OFFICE OF THE INSPECTOR GENERAL
City of Chicago

REPORT OF THE INSPECTOR GENERAL'S OFFICE:

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IGO REVIEW OF THE EFFICIENCY OF THE HRAIL PROGRAM

OCTOBER 2010

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OFFICE OF THE INSPECTOR GENERAL
City of Chicago

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October 8, 2010

To the Mayor, Members of the City Council, the City Clerk, the City Treasurer, and the residents of the City of Chicago:

Enclosed for your review is a review of the efficiency of the City's Home Repairs for Accessible and Independent Living (HRAIL) program. The HRAIL program is a federally-funded program that provides small grants to needy senior citizens for home repairs and upgrades. The City contracts with delegate agencies to provide HRAIL services. The Office of Inspector General (IGO) reviewed the HRAIL program, focusing on how much of the program budget was spent on direct home repairs versus how much was spent on overhead and administrative costs in 2007.

The IGO determined that only 62% of the total HRAIL budget for the 23 City-funded delegate agencies was spent on direct home repair costs. The IGO found wide disparities among the delegate agencies in the amount of grant funds utilized on home repairs. Three agencies (so-called "Tier I" agencies) spent almost nothing on home repairs, instead using the majority of their grant funding to process applications and refer applicants to "Tier II" delegate agencies for actual home repairs. Of the 20 "Tier II" delegate agencies in the program in 2007, the percentage of grant funds spent on home repairs ranged from a low of 26% to a high of 82%.

The enclosed Report details the IGO's review and includes recommendations for increasing the amount spent on direct home repairs. It also includes feedback provided by the Department of Community Development.

Respectfully,

Joseph M. Ferguson
Inspector General
City of Chicago

Review of the Efficiency of the HRAIL Program

INTRODUCTION

The Home Repairs for Accessible and Independent Living (HRAIL) program is a federal grant-funded program that pays for repairs and upgrades to the homes of low and moderate income senior citizens. In 2007, the City awarded contracts to 23 delegate agencies for the HRAIL program.[1] The total HRAIL budget for the 23 City-funded agencies was $2,488,215. The City portion of the funding was $2,147,500 because some of delegate agencies added money to their HRAIL budgets from donations and other funding sources.[2] Those delegate agencies were contracted to provide HRAIL services to approximately 572 seniors. The IGO reviewed the administration of the HRAIL program, and specifically focused on how much of the grant funds the delegate agencies spent directly on home repairs (such as labor and material) versus how much the delegate agencies spent on overhead and administration costs.

The IGO found that only 62% — $1,533,645 of $2,488,215 — of the total amount spent in the program was allocated to direct home repair costs. Eight of the 23 delegate agencies spent less than 50% of their funding on home repair costs.

The IGO found wide disparities among the delegate agencies in the amount of grant funds utilized on home repairs. Three agencies (so-called "Tier I" agencies) spent almost nothing on home repairs, instead using the majority of their grant funding to process applications and refer applicants to "Tier II" delegate agencies for actual home repairs. Of the 20 "Tier II" delegate agencies in the program in 2007, the percentage of grant funds spent on home repairs ranged from a low of 26% to a high of 82%.

The IGO concluded (1) the City should set and enforce contractual goals for spending on direct home repairs; (2) Tier I agencies should be eliminated, which would allow more of the grant funds to go to direct home repairs; and (3) the City should determine and standardize repair costs. These modifications, and the others described below, will increase the efficiency of the HRAIL program and ensure that more of the grant funds directly benefit the low and moderate income seniors the program is intended to serve.

Administration Response

The IGO provided a draft version of this report to the Department of Community Development (DCD). There was general agreement on the need for closer monitoring of HRAIL performance, and DCD will look toward establishing a minimum percentage of HRAIL funding that should be spent on repair costs. The main disagreement was that DCD believes the analysis of how much is spent on direct repair costs should focus solely on the City-funded portion of the contracts and not on any additional funding. However, the IGO believes that DCD's position fails to recognize that limiting the focus to City funds leaves an accountability gap due to the fact

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[1] At the time of IGO review, the Department of Housing (DOH) administered the HRAIL contracts. Currently, those functions are within the Department of Community Development (DCD). The IGO is not aware of any significant changes in personnel or protocol as a result of the move from DOH. Therefore, this Report uses DOH and DCD are used interchangeably.

