that it tracks quality control reviews both in its system of record as well as the reviewers' production log. However, it did not provide documentation to support its reviews. During the audit resolution process, BLM should work closely with HUD to determine the appropriate actions to be taken to address the audit recommendations.
- Comment 15 BLM stated that it sends notification letters to utility providers to collect information needed to meet its obligations concerning lienable utilities. In

November 2016, HUD issued a letter of concern in which is cited BLM's failure to pay utility accounts which could constitute a lien against HUD homes. Although noted during our survey phase, our audit did not include a review of the payment and processing of utility liens. Therefore, it was not cited in our audit report.

- Comment 16 BLM contends that it modified its new subcontracts and will ensure that future subcontracts are signed by both parties. We commend BLM for taking the necessary actions to ensure that its subcontracts are signed. We identified this deficiency during the audit and communicated this deficiency to BLM and HUD. However, the deficiency was not included in our audit report.
- Comment 17 We acknowledge BLM's comments that it is no longer using the vendor that was responsible for providing preservation services for most of the audited homes in the Cincinnati area.
- Comment 18 BLM contends that it has been working on addressing the issues and its internal controls to avoid the same issues in the future. BLM also provided its previous response to the initial 16 properties that we had observed during the survey phase of our review. We commend BLM for working on the cited issues and its internal controls to ensure that the issues are avoided in the future. We previously reviewed and considered BLM's written response to the 16 properties and made necessary adjustments before we issued the discussion draft audit report to BLM for comment. Due to the volume of information, we will provide BLM and HUD a separate schedule of our evaluation and response for each property.
- Comment 19 BLM contends that many of the deficiencies were out of its control and these deficiencies were insignificant in light of the thousands of issues that BLM discovered and corrected at its assigned properties daily. We disagree. See comment 8.
- Comment 20 BLM contends that it continuously strives to improve the services provided to HUD in the contract 4P area and that it plans to continue communicating, training, and enhancing its own internal controls. We commend BLM for its commitment to improve its services under its contract with HUD and its willingness to work with HUD to ensure that it performs adequate property preservation and protection services.

Appendix C

Criteria

HUD Handbook 4000.1, paragraph IV.B.1, states that HUD's management and marketing program is HUD's contracting network used to manage and market single-family properties owned by or in the custody of HUD.

HUD Handbook 4000.1, paragraph IV.B.1(a)(ii), defines field service managers as HUD's management and marketing contractors responsible for providing property maintenance and preservation services for properties owned by or in the custody of HUD.

HUD Handbook 4000.1, paragraph IV.B.1(a)(ii), defines asset managers as HUD's management and marketing contractors responsible for the marketing and sale of properties owned by or in the custody of HUD.

HUD Handbook 4000.1, paragraph III.A.2.t.ii.C.7(a), states that the mortgagee must secure the property to prevent unauthorized entry and protect against weather-related damage, and must visibly display 24-hour emergency telephone contact information in a weather-tight location on a window or door or as otherwise required by an authority having jurisdiction (AHJ).

HUD Handbook 4000.1, paragraph III.A.2.t.ii.C.7(a)(ii), states that the mortgagee must secure all exterior doors. For exterior sliding glass doors, the mortgagee must latch these doors and install or provide slider locks, anti-lift blocks, security bars, or another secondary security mechanism. The mortgagee must not brace, nail shut, or otherwise block or damage the door. If no other locking mechanism exists, the mortgagee must board/secure access doors, pet doors, and other panels providing access to basements and crawl spaces, where permitted by state or local law.

HUD Handbook 4000.1 III.A.2.t.ii.C.7(c)(i), states that the mortgagee must secure the pool, hot tub, and or spa with as required by local laws, codes and ordinances. The mortgagee must secure the pool deck or, if a cover cannot be a removable safety cover anchored to the pool deck or, if a cover cannot be anchored to the pool deck, board or otherwise secure the pool, hot tub, and/or spa. It also must secure or repair any fence around the pool, hot tub, and or spa to restrict access.

HUD Handbook 4000.1, paragraph III.A.2.t.ii.C.7(f)(iv), states that the mortgagee must ensure that fences and gates present at the first time vacant (FTV) Property Inspection are maintained in secure and upright condition, with no missing panels or paragraphs.

