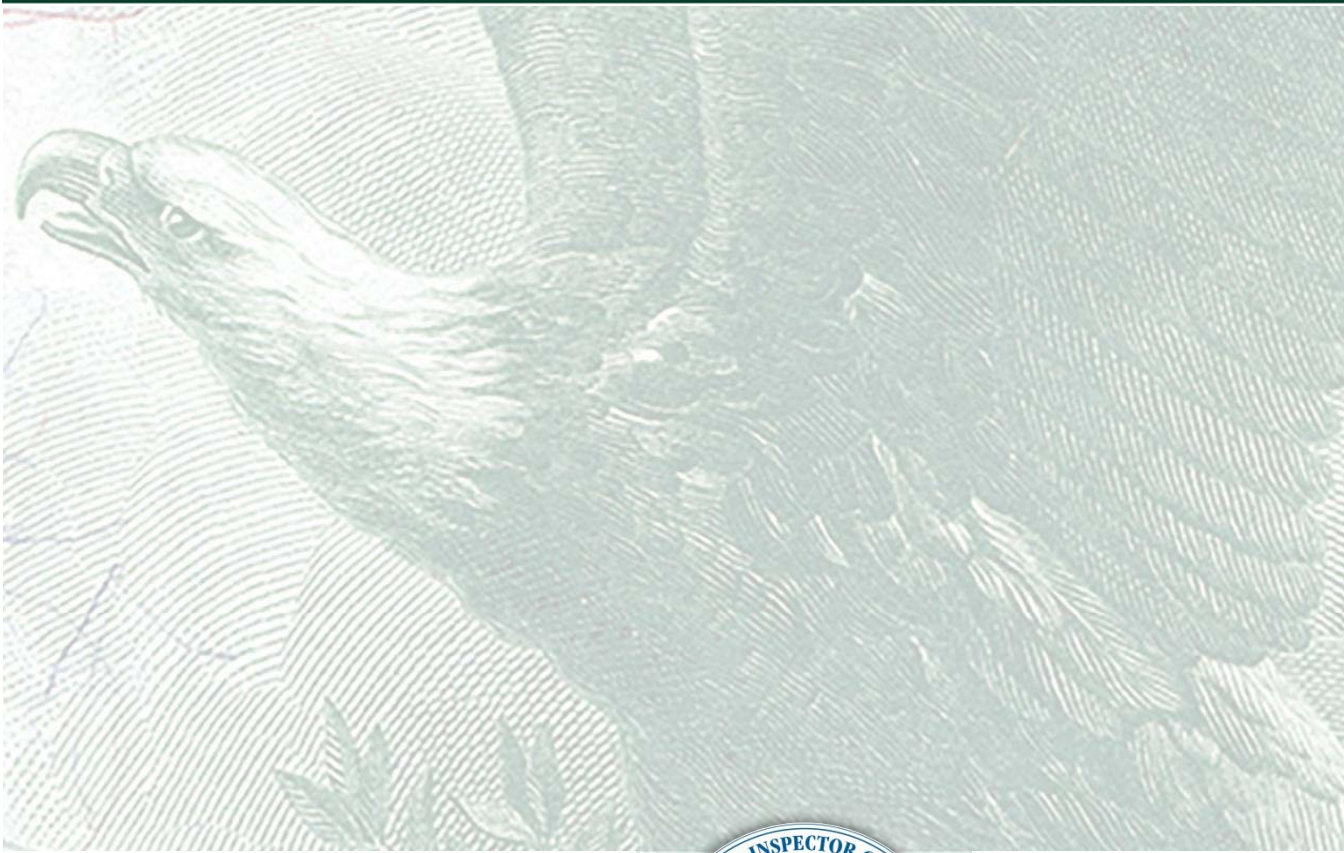





## Evaluation Report

# Improvements in State Agency Oversight Needed to Prevent Asbestos Exposure and Fraud in Blight Demolitions



**SIGTARP**



OFFICE OF THE SPECIAL  
INSPECTOR GENERAL FOR  
THE TROUBLED ASSET  
RELIEF PROGRAM





**OFFICE OF THE SPECIAL INSPECTOR GENERAL**

**FOR THE TROUBLED ASSET RELIEF PROGRAM**

**1801 L STREET, NW, 4<sup>TH</sup> FLOOR**

**WASHINGTON, D.C. 20220**

**MEMORANDUM FOR:** The Honorable Steven T. Mnuchin – Secretary of the Treasury

**FROM:** Honorable Christy Goldsmith Romero – Special Inspector General for the Troubled Asset Relief Program

**SUBJECT:** Improvements in State Agency Oversight Needed to Prevent Asbestos Exposure and Fraud in Blight Demolitions  
(SIGTARP 19-002)

We are providing this evaluation report for your information and use. SIGTARP found, among other things, that improvements in state agency oversight are needed to prevent asbestos exposure and fraud in blight demolition.

The Office of the Special Inspector General for the Troubled Asset Relief Program conducted this evaluation (engagement code EVAL 011) under the authority of the Emergency Economic Stabilization Act of 2008, which also incorporates certain duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended.

We considered comments from the Department of the Treasury when preparing the report. Treasury's comments are addressed in the report, where applicable, and a copy of Treasury's response is included.

We appreciate the courtesies extended to our staff. For additional information on this report, please contact me at any time.



## Executive Summary

A new review conducted by the U.S. Army Corps of Engineers (the “Corps”) on behalf of SIGTARP found significant risks at the federal, state, and contractor level in the Hardest Hit Fund’s (“HHF”) \$721 million Blight Elimination Program that uses TARP dollars to fund the demolition of blighted properties. The Corps reviewed the program’s operation in South Carolina, one of eight participating states, nearly two years after SIGTARP warned the U.S. Department of Treasury that the Corps’ review of demolitions in Flint, Michigan found risks of exposure to asbestos and other hazardous materials, illegal dumping, and contaminated soil. The Corps analyzed program requirements in comparison to standard industry safeguards and best practices to ensure compliance with federal and state regulations. It also analyzed the files of a completed demolition of a large 77-unit apartment complex and made onsite visits and visual inspection of the demolition of a large 110-unit apartment complex in another city that was in process.

SIGTARP concludes from the Corps’ findings in this review and the 2017 review that the Hardest Hit Fund’s Blight Elimination Program poses an unnecessary risk of community exposure to asbestos and other hazardous materials due to a lack of adequate implementation of Federal and state environmental, health and safety regulations, industry standards, and best practices. Treasury can easily mitigate this risk by requiring all participating state housing finance agencies to implement industry standard safeguards and increase state housing finance agency oversight. SIGTARP previously made similar recommendations in 2017. Key to these safeguards is for Treasury to require participating state agencies paid with TARP dollars to oversee HHF programs under contract with Treasury to increase their technical oversight over demolition activity, rather than heavily relying on others not in contract with Treasury, such as individual contractors, land banks, and municipalities.

In its analysis of program requirements, the Corps made similar findings in the program in South Carolina as it did in Michigan. The Corps found that the South Carolina State Housing Finance and Development Authority and its non-profit, The South Carolina Housing Corporation (collectively referred to as the “South Carolina agency” or “state agency”), overseeing the program under contract with Treasury lacked technical oversight and quality assurance throughout the lifecycle of the demolition process. Best practices as determined by the Corps require periodic state agency on-site presence and inspections, training of state agency oversight employees, and testing. But the South Carolina state agency only requires initial and closeout inspections, which creates significant risks. Critically, for example, the Corps found that the state agency does not require proof prior to demolition that all of the asbestos and other hazardous material are properly removed, stored, transported and disposed of, according to federal OSHA and EPA requirements, and state requirements. The South Carolina state agency also does not require tracking by quantity of each type of hazardous material found, posing a risk that some material may be missed or misclassified.



Without effective quality assurance and internal controls by the state agency paid TARP dollars to oversee the HHF program, the Corps found significant inconsistency in the handling of asbestos and other waste in demolitions reviewed. For example, the Corps found safeguards missing in the state agency's requirements, and significant discrepancies in the file related to the demolition of a large 77-unit apartment complex in Columbia, South Carolina, including no certification of the final disposition or completion of the asbestos abatement, no listing of the asbestos abatement subcontractor, and differing quantities of asbestos containing material on one abatement license and the estimated amount indicated in the specifications. In stark comparison, after visiting an ongoing large 110-unit apartment complex demolition site in Spartanburg, the Corps concluded that the City of Spartanburg and its contractors appeared to be following demolition best practices and were taking care to minimize harm to the surrounding community. The Corps outlines the best practices and industry standards it relied upon in its report. The Corps also found on contracts with unusually high levels of hazardous materials, partners and contractors may have allowed undue risk to keep costs below the \$35,000 per property cap.

SIGTARP has found that exposure to improperly handled asbestos and other hazardous materials remains one of the top challenges and threats in TARP. Given that around \$200 million in TARP funds remain to be spent over the next 2 ½ years (according to the latest Treasury data), SIGTARP urges Treasury to adopt the recommendations made in this report, and its 2017 report, to protect the communities surrounding these demolitions and federal taxpayers.



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## Background

In 2013, Treasury approved a new use of TARP dollars – funding the demolition of abandoned blighted houses – that remains today an ongoing TARP program.<sup>1</sup> The Blight Elimination Program (or blight demolition program) is a subprogram of TARP’s Hardest Hit Fund. Treasury contracted with housing finance agencies in eight states to use TARP dollars to fund the demolition (and related activities) of vacant and abandoned single-family and multifamily structures, with the goal of neighborhood stabilization and home preservation. Currently, Treasury has allocated more than \$721 million for this use of TARP. However, that number can shift up or down because Treasury allows state agencies to shift TARP dollars around various HHF programs without Treasury approval. State agencies have already spent more than \$526 million in TARP-funded demolitions.

TARP-Funded Demolitions, by State

TARP-Funded Blight States	TARP Dollars Spent	Current TARP Dollars Allocated for blight demolition (Treasury allows state agencies to add or subtract)
Alabama	\$38,713.00	\$38,713.00
Illinois	\$7,752,010.00	\$9,950,000.00
Indiana	\$39,797,641.62	\$52,000,000.00
Michigan	\$272,185,482.00	\$381,185,566.00
Mississippi	\$18,271.00	\$8,750,000.00
Ohio	\$182,691,827.00	\$239,288,743.49
South Carolina	\$22,870,137.00	\$22,904,995.00
Tennessee	\$723,649.00	\$6,891,890.95
<b>TOTAL</b>	<b>\$526,077,730.62</b>	<b>\$721,009,908.44</b>

Source: Treasury reporting to SIGTARP 6/26/19, based on HHF data and estimates.

According to the latest Treasury data, there remains 2 ½ years and around \$200 million remaining to be spent until December 2021. TARP-funded demolitions are continuing to spend millions of TARP dollars. The Tennessee, Mississippi, and Alabama state agencies have only reported a small amount of completed demolitions.

<sup>1</sup> In response to the problems facing homeowners during the financial crisis, Congress included in the Emergency Economic Stabilization Act that Treasury should use TARP to protect home values and preserve homeownership. Under this TARP goal, Treasury announced the Hardest Hit Fund in February 2010. Prior to 2016, HHF was a \$7.6 billion initiative providing TARP mortgage assistance primarily to unemployed homeowners, in hard hit communities in 18 states and the District of Columbia. Treasury had scheduled HHF to end December 2017. In the 2016 Appropriations Law, Congress authorized the extension of HHF and an additional \$2 billion. Treasury subsequently extended the program four additional years to allow spending until December 2021.



## SIGTARP Has Previously Found Deficiencies in the Hardest Hit Fund's Blight Program

*SIGTARP reported in April 2015 that Treasury did not identify and mitigate risks in using TARP for blight demolition. SIGTARP recommended that Treasury require state agencies to develop a system of internal controls targeted at blight elimination. Treasury did not implement the recommendation.*

- SIGTARP reported that Treasury did not take a risk-based approach to identify and mitigate risks in using TARP for blight demolition that could form barriers to the effective use of TARP dollars or could lead to fraud, waste, and abuse.<sup>2</sup> SIGTARP reported that Treasury took a hands-off approach that led to vulnerabilities in the program. Although Treasury's original 2010 contracts required state agencies to create a system of internal controls to follow applicable laws, the laws listed in the contracts were geared towards what HHF was before 2013, mortgage assistance to homeowners. As a blight demolition program created different risks and involved different Federal, state and local laws, SIGTARP recommended that Treasury should require participating state agencies to develop a system of internal controls targeted specifically at blight elimination. Treasury did not implement SIGTARP's recommendations.

*SIGTARP reported in June 2016 that the blight program posed a higher risk of fraud, waste, and abuse than mortgage assistance. SIGTARP also reported that the program had no Federal requirements for competition. SIGTARP recommended that Treasury assess the risks and implement Federal requirements to mitigate those risks.*

- Treasury significantly changed the type of recipients of these TARP dollars to those that pose a higher risk of fraud, waste and abuse than homeowners. These recipients are demolition related contractors and subcontractors, as well as cities, counties, land banks, for-profit and non-profit organizations. Additionally, the use of TARP to pay to reimburse property acquisition, pre-demolition activities (such as the removal of asbestos or other hazardous material), demolition, and post-demolition activities (i.e., debris removal, backfilling open holes, grading, greening, and maintenance) of blighted properties pose a higher risk of fraud, waste, and abuse than mortgage assistance.
- SIGTARP reported that repurposed programs require repurposed oversight, but that did not happen. Such a substantial change required Treasury to assess the risks attendant to this flow of more than half a billion TARP dollars, and implement requirements to protect the program from fraud, waste, and abuse, but Treasury did not do that. SIGTARP reported that rather than revising its agreements with state agencies to implement requirements that mitigate all of the risks associated with blight elimination, Treasury only added to those agreements a high-level summary of how the blight program will work in each state,

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<sup>2</sup> See SIGTARP, "Treasury Should Do Much More to Increase the Effectiveness of the TARP Hardest Hit Fund Blight Elimination Program," April 21, 2015.





not implementing risk mitigation. SIGTARP reported that one city mayor said that these Federal funds come with no stipulations. SIGTARP recommended that Treasury assess the risks associated with blight elimination, and implement Federal requirements to mitigate those risks. SIGTARP also reported that the program lacked Federal requirements for competition, leading SIGTARP to recommend that Treasury apply the Federal procurement standards. Treasury has not issued guidance implementing the recommendations.

