

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**H. Carl McCall
STATE COMPTROLLER**



NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT MAINTENANCE OF CITY-OWNED HOUSING

2001-N-5

**DIVISION OF MANAGEMENT AUDIT AND
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H. Carl McCall
STATE COMPTROLLER

Report 2001-N-5

Ms. Jerilyn Perine
Commissioner
New York City Department of Housing
Preservation and Development
100 Gold Street
New York, NY 10038

Dear Ms. Perine:

The following is a report of our audit on the maintenance of City-owned housing by the Department of Housing Preservation and Development.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit
and State Financial Services

July 10, 2002

Division of Management Audit and State Financial Services

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EXECUTIVE SUMMARY

NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT MAINTENANCE OF CITY-OWNED HOUSING

SCOPE OF AUDIT

The New York City Department of Housing Preservation and Development (HPD) was created in 1977 to improve the availability, affordability, and quality of housing for residents of the City of New York (City). Beginning in 1978, it was the City's policy, through "In Rem" (tax foreclosure) actions, to take ownership of properties from the owners who failed to pay taxes. In recent years, this policy has been revised: the City is now trying to end its ownership of these properties and return them to the private sector. It hopes to dispose of all In Rem properties by the end of fiscal year 2007; but until this is accomplished, HPD's Division of Property Management (DPM) is responsible for their maintenance and management. As of March 2001, HPD's inventory comprised 1,180 occupied buildings (9,992 units) and 701 vacant buildings (5,567 units). During the period of April 1, 1999 through March 31, 2001, tenants made about 207,500 requests for repairs and maintenance work (complaints) to DPM.

This performance audit, which covered the period of April 1, 1999 through March 31, 2001, addressed the following questions:

- Does HPD address tenant repair and maintenance service requests in a timely manner?
- Does HPD have adequate procedures for soliciting and awarding procurements for repair and maintenance services?

AUDIT OBSERVATIONS AND CONCLUSIONS

Our audit found that HPD has not established time frames for dispatching repair crews to work sites for non-emergency repairs, nor are statistics maintained or monitored regarding actual response times. As a result, HPD is unable to measure the maintenance function effectively and efficiently. In the absence of HPD guidelines, we

categorized as “delayed” any non-emergency repair request to which HPD had not responded in more than 27 days. In our review of a sample of 34 complaints, we found that HPD had responded to 7 of the non-emergency complaints, which generated 23 work orders, after delays that ranged from 28 to 137 days. We also identified delays for three complaints that had been classified as emergencies and thus, according to HPD Directives, required a response “as soon as possible on the same day the complaint is received.” One of these was not started until five months after it was received. (See pp. 8-10)

We recommend that HPD develop written benchmarks for turn-around times in the case of non-emergency repairs. The New York City Housing Authority, which maintains over 300 public housing developments with more than 180,000 housing units, has established time mandates for its repairs. Those mandates range from 24 hours for emergency repairs (e.g., a gas leak in an apartment) to 21 days for non-emergency repairs requiring skilled tradesmen (e.g., painting). We recommend that HPD also maintain and monitor performance data on repair-response times and make a stronger effort to schedule appointments with tenants to do the repairs instead of first making two or three unsuccessful unscheduled attempts to gain access to the apartments. (See pp. 10-12)

Repairs that require a higher degree of specialization (e.g., electrical rewiring or carpentry) that cannot be performed by handypersons are awarded to other vendors through a bidding process. During the period of April 1, 1999 through March 31, 2001, the work completed by these other vendors totaled about \$26.9 million for occupied buildings. We found weaknesses in HPD’s internal control process for the handling of bid submissions. For example, bids are not date- or time-stamped upon receipt; bids are not stored in a central location; and there is a lack of separation of duties among personnel who perform key functions. We also found instances in which HPD was not adhering to either applicable New York City Procurement Policy Board Rules or its own internal policies. We have made several recommendations for improving these control weaknesses. (See pp. 15-20)

Comments of HPD Officials

HPD officials generally agreed with our recommendations and have indicated that most of the recommendations have been implemented or are in the process of being implemented. HPD officials indicate a new Work Order Tracking System, expected to be implemented in the fall of 2002, will improve the maintenance function. HPD officials also stated they have taken steps to improve controls over the soliciting and awarding of procurements for repair and maintenance services. A complete copy of HPD’s response is included as Appendix B to this report.