HUD Handbook 4000.1, paragraph III.A.2.t.ii.C.9(b)(i), states that the mortgagee must turn all utilities off unless prohibited by state or local law.

HUD Handbook 4000.1, paragraph III.A.2.t.ii.C.9(b)(iii), states that the mortgagee must ensure that all installed or required sump pumps are in-place, operational, and working at all times, where state and local law permits electricity to remain on. The mortgagee must repair or replace any non-functioning or missing equipment.

HUD handbook 4000.1, paragraph III.A.2.ii (A) states, interior and exterior debris is removed, with the property's interior maintained in broom-swept condition, the lawn is maintained. Broom-swept Condition is the condition of a property that is, at a minimum, reasonably free of dust and dirt and free of hazardous materials or conditions, personal belongings, and interior and exterior debris.

HUD Handbook 4000.1, paragraph III.A.2.ii(C)(7)(c)(i) states that the mortgagee must secure the pool, hot tub, and/or spa with a removable safety cover anchored to the pool deck or, if a cover cannot be anchored to the pool deck, board or otherwise secure the pool, hot tub, and or spa.

HUD Handbook 4000.1, paragraph IV B 2 iii states that held off market (HOM) properties are HUD real estate owned (REO) properties that are unavailable for sale. HUD may designate a Property as held off market when a property, title, occupancy or other condition delays or prohibits HUD's ability to market or sell the property. Should the adverse condition be resolved, HUD may then list the property for sale.

Section C.1.6 of BLM's contract with HUD states that the purpose of this contract is to obtain property management services as detailed in section 5.2. Field service managers are companies that provide property maintenance and preservation services consisting of but not limited to inspecting the property, securing the property, performing cosmetic enhancements-repairs, and providing ongoing maintenance.

HUD has identified six primary objectives for its field services managers. They are to ensure that (1) FHA-insured properties are maintained in a manner that preserves communities, (2) HUD has real time access to all property-related information, (3) properties are secured and safe from hazardous conditions, (4) property values are preserved, (5) properties are maintained in a manner that reflects a high standard of care, and (6) there is a high level of customer satisfaction with HUD's property disposition program.

Section C.2.2 of the contract defines HUD-owned properties are those properties that HUD owns by reason of payment of an insurance claim or another acquisition method. Unless otherwise indicated, the term includes vacant land and occupied conveyed properties. HUD-owned properties are also referred to as HUD REO (real estate owned) or HUD-homes.

Section C.2.2 of the contract defines ready-to-show condition as meeting all the following requirements and remaining in ready-to-show condition until the property is sold and HUD is no longer responsible for its maintenance. The property must be free of debris; insect-rodent infestations, including mammals and reptiles; and health and safety hazards. The property must be free of broken windows, stairs and handrails must be secure and installed according to local code and in a manner that conforms to the esthetics of the property, exposed nails and hooks must be removed, exposed gas lines must be capped, exposed electrical wires must be capped, and any broken or missing outlet and switch covers in easily accessible areas must be covered. All shelves, cabinets, counter tops, appliances, plumbing fixtures, including but not limited to toilets, bathtubs and showers, windows, window sills, thresholds, mirrors, and shower doors, must be clean, and the house must be free of bad odors. All floors must be cleaned and carpets vacuumed. All graffiti, vulgarity, and pornography must be removed or covered in a

professional manner. All previous mortgage servicing notices and signage must be removed. All light fixtures and ceiling fans must be clean, and window coverings that do not add value to the property should be removed. Baseboards must be wiped clean, and the house must be free of cobwebs.

All repairs required to correct safety hazards and any approved repairs to be done before listing the property must be completed for the house to be in ready-to-show condition. The yard must be free of trash and debris. Accumulated leaves and holes must be covered or filled. The grass must be cut and bushes trimmed in a professional manner. Limbs must be cut to a minimum 18 inches away from the roof, and gutters must be free of visible debris and foliage. Snow must be removed from driveways, walkways, and porches. Swimming pools must be properly secured and in accordance with local ordinance, and wells, septic tanks, storm cellars, and the like must be secured to protect the public. Safe access to all rooms must be provided at all times unless otherwise approved by the government technical representative.