### SIGTARP Has Identified the Risk of Asbestos Exposure, Contaminated Soil, and Illegal Dumping in HHF's Blight Elimination Program as One of the Most Serious Challenges and Threats Facing the Government in TARP

SIGTARP based its determination on its own work as well as engineering consulting work performed by the Corps on behalf of SIGTARP.<sup>3</sup> In 2017, the Corps found a lack of Michigan state agency oversight over the demolitions in the state, and a lack of state environmental, health, and safety industry standards to prevent exposure of asbestos and other hazardous material, illegal dumping of demolition debris, and contaminated fill dirt. For example, the Corps reviewed the Michigan state finance agency's Blight Manual and found among other things, that the state agency was not verifying that the demolition holes were filled with clean material.<sup>4</sup> Additionally, the Corps' review of the state agency's file of the completed demolition found no documentation of what type of materials were provided as backfill and topsoil.<sup>5</sup> The Corps also found no documentation in the state agency's file of providing a regulated area, air monitoring, leak-tight container storage or proper disposal.<sup>6</sup> During physical onsite observations of other demolition sites, the Corps saw unmarked containers sitting in front of several homes that a neighbor said arrived during asbestos abatement. The Corps stated that if the containers contained asbestos, the law requires them to be sealed and labeled properly to prevent accidental exposure to the public. In another demolition site observation, the Corps found a dumpster marked for asbestos that was placed in front of a residence.<sup>7</sup> The Corps also observed open holes at several sites awaiting city open-hole inspections and raised whether the holes should be fall protected. The Corps found it unclear what level of technical review of documentation was performed by the state agency overseeing the program and recommended that the state agency technically review to confirm that all materials were removed from the site according to relevant regulations and received at an appropriate waste or recycling facility, that the

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<sup>3</sup> In July 2017, SIGTARP and the Army Corp conducted an evaluation of HHF blight demolition in Michigan. The report of this evaluation SIGTARP, "Risk of Asbestos Exposure, Illegal Dumping, and Contaminated Soil from Demolitions in Flint, Michigan and Other Cities" was issued on November 21, 2017.

<sup>4</sup> See SIGTARP, "Risk of Asbestos Exposure, Illegal Dumping, and Contaminated Soil from Demolitions in Flint, Michigan and Other Cities, November 21, 2017.



open hole was inspected, and that fill material brought on site came from an approved source.<sup>8</sup>

SIGTARP released the Corps findings and recommended that Treasury require state agencies to conduct the oversight recommended by the Corps and implement industry standard safeguards to ensure the identification, proper removal and disposal of asbestos and other hazardous materials, the proper disposal of demolition debris, and the safety of dirt brought to the demo site. The Michigan state agency acknowledged to Treasury in December 2017 after three years of demolitions that its current process did not require proof of an open-hole on-site inspections, proof that waste materials were properly handled and disposed, or proof that soil used to fill the holes and grade the lots meets all safety/environmental guidelines. The Michigan state agency agreed to change its program requirements to require these items as recommended by SIGTARP.<sup>9</sup> As a result, the Michigan state agency revised their blight elimination program operation manual in March 2018 to reflect these changes.

Despite the Michigan state agency acknowledging that their program guidelines did not require proof of these documents designed to ensure that there is no harm to these communities, and the fact that agencies in other states use TARP dollars to fund demolitions, Treasury has not issued guidance to any of the participating state agencies implementing SIGTARP's recommendations.

For this review, the Corps reviewed the HHF blight demolition program in South Carolina.<sup>10</sup> In July 2014, Treasury amended its contract with the state agency to allow for TARP dollars to fund blight demolition. The contract stated the goal is to "decrease foreclosures and stabilize homeowner property values in communities across South Carolina through the demolition of vacant, abandoned, and blighted residential structures, and subsequent greening/improvement."<sup>11</sup> According to Treasury, as of March 30, 2019, \$22.9 million in TARP dollars have funded the demolition of 881 properties in South Carolina under the BEP.

Our review objectives were to evaluate the TARP-funded demolition program requirements and demolition-related activities in South Carolina. We reviewed to identify risks of fraud, waste, abuse, inefficiency and ineffectiveness. We reviewed to determine whether Federal, state, and local environmental, health and safety regulations, program guidelines, and industry standards have been implemented. We analyzed program requirements to determine whether they comply with industry best practices (as determined by the Corps), and applicable laws and regulations. Then we analyzed the

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<sup>9</sup> On June 04, 2019, SIGTARP initiated an evaluation of the blight program in Detroit, Michigan that, among other objectives, will include a review of implementation of SIGTARP's prior recommendations.

<sup>10</sup> A complete copy of the Army Corp report can be found in Appendix B.

<sup>11</sup> The seventh amendment to Commitment to Purchase Financial Instrument and HHF Participation Agreement (South Carolina).



documentation in the files of the demolition of an apartment building in the City of Columbia. We also had an on-site visual site inspection of multiple properties in the City of Spartanburg, including the Cammie Clagett Courts. Demolitions in the cities of Spartanburg and Columbia comprise approximately 21% of TARP dollars spent in South Carolina's blight elimination program.



## The Hardest Hit Fund Blight Demolition Program in South Carolina Lacks Standard Industry Safeguards and State Agency Oversight Leaving the Program at Risk of Fraud, Waste and Abuse and Risking Community Exposure to Asbestos and Other Hazardous Material

Based on the work of the Corps and SIGTARP, we found a lack of state agency oversight, quality assurance and other industry standard safeguards in the HHF blight demolition program in South Carolina that increase the risk of fraud, waste, and abuse, and exposure of asbestos and other hazardous materials to neighboring communities.

### Just Like the Michigan Housing Agency, the South Carolina Housing Agency Lacks Industry Standard Safeguards, Internal Controls and Quality Assurance, to Ensure that Asbestos and Other Hazardous Material are Properly Removed Exposure

The Corps found that state agency and program guidelines do not meet the industry standards for handling and managing contaminated material including asbestos or other hazardous material. Missing are state internal controls and a quality assurance program that ensure that demolition activities comply with all Federal and state requirements. Periodic on-site presence and inspections, training of oversight employees, and testing are some of the internal controls that are paramount to quality assurance in executing a demolition program of this size.

*Similar to the Corps' 2017 findings in Michigan HHF blight program, the Corps found that the South Carolina HHF blight program has no requirement for independent state inspections during removal of asbestos and other hazardous material, and directly after the removal, and unclear requirements on state agency technical review of documentation, elevating the risk of contamination and fraud:*

Treasury does not require the South Carolina agency to perform technical oversight, which would be an industry best practice, according to the Corps. This oversight would include the state agency performing independent inspections both during and after the removal of hazardous material such as lead based paint or asbestos. The inspections would confirm that all hazardous materials are properly removed, stored, and transported according to the contract, and federal and state regulations (including Occupational Safety and Health Administration ("OSHA") requirements and National Emission Standards for Hazardous Air Pollutants ("NESHAP"). SIGTARP previously reported that this important industry safeguard was missing in the HHF program in Michigan.

The South Carolina agency does not require interim reports or quality assurance inspections while asbestos and other hazardous materials are being abated and removed.



The South Carolina HHF Blight Elimination also does not have clear requirements on the state agency's level of technical review of documents to ensure that all material was removed from the site according to OSHA and NESHAP, and confirmed as received at a permitted waste or recycling facility. This lack of effective state oversight leaves the risk in the hands of individual contractors and cities, which elevates the risk of exposure to hazardous materials and fraud.

Similar to the Corps' 2017 findings in Michigan HHF blight program, the Corps found that the South Carolina HHF blight program lacks requirements to document and track all asbestos and other hazardous material by quantity, elevating the risk of fraud and the risk that not all hazardous material will be properly removed:

The Corps' review of contract files for the completed demolition and program requirements showed no evidence that the state agency properly documents the quantities of waste and tracks disposal by quantity. Proper tracking reduces the risk that asbestos or other hazardous material are misclassified or missed. Inspection documentation should confirm that all quantities of hazardous materials are tracked through disposal at a permitted facility. SIGTARP previously reported that this was missing in the HHF program in Michigan. The South Carolina agency does not require documentation and tracking of waste by quantity. Without tracking by quantity, there is no assurance that all of the asbestos and other hazardous material has been properly removed, stored, transported and disposed, elevating the risk of contamination and fraud.

Similar to the Army Corp's 2017 findings in the Michigan HHF blight program, the Corps found that the South Carolina HHF blight program lacks requirements on inspector qualifications and training and lacks requirements to maintain documentation on the identity and qualifications of the asbestos contractor:

While South Carolina regulations require the validation of credentials and licensing abatement at the project site, HHF South Carolina program guidelines do not specifically require minimum qualifications or training for inspectors.

In the specific demolitions reviewed by the Corps, there were no documents in the project files that attest to the technical proficiency of the asbestos contractor, nor was there a technical review of contract documents to ensure that the asbestos removal was performed according to the specifications of the environmental assessment and contract.

Similar to the Army Corp's 2017 findings in the Michigan HHF blight program, the Corps found that Treasury's dollar cap on demolition could lead to undue risks:

The Corps also found that on contracts with unusually high levels of hazardous materials, partners and contractors may have allowed undue risk to keep costs below the \$35,000 limit per property. This creates an increased risk of fraud, waste, and abuse.

The South Carolina HHF Blight Elimination lacks requirements that the contractor identify all subcontractors, the scope of their work, and the percentage of subcontractor work:





The invitation to bid for the City of Columbia demolition required that all buildings must be abated by a licensed and state-approved abatement company. The file indicated that subcontractors were used. However, no subcontractors were listed in the bid or contract, including the asbestos abatement subcontractor. The state cannot verify that all contractors meet state licensing criteria prior to executing the contract. The prime contractor may start work with an unlicensed contractor without the proper training in abatement and/or required personal protective equipment. This omission elevates the risk of exposure and fraud.

*The South Carolina agency is keeping copies of all bids, but is not keeping all attachments to the bids and contracts in the project files:*

Access to all of the documents that were part of the bid and contract performance is necessary for state and Federal oversight.

### Demolitions in the City of Spartanburg Generally Followed Industry Best Practices, but Demolitions in the City of Columbia Did Not

On-site Corps field visit found that overall the City of Spartanburg and contractors appear to be following the best practices for demolition of a large 110-unit apartment complex, in stark contrast to the City of Columbia completed demolitions in which the Corps' review of the project file found a lack of standard industry safeguards, particularly related to asbestos and waste removal. Best practices followed by the City of Spartanburg and contractors serve as an example of best practices in this program, including:

- Appropriate signage was placed on the lot.
- Silt runoff into storm sewers was appropriately protected and periodically inspected.
- The use of special air blowers installed with asbestos filter traps, an exterior tent with a "clean room" airlock with asbestos air monitors ensured that no friable asbestos is released to the environment during demolition.
- Workers wore protective clothing and respirators.
- Removed asbestos was labeled "biohazard."
- Removed asbestos was transferred to other workers in the airlocks to double bag and take to specifically-labeled plastic-lined containers.
- At the end of the process, workers vacuumed up all contaminated dust using special vacuums and sprayed a white latex material that captures any air-borne material.
- All filters and contaminants were bagged and placed in the containers and shipped to the landfill.
- The landfill weighed and properly disposed of the containers.
- A third party environmental monitoring company observed the process and tested for any leaking contaminants from the demolition site.
- The demolition site was fenced to secure the site from pedestrians and vandals.
- The site was then stripped for recyclable materials.



- The demolition contractor for one observed demolition used water for dust abatement.
- The site was protected with a silt fence, and all debris was removed.
- The site was roughly graded back to adjacent elevations and sloped to prevent ponding.

While the Spartanburg demolition generally followed best practices, the demolitions lacked interim inspections and the certification of trained personnel:

- There were multiple, on-going demolition activities at the project site, including abatement, the stripping of metals, and demolitions. Interim or in-process abatement inspections were not required or completed, based on a review of the project files. If environmental, health and safety risks were identified during these activities, there was no mechanism to know if they were addressed until the final inspection.
- On the day of the on-site visual inspection, the contractors were in the process of completing abatement work on several buildings. There was a three-day work stoppage mandated by South Carolina Department of Health and Environmental Control (“DHEC”) based on a tip from an employee of the abatement contractor that reported the company hired non-certified individuals with forged credentials at the site. This oversight weakness may cause individuals who do not have the proper credentials to put the program and communities at risk.

In comparison, the review of the files on the completed demolition of a large 77-unit apartment complex in the City of Columbia identified the following asbestos and waste removal practices that did not comply with industry practices:

- Waste removal procedures were not followed in accordance with DHEC regulations and other Federal environmental, health and safety regulations for demolition, storage, and transportation of waste materials.
- There was no documentation demonstrating that the abatement contractor complied with regulations related to the use of a regulated area, air monitoring, leak-tight container storage and warning labels, or the proper disposal of asbestos waste as prescribed by the National Emission Standards for Hazardous Air Pollutants, Occupational Safety and Health Administration, and the National Institute for Occupational Safety and Health.
- Daily On-Site Reports only contained brief description of asbestos removal, but did not document quantities of asbestos removed.
- Eight of the nine dump tickets submitted by the contractor reflect removal dates that occurred after the expiration of a 45-day period for asbestos removal specified by the South Carolina DHEC asbestos abatement project license. A demolition contractor that removes asbestos and other hazardous materials from the demolition site after its license expired elevates the risk of exposure and fraud.

In-process inspections of abatement work and post-abatement inspections were neither required nor completed at the reviewed demolition site in City of Columbia. Based on a review of the



project timelines and license periods included in the files, the demolition work continued at this site while asbestos was stored in the same vicinity, which raises the risk of exposure and fraud.