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Major Contributors to This Report

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Preservation and Development Officials

INTRODUCTION

Background

The New York City Department of Housing Preservation and Development (HPD) was created in 1977, under Local Law 29, to improve the availability, affordability, and quality of housing for residents of the City of New York (City). Beginning in 1978, it was the City's policy, through "In Rem" (tax foreclosure) actions, to take ownership of properties from the owners who failed to pay taxes. In recent years, this policy has been revised: the City is now trying to end its ownership of these properties and return them to the private sector. It hopes to dispose of all In Rem properties by the end of fiscal year 2007; but until this is accomplished, HPD's Division of Property Management (DPM) is responsible for their maintenance and management. As of March 2001, HPD's inventory comprised 1,180 occupied buildings (9,992 units) and 701 vacant buildings (5,567 units).

Requests for repair services (complaints) in City-owned properties are reported to an area field office during regular business hours. Requests for repairs after business hours and on weekends are reported to HPD's Central Complaint Bureau (CCB) and are subsequently passed on to HPD field offices. During the period of April 1, 1999 through March 31, 2001, complaints reported to the three area field offices and to the CCB totaled 204,336 and 3,202, respectively. At the time of our audit, DPM had area field offices in the Bronx, Brooklyn, and Manhattan. The Bronx office was closed in October 2001, and merged with the Manhattan office.

The area field offices are staffed with HPD (City)-employed managers and repair crews (handypersons) under contract with HPD. The managers review the complaints, prepare work orders, and oversee the supervision of the repair crews. The handypersons perform the general repairs at the work sites. The current contract for handypersons (and some other administrative personnel) covers the three-year period ending June 30, 2003, and is set at a fixed cost not to exceed \$48.5 million. HPD has also contracted with the same vendor to

perform superintendent services in the City-owned buildings for the same period, at a fixed cost not to exceed \$13.55 million.

Repairs that require a higher degree of specialization (e.g., electrical rewiring or carpentry) that cannot be performed by handypersons are awarded to other vendors through a bidding process. During the period of April 1, 1999 through March 31, 2001, the work completed by these other vendors totaled about \$26.9 million for occupied buildings and \$1.7 million for vacant buildings.

HPD tracks repair-related complaints through its Work Order Tracking System (WTS), a computerized database system. For each complaint received, an identifying number is generated; and for each complaint that necessitates repair work, the WTS generates a Handyperson Work Order (HWO). The WTS captures HWO information from its creation to disposition. If it is determined that the repair has to be bid out, the HWO is converted to another type of work order known as an Open Market Order (OMO). Repairs performed under an OMO are tracked through the Open Market Order Tracking Module (OTM), another computerized database work order system. HPD is in the process of integrating the individual databases, including the WTS and OTM, into one database system known as HPDINFO.

Audit Scope, Objectives and Methodology

The audit covered the period of April 1, 1999 through March 31, 2001, with some information updated through June 30, 2001. The objectives of this performance audit were to determine whether HPD addresses tenant repair and maintenance complaints in a timely manner and whether it has adequate procedures for soliciting and awarding procurements for repair and maintenance services.

To determine whether complaints are addressed timely, we selected a random sample of 50 complaints from a population of 204,336 complaints reportedly received by the DPM area field offices during our audit period. For each of the sampled complaints, we reviewed the related hard copy HWOs and/or computer printouts containing work order information. We compared the dates the complaints were received with the dates the repair work was commenced.

To determine whether HPD has adequate procedures for soliciting and awarding procurements for repair and maintenance services, we selected a random sample of 50 OMOs from a population of 57,305 OMOs awarded during our audit period. We reviewed the procurement files for these OMOs to determine whether they were properly solicited and awarded based on New York City's Procurement Policy Board (PPB) Rules and HPD OMO procedures. We also evaluated the internal control structure for handling bid submissions and reviewed the pre-qualified vendor list to determine whether it was a current and adequate source for vendor solicitation.

We interviewed HPD officials and reviewed relevant laws, rules, regulations, policies, and procedures. We also reviewed reports on maintenance procedures at other housing organizations to learn about their processes and to identify procedures that HPD might find beneficial.

As is our practice, we notified HPD officials at the outset of the audit that we would request a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral presentations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors.

However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, Mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from HPD officials that all relevant information was provided to us during the audit. We consider this refusal to provide a representation letter to be a scope limitation on our audit. Therefore, readers of this report should consider the potential effect of this scope limitation on the findings and conclusions presented in the report.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audits to adequately assess those operations of HPD that are included in the audit scope. Further, these standards require that we understand HPD's internal control structure and compliance with those laws, rules and regulations that are relevant to the operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities to audit. We focus our audit efforts on those activities we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design we use finite resources to identify where and how improvements can be made. We devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our audit reports on an "exception basis." This report, therefore, highlights those areas needing improvement and generally does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our evaluation of the internal control structure related to HPD's repair and maintenance procedures for City-owned properties and its contracting procedures identified several control weaknesses. These matters are presented throughout the report.