Section C.5.1 of the contract states that regardless of the type of acquisition or the property management services required, the contractor must maintain all properties in a manner that results in properties that are clean, safe, secure, and sanitary and preserve property value.

Section C.5.2.10 of the contract states that custodial properties are vacant properties secured by a HUD Secretary-held mortgage, including a home equity conversion mortgage. By virtue of its security interest, HUD has certain rights and responsibilities to ensure that the property is preserved and protected. HUD does not hold title to custodial properties; therefore, they are not offered for sale. Custodial properties will be assigned to the contractor either through HUD's case management system (P260) or through the government technical representative. Within 2 calendar days of notification of assignment, the contractor should secure the property, perform initial services in accordance with section 5.2.2.2 to the extent that such requirements can be met without constituting an illegal trespass, and attach a completed copy of the HUD property inspection report as an attachment in P260. The contractor should leave the property in step 1C. The contractor should inspect the property every 2 weeks; intervals between inspections should be from 10 to 14 days. Property inspections performed in accordance with this schedule will begin on day 8 of property assignment.

The contractor must maintain vacant custodial properties in accordance with the contractor's property management plan and at the direction of the government technical representative, subject to the following conditions:

- Paragraph C.5.2.10.2, Ready to Show Condition - The contractor should not be required to keep the interior of the property clean and ready to show as described in section C-5.2.3.1 (ready-to-show condition) unless the unclean condition constitutes a health or safety hazard. However, the exterior of the property must be maintained in accordance with the ready-to-show condition requirements with the sole exception of personal property. These items of value should be moved inside a garage or structure if available.

- Paragraph C.5.2.10.3, Personal Property - The contractor should not remove any personal property unless it constitutes an imminent health or safety hazard. Debris is not considered personal property

Section C.5.2.2.1.2.1 of the contract states that if the inspection identifies any health and safety conditions or there is a need for emergency repairs, the contractor must remedy any health and safety conditions and make any emergency repairs within 1 calendar day of the inspection. The contractor should update P260 with the corresponding work orders and before and after photographs within 2 calendar days of completion of the remedial action. The contractor's responsibility to remedy health and safety hazards and emergency repairs remains until the property closes and HUD is no longer responsible for its maintenance. The remedy of health and safety hazards is a contractor expense. Examples of health and safety hazards include but are not limited to faulty or missing stairs or handrails as required by local ordinance, pools and spas not in compliance with local ordinance, tripping hazards, limbs or dead trees with a potential of falling, chemicals, dead animals, and feces.

Section C.2.2 of the contract defines a broken window as a pane of glass that has a visible opening that permits entry or exposure to the elements or which is so badly cracked as to constitute a hazard. A cracked window is a pane of glass that has no more than one crack and is still tight when pressed upon. A cracked window must have clear tape on both sides or it will be constituted as a safety hazard.

Section C.2.2 of the contract defines health and safety hazards as any condition or situation at the property that exposes the government to an abnormal risk that presents a source of danger, which could cause an accident, or poses the threat of injury or harm to the public or property that must be corrected within 1 day of discovery or notification.

Section C.5.2.2.3.6 of the contract states that the contractor must stop active leaks that may cause deterioration of the property or pose an imminent health or safety hazard. This includes ensuring that proper drainage is maintained around the perimeter of the property.

Section C.5.2.3.1 of the contract states that the performance work statement allows 7 days to get the property in ready-to-show condition and promote to 1C. The contractor must ensure that the property is in ready-to-show condition by this time and that it remains in ready-to-show condition until it is sold, the property closes, and HUD is no longer responsible for its maintenance.

Section C.5.2.3.2 of the contract states that the contractor must routinely inspect and take all actions necessary to ensure that HUD properties are maintained in ready-to-show condition. The contractor should inspect the property every 2 weeks; intervals between inspections should be from 10 to 14 days. Property inspections performed in accordance to this schedule will begin on day 8 of property assignment. The contractor is required to conduct routine inspections and report inspection results on the field service manager property inspection form.

Section C.5.2.2.3.7 of the contract states that the contractor and all subcontractors and workmen must sign in each time they enter the property. Sign-in sheets must be maintained in a professional manner and replaced when full, with copies of completed sheets being uploaded into P260.

