

**New York City Department of Housing Preservation and Development  
 Status Report of the Purchasing Practices at the Linden Plaza Mitchell Lama Housing Development  
 2017-N-5**

**Date: January 31, 2019**

<b>Audit Finding</b>	<b>Audit Recommendation and Agency Response</b>	<b>Corrective Action Plan</b>
Purchasing Criteria	<p><b>1. Recommendation:</b>                      Expand requirements for bidding and/or HPD approval and ensure that the [Mitchell-Lama] Rules are enforced.</p> <p><b>Agency Response:</b> HPD ensures that City Mitchell-Lama developments follow the Mitchell-Lama rules in their fiscal management and operations. The Mitchell-Lama rules do not need to be amended to allow pre-review by HPD of contracts that are less than \$100,000 or purchases for which there are no contracts. The audit cites DHCR rules that appear to provide greater oversight, but it offers no evidence that the DHCR rules result in cost savings or that State-supervised Mitchell-Lama developments operate more efficiently than City-supervised Mitchell-Lama developments. Moreover, the trend in government oversight of purchasing is to increase the threshold of amounts that require review. For example, to avoid wasting City resources for matters of little economic benefit, certain City procurement rules have been amended to increase the cost threshold for small purchases that are not subject to competitive purchasing requirements.</p>	<p><b>1. Corrective Action:</b></p> <p>HPD is not changing its bidding requirements but will be amending the Mitchell-Lama rules to clarify when bidding is required and when it is not.</p> <p>Date Implemented:</p> <p>Winter 2019: HPD has begun the process to amend the Mitchell-Lama rules where needed.</p>
Payments to Vendors Without Contracts	<p><b>2. Recommendation:</b>                      Establish dollar thresholds above which a purchase for goods or services requires a contract.</p> <p><b>Agency Response:</b>                      HPD follows the Mitchell-Lama rules. Many types of procurement do not lend themselves to contracting, such as emergency plumbing work in apartment units, because each repair is unique and the ability to respond immediately is an important factor when considering vendors for occupied multiple dwellings such as Linden Plaza. Further, current City procurement regulations allow for a higher threshold on dollar limits.</p>	<p><b>2. Corrective Action:</b></p> <p>HPD stands by its current requirements.</p> <p>Date Implemented:</p> <p>N/A</p>

	<p><b>3. Recommendation:</b> Ensure that Linden Plaza and all other HPD-supervised Mitchell-Lama developments maintain a log of contracts.</p> <p><b>Agency Response:</b> HPD agrees and will advise Linden Plaza's management and all other HPD-supervised Mitchell-Lama housing companies to follow the Mitchell-Lama rules. The lack of a contract list maintained by the housing company is not a significant violation of NYC Mitchell-Lama Rule 3-07 and has no bearing on the cost of purchasing, but will be brought to the housing company's attention. Starting January 2019, HPD will confirm that logs are maintained as part of HPD's Administrative Audit.</p>	<p><b>3. Corrective Action:</b> HPD sent a directive to housing companies reminding them to maintain a log of contracts. The housing companies must submit a copy of their contract logs for all contracts over \$40,000 every six months starting March 2019.</p> <p>Date Implemented: January 16, 2019</p>
	<p><b>4. Recommendation:</b> Enhance HPD oversight so that issues similar to those identified in the audit are identified during HPD Administrative Audits.</p> <p><b>Agency Response:</b> HPD will review the process surrounding Administrative Audits and make any needed adjustments.</p>	<p><b>4. Corrective Action:</b> HPD is current revising the audit protocol..</p> <p>Date Implemented: Winter/Spring 2019: A new Director will begin working in Housing Supervision this Winter. As part of the new duties, the Director will review the protocol.</p>
Documentation Supporting Payments	<p><b>5. Recommendation:</b> Require that invoices only be paid when supported by accurate documentation.</p> <p><b>Agency Response:</b> Linden Plaza maintains that invoices are only paid when supported by the appropriate documentation. They will be reviewed during HPD's Administrative Audit.</p>	<p><b>5. Corrective Action:</b> HPD is currently revising audit protocol.</p> <p>Date Implemented: Winter/Spring 2019: A new Director will begin working in Housing Supervision this Winter. As part of the new duties, the Director will review the protocol.</p>
Accounting for Location of Assets	<p><b>6. Recommendation:</b> Require Linden Plaza to establish and maintain an inventory control system to properly account for assets.</p> <p><b>Agency Response:</b> Linden Plaza acknowledges that it lacks proper inventory controls for valuable assets and will take corrective action.</p>	<p><b>6. Corrective Action :</b> In October, HPD directed Linden Plaza to improve inventory control.</p> <p>Date Implemented: October, 2018</p>