- There was no Certificate of Removal of asbestos or other hazardous material waste. The Certificate of Removal should document and cross check the waste type and quantities listed in the specifications, abatement permits, and disposal records to ensure that all waste is properly disposed. The Certificate of Removal should be provided to the state agency before any general demolition activities. The lack of the certificate elevates the risk of improper dumping of waste at a non-approved site, and fraud.
- While the demolition and abatement project specifications required a final inspection of abatement activities and a certification of decontamination prior to demolishing a property, no final inspection occurred, nor was a certification of decontamination submitted from the abatement contractor. Because the contractor did not meet the contract deliverables required by the project specifications, there is a lack of assurance that the hazardous materials were fully removed in compliance with state and federal standards prior to demolition.
- At the time that an air monitoring contractor provided its closeout report certifying the site was decontaminated, four of the five buildings at the site had already been demolished, meaning the demolitions occurred without first confirming the completion of abatement, elevating the risk of exposure and fraud.
- The documentation did not show whether on-regulated demolition debris was removed and properly disposed or recycled. There were truck tickets in the file, but no documentation confirming the waste disposal or recycling.
- A demolition contractor began abatement work before the approved start date on the DHEC asbestos abatement project license, and continued abatement activities long after the license expired. Performing asbestos abatement activities without the required licenses increases the risk of exposure and fraud.



## SIGTARP Questions \$13,750 in TARP Payments

Treasury's contract with the South Carolina agency applies federal cost regulations. In the City of Columbia \$5,950 for soil borings related to redevelopment rather than demolition. The Corps found that these soil borings do not appear to be "necessary" for demolition or "allocable" to HHF, requirements under applicable Federal cost regulations. Additionally, the state agency paid \$7,800 for a civil engineering design services firm to develop a storm water pollution prevention plan. The plan reviewed does not reference any addresses, and therefore, there is no documentation in the project file that this work related to properties in the HHF program, violating the federal cost regulation's requirements that a cost be "allocable" to the Federal program.



## Conclusion

Effective federal and state housing finance agency oversight of the removal, storage, and disposal of asbestos and other hazardous materials in TARP-funded demolitions is critical to protect communities from exposure and contamination and to protect TARP dollars from fraud, waste, and abuse. Similar to the 2017 findings in the program in Michigan, the Corps and SIGTARP found that Treasury and the South Carolina state agency - the federal and state Government agencies overseeing the program in Columbia and Spartanburg – are not doing enough to mitigate the risk of community exposure to asbestos and other hazardous materials, to ensure that contractors meet all environmental, health and safety regulations, and to ensure that industry standards and best practices are followed during the demolition process. These failures could put nearby residents at risk of exposure to hazardous materials, and pose an undue risk of fraud, waste, and abuse to the cities and states in the program, and Federal taxpayers.

SIGTARP concludes from the Corps' findings in this review and the 2017 review that the Hardest Hit Fund's Blight Elimination Program has an unnecessary risk of community exposure to asbestos and other hazardous materials – risk that Treasury can easily mitigate by requiring state housing finance agencies, paid with TARP dollars to oversee HHF programs under contract with Treasury, to put in place industry standard safeguards that SIGTARP previously recommended in 2017, and again recommends in this report. These safeguards start with Treasury requiring participating state agencies to increase their oversight over demolition activity, rather than heavily relying on others not in contract with Treasury, such as individual contractors, land banks and municipalities.

Without effective state agency quality assurance and internal controls, there was significant inconsistency in the handling of asbestos and other waste in demolitions. As a case in point, the Corps found missing documentation of industry safeguards by one contractor in Columbia, South Carolina for a completed demolition of a large 77-unit apartment complex, compared to a contractor in Spartanburg, South Carolina that the Corps observed using industry safeguards and generally followed best practices for an in-process demolition of a large 110-unit apartment complex.

For nearly two years, including most recently in SIGTARP's April 2019 Quarterly Report to Congress, we identified the risk of asbestos exposure in TARP-funded demolitions as one of the most serious management and performance challenges facing TARP. SIGTARP has repeatedly raised concerns over the lack of oversight, controls, and risk mitigation by Treasury in this program. However, Treasury has not issued guidance or requirements to implement SIGTARP's recommendations to mitigate this risk, including for example, the 2017 recommendations that Treasury increase state agency technical oversight on specific safeguards for asbestos exposure. Now, for two of eight participating states, the Corps has made similar findings of a lack of state agency oversight and quality assurance that leads to undue risk of exposure.





With around \$200 million remaining to be spent in the program over the next 2 ½ years (according to the latest Treasury data), the risks identified by the Corps in its review in South Carolina (see Appendix A) as well as its prior review of Michigan in 2017, could extend to the other states that continue to fund demolitions with TARP. SIGTARP has issued eight recommendations to the U.S. Department of the Treasury, which has oversight over HHF’s Blight Elimination Program. While state agency flexibility is an important component of the HHF, it should not come at the expense of the state agency requiring industry-standard safeguards designed to protect communities from exposure to asbestos and other hazardous materials and to ensure compliance with federal and state laws. Taxpayers and people living in hard-hit communities deserve nothing less.



## Appendix A – U.S. Army Corps of Engineers Report



**DEPARTMENT OF THE ARMY**  
DETROIT DISTRICT, U.S. ARMY CORPS OF ENGINEERS  
477 MICHIGAN AVE  
DETROIT, MI 48226-2550

# **Blight Elimination Program (BEP) Demolition Review for the South Carolina Neighborhood Initiative Program (NIP)**

**January 2019**

**FOR**

**U.S. Department of the Treasury -  
Special Inspector General for the Troubled Asset Relief  
Program (SIGTARP)**

**IA No.: 20341318M00014**



## Executive Summary

This review encompassed the Blight Elimination Program (BEP) agreements between the Treasury and the State of South Carolina (the South Carolina State Housing Finance and Development Authority and its non-profit—the SC Housing Corporation); between the State of South Carolina and the City of Columbia (Lead Entity) and its Partner and contractors involved in the demolition process of a former multi-unit apartment complex (West Avenue Apartments), located at 3800 West Avenue, Columbia, South Carolina; and between the State of South Carolina and the City of Spartanburg (Lead Entity) and its Partner and contractors involved in the demolition process of a former multi-unit apartment complex (Cammie Claggett Courts), located in the Highland Neighborhood, Spartanburg, South Carolina.

Our review of South Carolina’s NIP is divided into three components:

- A general review of program documents, state regulations, and program notices managing the program.
- A file review of all BEP agreements from the SCHC to one of its NIP Lead Entities—the City of Columbia; and from the City of Columbia to its contractors involved with NIP demolition activities at the former housing complex at 3800 West Avenue, Columbia, South Carolina.
- A visual site inspection (VSI) at Cammie Claggett Courts apartment complex, Spartanburg, South Carolina on May 30, 2018. The report of the field visit is attached (Attachment 1).

Both the document review and field observation report were evaluated to determine whether the demolition was planned and executed according to the agreements in place and following industry best practices.

Significant findings include:

- All of the agreements were lacking in oversight and quality assurance at various phases throughout the lifecycle of the demolition process.
- There is no documentation of quality assurance inspections of the asbestos abatement or ACM disposal activities.
- There is no certification of the final disposition or completion of asbestos abatement.
- The asbestos abatement contractor is not named in the prime Contract.
- The quantity of ACM shown on one asbestos abatement license doesn’t match the estimated amount indicated in the specifications.
- On contracts with unusually high levels of hazardous materials, Partners and contractors may have allowed undue risks in order to keep total project costs under the \$35,000 cap.



Recommendations include:

- Require that all subcontractors be listed by name in the prime contract, and must be pre-approved by NIP.
- Require that the scope of work for each subcontractor be described in the documentation to confirm it falls under one of the NIP allowable expense categories.
- Confirm asbestos/abatement subcontractor qualifications and certification prior to start of demolition.
- Provide a submittal checklist in the project specifications. The checklist can be used for quality assurance monitoring.
- Require contractors to provide all submittals listed in the contract.
- Require Asbestos Abatement Work Plan and Health and Safety Plan document submittals.
- Require that inspectors and contract administration staff are trained and qualified to perform the duties they are assigned (especially in the handling of hazardous materials).
- Require properties that contain hazardous waste include inspections during hazardous material removal and post hazardous material removal.
- Require the State of South Carolina perform technical oversight to assure waste materials are handled properly during demolition, storage, and transportation activities in accordance with the South Carolina Department of Health and Environmental Control (DHEC) and OSHA standards.
- Require oversight by the State of South Carolina to confirm that all asbestos containing materials noted in the asbestos removal specification are properly removed.
- Provide a process for allowing funding exceptions for properties with unusually high levels of hazardous materials needing to be removed or abated.



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Attachments

1. USACE On-Site Observations and Review of Demolition Activities in Spartanburg, South Carolina



## 1 Report Premise

The U.S. Army Corps of Engineers (USACE) and SIGTARP entered into an agreement on 15 March 2018 for USACE to provide engineering consulting services for SIGTARP's review of South Carolina's Hardest Hit Fund (HHF) Blight Elimination Program (BEP) —the Neighborhood Initiative Program (NIP). NIP was developed by the State of South Carolina to address blight elimination. The South Carolina State Housing Finance and Development Authority and its non-profit—the SC Housing Corporation ("herein referred to as the State of South Carolina") entered into a tri-party agreement with the Department of the Treasury (Treasury) to administer HHF programs. Treasury designated the South Carolina Housing Corporation as the eligible entity to receive Hardest Hit funds in administering HHF programs, including the NIP.

### 1.1 Approach

This review encompassed agreements between the Treasury and the State of South Carolina; between the State of South Carolina and the City of Columbia (Lead Entity) and its Partner and contractors involved in the demolition process of a former multi-unit apartment complex at 3800 West Avenue, Columbia, South Carolina; and between the State of South Carolina and the City of Spartanburg (Lead Entity) and its Partner and contractors involved in the demolition process of the former multi-unit Cammie Clagett Courts apartment complex, located in the Highland Neighborhood, Spartanburg, South Carolina.

USACE conducted a document file review of the 3800 West Avenue property. On May 30, 2018, a USACE representative conducted a field visit to observe demolition activities of the Cammie Clagett apartment complex. The report of the field visit is attached (Attachment 1). Both the document file review and field observation report were evaluated to determine whether the demolition was planned and executed according to the agreements in place and following industry best practices.

Per NIP Guidelines, a "Lead Entity" is the eligible government entity that submitted an application pursuant to the Request for Proposal to participate in the NIP program. A "Partner" is a non-profit organization selected by the Lead Entity to be the responsible party that will take on ownership of NIP properties. Municipalities submit applications to participate as lead entities in South Carolina's NIP and coordinate with individual non-profit partners at the local level to acquire blighted properties, contract for services, and execute demolition activities. NIP funding is limited to \$35,000 per property. Lead entities seek reimbursement from the South Carolina Corporation once eligible expenses associated with demolition activities are completed. The City of Columbia, South Carolina submitted an application to participate as a Lead Entity in the NIP for demolition of the former multi-unit housing complex at 3800 West Avenue, Columbia, South Carolina. The City of Spartanburg submitted an application to participate as a Lead Entity in the NIP for demolition of the former Cammie Clagett apartment complex.



## 2 Treasury's Agreement with the State of South Carolina

### 2.1 Funding Limitations

The 'NIP Guidelines & Implementation Manual' indicates that NIP funding through the HHF program is limited to \$35,000 per property. Environmental factors, such as asbestos remediation, may require that certain properties, if pursued, exceed the \$35,000 cap. Currently, South Carolina has no process for allowing exceptions to the property funding limitation cap. This increases the risk that properties with unusually high levels of hazardous materials requiring removal may be excluded from the NIP program. NIP funds can be used for the following reasonable and necessary expenses: acquisition costs; pre-demolition costs (including environmental assessments and remediation); hard demolition costs; site greening; maintenance costs (\$3,000 per property); and administrative expenses (\$1,750 per property). USACE recommends providing a process for allowing exceptions for properties with unusually high levels of hazardous materials needing to be removed or abated.

### 2.2 Inspection Requirements

The 'NIP Guidelines & Implementation Manual' indicates that there are no requirements for the State of South Carolina to perform oversight inspections or institute any type of quality assurance program beyond the initial and closeout site inspections. Quality assurance is a systematic process by which one assures the quality of the end product throughout the lifecycle of the project. Oversight via periodic on-site presence and inspections, training of oversight employees, and testing are all paramount to quality assurance and in executing a construction program of this size and complexity. This guideline oversight is not consistent with USACE standards when it comes to the handling and management of contaminated material through the lifecycle of a project and could expose local, state and federal agencies to litigation regardless of any indemnification language in the various contracts if exposure occurs as a result of program deficiencies or mismanagement. USACE recommends that, at a minimum, the State of South Carolina should be required to perform technical oversight to assure waste materials are handled properly during demolition, storage, and transportation activities in accordance with the South Carolina Department of Health and Environmental Control (DHEC), Occupational Safety and Health Administration (OSHA), South Carolina Department of Transportation (SDOT) and National Emission Standards for Hazardous Air Pollutants (NESHAP) compliance. This attention to properly document that the waste quantities are manifested and tracked properly from identification through disposal with post disposal dump tickets will reduce the risk that material is either being improperly classified or missed in the process. In addition, properly documenting and tracking contaminated material throughout the lifecycle of a project will provide greater transparency and accountability over contractor billing and payments.



### 3 The State of South Carolina Agreements with Lead Entities and Local Partners

The ‘NIP Guidelines & Implementation Manual, 6/09/17’ presents an overview of the HHF blight elimination program in South Carolina including requirements for agreements; public disclosure; conflict of interest; financial management; recordkeeping; and privacy policy (see table below). The manual also presents guidelines for completing the program for a project including: property eligibility; property acquisition; property demolition; property completion; and property maintenance. The manual has been revised multiple times since the initial publication in 2015. Lead Entities and their Partners are required to participate in a NIP Implementation Training program. A NIP staff member is assigned as a program representative for each lead entity submitting an application to participate in the program. All program related documents and reports are submitted to the assigned NIP staff member for processing.

For the 3800 West Avenue property, the City of Columbia is the NIP Lead Entity and the Columbia Housing Authority Developments, Inc. (CHAD)<sup>12</sup> is the NIP Partner. Others involved with demolition project of this property include Lorick Place LLC, Liberty Solutions, and Carolina Wrecking, Inc. For the Cammie Clagett property, the City of Spartanburg is the NIP Lead Entity and five local non-profits served as NIP partners. Webb-Harrell served as the demolition contractor on the project.