Response of HPD Officials to Audit

We provided draft copies of this report to HPD officials for their review and comment. We considered their comments in preparing the final report and included their comments as Appendix B.

Within 90 days after final release of this report, we request that the Commissioner of HPD report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons therefor.

TIMELINESS OF REPAIRS

HPD is responsible for ensuring that the City-owned housing units are maintained properly. According to HPD's Directives, an HWO should be generated for every complaint that requires repair work. Occasionally, more than one HWO is issued in response to a complaint that involves more than one repair. No repair can be undertaken without the issuance of an HWO.

After going to the work site to perform the assigned repair, handypersons enter disposition information on the printed version of the original hard copy HWO. A Dispatcher Office Aide enters the disposition information from this hard copy onto the WTS, and then the HWO is filed at the area field office, to be retained until HPD disposes of the building.

We selected a random sample of 50 complaints to examine; however, HPD could provide us with HWOs for just 34 (68 percent) of them. In addition, we did not receive all of the related HWOs that should have been created for 10 of the 34 complaints. HPD officials told us they believed that the missing HWOs might have been misfiled or misplaced at the area field offices.

HPD did provide us with WTS computer printouts of each of the 16 complaints for which they could not provide HWOs. The information on the printouts was similar to the data that would normally appear on the actual HWOs; however, we identified instances of missing or conflicting data on the printouts. For example, on some of the printouts, no work "start date" had been entered. In addition, some of them listed differing completion dates for the same repair. As a result, for many of the sampled complaints, we were unable to determine important information, including the starting and/or completion date for the work.

Although our report findings are limited to the 34 complaints for which we received original HWOs, we have also included in the appropriate sections, where possible, our analysis of the other 16 complaints.

Standards for the Performance of Repair Work

To facilitate timely repairs, HPD should establish a written standard/benchmark (e.g., time frames) for the performance of repair work. Although HPD categorizes repairs according to their priority -- Emergency, Priority 1, Priority 2, and Priority 3 -- we found that HPD has standards only for responses to emergencies. In emergency situations, repair crews are to be dispatched to the work site “as soon as possible on the same day the complaint is received,” according to HPD Directives. However, HPD has not established time frames for dispatches of repair crews to work sites for non-emergency repairs. In addition, the contract between HPD and the handyperson vendor does not establish such standards.

HPD defines emergencies as conditions that are an imminent or immediate threat to the life, health, and/or safety of persons in and around a building. A Priority 1 rating is assigned to any situation outside of emergency status in which there is no such threat, but some aspect of basic services (e.g., repair broken radiator) has been interrupted. For a Priority 2 repair, the work is necessary but there is no emergency, no threat to public safety, and no interruption of basic services (e.g., clear stoppage in bathroom drain). The Priority 3 category is reserved for work that is primarily cosmetic in nature (e.g., re-tile bathroom wall).

The New York City Housing Authority, which maintains over 300 public housing developments with more than 180,000 housing units, has established time mandates for repairs. Those classifications and their respective mandates are as follows:

- Emergency repairs (e.g., gas leak in apartment) – 24 hours
- Urgent repairs (e.g., water leak from roof) – 48 hours
- Routine repairs (e.g., electric outlet replacement) – 5 days
- Skilled-trades repairs (e.g., painting) – 21 days

In the absence of HPD guidelines, we categorized as “delayed” any non-emergency complaint to which HPD had not responded in more than 27 days. In our review of the 34 complaints for which we received the corresponding HWOs, we found that HPD had responded to 7 of the non-emergency complaints, which generated 23 HWOs, after delays that ranged from 28 to 137 days, as depicted in the following chart:

	Complaint #	HWO #	Repair Type	Complaint Date	Date Work Started	Delay (days)
1	32039	H00026042 (1)	Priority 2	3/28/00	5/10/00	43
		H00026042 (3)	Priority 2	3/28/00	4/25/00	28
		H00026042 (4)	Priority 2	3/28/00	4/25/00	28
		H00026042 (5)	Priority 2	3/28/00	4/25/00	28
2	22876	H00018104	Priority 1	3/2/00	7/17/00	137
		H00018105	Priority 1	3/2/00	6/22/00	112
3	92233	H00078022	Priority 1	10/5/00	12/14/00	70
		H00078023	Priority 1	10/5/00	12/13/00	69
4	99089610	H99087018	Priority 1	8/26/99	10/12/99	47
5	475	H00000323	Priority 1	1/3/00	2/2/00	30
		H00000319	Priority 1	1/3/00	2/2/00	30
		H00000333	Priority 1	1/3/00	2/2/00	30
		H00000317	Priority 1	1/3/00	2/2/00	30
		H00000315	Priority 1	1/3/00	2/2/00	30
		H00000338	Priority 1	1/3/00	2/2/00	30
		H00000324	Priority 1	1/3/00	2/2/00	30
		H00000326	Priority 1	1/3/00	2/2/00	30
		H00000327	Priority 1	1/3/00	2/2/00	30
		H00000314	Priority 1	1/3/00	2/2/00	30
		H00000313	Priority 1	1/3/00	2/2/00	30
		H00000322	Priority 1	1/3/00	2/2/00	30
6	1029686	H01024387	Priority 1	4/17/01	6/11/01	55
7	1005959	H01004881	Priority 1	1/22/01	2/21/01	30