[2] Throughout this report, City-funded or City portion of the funding refers to funds administered by the City and given to the delegate agencies, although the funding originates from a federal grant.

that the non-City funding would not be held to any standard of efficiency. DCD's position thus would leave the City at continued risk of providing funds to inefficient agencies and thus providing less service through the program. For informational purposes, a table comparing the construction and overhead costs using solely City funds is included in Appendix A. DCD's full response is attached to the report.

OVERVIEW OF HRAIL PROGRAM

HRAIL is for senior citizens at least 60 years of age earning no more than 80% of the median Chicago income (adjusted for family size). Qualified recipients can be homeowners or renters living in one to four unit buildings. The HRAIL program provides safety, security and accessibility improvements. Typical repairs include grab bar installation, handrail installation, wheelchair ramp installation, fire extinguisher installation, carbon monoxide and smoke detector installation along with window and door repair.

Interested seniors apply for the program through the delegate agencies. The delegate agencies review the applications and submit completed applications to the Department of Housing (DOH). Once DOH approves an application, the delegate agency either contracts with a general contractor to perform the repairs, or utilizes in-house construction staff to complete repairs. If a general contractor is used, it submits a bill to the delegate agency, which pays the contractor using the HRAIL program funds.

HRAIL contracts are awarded in two classifications: Tier I and Tier II. A Tier I delegate agency serves only as a referral agent in the HRAIL program. Senior citizens interested in having their homes repaired complete and submit an application to the Tier I delegate agency. The Tier I delegate agency will then submit the application to DOH, which will determine if the application will be accepted or denied. If DOH accepts the application, it sends information back to the Tier I delegate agency. The Tier I delegate agency will then contact a Tier II delegate agency for coordination of the repairs to be made for the senior citizen. This means that Tier I delegate agencies are used almost exclusively to receive and process applications. Three agencies were designated as Tier I in 2007 (the Albany Park Community Center, the Chicago Urban League Development Corporation, and the Chinese American Service League).[3]

A Tier II delegate agency performs all of the functions of a Tier I delegate agency and in addition, contracts out or self-performs the DOH-approved repairs for the senior citizens.

Neither the federal grant nor the contracts awarded to HRAIL delegate agencies dictate how much of the total funding must be spent on direct home repair costs. While some DOH personnel stated that DOH has an unwritten policy that the agencies spend at least 60% of their HRAIL funds on direct home repair, DOH has no formal, written guidelines for direct home repair spending.

[3] DOH gave varying explanations for the use of Tier I contracts. One explanation was that it allows delegate agencies that were new to the HRAIL program to ease into the transition into being a Tier II delegate agency. Another explanation was that a Tier I delegate agency can assist seniors that have language barrier issues and need assistance with the application.

FINDINGS

Below are charts that summarize the 2007 HRAIL contracts. The charts are sorted by Tier I and Tier II designation. The legend at the bottom defines the column headings used in the charts.

2007 DOH HRAIL Contract Budget Summaries

Tier 1 Agency?	PO	Delegate Agency	Total Budget	Construction Spending	Overhead Spending	% Construction Spending
Tier 1	13459	Albany Park Community Center	$44,669	$0	$44,669	0.00%
Tier 1	13462	Chicago Urban League Development Corp.	$30,000	$8,175	$21,825	27.25%
Tier 1	13524	Chinese American Service League	$34,311	$1,066	$33,245	3.11%
	13460	Ashburn Local Development	$125,000	$52,323	$72,677	41.86%
	13461	Back of the Yards Neighborhood Council	$186,132	$134,875	$51,257	72.46%
	13486	Bickerdike Redevelopment Corp.	$123,000	$91,578	$31,422	74.45%
	13463	Council for Jewish Elderly	$80,431	$31,307	$49,124	38.92%
	13464	Edgewater Community Council	$84,400	$46,139	$38,261	54.67%
	13465	Genesis Housing Development Co.	$39,065	$29,000	$10,065	74.24%
	13466	Greater Auburn Gresham CDC	$126,126	$80,000	$46,126	63.43%
	13467	Greater Southwest Development Corp.	$184,308	$151,865	$32,443	82.40%
	13469	Hull House Association/Parkway	$31,994	$19,191	$12,803	59.98%
	13475	Latin United Community Housing Assoc.	$169,458	$119,458	$50,000	70.49%
	13487	Near W. Side Comm. Development Corp.	$230,000	$139,452	$90,548	60.63%
	13479	Neighborhood Housing Services of Chicago	$183,418	$129,950	$53,468	70.85%
	13480	Ramp Up Foundation	$81,500	$48,363	$33,137	59.34%
	13766	Regional Development Corporation	$32,347	$15,000	$17,347	46.37%
	13481	Rogers Park Community Council	$90,513	$53,083	$37,430	58.65%
	13523	SeniorLink Alliance, Inc.	$85,201	$46,000	$39,201	53.99%
	13482	Shorebank Neighborhood Institute	$169,661	$130,550	$39,111	76.95%
	13483	United Neighborhood Org SE CHG	$232,829	$170,741	$62,088	73.33%
	13484	Voice of the People, Inc.	$61,853	$19,200	$42,653	31.04%
	13485	Will Feed Organization	$62,000	$16,328	$45,672	26.34%
		Total	**$2,488,215**	**$1,533,645**	**$954,571**	**61.64%**
Note: Numbers may not add to totals due to rounding						