The NIP uses a series of forms as a means to track projects, request inspections by the administrator, and to submit required documentation. The forms are designated as follows:

FORM NUMBER	FORM TITLE
NIP-1	Property File Checklist
NIP-2	Property Eligibility Form
NIP-3	Loan Closing Request
NIP-5	Cost Analysis
NIP-6	Inspection Request
NIP-7	NIP Contract Addendum
NIP-8	Debarment Certification
NIP-9	Conflict of Interest Certification
NIP-10	Disbursement Request
NIP-11	W-9/ACH Forms
NIP-12	Quarterly Report
NIP-13	Confidentiality Form
NIP-14	Contract Submittal Form
NIP-15	Budget Revision Form
NIP-16	Administrative Expense
NIP-17	Ethics, Fraud, Conflict of Interest and Privacy: Annual Certification Form

<sup>12</sup> Columbia Housing Authority Developments, Inc. is the state-registered, non-profit business entity within South Carolina, however, multiple variations of the name were used within the project documentation including: Columbia Housing Authority Development Corporation; Columbia Housing Authority Development, Inc.; and Columbia Housing Development.





The NIP also has an internal checklist to confirm that all required documents have been submitted and approved by the NIP program representative prior to payment of the Contractor(s). Additional information concerning the NIP is presented on the following website: [www.schousing.com](http://www.schousing.com)

### 3.1 Inspection Requirements

There are no requirements in the NIP for South Carolina Housing to perform oversight inspections beyond the initial and closeout site inspections. The initial site inspection, requested with the NIP-6 Inspection Request Form, is conducted by a South Carolina Housing inspector to confirm the blighted and vacant condition of the property. The initial inspection request must include a photo of the front of the property. The final site inspection, also requested with the NIP-6 form, must include disposal and recycling records, and photos taken during demolition and after greening. Based on the documentation provided, it is unclear as to who performs the inspections, and whether the inspectors have any minimum required qualifications or training. State NIP Guidelines do not specify required inspector qualifications and/or training. USACE recommends that South Carolina Housing be required to provide minimum qualifications and training for inspectors.

USACE also recommends that in addition to the initial and closeout site inspections, South Carolina Housing perform inspections during and after demolition activities to document any hazardous material removal. The inspections should include documentation to confirm that all permitted quantities of hazardous materials are tracked through disposal at a permitted facility.

#### 3.1.1 Demolition Inspections

In addition to the initial and final site inspections, USACE recommends oversight by South Carolina Housing during demolition operations. Oversight via periodic on-site presence and inspections, training of oversight employees, and testing are all paramount to quality assurance and in executing a construction program of this size and complexity.

#### 3.1.2 In-Process Hazardous Material Removal Inspections

USACE recommends, as an industry practice, that South Carolina Housing be required to perform independent inspections during hazardous material removal, such as lead based paint or asbestos containing material (ACM). This inspection should confirm that materials are removed according to the contract, and federal and state regulations (including NESHAP, OSHA). It should be performed by a person trained in hazardous waste identification, handling, transportation, and disposal.

At a minimum, USACE recommends that South Carolina Housing be required to perform technical oversight to assure waste materials are handled properly during demolition, storage, and transportation activities per the South Carolina DHEC and OSHA, and waste quantities are properly manifested, tracked and tallied.

#### 3.1.3 Post Hazardous Material Removal Inspections

USACE recommends that South Carolina Housing be required to perform inspections after hazardous material removal. The inspections should confirm that all contract performance requirements have been achieved. It should be performed by a professional trained in hazardous material identification.



#### 3.1.4 NESHAP and OSHA Requirements

USACE recommends that South Carolina Housing be required to perform inspections during asbestos removal work, regardless of the level of asbestos contamination. This inspection should confirm that all contract requirements and National Emission Standards for Hazardous Air Pollutants (NESHAP), OSHA, and DHEC regulations are being followed. It should be performed by a person trained in these regulations. The inspection findings should be documented in the submittals for each NIP project.

### 3.3 Technical Review

It's unclear what level of technical review of documentation was performed by South Carolina Housing. None of the documents provided showed State of South Carolina review for technical proficiency. USACE recommends sporadic and risk-based reviews of documents. Although specifications for asbestos removal are included in the contract documents, there is no documentation confirming that the asbestos removal was conducted per the specifications. One focus for these technical reviews should be confirming that all material removed from the site was removed according to OSHA and NESHAP, and confirmed as received at an appropriate waste or recycling facility.

## 4 NIP Contract Document Review for 3800 West Avenue, Columbia, SC

The Lead Entity for the project, CHAD, issued contracts with and oversaw five contractors to execute the terms of its agreement with the State of South Carolina for the NIP at 3800 West Avenue, Columbia, South Carolina. The 3800 West Avenue property consisted of five apartment buildings subdivided into 19 lots (properties). The documents submitted for USACE review included contract documents for various contractors who worked on the 3800 West Avenue Lot 4 demolition project; as well as related NIP documents, email correspondence; survey reports; field inspection reports; and disposal tickets. The file set includes hundreds of pages, and is not bookmarked. USACE's review noted some opportunities for improvement throughout the 3800 West Avenue project documents, and recommendations are presented for consideration of program improvements. A discussion of the document review for the demolition project at 3800 West Avenue Lot 4 is presented below, following the steps presented in the NIP Process Flow document.

### 4.1 Acquiring Properties

Since the 3800 West Avenue property was donated to the City of Columbia's partner, CHAD, NIP funding was not used for the purchase of the property. However, costs associated with dividing the lots, as well as recording fees, and deed stamps were paid for through the NIP funding mechanism. The NIP-1 and NIP-2 forms were submitted on 30 June 2016.

### 4.2 Testing and Cost Estimations

#### 4.2.1 Hazardous Material Testing

Hazardous material survey and testing at the 3800 West Avenue property was conducted by ARM Environmental Services, Inc. (ARM) for the Columbia Housing Authority Developments Inc., and the City of Columbia. NIP funding was not used for the survey. The survey results are presented in their 'Asbestos & Lead Based Paint Survey Report,' dated December 3, 2014. The survey was reportedly conducted in accordance with



the Environmental Protection Agency (EPA) Asbestos Hazard Emergency Response Act (AHERA) regulation and SC Department of Health & Environmental Control (DHEC) regulation 61-86.1 prior to renovation or demolition of public or commercial structures. Certification of the inspector is included in the files. Contract documents between ARM and the City of Columbia are reportedly not included in the files since NIP funding was not used for payment. ARM also prepared the 'Specifications for Asbestos Abatement' for the project, dated 10 December 2014. The copy of the report in the files is missing pages 29 – 32, a portion of the summary of lead based paint results. In addition to the asbestos and lead based paint survey, ARM subcontracted a geophysical survey with Reed Tech, Inc. to locate a suspected underground storage tank at the site. The letter report detailing the results of the survey is included in the files. The 'Asbestos & Lead Based Paint Survey Report', 'Specifications for Asbestos Abatement,' and the geophysical letter report were used by the contractor to determine types and quantities of hazardous materials to be remediated prior to demolition activities.

#### 4.2.2 Cost Estimation and Initial Inspection

The cost estimate for the demolition was prepared by a general contractor, and presented in the NIP-5 form dated 31 August 2016, and was approved by NIP on 1 September 2016. The cost estimate presumably included all of the 19 lots at the 3800 West Avenue site, and is much higher than the final cost of the project, even though the cost/square foot for asbestos remediation and demolition are within the NIP recommended ranges. The files indicate that the general contractor is a licensed General Contractor in South Carolina. The NIP Contract Checklist, Debarment Certification Form, and license for the general contractor are included in the documentation, although a note on the NIP Contract Checklist indicates that "expenses associated with this not paid for by NIP," and, therefore, this documentation is not required. High cost estimates are addressed in the NIP Program Notice 1. However, no revisions to the cost estimate by the general contractor are included in the file.

The NIP-6 Inspection Request Form was submitted on 10 August 2016 requesting the initial inspection, and a South Carolina Housing Inspector conducted a site visit on 16 August 2016. The initial inspection was approved on 31 August 2016, and the Lead Entity was notified via email on 31 August 2016.

#### 4.3 Loan Closing & Drawing Funds for Acquisition

The signed NIP-3 Loan Closing Request Form is complete, and the fully executed loan closing documents, dated 18 October 2017, are also included. As is required, the initial inspection was approved prior to the release of funds for acquisition.

#### 4.4 Procurement & Contracting

USACE has the following recommendations regarding contract administration and file management for the NIP based on general practices:

1. Include an internal NIP contracting checklist connected to the NIP-14 Contract Submittal Form to confirm that the bid cost estimates are within +/-10% of the NIP cost estimate; the responsible low bid was selected; and includes all copies of all bids in the files.
2. Confirm that all attachments to the Invitation for Bids and Contracts with the prime Contractor are included in their entirety in the project files. Electronic file copies (compact discs, etc.) of all bid documents can be required as part of the bid document submittals, which will simplify NIP filing of documents.



3. Confirm that the project Subcontractors are listed in the prime Contractor's proposal and Contract, and the percentage of work by each Subcontractor is included in the proposal and Contract. Document on an internal NIP contracting checklist connected to the NIP-14 Contract Submittal Form.
4. Include a mandatory submittal checklist in the project specifications, similar to the 'Submittal Checklist-Mandatory' prepared by ARM in December 2014. Confirm and document that all applicable submittals are received from Contractor and approved before processing payment. This confirmation should be documented on the Disbursement Checklist.
5. Continuously update NIP through the use of Program Notices, including incorporation of requirements in Program Notice 9. Emphasize the review of the Program Notices by NIP Lead Entities and Partners as part of the NIP Implementation Training program.

#### 4.4.1 Procuring for Demolition – Agreement and Oversight of Carolina Wrecking, Inc. for Demolition and Disposal

The following NIP required documents of procurement for the prime contractor (Carolina Wrecking, Inc.) to demolish 19 lots at 3800 West Avenue are included in the files:

- Request for bid (via email message)
- Invitation for bids (Request for Proposal) by Columbia Housing Authority, 21 September 2016
- Bid tabulation sheet with quotes
- Bid by selected contractor, Carolina Wrecking, Inc.
- Draft contract, with NIP-7 Contract Addendum Form and NIP-14 Contract Submittal Form
- NIP-8 Debarment Certification Form with SAM.gov search results
- NIP-9 Conflict of Interest Form
- Copy of Contractor's license
- Documentation of Contractor's Insurance
- Final executed contract, 30 November 2016
- Change Order #1 with a NIP-6 Inspection Request Form (fully executed)
- Change Order #2 with a NIP-6 Inspection Request Form (fully executed)

It should be noted that the following documents listed in Article 3 of the Contract were not included in the file:

- e) Wage Rate Determination dated: January 8, 2016



However, in an email from (South Carolina Housing) to (SIGTARP) dated 17 August 2018, stated that in South Carolina there are no regulatory requirements in place triggering Davis-Bacon rates for HHF, and there is no Authority at the State level to put such a requirement in place.<sup>13</sup> It is assumed that this requirement was mistakenly included in the contract documents.

The responsibilities of CHAD; the Housing Authority of the City of Columbia (CHA); Liberty, CHA LLC; and Lorick Place LLC should be defined in the contract documentation as each are included in the project files, but it is unclear who has the authority to contract work. USACE recommends including the names of all authorized entities in the contract documents and their legal relationship to clarify chain of command.

#### *4.4.1.1 Asbestos Abatement and ACM Disposal Subcontracts*

The Invitation to Bid for the 3800 West Avenue project requires that all buildings must be abated by a licensed and DHEC approved ACM/LBP Abatement Company. Line item costs for 'ACM abatement' and 'ACM dump fees' are included in the prime contractor's cost proposal. Although the files indicate that the prime contractor used subcontractors to complete the asbestos abatement for the project, no subcontractors are listed in the prime contractor's bid or contract. The Invitation to Bid required that the prime contractor (Carolina Wrecking, Inc.) submit a 'Certificate of Section 3 Compliance, 00 444 Estimated Project Work Force – Sub Contractor'; and, additionally, prior to contract execution the contractor was required to submit a subcontractor list. Neither of these documents were found in the project file.

The project files indicate that Asbestos and Demolition Inc. performed the ACM abatement, and the ACM waste was disposed at the Waste Management facility, 1047 Highway Church Road, Elgin, South Carolina. The files indicate that the Waste Management facility is licensed to accept ACM waste, and is on the DHEC list of approved landfills. Asbestos and Demolition Inc. is assumed to have been subcontracted by Carolina Wrecking, Inc., and no supporting contract information is included in the project files. The DHEC Asbestos Waste Shipment Records and landfill truck tickets for disposal of ACM at the Waste Management facility are included in the files. The risk of omission of the asbestos remediation subcontractor being listed in the contract documents is that the State of South Carolina cannot verify whether the contractor meets state licensing criteria prior to executing the contract, and may start work with an unlicensed contractor.

It was not clear whether non-regulated materials removed during demolition were recycled or disposed. Truck tickets for disposal of the non-regulated demolition debris at the L&L C&D Landfill, in Lugoff, South Carolina, as well as at Carolina Concrete & Asphalt Recycling in Columbia, South Carolina, are included in the files. However, there is no documentation in the files indicating that the waste disposed at Carolina Concrete & Asphalt Recycling was actually recycled. USACE recommends that the final disposition of all of the demolition wastes be documented by the Contractor and confirmed by NIP prior to final disbursement.