We also identified delays for three complaints that had been classified as emergencies. For example, complaint #2577 was received on January 10, 2000. HPD categorized the four HWOs related to this complaint as emergencies; a court had ordered that the repairs be completed by January 13, 2000. However, the repair work was not started until January 31, 2000, a full 21 days after the complaint was received. In response to our draft report, HPD officials stated, “upon further investigation, the work orders labeled as court stipulation were labeled in error.” We also found that HPD had classified another complaint (#1016012), which involved three related HWOs, as an emergency. This complaint was received on February 26, 2001,

but work did not start until April 3, 2001, far exceeding HPD's standard for emergency repairs. A third complaint (#99097466), classified as an emergency, had been received on September 22, 1999; but work was not started until February 22, 2000, five months later.

We found that, although 3 of the 16 complaints for which we received computer printouts in lieu of actual HWOs had been classified as Priority 1, the repair crews had not been dispatched promptly to the work sites. For one of the complaints (#99078230), made on July 22, 1999, a repair crew was not dispatched to the work site to address the repair until 57 days later. For the second (#99075949), which occurred on July 15, 1999, the repair work had been placed in backlog and work had still not started as of November 28, 2001. The third complaint (#99041912) involved 52 repairs ordered by the court on April 7, 1999. Two of these repairs were delayed 65 days and a third was delayed 387 days.

We also found that HPD does not maintain performance data on the timeliness of its repair work (e.g., the length of time between the date a complaint is received and the date the repair crew is dispatched to the work site, the length of time between the date a complaint is received and the date the repair was completed, etc.). HPD officials told us they do not believe it is necessary to establish such standards and measure the results, because they generally attempt to make repairs as soon as possible. However, establishing performance standards for repairs, along with maintaining and monitoring data on response times, would allow HPD to measure the effectiveness and efficiency of the maintenance function and would help management make decisions regarding repairs.

After the end of our audit field work, HPD officials provided us with a computer disk that they said included a listing of HWOs that were outstanding as of December 18, 2001. We skimmed the listing on the disk, which contained about 134,000 outstanding complaints; and noted that the earliest outstanding complaints appeared to date as far back as three years, to January 1999. This list had been generated at our request; it was not one that HPD managers had reviewed regularly or used to monitor the progression of repairs. We did not audit this listing; however, its size indicates that HPD may not be making repairs as soon as possible, as we were led to believe. The establishment of benchmarks and performance reports would

allow HPD to measure the effectiveness of this program more clearly.

Scheduling of Appointments

Before repair crews are dispatched to a work site, appointments should be scheduled with the tenants. Scheduling can reduce delays in the completion of repairs and/or the cancellation of repair work, thus improving the efficiency of the repair crews. HPD does not have a policy regarding the scheduling of appointments with tenants before repair crews are dispatched to the work site. According to HPD Directives, when a repair crew cannot access a work site, HPD must attempt to schedule an appointment within five business days after the first visit. If three attempts are made without gaining access to the apartment, the HWO may be cancelled. Various HPD personnel in the field offices and the central office indicated to us that some staff do attempt to schedule appointments at the time a complaint is made. Others told us they generally schedule appointments after two or three unsuccessful attempts to gain access to the apartments. We were also told that appointments are not scheduled routinely because many of the tenants do not have telephones.

In our review of the 34 complaints, we found that the repair crews could not get access to the units one or more times to do 16 repairs (in response to 16 HWOs) because the tenants were not home when the repair crews visited the sites. When repair crews are unable to access the unit, they make such notations as “No Access” and “Tenant Not Home” on the HWOs. The following chart depicts information related to these 16 HWOs, which were Emergency and/or Priority 1 repairs:

	Complaint #	HWO #	Number of Instances of “No Access”
1	51646	H00043513 H00043515 H00043524	2 3 1
2	99129437	H99108405 H99108406	2 2
3	43875	H00036881	3
4	71221	H00060495 H00060496 H00060497	2 1 2
5	1029686	H01024387 H01024388	1 1
6	475	H00000324	1
7	1025769	H01021081 H01021082 H01021083	2 2 2
8	37296	H00030808	1

We found that, in the case of 1 of the 16 complaints for which we received computer printouts (complaint #99082036), the repair crew was unable, on at least one occasion, to gain access to the unit. As a result, completion of the necessary repair (H99070413) was delayed. We also found another example in our sample of OMOs (OMO 9926695), in which a vendor hired to perform an OMO could not gain access to a unit after reportedly making ten attempts. The repair work was subsequently cancelled.