Legend

P.O # = City of Chicago (2007) HRAIL contract awarded to the delegate agency
Total Budgeted for 2007 HRAIL = Total cost amount listed by the delegate agency in the budget summary (funds granted by the City and from other funding sources)
Construction Costs = Dollar amount allocated by the delegate agency to Professional & Technical Services + Materials & Supplies line items (funds budgeted toward labor and supply costs relative to work on senior citizen homes). Also, where agencies used In-house Personnel for construction, those funds were also counted as construction costs.
Overhead Costs = Dollar amount allocated by the delegate agency to Personnel, Fringe Benefits and Operating & Technical line items (funding not budgeted toward labor and supply costs relative to work on senior citizen homes)
Construction Costs % = Percentage of total budget that was allocated by the delegate agency on Construction Costs (as defined above)
Note: Amounts are rounded to the nearest dollar

RECOMMENDED SOLUTIONS

In order to improve the HRAIL program, we recommend that DCD implement the following changes.

1. Establish a minimum percentage to be used on repairs

The HRAIL contracts are flawed in that they do not mandate that a minimum percentage of the funding be used on direct repair costs for senior citizens. DCD should set a formal minimum benchmark for the percentage of funds spent on actual home repair costs as a condition of participation in the program. The benchmark should be based on an assessment of similar programs operated nationally.

Whatever percentage is determined to be appropriate by DCD, that percentage should be made a material part of the HRAIL contract. Establishing an internal goal is fine, but for the percentage to have significance, it must be part of the contract. A contractually-mandated goal will force the delegate agencies to do a better job budgeting for repairs and maximizing application of program funds to direct construction costs.

Delegate agencies must be held to whatever percentage is determined appropriate by DCD. Imposing sanctions to delinquent delegate agencies such as withholding pending payments, revoking current HRAIL contracts or barring delegate agencies from next year's HRAIL contracts will demonstrate that DCD is committed to its direct repair cost benchmark. It will also show delegate agencies that repercussions exist for the delegate agencies that are delinquent with DCD's regulations, which reinforces broader program compliance.

2. Eliminate Tier I agencies

Tier I agencies devote nearly all of their funding to overhead costs. No one at DOH could provide an adequate explanation of why Tier I agencies are needed or used. The IGO recommends that Tier I agencies be eliminated, and all delegate agencies be held to a minimum standard for allocating funding toward home repair costs.

3. Work more with the more efficient delegate agencies

DCD should evaluate the HRAIL delegate agencies to identify the ones that utilize a larger percentage of their funding on senior citizen home repairs. The less efficient delegate agencies could then be removed from the program and the funding that would have been allocated to those firms would be portioned out to the more efficient delegate agencies. DCD should make the delegate agencies aware that their performance is being evaluated and that less efficient firms are at risk of not being granted future HRAIL contracts. This way, the delegate agencies will be motivated to more efficiently utilize their grant funding.

4. Standardize services to be provided to senior citizens

DCD should develop a standardized list of repairs that delegate agencies will perform. With a manageable number of standard repairs, DCD will become familiar with how long a repair job will take to complete and how much it should cost to complete. If one delegate agency takes two weeks and $1500 to install a standard window, while the other delegate agencies take only one week and $750 to install the same window, DCD will be in a position to question the first delegate agency regarding its business practices.