Section C.5.2.11 of the contract defines held-off-market properties as properties assigned to the contractor that may have a condition, such as a pending eviction, reconveyance, tenancy or unusual condition. These properties will be identified by a held-off-market code. Some held-off-market codes, including “Awaiting Contract” or “Offered for Direct Sale,” describe the status of a property that will not be offered on a competitive basis. Other codes, such as “Adverse Occupant,” denote a temporary delay in marketing unless otherwise directed. The contractor should manage properties with held-off-market codes in accordance with the applicable requirements of section 5.2.

Section C.5.2.2.3.5 of the contract states that the contractor should perform winterization of all operating systems in accordance with the requirements of mortgagee letter 2010-18 or any subsequent policy directives.

Section C.5.2.6.2 of the contract states that the contractor must remedy at its expense small amounts of mold not to exceed 25 square feet in any single area. For larger areas, the contractor should notify the government technical representative of any property with obvious evidence of mold or organic growth that in the opinion of the contractor, poses a potential health or safety hazard or inhibits marketing.

Section C.5.1.7.1 of BLM’s contract states that the contractor must update, maintain, and implement a comprehensive quality control plan consistent with the quality control plan submitted after the postaward conference. The contractor’s quality control plan must ensure that all aspects of this performance work statement, in accordance with the performance standards listed, are performed completely and appropriately and should contain a plan for corrective action when deficiencies or insufficient performance is identified by either HUD or the contractor. The quality control plan should be designed and implemented to result in quality and timely contract performance. The quality control plan should, at a minimum, (1) include a detailed inspection oversight program covering all general and specific tasks; (2) specify tasks or areas to be inspected on either a scheduled or unscheduled basis, including the manner in which inspection is to be conducted; (3) describe the techniques to be employed for producing and validating services and deliverables that conform to the acceptable quality standards in the contract; (4) describe the checks and balances that will be used to ensure an acceptable level of quality; (5) provide for responding to technical directions and comments; and (6) provide measures to prevent and eliminate the potential for fraud, waste, and abuse of HUD funds or other funds and resources received in the performance of this contract.

Section 5.2.2.2 of BLM’s property management plan states that locks will be changed consistent with HUD specifications, which must permit access into the house by HUD employees and broker-subcontractor access. All doors, crawlspaces, garages, and similar points of possible

entry will be secured to prevent unauthorized entry, using generally accepted preservation practices.

Section 5.2.2.3 of the plan states that initial cleanout services will include removing or repairing tripping hazards and holes in floors. They also include surveying the entire property to identify active water leaks and immediately repair all leaks unless severity requires reconveyance. All ceilings must be reviewed for evidence of roof leaks or moisture, attic area for evidence of roof leaks, and basement areas for evidence of water leaks, and a determination must be made of whether the leak is from an internal water system or from an external water source. Active water leaks will be noted on the HUD property inspection report or field service manager inspection forms, and before and after photographs will be provided in P260.

Section 5.2.3 of the plan states that tasks to ensure that property is secure and in a ready-to-show condition include ensuring that property is secure and kept free of debris, the yard is maintained, property cleanliness is maintained, the property is free of hazardous conditions, and snow is removed in a timely manner.

BLM's HUD Management and Marketing III field service manager contractor presentation states that (1) all notices, signs, or stickers from previous work completed by others must be removed; (2) if the contractors discover a safety fence around large holes in the yard, open wells, or missing manhole or drain covers, they must remediate the condition due to health and safety concerns; (3) loose ceiling materials that can fall should be removed as debris due to health and safety concerns; (4) the contractor should tape or tack down any areas of ripped carpeting that create a tripping hazard; and (5) the contractor should remove and tape or tack any areas of broken or missing tile and cut or tape loose linoleum.

BLM's initial service vendor checklist states that vendors must ensure that all items listed have been completed and checked off before leaving the property. All items must have clear photos submitted documenting work completed. A clear photo is required of the sign-in sheet at departure with appropriate legible signature and arrival or departure time.

BLM's initial service vendor checklist, property exterior section, states that all grass, shrubs, tree clippings are cleaned up and removed from property. All exterior debris are removed to include under decks, behind garages, in crawlspaces, off of roofs and out of gutters. The vendor must ensure water is directed away from the foundation. For instance, downspout extensions are directed appropriately.