HPD pays the vendor \$13.55 million for three years for the services of superintendents. If a tenant cannot be contacted and/or has no telephone, the building's superintendent should be responsible for contacting the complainant and scheduling the time when a repair crew can gain access.

Recommendations

1. Verify that original hard-copy HWOs are being retained until the building has been disposed of.

(HPD officials stated that the Division of Property Management will reiterate the importance of retaining files and that random checks will be performed to ensure compliance.)
2. Develop written benchmarks for turn-around times in the case of non-emergency repairs.

(HPD officials stated that procedures are being developed to ensure specific time mandates for the performance of repairs that are considered a priority, as well as for emergencies.)
3. Maintain and monitor performance data on repair-response times.

(HPD officials stated that the Division of Property Management will develop reports to enable it to identify response times for the various problems within the system from intake to completion.)
4. Make a stronger effort to schedule appointments with tenants when repair work needs to be done, utilizing superintendents as schedulers when appropriate.

(HPD officials indicated it is not appropriate for superintendents to schedule appointments, since it is not in their job description. However, they agreed that the staff should schedule appointments whenever possible; adding that the callback feature on the new WTS system will enable both maintenance and management staff to schedule appointments.)

CONTROLS OVER SOLICITING AND AWARDING OMOs

The HPD Procurement Unit uses a facsimile (fax) bid process for the procurement of Open Market Order (OMO) repairs. To solicit vendors, a procurement specialist uses a computer-generated program to randomly select up to five vendors from a list of pre-qualified vendors. The program automatically faxes the bid documents to each of the selected vendors, including an Invitation to Bid Quotation Sheet (ITB) and the related OMO. The ITB provides specifics of the solicitation offer such as the bid due date, a brief description of the work needed, and the location and telephone numbers of the fax machines used to submit the bids.

Bid submissions from the vendors are delivered directly to the Procurement Unit; and can be submitted by fax, mail, or hand delivery. According to HPD officials, 99 percent of submissions are made by fax. Once the specialist receives the bids, he or she begins the evaluation process, reviewing the bid documents to verify that they meet applicable guidelines. Based on that evaluation, the specialist recommends the vendor that should receive the award.

An effective system of internal controls over the procurement process provides reasonable assurance that bids are documented immediately upon receipt, they are safeguarded adequately, and duties among personnel who perform key functions are separated. In addition, laws and policies pertaining to the procurement process should be followed.

We found weaknesses in HPD's internal control process for the handling of bid submissions. For example, bids are not date- or time-stamped upon receipt; bids are not stored in a central location; and there is a lack of separation of duties among personnel who perform key functions. We also found instances in which HPD was not adhering to either applicable New York City's Procurement Policy Board (PPB) Rules or its own internal policies.

Handling of Bid Submissions

Because prices that are faxed by bidders are known immediately to staff involved in the procurement process, internal controls are necessary to ensure the integrity of a bid process. Our review found that HPD should improve its process for handling bid submissions.

When HPD's Procurement Unit receives bids, they are neither documented nor stored in a secure, central area. Instead, a clerk collects the bids as they come in and forwards them immediately to the procurement specialist responsible for soliciting the bids for that OMO. Neither the clerk nor the specialist maintains a log for recording the date and time bids are received. Nor are the bid documents stamped with the date and time received at any point in the process. Unless bids are documented immediately upon receipt and stored in a secure, central area until the bid due date, there is no assurance that all bids submitted by the vendors have been accounted for. Under these circumstances, some bids can be lost or misplaced. In addition, we could not confirm that bids had been submitted in a timely manner; it is possible for bids to be added after the bid due date has expired.

Proper separation of functions makes it possible for the work of one employee to compliment and act as a check on the work of another. Our review found that the duties of the procurement specialist have not been separated adequately. The specialist who solicits the vendors for an OMO is the same person who retains the bid responses until the OMO is awarded, enters the bid information into the OTM, evaluates the bid documents, and recommends the vendor that should receive the award. As a result, there is the potential that an illegal act, such as collusion, could occur and that the vendor making the lowest bid may not be selected.

HPD officials indicated to us that they agreed with most of our observations and have begun implementing changes, such as stamping bid documents with the date and time received and having the procurement clerks maintain the bid documents until the bid due date expires.