For NIP projects that include asbestos and LBP abatement, USACE recommends tracking of the abatement and monitoring of the contractor's contracts, inspection procedures, and required submittals using the following documentation and submittals:

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<sup>13</sup> The **Davis-Bacon Act** of 1931 (PL 71-798) as amended is a United States federal law that establishes the requirement for paying the local prevailing wages on public works projects for laborers and mechanics. It applies to "contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works".<sup>1</sup>



1. The asbestos/LBP abatement subcontractor must be named in the prime Contractor's Contract with the Lead Entity. This will allow the State of South Carolina to confirm certification of the named asbestos/LBP subcontractor for the abatement work prior to execution of the Contract. The asbestos abatement subcontractor was not named in the 3800 West Avenue Contract.
2. Confirm asbestos/LBP abatement subcontractor qualifications and certification prior to start of construction. This should include the submittal of the name of the designated Abatement Project Supervisor, and the SC-DHEC licenses for the asbestos/LBP abatement company, the Abatement Project Supervisor, and each individual that will be working on the job site. Note that for the 3800 West Avenue project, the Asbestos and Demolition, Inc. "personnel accreditations" are not presented as required in the specifications, only the company certification is presented. The risk of this omission is that the work may have been performed by unlicensed workers that did not have the proper training in abatement and/or required personal protective equipment. This omission increases the risk that the Lead Entity or the State of South Carolina could be named in any litigation pertaining to exposure.
3. The project specifications should require preparation and submittal of an Asbestos/LBP Abatement Removal Work Plan and a Health and Safety Plan by the Contractor prior to the start of construction, per industry standards. The submittal due date should allow review and approval time of the plans by NIP staff or their designated representative(s). These documents are separate from contract specification documents such as the 'Specifications for Asbestos Abatement, West Avenue Apartment Buildings' prepared by ARM, 10 December 2014. There is no documentation of providing a regulated area, air monitoring, leak-tight container storage, or proper disposal in the 3800 West Avenue project files. Per NESHAP and OSHA (1926.1101) requirements, all ACM containers or wrapped material must be leak-tight and labeled using warning labels specified by OSHA and the US DOT. From the documentation provided, it's unclear whether any of the specified procedures were followed. If undocumented, the Lead Entity or the State of South Carolina could be held liable for not meeting DHEC, NIOSH, or OSHA requirements. USACE recommends that the Treasury require a State take a more proactive role in understanding the final disposition of the hazardous materials to further limit exposure to litigation both at the State and Federal level.
4. Include a mandatory submittal checklist in the project specifications, similar to the 'Submittal Checklist-Mandatory' prepared by ARM in December 2014. This document can be used for Quality Assurance monitoring of the project. It is unknown if Asbestos and Demolition, Inc. submitted the Submittal Checklist for the 3800 West Avenue project, as it was not included in the reviewed documents.
5. Inspections should be conducted during asbestos/LBP removal work, regardless of the level of contamination. This inspection should confirm that materials are removed according to the contract and federal and state regulations (including NESHAP, OSHA and DHEC). It should be performed by a person trained in hazardous waste identification, handling, transportation, and disposal. CHA contracted ECS to perform air monitoring and PCM analysis for the project, but there is no documentation to show that their contract included ACM removal inspection. The Daily On-Site Reports prepared by ECS only contain a brief description of the removal activities, and do not document quantities of material removed. The ECS letter report dated 17 May 2017, did not assure that





environmental regulations, safety regulations, or the various contract performance requirements were being met. This oversight increases the residual risk associated with any material that is unaccounted for in the documentation. This omission increases the risk that the Lead Entity or the State of South Carolina could be named in any litigation pertaining to exposure from legacy material that was not properly accounted for.

6. Inspections should be conducted and documented after completion of hazardous material removal. This inspection should confirm that all contract performance requirements have been achieved. It should be performed by a professional trained in hazardous material identification. A Certification of Removal should be submitted to the NIP by the qualified inspector upon completion of the hazardous material removal. Failure to properly account for all hazardous material increases the risk of litigation to the Lead Entity or the State of South Carolina if negligence can be established in handling and documenting of hazardous materials in accordance with DHEC, NIOSH, NESHAP, DOT or OSHA requirements.

The Certification of Removal should document and cross check the waste type and quantities listed in the specifications, abatement permits, and disposal records to ensure that all wastes are accounted for. The Certification of Removal should be submitted to NIP and approved prior to the start of general demolition activities. A Certification of Removal is not in the 3800 West Avenue project files, and there is no way of determining if all of the disposal records are included in the project files. DHEC Project license R1702045 in the file indicates approval of 60 sf of roofing material, whereas the Specifications prepared by ARM indicate 600 sf of roofing material were estimated for that building. It is unclear how much roofing material was removed, and how much was actually disposed. Also, the disposal tickets in the file don't differentiate the type of ACM material, and only show tons disposed, not quantity per the breakdown presented in the Specifications. USACE recommends that the quantities and types of the removed wastes be listed in the Certificate of Removal so that removal of all documented wastes can be confirmed. In order to confirm the removal and disposal of ACM, USACE recommends completion of a Certificate of Removal with documentation of the waste origin/location and quantity. The disposal tickets and Certificate of Removal should have been received and verified prior to payment by the NIP. The risk of not tracking the amount and type of ACM disposed is that a portion of the regulated material could end up disposed in a non-approved site. If undocumented, the Lead Entity or the State of South Carolina could be held liable for not meeting DHEC requirements.

USACE recommends that a checklist be created to track and document the following: indicate whether the NESHAP notification was completed; indicate whether the field report/daily log/inventory sheets were provided; indicate whether the trucking log was provided; indicate whether the demolition permit was provided; and finally, indicate whether the inspection report was completed.

#### 4.4.1.2 *Asbestos Abatement and Authorized Licenses*

On May 17, 2017, Environmental Consulting Services, Inc. submitted a report to CHAD that included daily site reports and environmental air monitoring results. There is no indication that this report is a 'final inspection' per se, however, it does state that "the environmental air monitoring results (PCM analysis) show that the air fiber concentrations are below the EPA and SCPHEC clean air criteria of less than or equal to 0.010 fibers per cubic centimeter (f/cc)."





In reviewing ECS daily site monitoring reports, it appears that abatement activities began on-site as early as January 30, 2017, and as late as May 3, 2017. However, the contractor did not request or receive an Asbestos Abatement Project License from DHEC until February 3, 2017. In fact, there were five licenses issued (one for each building) that all shared the same abatement period of February 6 – 23, 2017. Based on documentation provided by SC Housing, it appears that the contractor began abatement work prior to the approved work start date on the DHEC license and continued abatement activities long after the license expired.

The DHEC license also allows for a 45-day period for waste removal of Asbestos Containing Materials (ACM) after the date of the issuance of the Asbestos project license. In reviewing the waste removal documentation, 8 of the 9 dump tickets submitted by the contractor reflect removal dates occurring after April 8, 2017 (45-days after the February 23, 2017 issue date).<sup>14</sup> This means that ACM materials were removed from the site after the license expired.

A review of both the abatement and demolition licenses/permits indicate that at the time of receipt of the ECS report in May 2017, 4 of the 5 buildings on-site at the facility were likely already demolished. This indicates that the report did not serve as a “control gate” by the partner to ensure that buildings were not demolished until abatement was fully completed and validated through environmental testing.

The contractor is at risk of being fined or shut down if they are caught performing asbestos abatement activities without the required licenses. The risk to the NIP would be realized only if the contractor was unable to obtain a license due to lack of funding or not having a qualified person on staff that can obtain the license. If this occurred, then accountability for any of the material abated by the contractor would be incumbent on the responsible entity. In this case it would likely fall on the State to ensure that the material illegally moved by the contractor be fully accounted for and properly disposed of. This would likely require a new contract acquisition which increases the risk of local environmental exposure due to the additional time delay needed for contract acquisition.

#### 4.4.2 Procuring for Air Monitoring During Demolition – Agreement and Oversight of Environmental Consulting Services, Inc.

The project files indicate that Environmental Consulting Services, Inc. (ECS) conducted the air monitoring and testing during ACM abatement activities to meet DHEC and NIOSH requirements. The contract procurement documented in the reviewed files appears to meet the NIP requirements. ECS was contracted directly with the Housing Authority of the City of Columbia, South Carolina (CHA). The files do not document the relationship between the Housing Authority of the City of Columbia; Liberty, CHA LLC; Lorick Place LLC; and CHAD, but they appear to act as joint entities for the NIP. ECS was procured in compliance with 2 CFR Part 200.

For NIP projects that include asbestos and LBP abatement, USACE recommends a more rigorous tracking of the abatement and monitoring contractor’s contracts, inspection procedures, and required submittals. USACE recommends that the project specifications require preparation and submittal of an Air Monitoring Work Plan and Final Reports for air monitoring activities during asbestos abatement. CHA contracted ECS to perform air

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<sup>14</sup> A common practice in the industry is for contractors to stockpile enough materials to maximize the use of their resources or to maximize the use of a sub-contractors resources. Doing so requires that contractors comply with applicable state and local permits when it comes to on-site storage and removal of the material. However, as noted in the report, because no inspections occurred during the abatement period and removal of waste occurred after the permits expired, compliance with applicable state and local permits alone is not an effective control to safeguard the public from possible environmental exposure.



monitoring and PCM analysis for the 3800 West Avenue project. The scope of work for the monitoring activities undertaken by ECS during the project is not included in the files or in the Contract with CHA. Monitoring results were submitted in a letter report dated 17 May 2017, with Daily On-Site Reports, and Air Monitoring daily reports attached. It is unclear whether the air monitoring was performed per the contract specifications, since no references to the specifications were made in the letter report by ECS. USACE recommends that an Air Monitoring Work Plan be prepared by a person trained and certified in air monitoring during ACM removal activities. The Work Plan can be compared with the final report during the technical quality control review of the project to ensure the monitoring was done as specified in the contract.

As discussed above, USACE recommends that quality control inspections should be conducted during asbestos/LBP removal work, regardless of the level of contamination. This inspection should confirm that materials are removed according to the contract and federal and state regulations (including NESHAP, OSHA and DHEC). It should be performed by a person trained in hazardous waste identification, handling, transportation, and disposal. CHA contracted ECS to perform air monitoring and PCM analysis for the project, but it is unclear if their contract included ACM removal inspection. The Daily On-Site Reports prepared by ECS only contain a brief description of the removal activities, and do not document quantities of material removed. The ECS letter report dated 17 May 2017, did not assure that environmental regulations, safety regulations, or the various contract performance requirements were being met. If undocumented, the Lead Entity or the State could be held liable for not meeting DHEC, NIOSH, or OSHA requirements.

USACE recommends that the scope of work for each contractor be described in the NIP documentation and confirmed that it falls under one of the NIP allowed funding categories (i.e. acquisition costs, pre-demolition costs, hard demolition costs, site greening, maintenance costs, and administrative expenses).

Although documentation of performance of air monitoring during asbestos removal was included in the project documents provided, no oversight was conducted to confirm that all asbestos containing materials noted in the asbestos removal specifications ('Specifications for Asbestos Abatement', by ARM, dated 10 December 2014) were properly removed from the site. USACE recommends that oversight be conducted by the State of South Carolina to confirm that all asbestos containing materials noted in the asbestos removal specification are properly removed. This oversight can be delegated to a qualified third party independent entity.

#### 4.4.3 Procurement for Final Inspection Services – Agreement and Oversight of Carlisle Associates, Inc.

The project files indicate that Carlisle Associates, Inc. (Carlisle) conducted final site inspection services for the 3800 West Avenue project, to confirm that site greening had been achieved and storm water drainage was controlled per the storm water pollution prevention plan. The contract procurement documented in the reviewed files appears to meet the NIP requirements. Carlisle was contracted directly with the Housing Authority of the City of Columbia, SC. The files do not document the relationship between the Housing Authority of the City of Columbia; Liberty, CHA LLC; Lorick Place LLC; and CHAD, but they appear to act as joint entities for the NIP. Carlisle was procured in compliance with 2 CFR Part 200. The results of the site inspections are presented in the files as field reports. The reports indicate that several inspections were conducted before final approval by NIP.

USACE recommends continuing the final inspection of sites to confirm that site greening has been established and drainage meets the storm water pollution prevention plan requirements. USACE recommends that the scope of work for each subcontractor be described in the NIP documentation and confirmed that it falls under



one of the NIP allowed funding categories (i.e. acquisition costs, pre-demolition costs, hard demolition costs, site greening, maintenance costs, and administrative expenses).

#### 4.4.4 Procurement for Civil Engineering Services – Agreement and Oversight of Chao and Associates, Inc.

The project files indicate that Chao and Associates, Inc. (Chao) conducted civil engineering design services to develop the storm water pollution prevention plan for the site after demolition. Chao was contracted directly with Liberty, CHA LLC. The files do not document the relationship between the Housing Authority of the City of Columbia; Liberty, CHA LLC; Lorick Place LLC; and CHAD, but they appear to act as joint entities for the NIP. Procurement documents for Chao are not included in the files.

It is unclear what scope of work Chao and Associates, Inc. performed on the project since the proposed fee presented in their proposal dated February 18, 2016 (\$71,950) is much higher than the actual payment by NIP (\$7,800), shown in the files. The proposal only shows line item amounts for each task and does not reference any specific addresses. If all of the tasks presented in the February 18, 2016 agreement were not required by Liberty CHA, the contract should have been amended to include only those tasks that were authorized for payment as part of the NIP program. No post award modifications were provided with the documentation received.

USACE recommends that the scope of work for each subcontractor be described in the NIP documentation and confirmed that it falls under one of the NIP allowed funding categories (i.e. acquisition costs, pre-demolition costs, hard demolition costs, site greening, maintenance costs, and administrative expenses). The scope of work in the NIP request for proposal should include only NIP funded work. Request for proposals for other work, such as site development work after demolition, should not be combined with NIP tasks. This will enable the NIP to track contractor payments more efficiently, and prevent payment of non-NIP approved tasks with NIP funding.

#### 4.4.5 Procurement for Soil Borings – Agreement and Oversight of Terracon Consultants, Inc.

The project files indicate that Terracon Consultants, Inc. (Terracon) conducted soil borings for the new development planned at 3800 West Avenue after demolition had been completed. Terracon was contracted directly with the Housing Authority of the City of Columbia for \$5,950. The files do not document the relationship between the Housing Authority of the City of Columbia; Liberty, CHA LLC; Lorick Place LLC; and CHAD, but they appear to act as joint entities for the NIP.

In reviewing the Terracon proposal, it was noted that the stated purpose of the test was “to determine if the original fill in this area is suitable as a base” and “to assess the subgrade conditions in the proposed pavement areas.” If the work done by Terracon under this contract is for redevelopment planning then the soil borings conducted by Terracon do not appear to be a reasonable and necessary expense as outlined in the NIP Guidelines and Implementation Manual. In addition, the proposal was submitted to an unaffiliated entity (Liberty CHA, LLC, not CHAD) on January 31, 2017 and subsequently reimbursed by NIP as a mandatory NIP expense covered under demolition costs.