BLM's initial service vendor checklist, janitorial section, states that vendors clean or wipe down all walls, ceiling fans and fan blades. It also requires vendors to remove all debris to include debris in the rafters or attic areas and all cobwebs from all areas including but not limited to basements, all doorways, crawlspaces and access areas.

BLM's initial service vendor checklist, bathroom section, states that vendors remove toilet seat covers and install blue painters tape over the bowl, sign and date for winterization purposes

BLM's initial service vendor checklist, health and safety section, states that vendors ensure to:

- Remove all protruding nails, screws from all interior and exterior walls of all structures, including fences or gates. Cap all exposed wiring with wire caps. Electrical or duct tape is not allowed.
- Install covers on all electrical outlets and switch plates where missing throughout the property
- Remove exposed tack trips to include closet area
- Install transition strips, or appropriate mark threshold areas with red duct tape as necessary in doorway where carpet/ vinyl/ tile is loose/ damaged or heights difference is higher than one fourth of an inch.
- Install weatherproof covers on all exterior outlets and switches
- Ensure that all electrical breakers are in the off position, unless there is active power for a sump pump, or for winterization purpose.
- Secure loose or hanging siding, soffits and or fascia.
- Remove any active or inactive wasp, or hornet, or bird nest from interior and exterior of all structures.
- Remove all glass shards on the ground, in window frame
- Install marking flags at all protruding tree roots, uneven surfaces in all yards.
- Cap or plug all open water and gas lines
- Install handrails at step three or more rises and install guardrails on any porch or deck 24 inches or higher including a mid-rail halfway up to the top rail
- Secure all exterior and interior handrails and guardrails if loose.
- Secure all loose or damaged carpeting vinyl flooring or tiles, unless carpeting is pet stained and damaged beyond repair and will be removed. Remove damaged or stained carpeting with approval from project manager or contract manager
- Abate mold-lie substances up to 25 square feet per area
- Tape minimal cracks on windows.

BLM's initial service vendor checklist, securement section, states that vendors repair or replace all exterior access doors to ensure they shut and lock, repair or replace all glass in windows, re-glaze up to 4 windows, and board up pet doors and dryer vent holes.

BLM's work order descriptions, photograph requirement for routine inspection section, states that a minimum of 75 date-stamped photographs must be submitted with each routine inspection work order. All exterior needs pictures documented to show lawn maintained and the sign in sheet after signing-un and clear pictures for all postings. Routine inspection work order will include photographs of sump pump if present and lighted electrical tester showing power to the outlet providing power to the sump pump. Pictures are required of electric panel showing breaker positions. The breaker should be off unless there is a sump pump and or dehumidifier. If electrical panel is taped, shut and secure, vendors take photos showing panel is shut and secure. It further states that vendors correct the issue if there are any issues or deficiencies present as part of their routine inspection fee.

BLM's work order descriptions, initial services section for HUD-owned vacant, states that initial yard maintenance is to be completed at all times. Vendors remove and dispose of all refuse,

debris, junk, leaves, lawn paraphernalia and other objects not ordinarily kept on a lot and other exterior areas including carports.

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Appendix D

Schedule of OIG Routine Inspection Property Observation Results

Identification number	FHA case number	Results		Deficiency type										Total deficiencies
				Health and safety					Other deficiencies					
		Pass ¹²	Fail ¹³	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total	
RI1	412-523364		X			X	2	2			X	1	1	3
RI2	412-463883		X						X	1	X	1	2	2
RI3	412-420698		X	X	1			1	X	2			2	3
RI4	412-503803		X			X	2	2						2
RI5	412-623455		X	X	1	X	1	2	X	1			1	3
RI6	412-557916	X												
RI7	412-560654		X	X	1			1	X	3			3	4
RI8	412-700713	X												
RI9	411-491088		X			X	2	2	X	1	X	2	3	5
RI10	411-423079		X			X	4	4	X	1	X	2	3	7
RI11	411-421498		X	X	2			2	X	1	X	1	2	4
RI12	411-348567	X												
RI13	411-306179		X	X	1	X	1	2	X	1	X	3	4	6
RI14	411-355824		X			X	1	1	X	2			2	3
RI15	411-351805		X	X	1			1						1
RI16	411-511323		X	X	1	X	1	2	X	3			3	5
RI17	412-487706		X			X	2	2						2
RI18	412-758879	X												

¹² Pass is defined as property preservation and protection services that were in accordance with BLM's contract with HUD and its own requirements.