Bid Submission Data

To administer procurement of repair and maintenance services, HPD is required to follow Section 3-08 (e) of PPB Rules, which defines small purchases as “those procurements in value of not more than \$25,000 for goods and services, not more than \$50,000 for construction and construction-related services and not more than \$100,000 for information technology.” According to Section 3-08(e), a procurement file for a small purchase must contain all written bids and offers. In addition, HPD officials told us that they are to retain procurement files for seven years. Procurement documents to be maintained in an HPD OMO file include the Invitation to Bid (ITB), Work Description Form, Recommendation for Award, Confirmation of Award, and the OMO.

The vendor enters the bid price in the bid-certification section of the ITB, which represents the written bid and offer. Upon completion of this section, the vendor submits the ITB to the Procurement Unit. As a result, the procurement file should contain a corresponding ITB, with the certification bid section completed, for each vendor that HPD has reported as responding to a solicitation offer for an OMO. If submission is made by facsimile machine, the faxed document is generally imprinted with vendor-identification data (e.g., name of vendor or machine used, a telephone number, and fax date/time). These data are the only indication in HPD files of the time of submission.

We selected a random sample of 50 OMOs from HPD’s database that represented, according to HPD officials, 57,305 OMO procurements awarded during the audit period. Our review found that 11 (22 percent) of the 50 sampled OMOs had missing bid documents or other deficiencies. We found one or more of the following problems:

- Missing ITBs - OMOs K001722 and K014396.
- No fax machine data on the ITB – OMOs 9926695, 9925329, 9923828, K027666, and K107839. (The file for OMO 9925329 also shows some ITBs that are handwritten and have contradictory bid due dates.)

- Incomplete fax machine data on the ITB – OMOs K024073 and K004002. (Vendor’s name and telephone number appear without a date or time of submission.)
- Inaccurate fax machine data on the ITB – OMOs K120539, K112799, and K107839. (Date and time on vendor’s fax machine may have been improperly set.)

HPD officials are not following the PPB Rules requiring the maintenance of procurement files; nor are they following their own policy of retaining procurement documents for seven years. In addition, missing fax machine data or problems with fax machine data printed on the ITB are occurring because HPD is not documenting the receipt of bids as soon as they are received. Such documentation would eliminate the need to rely solely on the fax machine data. If ITBs are missing, and/or ITBs in the files either have no fax machine data or contain incomplete or inaccurate data, we cannot confirm that the bidders submitted bids and/or that they submitted bids in a timely manner.

Since the completion of our audit, HPD officials have informed us that their incoming facsimile machines have been programmed to stamp the date and time on all bids received.

Time Component on Written Solicitation

Section 3-08(c)(2)(ii) of the PPB Rules states that an oral or written solicitation for a small purchase should include the time and date of the requested response. Furthermore, in accordance with this PPB Rules requirement, a line on the ITB form that is faxed by HPD to the vendors and serves as the written solicitation states, “No bids will be accepted after the date and time stated above.” However, our review found that, even though the ITBs specified a date of the requested response (i.e., a bid due date), all were lacking the time component.

HPD officials told us that the inclusion of a time deadline on the ITBs is optional, and that they have chosen not to do so. They also pointed out that it is understood that vendors have until midnight of the due date to submit bids. We subsequently reviewed the ITBs in our sample to determine when bids had been faxed to HPD, and found that the fax times varied, ranging from 6:30 a.m. to 11:10 p.m. on the due dates. Without a time

component on the ITB, HPD is not fully complying with the PPB Rules. This time factor can also be a point of confusion; unless a time deadline is stated on the ITB, vendors may not know when they need to submit bids.

HPD officials commented that they are currently including a time component on all ITBs before they are faxed to the vendors as part of the bid solicitation.

Pre-Qualified Vendor List

The OMO Procedures Manual states that the procurement specialist is to solicit bids from an OTM-generated list of pre-qualified vendors. HPD maintains a listing of pre-qualified vendors in a report entitled *Vendor Information Report* (Report). As of June 29, 2001, the Report listed 520 vendors representing 24 different work categories and ranging from general contractors and intercom suppliers to asbestos removers. Solicitation is handled through a computer-generated program that selects vendors at random from the Report. Our review of 45 OMO files from the sample of 50 OMO files, found problems with 2 of the vendors solicited in this manner.

One of the two vendors, solicited for OMO 9923828, had not been included on the Report. The other vendor had been awarded five of the OMOs in our sample (K106033, K020482, K023208, K111231, and K010567) that were subsequently cancelled during the period of May 2000 through August 2001. Even though documentation indicated that these OMOs were cancelled because of unsatisfactory work, this vendor was still listed on the Report as of June 29, 2001. (HPD officials have informed us that proceedings have been started to remove this listing from the Report.)