USACE recommends that the Housing Authority of the City of Columbia provide additional information on the rationale to authorize this activity utilizing the NIP funding program. If a legitimate engineering requirement under NIP guidelines cannot be demonstrated then USACE recommends that the Treasury seek reimbursement



for all costs associated with this task. In addition, the USACE recommends that the scope of work for each subcontractor be described in the NIP documentation and confirmed that it falls under one of the NIP allowed funding categories (i.e. acquisition costs, pre-demolition costs, hard demolition costs, site greening, maintenance costs, and administrative expenses). Implementing this measure will reduce the risk of erroneous payments and protect against fraud waste and abuse.

#### 4.5 Permits

The files indicate that five asbestos abatement project licenses (R1702043-R1702047) were issued to Asbestos and Demolition, Inc. on 03 February 2017, and five Notice of Demolition (N1702289- N1702293) were issued to Carolina Wrecking, Inc. on 16 February 2017 by DHEC. Five Building Permit Cards were issued to Carolina Wrecking, Inc. for full demolition on 20 February 2017. The full demolition permits are presented in the files, number CD-2017-0011 through CD-2017-0015.

It should be noted that the quantity of ACM roofing material included in Project license R1702045 for building 2 (60 sf) does not match the quantity of roofing material included in the Specifications for Asbestos Abatement (600sf). It is unclear whether this was a typographical error in the abatement notification by Asbestos and Demolition or the DHEC permit, since the amount of roofing material removed and disposed from building 2 was not documented in a Certificate of Removal or individually tracked on disposal receipts. In order to confirm the removal and disposal of ACM, USACE recommends completion of a Certificate of Removal with documentation of the waste origin/location and quantity. Quantities of ACM documented in the specifications should be cross-checked with the quantities listed in the permits, Certificate of Removal, and disposal tickets as part of the quality control technical review.

#### 4.6 Final Inspection & Final Disbursement

##### 4.6.1 Final Inspection

NIP-6 Inspection Request Forms for the final inspection were submitted to NIP on 21 June 2017, 10 July 2017, and 7 September 2017. The final inspection was approved by NIP on 14 September 2017. The multiple final inspections were required due to incomplete site restoration, and lack of inspection from an independent inspector.

As required for the final inspection request, disposal records for non-hazardous materials at L&L C&D Landfill, Lugoff, South Carolina and Carolina Concrete & Asphalt Recycling, 141 Cort Road, Columbia, South Carolina; and disposal records for asbestos waste materials at Waste Management facility, 1047 Highway Church Road, Elgin, South Carolina were submitted with the NIP-6 form. Quantities of the disposed materials are recorded on the individual disposal ticket records for each facility. The Certification of Removal was not submitted by the contractor with the Final Payment Request, as required in the Specifications for Asbestos Abatement Submittal Checklist.

It was not clear whether materials removed during demolition were recycled or disposed. Materials that are recycled must be documented per NIP requirements. USACE recommends that the final disposition of all of the demolition wastes be documented by the Contractor and confirmed by NIP prior to final disbursement. This will reduce the risk that material is either being improperly classified or missed in the process. In addition, properly documenting material removed during demolition will increase accountability over contractor billing and payments. This will ensure that the waste materials are being disposed of at the appropriate facility, and that the billing properly reflects the services rendered. Currently, the 'NIP Guidelines & Implementation Manual'



indicates that there are no requirements for the State to perform oversight inspections or institute any type of quality assurance program beyond the initial and closeout site inspections. This guideline oversight is not consistent with USACE standards when it comes to the handling and management of contaminated material thru the lifecycle of a project and could expose local, state and federal agencies to litigation regardless of any indemnification language in the various contracts if exposure occurs as a result of program deficiencies or mismanagement.

Photographs of the site during demolition and after greening were submitted with the NIP-6 request on 21 June 2017.

**4.6.2 Final Disbursement**

The NIP-10 Disbursement Request Form for election to draw funds Option 1 (Lead Entity or Partner is providing funding and will be reimbursed after demolition is completed) is complete for Columbia Housing Authority Developments, Inc. The disbursement for Lot 4, 3800 West Avenue is included in the file, and indicates a disbursement of \$30,902.77 which is below the \$35,000 NIP funding limit per property.

Records of invoices and payment for services by Austin & Rogers, P.A., Terracon Consultants, Inc., Environmental Consulting Services, Inc., Carolina Wrecking, Inc., Carlisle Associates, and Chao and Associates, Inc. are included in the files. The documentation for partial payments to Carolina Wrecking, Inc. appear to be properly documented in the files. Two change orders were added to the Carolina Wrecking, Inc. contract with CHAD, and documentation is provided and complete. Payment records for Asbestos and Demolition Inc., a subcontractor to Carolina Wrecking, Inc. for ACM abatement are not included in the file, and were not reviewed. The following copies of checks disbursed included in the files are shown below:

<b>Payer</b>	<b>Payee</b>	<b>Scope of Work</b>	<b>Check Amount in file</b>	<b>Date of Payment</b>
SC Housing Corp	CHAD	NIP-10 Disbursement	\$30,902.77 (Lot 4)	29 SEP 2017
Lorick Place LLC	Austin & Rogers, P.A.	Legal	\$940.00 (Total for all 19 lots at 3800 West Ave.)	15 AUG 2016
Lorick Place LLC	Austin & Rogers, P.A.	Legal	\$4,480.00 (Total for all 19 lots at 3800 West Ave.)	13 SEP 2016
Lorick Place LLC	Richland County	Recording Fees	\$209.00 (Total for all 19 lots at 3800 West Ave.)	20 SEP 2016
Lorick Place LLC	Richland County	Deed Stamps	\$1,222.50 (Total for all 19 lots at 3800 West Ave.)	21 JUL 2016
Lorick Place LLC	Terracon Consultants, Inc.	Soil Borings/testing	\$5,950.00 (Total for all 19 lots at 3800 West Ave.)	16 MAY 2017
Lorick Place LLC	Environmental Consulting Services, Inc.	Air Monitoring and PCM Analysis for ACM Abatement	\$2,100.00 (Total of 5 invoices for all 19 lots at 3800 West Ave.)	15 MAY 2017

**IMPROVEMENTS IN STATE AGENCY OVERSIGHT NEEDED TO PREVENT ABSESTOS EXPOSURE AND FRAUD IN BLIGHT DEMOLITIONS**



<b>Payer</b>	<b>Payee</b>	<b>Scope of Work</b>	<b>Check Amount in file</b>	<b>Date of Payment</b>
			\$23,100.00. Lot 4 total: \$1,215.82)	
Lorick Place LLC	Carolina Wrecking, Inc.	Demolition	\$63,474.40 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$3,340.76)	22 MAR 2017
Lorick Place LLC	Carolina Wrecking, Inc.	Demolition	\$166,005.00 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$8,737.11)	21 APR 2017
Columbia Housing Authority Developments	Carolina Wrecking, Inc.	Demolition	\$135,367.70 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$7,124.62)	08 JUN 2017
Columbia Housing Authority Developments	Carolina Wrecking, Inc.	Demolition	\$174,702.90 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$9,194.88)	23 JUN 2017
Lorick Place LLC	Carlisle Associates	Erosion Control Inspections	\$500.00 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$26.32)	06 JUL 2017
Lorick Place LLC	Carlisle Associates	Erosion Control Inspections	\$1,000.00 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$52.63)	13 JUL 2017
Lorick Place LLC	Carlisle Associates	Erosion Control Inspections	\$750.00 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$39.47)	09 AUG 2017
Lorick Place LLC	Carlisle Associates	Erosion Control Inspections	Check copy not on file (\$1,000.00 Invoice total for all 19 lots at 3800 West Ave. Lot 4 total: \$52.64)	NA
Columbia Housing Authority Developments (Liberty Oak, Inc.)	Chao and Associates, Inc.	Civil Engineering Services (SWPP paid by Liberty Oak, Inc.)	\$7,800.00 (Total for all 19 lots at 3800 West Ave. Lot 4 total: \$410.53)	20 JUN 2017

The name of the Lead Entity, or Owner of the project is not clear since the payments were made by two separate entities: CHAD and Lorick Place LLC. The legal relationship between CHAD and Lorick Place LLC should be defined in the NIP contract documentation as each are included in the project files, but it is unclear who has





the authority to administer contracts. USACE recommends including the names of all authorized entities in the NIP agreement between the South Carolina Housing Corp and the Lead Entity to reduce the risk of contract fraud.

#### 4.6.3 Final Closeout Report

The Final Closeout Report for the project is not included in the file. The report is required at the expiration of the award period. NIP Program Note 12 indicates that the performance metrics will be developed by a third party in order to meet treasury deadlines. USACE recommends requesting the Final Closeout Report, and once received, conducting a quality control review to ensure that final inspections were performed, and final disbursements were administered as contracted.

## 5 USACE on-site Observations and Review of Demolition Activities in Spartanburg, South Carolina

USACE conducted a field visit to observe demolition activities at Cammie Clagett Courts, Spartanburg, South Carolina on May 30, 2018. The field observation report is attached (Attachment 1). The field team visited 19 different units under various stages of demolition during the site visit. None of the contract documentation for the Cammie Clagett Courts demolition project was reviewed for this report because demolitions were on-going and receipts were not submitted at the time of drafting the report.

The USACE field representative was informed that the City of Spartanburg contracted Apex Environmental Management to perform a hazardous material survey and prepare a report with recommendations on how to remediate the properties. This report was dated June 14, 2017.

A USACE representative met with a representative of the City of Spartanburg's prime contractor for demolition, Webb-Harrell, while on site. Webb-Harrell presented the building permits and DEHC permits for the demolition activities. The USACE field representative was informed that Webb-Harrell subcontracts to a contractor (Duncan, LLC) to remediate approximately half of the buildings on site. The USACE field representative was informed that the City of Spartanburg also directly contracted Eastern Environmental to remediate the other half of the buildings at the site, and Summit Engineering Testing for oversight of asbestos remediation.

The site was observed to have silt fencing installed to prevent silt runoff into the storm sewer per DHEC requirements. The asbestos waste was reportedly being disposed at Anderson Regional Landfill, LLC, a DHEC licensed landfill. Summit Engineering Testing personnel observed the asbestos removal activities during demolition, and collected samples for testing.

Overall the City of Spartanburg and its contractors appear to be following the best practices for demolition, taking care to minimize harm to the environment and the surrounding community. In addition, all contractors appear to be recycling materials where ever practicable.





## **Attachment 1**

### **USACE On-Site Observations and Review of Demolition Activities in Spartanburg, South Carolina**



## **DEMOLITION OF: Cammie Clagett Courts**

400 Highland Avenue  
Spartanburg, SC 29306.  
County: Spartanburg

**Date:** 30MAY2018  
**Owner:** City of Spartanburg  
**Building address:** PO Box 1749  
**City State:** Spartanburg, SC Zip Code 29304

**Prepared By:** US Army Corps of Engineers  
Charleston District

### **Project Description:**

Cammie Clagett Courts (figure 1) was a residential apartment community built in a mixed neighborhood of private homes located in the Highland Street area of Spartanburg, SC, circa 1970; the owner is the City of Spartanburg. The complex includes an administrative office and approximately fifty residential apartments in duplex buildings (Figure 1). The colonial style buildings are constructed of brick veneer over 2" x 4" wood studs, conventional framing with decorative shiplap siding insets, and pre-manufactured wood trusses, gable ends and a single layer of asphalt shingles that are tacked and appear to be in good shape. The buildings are configured in either: one story, one bedroom, one bath; two story, three bedroom, one bath; or two story, four bedroom, one and a half baths. The Dwelling Units are located in fifty (50) one and two story buildings with the following breakdown:



Figure 1 – 400 Highland Avenue, Spartanburg, SC 29306

- One Bedroom – 16 Dwelling Units;
- Two Bedroom – 30 Dwelling Units;
- Three Bedroom – 58 Dwelling Units;
- Four Bedroom – 38 Dwelling Units;
- Five Bedroom – 8 Dwelling Units



In 2012 the Spartanburg Housing Authority (SHA) hired THW Design to conduct a Physical Needs Assessment (PNA) of 36 units at Cammie Clagett which was required by HUD to identify maintenance needs at these units. Because of the rapidly deteriorating condition noted in that first PNA the SHA and HUD closed down 34 units and contracted THW to conduct additional PNA's on another 114 units in 2013. The building interiors were stated to be in bad condition, broken gypsum board, leaking pipes and black mold. The report concluded that:

*"In our professional opinion there are two options for the property, only one of which would we consider practical. The two options are: Provide funding of approximately \$13 million to replace deficient or deteriorated second floor framing, replace all water supply and drain piping both above and below slab, and address all other items outlined in the Needs Assessment. This approach may not be practical as it would only result in correcting deficiencies and would not address future needs, major design issues (Site and Unit configuration), significant energy savings, nor demands of the current market. Take action to dispose of the property or demolish the existing Buildings to avoid sinking additional funds into an unsustainable property. A new development on this property could address design, construction, and sustainability issues while offering an acceptable product to the marketplace. Should it not be feasible to rehabilitate the property and provide safe and sanitary living conditions or take action to demolish the property, the structures will deteriorate until the only options will be demolition or disposal of this asset. It is also likely that as many as 10 to 20 Units per year will be added to the list of uninhabitable dwellings unless major efforts are initiated to correct deficiencies. Below is a conservative estimate of the future sustainability of the Units."*

In May 2018 USACE visited one of the buildings within the Cammie Clagett complex—40 Highland Avenue - the interior consisted of gypsum board; walls and ceilings that are taped and smoothly finished with insulation that appeared to be fibrous cellulose. The floor covering: in the bathrooms consist of ceramic tile and mastic; vinyl tile on the concrete slabs; and carpeting on the plywood flooring in the bedrooms. The building is nearly 50 years old and appears to be in good structural condition, with minimal or no settling cracks in the structure and no signs of leaking in the roof or roof plywood decking.