By becoming familiar with a standardized list of repairs and what those repairs roughly cost, over time a system similar to Job Order Contracting should emerge. Appropriate costs for repairs performed by the delegate agencies will be based on data, as opposed to DCD arbitrarily determining how much repairs are worth. Having a set price list for a standardized list of repairs will allow DCD to more effectively plan how its HRAIL budget is used and estimate what number of repairs it should expect from funding the delegate agencies.

Initially, determining which repairs should be done and developing a price list for those repairs will take time and extra effort on the part of DCD. Over the long term though, after a system is in place, there should be less overall work for DCD employees that oversee the HRAIL program. The delegate agencies will already know what is expected of them by DCD. DCD will only have to monitor the delegate agencies to make sure that they are in compliance with the price list.

In the long run, implementing these recommendations should equate to a better return for the City on the grant dollars invested in the HRAIL program. But most important, implementing these recommendations will mean that more senior citizens will benefit from this important program.

Appendix A- 2007 DOH HRAIL Contract Budget Summaries- City- Administered Funds Only

Tier 1 Agency?	PO	Delegate Agency	City Funded Budget	Construction Spending	Overhead Spending	% Construction Spending
Tier 1	13459	Albany Park Community Center	$42,000	$0	$42,000	0.00%
Tier 1	13462	Chicago Urban League Development Corp.	$30,000	$8,175	$21,825	27.25%
Tier 1	13524	Chinese American Service League	$25,000	$0	$25,000	0.00%
	13460	Ashburn Local Development	$92,500	$33,720	$58,780	36.45%
	13461	Back of the Yards Neighborhood Council	$146,000	$113,426	$32,574	77.69%
	13486	Bickerdike Redevelopment Corp.	$123,000	$91,578	$31,422	74.45%
	13463	Council for Jewish Elderly	$74,000	$31,077	$42,923	42.00%
	13464	Edgewater Community Council	$67,000	$46,139	$20,861	68.86%
	13465	Genesis Housing Development Co.	$37,000	$29,000	$8,000	78.38%
	13466	Greater Auburn Gresham CDC	$72,000	$39,200	$32,800	54.44%
	13467	Greater Southwest Development Corp.	$140,000	$123,119	$16,881	87.94%
	13469	Hull House Association/Parkway	$30,000	$19,191	$10,809	63.97%
	13475	Latin United Community Housing Assoc.	$140,000	$115,300	$24,700	82.36%
	13487	Near W. Side Comm. Development Corp.	$230,000	$139,452	$90,548	60.63%
	13479	Neighborhood Housing Services of Chicago	$155,000	$129,950	$25,050	83.84%
	13480	Ramp Up Foundation	$80,000	$48,363	$31,637	60.45%
	13766	Regional Development Corporation	$30,000	$15,000	$15,000	50.00%
	13481	Rogers Park Community Council	$77,000	$53,083	$23,917	68.94%
	13523	SeniorLink Alliance, Inc.	$65,000	$40,000	$25,000	61.54%
	13482	Shorebank Neighborhood Institute	$163,000	$130,550	$32,450	80.09%
	13483	United Neighborhood Org SE CHG	$230,000	$170,741	$59,259	74.24%
	13484	Voice of the People, Inc.	$39,000	$18,000	$21,000	46.15%
	13485	Will Feed Organization	$60,000	$16,328	$43,672	27.21%
			$2,147,500	**$1,411,392**	**$736,109**	**65.72%**
Note: Numbers may not add to totals due to rounding						

City of Chicago
Richard M. Daley, Mayor

Department of Community Development

Chris Raguso
Acting Commissioner

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MEMORANDUM

To: Joseph E. Ferguson
Inspector General

From: Christine A. Raguso CR
Acting Commissioner

Date: March 16, 2010

Subject: Response to Draft Report on Home Repairs for Accessible and Independent Living (HRAIL) program

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DCD appreciates the opportunity to respond to your draft report on the review and recommendations to improve the efficiency of the Home Repairs for Accessible and Independent Living (HRAIL) program. Since 2007, DCD has made some adjustments to the program which will be discussed later in detail. However, we'd first like to provide clarification on various items listed in your report:

- Your report uses budget amounts granted by the City and other funding sources. While delegate agencies are requested to provide an estimate of other funding sources for the administration of the program, the City does not require confirmation of these possible other resources from the delegate agencies. Therefore, we recommend only including the City's awarded budget amounts for discussion purposes (see attached). Also, the delegate agencies actually provided services to approximately 505 seniors and not 572.