HPD officials told us that the pre-qualified vendor list is updated regularly, with vendors added to and removed from the Report. However, HPD may not be doing so on a regular basis, making it possible for vendors who should have been removed from the Report to be selected for solicitation. The OMO Procedures Manual requires the use of vendors included in the pre-qualified vendor list.

Written Guidelines for Fax Bid Procurement Process

In addition to following the City's PPB Rules for administering procurements, HPD is supposed to comply with the procedures for the OTM and OMO processes covered by its OMO Procedures Manual and Directives. However, the PPB Rules do not include specific procedures for using a fax bid process, which should be specified in HPD's internal documents (the Manual and Directives). The lack of written procedures contributes to some of the internal control weaknesses identified in this report. Inclusion of written procedures or guidelines within HPD's internal documents (e.g., documenting the receipt of bids or retention of bid documents) would help strengthen HPD's overall internal control structure.

Recommendations

5. Maintain a log for recording the date and time bids are received.

(HPD officials agreed to implement this recommendation. They stated they have made system changes to maintain an electronic log with date and time of the bids received.)

6. Stamp bid documents immediately upon their receipt with the date and time they are received.

(HPD officials agreed to implement this recommendation, stating that they have programmed all incoming fax machines to date and time stamp all documents. They also stated that the clerical unit will stamp bids received by mail or hand delivery immediately.)

7. Direct Procurement Unit clerks to maintain bid documents until the bid due date expires.

(HPD officials stated that effective November 26, 2001, all bids are being retained with the clerical unit until the bid close date.)

Recommendations (Cont'd)

8. Properly separate the procurement functions.

(HPD officials stated they have sufficient segregation of duties, since all procurements over \$500 need three independent approvals with increasing supervisory authority prior to the award.)

Auditors' Comment: Our review found that the procurement specialist solicits the vendors, retains the bid responses until the award, enters the bid information on the tracking module, evaluates the bid documents, and recommends the vendor to receive the award. We do not believe the subsequent approval process eliminates the potential problems caused by the absence of a separation of duties for the procurement specialist.

9. Comply with Procurement Policy Board Rules, ensuring that complete bid documentation is retained for all OMO procurements.

(HPD officials stated that bid information is retained in electronic format by the procurement department prior to submitting the originals to the payment department; and that all payment documents are filed and stored for seven years.)

Auditors' Comment: Despite HPD officials' claim, during our audit, HPD staff were unable to provide us with all the documents in our sample that should have been retained and available for audit.

10. Comply with Procurement Policy Board Rules, ensuring that the bid-closing time is included on all Invitations to Bid.

(HPD officials stated that system changes have been made to comply with this recommendation.)

Recommendations (Cont'd)

11. Confirm that the Vendor Information Report is being updated regularly.

(HPD officials stated that its Contractor Compliance Unit adds and removes vendors from the Vendor Information Report on a daily basis.)

Auditors' Comment: Our findings during the audit period were that this was not being done on a routine basis.

12. Update the OMO Procedures Manual and/or Directives to include written procedures for the fax bid process.

(HPD officials stated they have begun the process of updating the OMO Procedures Manual.)

MAJOR CONTRIBUTORS TO THIS REPORT

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100 GOLD STREET, NEW YORK, N.Y. 10038

JERILYN PERINE
Commissioner

June 7, 2002

Frank Houston
Audit Director
Office of the State Comptroller
Division of Management Audit
123 William Street - 21 Floor
New York, New York 10038

Re: Audit of HPD's Maintenance of City-Owned Housing
Audit Number: 2001-N-5

Dear Mr. Houston:

The following represents the Department of Housing Preservation and Development's response to your audit of the Maintenance of City-Owned Housing.

If you have any additional questions please call Assistant Commissioner Bernard Schwarz at 863-6610.

Thank you.

Sincerely,



Jerilyn Perine



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AUDIT RESPONSE
NEW YORK STATE COMPTROLLERS AUDIT
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
MAINTENANCE OF CITY-OWNED HOUSING
REPORT 2001-N-5

Finding

HPD could only provide the auditors with 34 of 50 Handyman Work Orders

Recommendation 1.

HPD should verify that original hard-copy HWO's are being retained until the building has been disposed of.

Response 1. Due to the consolidation of various area offices we were unable to retrieve archived documents; therefore we submitted printouts from our database, which are the equivalent of actual work orders. The Division of Property Management (DPM) will reiterate the importance of retaining files. In addition, random checks will be performed to ensure compliance.

Finding

HPD has not established time frame for dispatches of repair crews to work sites for non-emergency repairs.

Recommendation 2.

HPD should develop written benchmarks for turn-around times in the case of non-emergency repairs.