The buildings' weaknesses are attributed to the inherent problems with its antiquated technology. There is no evidence that the slabs were ever insulated and the windows are single pane aluminum framed which are grossly inefficient to today's standards. To

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<sup>1</sup> Physical Needs Assessment, Dated: March 15, 2013 Prepared for the Spartanburg Housing Authority by THW Design.



meet current industry standards for R-Values<sup>2</sup>, the three and a half inch wall cavities would require the installation of expensive high-density foam boards and new high-efficiency HVAC systems would be required. The most expensive replacement of all, the abatement of the asbestos-contaminated gypsum board and the installation of new wall materials throughout every unit.

To determine the extent of required abatement on the property, the City of Spartanburg hired a third party, Apex Environmental Management, (7 Winchester Court, Mauldin, SC 29662), to perform a hazardous material survey. Their report was dated June 14, 2017 (Apex Project Number 0317-55).

### **Contractors:**

On 30 May 2018 at 1000 hrs. USACE staff and SIGTARP staff arrived at Cammie Clagett Courts in Spartanburg, SC, to meet with the contractors on site. We met with the owner of Webb-Harrell (WH) one of the two prime contractors for the City of Spartanburg responsible for the demolition of the structures. This contractor appeared to have all the required permits, including City Building Permits and DHEC Permit #RI804286. The property has been abandoned for several years; the demolition contract was signed WH based on the Spartanburg County Ordinance O-06-14/O-13-18. WH posted all required surety bonds and insurance.

Other contractors on site were one of WH's sub-contractors, Duncan, LLC, who was hired to remediate approximately half of the buildings (Duncan, LLC. SCDHEC Asbestos Abatement License Number: CO-00450) but there is another prime Contractor with the City

The other sub-contractor working for WH to remediate the other half of the buildings is Eastern Environmental (license # CBC 10008511), but we did not have contact with this contractor.

The city hired a second prime contractor, Summit Engineering Testing (certification: AF00530) for oversight of all asbestos remediation reporting directly to the City. Summit has an on-site lab for testing materials, and their inspector routinely performs inspections of the contamination containment tents, and inspects all the negative air pressure blowers, tracking the condition of the filters and particle meters.

### **Demolition Process:**

The properties were abandoned for some time and secured by the City of Spartanburg before the award of the demolition contract to WH. Before razing a building, WH secures a Demolition Building Permit for each building. During the VSI, WH appeared to

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<sup>2</sup> R-Value is a measure of how well an object, per unit of its exposed area, resists conductive flow of heat. The higher the R-value, the higher the resistance, and so the better the thermal insulating properties of the object. R-values are used in describing the effectiveness of insulation in the analysis of heat flow across assemblies such as walls, roofs, and windows under steady-state conditions.



adequately display these permits on-site. The City of Spartanburg Fire Department utilized Building #8 for a live training exercise which left it severely damaged by fire and water. This structure may require additional remediation for smoke and carbon contamination before demolition.

**Utilities:**

No active utilities were observed at the site which appears to be consistent with reports that the properties were vacant and abandoned. WH worked with the City to cap all sanitary sewer lines with either rubber boots or vitreous cement (per the City's direction), (figure 2). The utility company removed gas meters at each apartment and capped the gas lines at the main distribution line. All other distribution branches were abandoned in-place. Water lines are capped at the street by the City. Electric meters were removed at each apartment and de-energized at the transformers by the utility.



Figure 2 – Capped utilities in front of 211 Bunker St., Spartanburg, SC

**Storm Water:**

Storm sewers were still intact and functioning as designed. WH has installed silt fence and protection for silt run off at all storm sewers in accordance with DHEC requirement. According to WH officials on-site, WH periodically inspects each storm sewer to ensure that the silt protection is appropriately functioning as designed. The practice of using silt protection and periodic inspection is consistent with industry practice to control silt runoff into storm sewers.





**Asbestos/Black Mold:**

The process begins with WH's contractors Duncan or Eastern Environment stripping out all recyclable items from the units, this includes: interior doors, kitchen sinks, toilets, cast iron bathtubs, door casings, carpet, tile, base moldings, any abandon appliances, and HVAC systems including condensing coils—though many of these HVAC units may have been previously looted because of their resale and scrapping



Figure 3 – Encapsulated remediation of asbestos, 310 Highland Ave., Spartanburg, SC.

value. The contractor sorts these materials for recycling and stockpiles like materials until there is enough material to warrant transportation to a recycling facility. This process leaves just the wall and ceiling gypsum board in place and ready for demolition. Next, by apartment, all windows are covered on the exterior with plastic. Special air blowers are installed with asbestos filter traps to create negative air pressure within the unit. An exterior tent is erected to act as a “clean room” airlock (figure 3) with asbestos air monitors (figure 4) to ensure that no friable asbestos is released to the environment during demolition. Workers inside the units wearing Tyvek protective clothing and respirators, remove the contaminated gypsum board and place it in black plastic bags labeled “biohazard.” These are transferred to other workers in the airlocks to double bag and take to specifically labeled plastic-lined containers. At the end of the process, the workers vacuum up all the contaminated dust using special vacuums and spray a white latex material that captures any possible air-borne material. All filters and contaminants are bagged and placed in the containers and shipped to Anderson Regional Landfill, LLC in Belton, South Carolina (figure 5). This company is a subsidiary of Waste Connections Inc. (DHEC license # R1805067). The containers are then weighed and properly disposed of by the landfill. This entire process is monitored and observed by the third party environmental monitoring firm



Figure 4 – Asbestos meter and containment 310 Highland Ave.



Figure 5 – Map to licensed asbestos landfill in Belton, SC



(Summit) who test for any leaking of contaminants from the demolition site. All site observations indicate that WH appears to be following the prescribed industry practices with minimal risk to the surrounding community.

**Recycling:**

After Summit clears the buildings, the recycling process continues. The buildings are completely open, where possible WH is using portable fencing to secure the site from pedestrians and vandals. Next, WH workers remove all aluminum window frames (figure 6); copper wires and pipes; and any remaining heavy iron for sorting and recycling. This leaves just the exterior structure of the building and the interior bare studs left for demolition.



Figure 6 – Aluminum scrap pile recovered from the razing of 331 S. Forest St.

While on-site, USACE observed two WH employees stripping buildings of recyclable materials. Those same WH employees told inspectors that the metal stripping process averages about 2-3 units per week. After recycling, the building is razed to the slab. Wood and asphalt shingles are separated from the debris and disposed of as normal construction debris at locally authorized landfills. Bricks, concrete masonry unit (CMU) blocks, sidewalks, and building slabs are stockpiled and removed to a local concrete recycler, (Concrete Recycling, Inc.), who crushes the material for reuse as an aggregate for recycled concrete.





**Site Remediation:**

Figure 7, shows the pre-demolition of Building 38, apartments 420, 422, 424, 426, 428 and 430, (address: 422 Concord Ave., Spartanburg, SC). This unit was razed while we were onsite. The contractor used water for dust abatement during demolition and appeared to observe all safety protocols for this type of demolition.



Figure 7 – 422 Concord Ave, razed when we were there.

Figure 8 shows post demolition remediation at (418 Beacon St. Spartanburg, SC). The lot is protected with a silt fence and all debris have been removed. It is roughly graded back to adjacent elevations and sloped to prevent ponding. This lot is an example of a lot that is awaiting final grading and seeding with grass and straw mulch.



Figure 8 – Lot 418 Beacon St., Spartanburg, SC

Figure 9 shows a remediated lot (447-449 Highland Ave. Spartanburg, SC) post final grading and planting. Note the appearance of grass growing on the lot. At this point, the sites are ready for reuse by the city at the close of the project.

**Conclusions:**

Based on USACE observations the City of Spartanburg and its contractors appear to be following the best construction practices for this type of demolition, taking care to minimize harm to the environment and the surrounding community by properly abating the structures of all hazardous materials before razing the structures. The use of safety fencing and the posting of signage appeared to be sufficient to highlight hazards for this type of demolition.



Figure 9 – 447-449 Highland Avenue



<b>Table 1 - Properties Visited During the Visual Site Inspection</b>	
<b>Address Observed</b>	<b>Status Observed</b>
422 Concord Ave	active demolition
418 Beacon St	demolished and site remediated
331 S. Forest St	post asbestos abatement
310 Highland Av	asbestos abatement underway
335 S Forest St.	post asbestos abatement
211 Bunker St.	awaiting demolition
522 SC-296	awaiting demolition
502 SC-296	awaiting demolition
350 Concord Ave	demolished and site remediated
205 Bunker St.	awaiting demolition
356 Beacon Av	awaiting demolition
418 Beacon St	demolished awaiting site remediation
420 Beacon St	demolished and site remediated
503 SC-296	awaiting demolition
310 Highland Ave	demolished and site remediated
315 Highlands Av	demolished and site remediated
459 SC-296	demolished and site remediated
337 Forest St	asbestos remediated
400 SC-296	active demolition



## Appendix B – Recommendations

In order to prevent fraud, waste, abuse, and community exposure to asbestos and other hazardous material, and to ensure that the Hardest Hit Fund Blight Elimination Program is being implemented in accordance with Federal and state regulations, industry standards, and best practices:

1. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to increase state agency technical oversight of TARP-funded demolitions. State agencies should implement industry standards and best practices for removing, storing, transporting, and disposing of asbestos and other hazardous material, rather than leaving it to individual contractors or cities.
2. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to implement state agency internal controls and a state agency quality assurance program to ensure that throughout the lifecycle of the demolition project all activities comply with all Federal, state, and local requirements and regulations. This should include: (1) State agencies should train their officials in conducting oversight over demolition activities; (2) State agencies should conduct independent periodic inspections; (3) State agencies should implement Waste Removal Procedures that requires all involved to document and track by quantity and type all hazardous material found and removed; and (4) State agencies should confirm before any payments that all quantities of each hazardous material have been properly removed, stored, transported, and disposed of at a permitted waste or recycling facility, in compliance with Federal requirements, including Occupational Safety and Health Administration and National Emission Standards for Hazardous Air Pollutants, and state and local requirements
3. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to perform independent inspections during the removal of hazardous materials including for example, lead based paint and asbestos. The inspections would confirm that all hazardous materials are properly removed, stored, and transported according to contract and federal and state requirements, including the National Emission Standards for Hazardous Air Pollutants, Occupational Safety and Health Administration, National Institute Occupational Safety and Health. The interim inspection should be performed by a qualified inspector. Inspection documentation of any issues found and remediation taken should be included in the contract files.
4. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to establish and implement procedures to include a final inspection for air monitoring, clearance testing, and certification of decontamination in accordance with contract specifications for demolition activities. State agencies should review and approve a 'Certification of Removal of Hazardous Materials' prior to demolition of a structure. These documents should be included in the contract files.



5. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to require for every bid a complete list of all contractors and subcontractors for every demolition and should validate the credentials and licensing of all demolition contractors and/or subcontractors prior to executing the contract.
6. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to maintain on-site and in contract files the technical qualifications of certified individuals for the removal of hazardous materials.
7. Treasury should require state agencies in the Hardest Hit Fund Blight Elimination Program to establish and implement a technical review prior to any demolition to ensure that the abatement contractor removed all quantities (by type) found of asbestos, lead and other hazardous material, according to the specifications of the environmental assessment, and in compliance with federal, state and local requirements.
8. Treasury should review the \$13,750 charged to South Carolina's Neighborhood Initiative Program to determine if the costs are necessary or allocable to TARP, including \$5,950 for soil borings related to land re-development, and \$7,800 for a storm water pollution prevention plan that did not specify any TARP-funded demolition sites. If funds were spent in violation of federal cost regulations, Treasury should require the state agency to repay the funds.



## Appendix C – Objective, Scope, and Methodology

SIGTARP performed this evaluation under the authority of the Emergency Economic Stabilization Act of 2008, which also incorporates some of the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. SIGTARP initiated this evaluation as part of our continuing oversight of TARP. The objective of this evaluation was to review demolition activities under the Hardest Hit Fund Blight Elimination Program in South Carolina to determine whether Federal, State and local environmental, health and safety regulations, and environmental industry standards are being met.

The scope of this evaluation focused on three components of South Carolina’s HHF Blight Elimination Program: 1) a general review of program documents, state and Federal environmental, health and safety regulations, and program notices; 2) A file review of all supporting documentation associated with a completed demolition; and 3) visual site inspections of in-progress demolition activities.

SIGTARP conducted this evaluation from April 18, 2018 – January 4, 2019, with on-site field work completed on May 29-31, 2018 in South Carolina.

SIGTARP conducted this evaluation in accordance with CIGIE Quality Standards for Inspection and Evaluation. The Engineering assessment was conducted by professional engineers in accordance with the National Society of Professional Engineers’ Code of Ethics for Engineers.

Those standards require that SIGTARP adequately plan and the procedures and mechanisms used to gather information ensure that the information is sufficiently reliable and valid. SIGTARP believes that the evidence obtained provides a reasonable basis for the observations, findings, and supported conclusions contained within the evaluation.

### Limitations on Data

SIGTARP relied on electronic documents provided by SC Housing Agency. SIGTARP also conducted site visits to partner offices in Spartanburg and Columbia, SC to secure additional information and documentation pertinent to the demolitions reviewed.

### Use of Computer-Processed Data

SIGTARP relied on computer-processed data for this evaluation for scoping purposes. Blight elimination data is submitted by SC Housing to SIGTARP on a quarterly basis and include location, cost, and partner information. SIGTARP used this data in determining the property selected for the documentation review of a completed demolition.





## Internal Controls

SIGTARP performed a limited review of internal controls by interviewing SC Housing officials and reviewing SC Housing's Neighborhood Initiative Program Policy and Procedures as it pertains to environmental, health and safety issues. SIGTARP's review of SC Housing's internal controls is ongoing.

## Prior Coverage

- On April 30, 2019, SIGTARP Quarterly Report to Congress titled, "Most Serious Management and Performance Challenges and Threats Facing the Government in TARP," Pages 4-5. Also included in SIGTARP Quarterly Reports to Congress January 2019, October 2018, July 2018, April 2018, January 2018, and October 2017.
- On November 21, 2017, SIGTARP released an evaluation report titled, "Risk of Asbestos Exposure, Illegal Dumping, and Contaminated Soil From Demolitions in Flint, Michigan and Other Cities."
- On June 16, 2016, SIGTARP released an audit report titled, "Treasury's HHF Blight Elimination Program Lacks Important Federal Protections Against Fraud, Waste, and Abuse"
- On April 21, 2015, SIGTARP released an audit titled, "Treasury Should Do Much More to Increase the Effectiveness of the TARP Hardest Hit Fund Blight Elimination Program."