- To clarify, 4 agencies (as referenced in the attachment) had in-house staff that completed the home repairs. The administrative costs for 2007 were at 81% for these agencies. This high percentage is due to administrative personnel costs to pay for labor and repairs completed by the carpenters at the agencies. However, if classified as professional labor (hard costs) as in the case of an outside contractor rather than an administrative personnel expense, then the percentage would be at 81% for direct repair costs and only 19% for other administrative costs. This would mean an increase to 68% overall for direct repair costs rather than 55% as referenced in your report.

- While your report indicates that we had 9 agencies that spent less than 50% of their funding on direct home repair costs, there were actually only 6 agencies (3 of which were Tier I for applications only).

Nonetheless, DCD recognized the need to make modifications to the HRAIL program to increase the number of direct home repairs to seniors along with ensure standardized costs for jobs completed through the program. To that end, we have made the following adjustments since 2007:

1) **Standard Unit Pricing Book** – In 2008, we worked with our construction staff and Job Order Contracting (JOC) consultant to develop a unit pricing booklet. A copy is also attached for your review. This includes a standard list of repairs along with maximum costs to indicate eligible repairs and ensure consistent reimbursement to all agencies for the same repairs. Program and construction staff monitors compliance with the pricing book costs for approved work specifications and payment of invoices for cost reimbursements. The delegate agencies are able to plan their budgets and know what to expect from DCD.

2) **Elimination of Tier I agencies** - In 2009, DCD eliminated the Tier I category. All funded agencies are now required to complete applications and provide home repairs. By eliminating this category, the overall administrative costs (not associated with in-house labor) for all agencies were lowered to 28% in 2009 and direct repair costs were increased to 72%.

3) **Increased monitoring of agency performance** – DCD continues to monitor agency performance and requires agencies to maximize the number of direct repairs for the amount of funding awarded. Agencies who fail to perform are usually not recommended to continue with the program. In addition, if agencies do not fully utilize their awarded budget, DCD may recommend a reduction in the subsequent year's funding. On the contrary, agencies which perform well may also be recommended to increase their funding.

Moving forward, DCD anticipates looking to develop some sort of percentage of the awarded budget amount to be used on direct repair costs. We will also seek to access other national programs and determine ability to implement as necessary to help reach this goal. For any further information or questions, please feel free to contact me at 312.744.9476.

Year XXXIII
2007 HRAIL Delegate Agency Contracts

Program	Agency Name	Contract Amount	Contract Number
1	Albany Park Community Council	$ 42,000	13459
2	Ashburn Local Development Corporation	$ 92,500	13460
3	Back of the Yards Neighborhood Council	$ 146,000	13461
4	Bickerdike Redevelopment Corporation	$ 123,000	13486
5	Chicago Urban League Development Corp	$ 30,000	13462
6	Chinese American Service League	$ 25,000	13524
7	Council for Jewish Elderly	$ 74,000	13463
8	Edgewater Community Council	$ 67,000	13464
9	Genesis Housing Development Corporation	$ 37,000	13465
10	Greater Auburn Gresham Development Corp.	$ 72,000	13466
11	Greater Southwest Development Corporation	$ 140,000	13467
12	Hull House Association	$ 30,000	13469
13	Latin United Community Housing Asso.	$ 140,000	13475
14	Near West Side Community Dev. Corp.	$ 230,000	13487
15	Neighborhood Housing Services of Chicago	$ 155,000	13479
16	Ramp Up	$ 80,000	13480
17	Regional Redevelopment Corporation	$ 30,000	13766
18	Rogers Park Community Council	$ 77,000	13481
19	Senior Link Alliance	$ 65,000	13523
20	Shorebank Neighborhood Institute	$ 163,000	13482
21	United Neighborhood Organization	$ 230,000	13483
22	Voice of the People in Uptown, Inc.	$ 39,000	13484
23	Will Feed Community Organization	$ 60,000	13485
Total 23		$ 2,147,500	23

These 4 Agencies have in-house professional labor for repairs.