Response 2. Every DPM building will eventually be disposed of and rehabbed by the groups to which they are sold. In the best interests of the agency, it would be inefficient to utilize public funds for cosmetic or non-urgent repairs in buildings that will be rehabbed. In addition, it must be noted that the buildings we manage were taken by the city for non-payment of taxes through in rem procedures. Thus, we do not fit the mold of NYCHA- built and managed developments. However, pursuant to the new WTS system, procedures are being developed to ensure specific time mandates for the performance of repairs that are considered a priority (ex. some aspect of basic services has been interrupted), as well as for emergencies.

Finding

HPD does not maintain nor monitor performance data on response times.

Recommendation 3.

HPD should maintain and monitor performance data on repair-response times.

Response 3. Upon further investigation, the work orders labeled as court stipulation were labeled in error. Pursuant to the revised WTS system, which is expected to be implemented in the fall of 2002, the Division will develop reports to enable it to identify response times for the various problems within the system from intake to completion.



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MAINTENANCE OF CITY-OWNED HOUSING
REPORT 2001-N-5

Finding

HPD does not have a policy regarding the scheduling of appointments with tenants before repair crews are dispatched to the work site.

Recommendation 4.

HPD should make a stronger effort to schedule appointments with tenants when repair work needs to be done, utilizing superintendents as schedulers when appropriate.

Response 4. It should be noted that the \$13.55 million referred to in the audit for the services of superintendents actually refers to the supers contract for a period of 3 years. There are no supers for 1 or 2 family buildings, and all supers are paid on an hourly basis. Moreover, it is inappropriate for them to schedule appointments as it is not in their work description. However, HPD staff will try to schedule appointments to the extent possible. This should become easier to do, since the new WTS system has a call back feature which enables both maintenance and management staff to schedule appointments. In addition, when a complaint is taken the caller is queried as to which days and times they may be available.

Finding

HPD clerks and specialist don't maintain a log for recording the date and time bids are received.

Recommendation 5.

HPD should maintain a log for recording the date and time bids are received.

Response 5. HPD has made system changes to maintain an electronic log with date and time of ALL bids received as mandatory fields in our database effective November 26, 2001.

Finding

Bid documents are not time and date stamped upon receipt.

Recommendation 6.

HPD should stamp bid documents immediately upon their receipt with the date and time they are received.

Response 6. HPD has programmed ALL of its incoming fax machines to date and time stamp ALL documents effective November 26, 2001. Any bids received via mail or hand delivery are stamped by the clerical unit immediately.

Finding

HPD is not following the PPB Rules requiring the maintenance of procurement files.

Recommendation 7.

HPD should direct Procurement Unit clerks to maintain bid documents until the bid due date expires.

Response 7. HPD has been following the PPB Rules, in that ALL incoming faxes were immediately distributed to Pro. Specialist. They maintained all bids and prepared necessary documents for obtaining approval from their supervisors prior to award. However, in order to add further segregation of duties, effective Nov 26, 01, all bids are being stamped again manually and retained with the clerical unit until bid close date.



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Finding
Duties of the procurement specialist haven't been separated adequately.

Recommendation 8.
HPD should properly segregate the procurement functions.

Response 8. HPD uses a step up approval process by which ALL procurement over \$500, needs approval from three independent personal with increasing supervisory authority prior to award.

Finding
Missing bid documentation or other deficiencies in 11 of 50 sampled OMO's

Recommendation 9.
HPD should comply with Procurement Policy Board Rules, ensuring that complete bid documentation is retained for all OMO procurements.

Response 9. Bid information is retained in electronic log format by procurement department prior to submitting the originals to the payment department. All payment documents are filed and stored for seven years. Note: No bid information can be changed in the system after the job is awarded with proper approvals.

Finding
HPD is not complying with the PPB Rules regarding the indication of receipt time on the Invitations to Bid.

Recommendation 10.
HPD should comply with Procurement Policy Board Rules, ensuring that the bid-closing time is included on all Invitations to Bid.

Response 10. HPD has made system changes to add Bid close time along with date as a mandatory field effective November 26, 2001.

Finding
HPD is not updating the pre-qualified list on regular basis.

Recommendation 11.
HPD should confirm that the Vendor Information Report is being updated regularly.

Response 11. HPD has a Contractor Compliance Unit whose duty is to maintain pre approved vendor panel by checking insurance coverage, obtaining IG clearance and Vendex cautions. Vendors are added and removed from the panel on a daily basis.

Finding
Lack of written procedures for the fax bid process

Recommendation 12.
HPD should update the OMO Procedures Manual and/or Directives to include written procedures for the fax bid process.

Response 12. HPD has begun the process of updating the OMO procedure manual.



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