## Appendix D – Management Comments



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 26, 2019

The Honorable Christy Goldsmith Romero  
Special Inspector General  
for the Troubled Asset Relief Program  
1801 L Street, NW, 4th Floor  
Washington, DC 20036

Dear Ms. Romero:

I write in response to your draft evaluation report of June 12, 2019 (the Draft), regarding blight elimination in South Carolina under Treasury's Hardest Hit Fund (HHF). We continue to wind down the remaining programs funded through the Troubled Asset Relief Program (TARP), including HHF, and we note that South Carolina's blight elimination program, the Neighborhood Initiative Program (NIP), is substantively closed as of April 30, 2019.<sup>1</sup> Treasury takes seriously the environmental issues presented by the removal of blighted properties, and we appreciate the work conducted by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the Army Corps of Engineers. This letter provides Treasury's official response to the Draft.

### Background

Treasury established the Hardest Hit Fund (HHF) in February 2010, to help prevent foreclosures and stabilize housing markets in areas hardest hit by the housing crisis. State housing finance agencies (together with certain designated entities, the HFAs) in 18 states and the District of Columbia have used these funds to design and implement more than 90 programs tailored to the specific needs and conditions of their respective communities. Today, the HHF program is nearly concluded. HFAs have until December 31, 2020, to make any final decisions with regard to homeowner applications and blighted property reimbursements, and they must make final program disbursements no later than December 31, 2021. States have drawn approximately \$9.3 billion (97.1 percent)<sup>2</sup> of the \$9.6 billion allocated to the program, and they have disbursed \$9.0 billion (93.7 percent).<sup>3</sup> At this late stage of the program, and with less than \$300 million (2.9 percent) remaining, all of the HFAs have begun implementing wind-down plans. Treasury remains focused on monitoring HFAs' compliance with program requirements as they implement their respective plans.

There is no single "HHF blight elimination program"; eight HFAs chose to create individual blight elimination programs, tailored to the specific economic needs and infrastructural support

<sup>1</sup> On April 30, 2019, South Carolina made the final disbursement for completed blight elimination projects, and does not anticipate conducting further blight elimination activities. There remains a possibility that a court could order South Carolina to fund additional blight elimination projects that have been placed on hold due to ongoing litigation.

<sup>2</sup> Figures are as of May 31, 2019.

<sup>3</sup> Figures are as of March 31, 2019.





available within their respective states. Treasury requires all properties in HHF blight elimination programs to be both demolished and greened. Greening involves general improvement of the lot to allow for its repurposing, as a step to prevent the empty lot from remaining vacant and abandoned. As of March 31, 2019, these eight blight elimination programs have demolished and greened more than 34,000<sup>4</sup> blighted properties and disbursed over \$526 million.

Three of the eight states (Alabama, Illinois, and South Carolina) have closed their blight elimination programs,<sup>5</sup> with a fourth (Indiana) scheduled to complete all remaining demolition and greening activity by this fall. The four remaining states – Michigan, Mississippi, Ohio, and Tennessee – have indicated to Treasury that they have sufficient funds to keep their programs open through the end of 2020, although demolitions continue to be extremely limited in Mississippi and Tennessee. As noted above, all blight elimination activity – including all demolition, greening, and related invoicing – must be completed and approved for reimbursement by the HFAs within the next year and a half, by December 31, 2020. Some reimbursements on already-completed and approved activities will then trail into early 2021. Treasury estimates that less than \$200 million remains to be disbursed under all HHF blight elimination programs.<sup>6</sup>

Since the inception of HHF, Treasury has required the HFAs and their contractors to comply with “all Federal, state and local laws, regulations, regulatory guidance, statutes, ordinances, codes and requirements.” This, of course, includes environmental laws and regulations. Treasury also requires the HFAs to implement a system of internal controls designed to ensure compliance with applicable laws, and to provide regular, independent verification that such internal controls are effective. Treasury conducts regular, on-site compliance reviews of each of the HFAs to confirm the presence of internal controls and that the HFAs are following their policies and procedures.

Since 2016, Treasury has conducted three compliance reviews involving South Carolina’s blight elimination program, NIP.<sup>7</sup> These reviews have tested, among other things, South Carolina’s internal controls, guidelines, policies, and procedures to ensure that they include the supervision and management of program partners, underwriter and contractor performance and compliance, changes to policies and procedures designed to verify that program partners and their respective contractors comply with program requirements, and samples of both denied and approved application reviews to determine whether the reviews were completed in accordance with South Carolina’s quality assurance controls, policies, and procedures. Treasury has not found any

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<sup>4</sup> As of March 31, 2019, also included in Q1 data provided to SIGTARP in its quarterly data call.

<sup>5</sup> Both Alabama and South Carolina’s programs have made final disbursements. In Illinois, all demolition and greening activity has been completed, and only a residual pipeline of delayed invoices remains. As a result, disbursements will continue in Illinois until these invoices have been approved by the Illinois HFA.

<sup>6</sup> While the Draft states that \$259 million remains to be spent by blight elimination programs over the next two-and-a-half years, this estimate does not account for the programs that have already closed, the current and anticipated levels of program activity in the open programs, and the limited time remaining for all these programs to complete all blight elimination activities.

<sup>7</sup> Treasury conducted a program-specific compliance review of NIP, South Carolina’s blight elimination program, on January 20-21, 2016; a full compliance review of all of South Carolina’s HHF programs, including NIP, on February 13-17, 2017; and another full compliance review of all of South Carolina’s HHF programs, including NIP, on February 11-15, 2019.



significant observations or concerns with respect to NIP, either as part of this compliance review process or outside of it.

#### SIGTARP's Draft

The Draft is based in large part on a review of the documentation associated with the demolition of one property in South Carolina and an in-person observation of the demolition of a second property in South Carolina. As a result of this South Carolina-specific review, SIGTARP makes eight recommendations, seven of which it applies to all of the unique HHF blight elimination programs.

SIGTARP's on-site fieldwork for this review was conducted in May 2018, and SIGTARP completed its evaluation on January 4, 2019. SIGTARP did not transmit the Draft to Treasury until June 12, 2019, five months after the evaluation had been completed.<sup>8</sup> SIGTARP's transmittal of the Draft also marks the first communication Treasury has received from SIGTARP with respect to this evaluation since it received SIGTARP's engagement letter on April 18, 2018, and participated in an entrance conference on July 9, 2018 – *after* on-site field work had been completed. Prior to our receipt of the Draft, Treasury had no visibility into any anticipated findings or recommendations.<sup>9</sup>

SIGTARP allotted us ten business days to conduct an exit conference, provide a management response to the Draft, and provide any technical comments on the Draft. Immediately upon receipt of the Draft, Treasury requested SIGTARP's authorization to share or discuss the Draft with the South Carolina HFA, but our request was denied. SIGTARP also previously denied our request to share or discuss a draft of SIGTARP's 2017 evaluation report regarding blight elimination in Flint, Michigan (Flint Report) prior to publication.<sup>10</sup> SIGTARP's denial of these requests is significant, particularly because the Flint Report had inaccurately concluded that significant risks were present in Michigan's blight elimination program. We did not discover these inaccuracies until after publication and after speaking with the Michigan HFA. In a follow-up response letter to SIGTARP on July 6, 2018, we noted these inaccuracies and provided a fulsome response to SIGTARP's recommendations including our efforts at implementing those recommendations.<sup>11</sup> We attach the letter for your reference as Exhibit A.

<sup>8</sup> Draft, Appendix C, at 51 (“SIGTARP conducted this evaluation from April 18, 2018 - January 4, 2019, with on-site field work completed on May 29-31, 2018 in South Carolina.”)

<sup>9</sup> Compare, e.g., CIGIE Quality Standards for Inspection and Evaluation at 15 (“During an inspection, it may be appropriate to provide interim reporting of significant matters to appropriate officials. Such reporting is not a substitute for a final report, but it does serve to alert the appropriate officials to matters needing immediate attention, so corrective action may be initiated.”), 19 (“With limited exceptions, primarily related to investigative-type work, the OIG should keep the Department/Agency advised of its work and its findings on a timely basis and strive to provide information helpful to the Department/Agency at the earliest possible stage. Surprises are to be avoided.”), 20 (“During an inspection, inspectors should appropriately communicate information about the process and the nature of the inspection to the various parties involved to help them understand such things as the inspection objective(s), time frames, data needs, and reporting process. Inspectors should use their professional judgment and comply with their respective organizations' policies and procedures to determine the form, content, and frequency of communication. Communication should be appropriately documented in the associated inspection records.”)

<sup>10</sup> Evaluation Report, “Risk of Asbestos Exposure, Illegal Dumping, and Contaminated Soil from Demolitions in Flint, Michigan and Other Cities,” November 21, 2017.

<sup>11</sup> We note further that this Draft mistakenly states that Treasury has not implemented any of SIGTARP's recommendations from the Flint Report, and it also does not reference our July 6, 2018 letter. Compare CIGIE





Treasury has identified similar weaknesses in this Draft based on publicly available resources, including program guidelines and requirements for South Carolina's NIP,<sup>12</sup> and the South Carolina Department of Health and Environmental Control (SCDHEC) website. Treasury has identified approximately 100 technical comments, requests for supporting documentation or clarification, and potential misstatements of fact within the Draft. Those comments and requests are being transmitted separately today. Treasury is unable to confirm whether the Draft's factual findings regarding the specific property reviews (e.g., missing documentation) are accurate until it consults with South Carolina and receives the requested supporting documentation from SIGTARP.

#### Recommendations 1 through 7

Recommendations 1 through 7, which are applicable to all HHF blight elimination programs, go towards implementation of best practices in blight elimination to be in compliance with all applicable environmental laws and regulations. They call for state HFAs to increase technical oversight of demolitions, including with respect to the contractors involved; implement internal controls and a quality assurance program for the purpose of making sure all activities comply with relevant laws; and perform independent inspections during and after the demolition process and removal of hazardous materials.

Notably, five of these recommendations (1, 2, 3, 4, and 7) are almost entirely duplicative of prior SIGTARP recommendations from the Flint Report, and the other two (5 and 6) are partially duplicative of those recommendations. As we explained in our July 2018 letter, we believe Treasury has already addressed the Flint Report's recommendations. *See* Exhibit A. Similarly, we believe this Draft's recommendations are either (a) already required under HHF (Recommendations 1 and 2); (b) performed by the HFAs administering their respective HHF blight elimination programs, their program partners, or their contractors (Recommendations 3 and 4, in part, and in some states, Recommendation 7<sup>13</sup>); and/or (c) conducted or monitored by the respective state environmental protection agency (Recommendations 3, 5, 6, and 7).

#### Recommendation 8

SIGTARP's eighth recommendation calls for Treasury to require the South Carolina HFA to repay \$13,750 to the program, attributable to two specific costs – \$7,800 for creating a stormwater plan and \$5,950 for soil borings. Although SIGTARP deems these costs unallowable and unnecessary for demolition, the Draft does not provide any analysis of these expenses. Once SIGTARP provides its analysis, Treasury will review, discuss with South Carolina's HFA, and take any appropriate action.

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Quality Standards for Inspection and Evaluation at 19 ("The OIG must perform its work thoroughly, objectively, and with consideration to the Department's/Agency's point of view and should recognize Department/Agency successes in addressing challenges or issues.").

<sup>12</sup> Available at <https://www.schousing.com/Home/NeighborhoodInitiativeProgram>.

<sup>13</sup> In programs that feature a land bank-centric structure, certain activities may be shared by the state environmental agency and the land bank.



Preliminarily, Treasury's contract with South Carolina's HFA permits these types of costs to be charged to the program. Acceptable charges include costs incurred for both demolition and greening, and as noted above, Treasury requires state IIFAs to comply with all relevant laws and regulations. Stormwater plans are required by law in the state of South Carolina for construction or land disturbances on all properties of at least one acre.<sup>14</sup> Soil borings are an industry standard practice related to greening of property, and they are used to determine whether a lot can support building construction or other forms of redevelopment.

\* \* \*

Treasury will carefully evaluate any supporting documentation provided by SIGTARP and respond to the Draft's recommendations under separate cover. At this late stage of the program, Treasury's consideration of these recommendations will also take into account the short amount of time remaining and the ability of individual IIFAs to timely and meaningfully respond to any new requirements or guidance issued by Treasury.

In addition, we note that SIGTARP has recently opened a second evaluation of blight elimination in Flint, Michigan. As stated above, Michigan's blight elimination program will close by the end of next year. If SIGTARP's evaluation finds additional actions that could improve the program, we encourage SIGTARP to share that information with Treasury as soon as possible so that actions could be taken before the program closes.

Even as the TARP program nears its end, we remain committed to taking appropriate actions to improve HHP program performance and enhance compliance procedures. We look forward to working with SIGTARP as we continue to wind down the remaining programs funded through TARP, including HHP.

Sincerely,

Kipp Krantohl  
Deputy Assistant Secretary  
Small Business, Community Development, &  
Affordable Housing Policy

<sup>14</sup> See S.C. Dep't of Health & Environmental Control, Stormwater Overview, <https://www.scdhec.gov/environment/water-quality/stormwater/stormwater-overview> (last visited June 26, 2019).



SIGTARP Response to Agency Comments:

We reviewed Treasury's comments and made changes to the report as appropriate. SIGTARP stands by the methodology employed and findings developed in this review as well as our prior work.

## SIGTARP Hotline

If you are aware of criminal activity, fraud, waste or abuse associated with the Troubled Asset Relief Program, please contact SIGTARP.

*By Online Form:* [www.SIGTARP.gov](http://www.SIGTARP.gov).

*By Phone:* Call toll free: (877) SIG-2009

*By Mail:* **Office of the Special Inspector General  
for the Troubled Asset Relief Program**  
1801 L Street., NW, 4th Floor  
Washington, DC 20220

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If you have any inquiries, please contact our Press Office: 202-927-8940

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