¹³ Fail is defined as property preservation and protection services that were not in accordance with BLM's contract with HUD, its own requirements, or both.

Identification number	FHA case number	Results		Deficiency type										Total deficiencies
				Health and safety					Other deficiencies					
		Pass	Fail	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total	
RI19	412-532456		X	X	1			1	X	1			1	2
RI20	412-652706		X	X	1			1						1
RI21	412-517452		X	X	1			1						1
RI22	412-635093		X	X	1	X	1	2			X	2	2	4
RI23	412-418025		X						X	1	X	1	2	2
RI24	412-556767		X						X	1	X	2	3	3
RI25	412-624093		X	X	1	X	1	2	X	1	X	1	2	4
RI26	412-541056		X	X	2			2						2
RI27	412-591923		X			X	2	2	X	1	X	1	2	4
RI28	412-360143		X			X	2	2	X	1			1	3
RI29	412-597752		X	X	1			1	X	1	X	1	2	3
RI30	412-463432		X			X	1	1			X	2	2	3
RI31	412-716226		X			X	2	2			X	1	1	3
RI32	412-600855	X												
RI33	411-469342		X	X	1	X	1	2	X	3	X	1	4	6
RI34	411-320989		X			X	1	1	X	1			1	2
RI35	411-411019		X			X	2	2						2
RI36	411-375900		X	X	1	X	2	3	X	1			1	4
RI37	411-437568	X												
RI38	411-421118		X	X	1	X	3	4			X	1	1	5
RI39	411-349111		X			X	1	1	X	1			1	2
RI40	411-389959		X	X	1	X	1	2	X	2			2	4
RI41	412-532516		X	X	1	X	1	2						2

Identification number	FHA case number	Results		Deficiency type										Total deficiencies
				Health and safety					Other deficiencies					
		Pass	Fail	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total	
RI42	412-726242		X	X	2	X	3	5	X	1			1	6
RI43	412-634889		X			X	1	1						1
RI44	412-535593		X			X	2	2	X	1	X	1	2	4
RI45	412-494638		X			X	2	2						2
RI46	412-687426		X			X	1	1	X	1	X	1	2	3
RI47	412-664532		X								X	1	1	1
RI48	412-658075		X			X	3	3			X	3	3	6
RI49	412-567270		X			X	1	1						1
RI50	412-411602		X			X	3	3	X	3	X	1	4	7
RI51	412-493104		X			X	1	1	X	1	X	1	2	3
RI52	412-561945	X												
RI53	412-661552	X												
RI54	412-620804		X			X	1	1			X	1	1	2
RI55	412-515316		X	X	1			1						1
RI56	412-632250	X												
RI57	413-502284		X			X	3	3	X	1	X	1	2	5
RI58	411-452165		X						X	1			1	1
RI59	411-349650		X	X	1	X	3	4	X	1			1	5
RI60	411-470160		X	X	1	X	3	4	X	1			1	5
RI61	411-356072		X						X	2			2	2
RI62	411-414595		X			X	3	3	X	1	X	1	2	5
RI63	411-385801		X			X	2	2	X	3			3	5

Identification number	FHA case number	Results		Deficiency type										Total deficiencies
				Health and safety					Other deficiencies					
		Pass	Fail	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total	
RI64	411-402250		X			X	3	3			X	1	1	4
RI65	411-410078		X			X	1	1	X	1			1	2
RI66	411-515624		X	X	1	X	1	2	X	2	X	2	4	6
RI67	411-541970	X												
RI68	411-350162		X			X	2	2	X	1			1	3
RI69	411-461544		X	X	1	X	2	3	X	2	X	1	3	6
RI70	411-365017		X			X	4	4	X	1	X	1	2	6
RI71	411-428660		X			X	2	2	X	2	X	1	3	5
RI72	411-517735		X			X	1	1			X	1	1	2
RI73	413-499430	X												
RI74	413-402622		X			X	6	6	X	2			2	8
RI75	412-643552	X												
RI76	412-538011	X												
RI77	412-745418		X			X	4	4	X	1			1	5
RI78	413-477337		X	X	2	X	3	5			X	1	1	6
RI79	413-464797		X	X	1	X	2	3			X	3	3	6
RI80	413-565320	X												
RI81	413-512105		X			X	2	2	X	1			1	3
RI82	413-522903		X			X	1	1	X	1			1	2
RI83	411-386540		X			X	1	1						1
RI84	411-403612		X	X	1	X	2	3						3
RI85	411-398025		X			X	2	2			X	1	1	3

Identification number	FHA case number	Results		Deficiency type										Total deficiencies
				Health and safety					Other deficiencies					
		Pass	Fail	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total	
RI86	411-334698		X			X	2	2			X	1	1	3
RI87	411-372084		X			X	3	3			X	1	1	4
RI88	411-385733		X	X	1	X	2	3	X	1	X	1	2	5
RI89	411-488068		X			X	1	1	X	2	X	1	3	4
RI90	411-379346		X			X	1	1	X	1			1	2
RI91	411-357383		X			X	3	3						3
RI92	411-456118		X						X	1			1	1
RI93	411-494569		X	X	2			2	X	1			1	3
RI94	411-371622		X	X	1			1			X	1	1	2
RI95	411-507952		X	X	1	X	2	3						3
RI96	411-249726		X			X	1	1	X	2	X	1	3	4
RI97	411-471926		X			X	1	1	X	1	X	1	2	3
RI98	411-362361		X						X	1			1	1
RI99	413-445794		X			X	4	4						4
RII00	413-614752		X			X	2	2						2
RII01	413-528807		X	X	1			1	X	1			1	2
RII02	413-408863		X			X	3	3						3
RII03	413-457012	X												
RII04	413-413599		X	X	1	X	3	4	X	1			1	5
Total		15	89	34	39	68	136	175	54	74	41	53	127	302

Appendix E

Schedule of Initial Services Property Observation Results

Identification number	FHA case number	Results		Deficiency type										Total deficiencies
				Health and safety					Other deficiencies					
		Pass	Fail	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total	
IS1	413-613550		X	X	1	X	2	3	X	2	X	1	3	6
IS2	412-550868	X												
IS3	412-443667		X	X	1	X	1	2	X	1	X	1	2	4
IS4	412-656192		X			X	1	1						1
IS5	412-712153	X												
IS6	412-613019		X	X	1	X	3	4						4
IS7	412-609252		X	X	2	X	5	7	X	1	X	1	2	9
IS8	412-619649		X	X	1	X	1	2	X	1	X	1	2	4
IS9	412-685170		X	X	2	X	4	6			X	1	1	7
IS10	412-500885		X			X	1	1	X	1	X	2	3	4
IS11	412-637212	X												
IS12	413-601099		X			X	1	1						1
IS13	413-419063		X			X	3	3	X	1			1	4
IS14	413-458581		X	X	1	X	2	3			X	1	1	4
IS15	413-525234		X			X	2	2	X	2	X	1	3	5
IS16	413-447190		X			X	3	3			X	1	1	4
IS17	413-322686		X			X	3	3	X	2			2	5
IS18	413-476605	X												
IS19	411-403841		X	X	1	X	4	5			X	1	1	6
IS20	411-374195		X			X	3	3	X	1			1	4
IS21	411-442471	X												

Identification number	FHA case number	Results		Deficiency type										Total deficiencies	
				Health and safety					Other deficiencies						
		Pass	Fail	Exterior	Number exterior	Interior	Number interior	Total	Exterior	Number exterior	Interior	Number interior	Total		
IS22	411-285939	X													
IS23	411-390992		X	X	2	X	2	4	X	1			1	5	
IS24	411-403945		X	X	2	X	2	4	X	2	X	1	3	7	
IS25	411-394966		X	X	1			1	X	1			1	2	
IS26	411-473486		X	X	1	X	2	3	X	1	X	1	2	5	
IS27	413-607648	X													
Total		7	20	12	16	19	45	61	13	17	12	13	30	91	