



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Purchasing Practices at the Linden Plaza Mitchell-Lama Housing Development

New York City Department of Housing Preservation and Development



Report 2017-N-5

September 2018

Executive Summary

Purpose

To determine whether Linden Plaza was procuring goods, supplies, and services at competitive prices and in accordance with applicable requirements. Our audit covered the period January 1, 2016 through August 31, 2017.

Background

The Mitchell-Lama Housing Program, created in 1955, provides affordable rental and cooperative housing to moderate- and middle-income families. The New York City Department of Housing Preservation and Development (HPD) is the nation's largest municipal housing preservation and development agency. In New York City, there are 94 HPD-supervised Mitchell-Lama rental and limited-equity cooperative developments with approximately 47,000 total units (apartments).

Linden Plaza, a Mitchell-Lama rental development in Brooklyn, is owned by Linden Plaza Housing Company, Inc. and managed by RY Management. It was built in 1971 and has 1,525 apartments. In April 2014, Linden Plaza's management obtained HPD approval for a 10.5 percent rent increase at Linden Plaza to be phased in over a three-year period. On June 29, 2018, management informed tenants of its intent to request HPD approval for an increase in the development's maximum permissible rents. The proposed rent increase, which would be phased in over a three-year period, is reportedly needed due to increases in payroll costs and related union benefits, insurance, security costs, and general operating and maintenance expenses, including utilities and legal fees.

Between January 1, 2016 and August 31, 2017, Linden Plaza made total vendor payments of approximately \$33 million; \$22.3 million was for services such as mortgage payments, insurance, and utilities. Our audit focused on the remaining \$10.7 million, consisting of approximately \$6.1 million in contract payments to 11 vendors and \$4.6 million in non-contract payments to 163 vendors.

The Rules of the City of New York (Rules) require that contracts valued at over \$100,000 for building services, repairs, replacements, redecorating or improvements, and supplies be competitively bid and approved by HPD. If these types of contracts are renewed, they require HPD's approval but are not required to be re-bid. However, the Rules only cover certain kinds of contracts over \$100,000 and provide no guidance for contracts under \$100,000 or for purchases made without a contract.

Key Findings

- HPD's Rules are limited in scope and do not encourage Linden Plaza officials to make purchases at competitive prices. The Rules do not require competitive bidding for contracts that are less than \$100,000 or for purchases made without a contract, regardless of dollar amount. As a result, none of the \$10.7 million in purchases made by Linden Plaza were subject to the Rules requiring competitive bidding.
- \$6.1 million was paid to 11 vendors with contracts for services not covered by the Rules (i.e.,

for contracts under \$100,000, for renewals of previously-entered-into contracts, and/or for contracts without a stated contract value).

- \$4.6 million of the \$10.7 million was paid to vendors that did not have contracts with Linden Plaza. The Rules only pertain to contracts over \$100,000. Further, the Rules do not specify when a contract is required (i.e., total amount to be paid or amount paid per year). With limited exception, there was no documentation indicating that Linden Plaza had conducted price analyses or taken any other steps to determine the reasonableness of prices.
- While the Rules require HPD approval for contract renewals, HPD approval was only obtained for one of the three contracts renewed during our scope period.
- Linden Plaza did not have sufficient documentation to support payments made to one vendor we examined. We sampled 50 invoices totaling \$87,914 (out of 204 invoices totaling \$577,822) for plumbing work. We found 20 invoices totaling \$45,710 that did not match purchase/work orders and/or lacked evidence that the work was completed. After our audit fieldwork, Linden Plaza officials obtained work orders from the vendor for five of the payments, totaling \$8,923, which contained sign-offs indicating the work was complete.
- Linden Plaza has not established an adequate inventory system. We judgmentally selected two invoices, one for ten refrigerators and another for eight stoves to account for these items. Linden Plaza officials were unable to account for any of the requested items due to poor record keeping.
- While they showed us several refrigerators and stoves in a warehouse, they were unable to identify whether the sampled items were in the warehouse or had been placed in apartments.

Key Recommendations

- Expand requirements for bidding and/or HPD approval and ensure that the Rules are enforced.
- Establish dollar thresholds above which a purchase for goods or services requires a contract.
- Require that invoices only be paid when supported by adequate documentation.
- Require Linden Plaza to establish and maintain an inventory control system to properly account for assets.

Other Related Audit/Report of Interest

[New York City Department of Housing Preservation and Development: Vacancies at the Clinton Towers Mitchell-Lama Housing Development \(2017-N-1\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

September 6, 2018

Ms. Maria Torres-Springer
Commissioner
New York City Department of Housing Preservation and Development
100 Gold Street
New York, NY 10038

Dear Commissioner Torres-Springer:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government-funded services and operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Purchasing Practices at the Linden Plaza Mitchell-Lama Housing Development*. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, and Article III of the General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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This report is also available on our website at: www.osc.state.ny.us

Background

The Mitchell-Lama Housing Program, created in 1955, provides affordable rental and cooperative housing to moderate- and middle-income families. The New York City Department of Housing Preservation and Development (HPD) is the nation's largest municipal housing preservation and development agency. Its mission is to promote the construction and preservation of affordable, high-quality housing for low- and moderate-income families in thriving and diverse neighborhoods in every borough. HPD accomplishes its mission by enforcing housing quality standards, financing affordable housing development and preservation, and ensuring sound management of the City's affordable housing stock. In New York City, there are 94 HPD-supervised Mitchell-Lama rental and limited-equity cooperative developments with approximately 47,000 total units (apartments).

Linden Plaza, a Mitchell-Lama rental development in Brooklyn, is owned by Linden Plaza Housing Company, Inc. and managed by RY Management. It was built in 1971 and has 1,525 apartments. In April 2014, Linden Plaza's management obtained HPD approval for a 10.5 percent rent increase at Linden Plaza to be phased in over a three-year period. On June 29, 2018, management informed tenants of its intent to request HPD approval for an increase in the development's maximum permissible rents. The proposed rent increase, which would be phased in over a three-year period, is reportedly needed due to increases in payroll costs and related union benefits, insurance, security costs, and general operating and maintenance expenses, including utilities and legal fees.

According to records provided by RY Management, between January 1, 2016 and August 31, 2017, Linden Plaza made approximately \$33 million in vendor payments; \$22.3 million was for services such as mortgage payments, insurance, and utilities. Our audit focused on the remaining \$10.7 million, consisting of approximately \$6.1 million in contract payments to 11 vendors and \$4.6 million in non-contract payments to 163 vendors.

Audit Findings and Recommendations

We found the Rules of the City of New York (Rules) are limited in scope and do not encourage Linden Plaza officials to make purchases at competitive prices. The Rules do not require competitive bidding for contracts that are less than \$100,000 or for purchases made without a contract, regardless of dollar amount. None of the \$10.7 million in purchases made by Linden Plaza were subject to the Rules requiring competitive bidding. With limited exception, there was no documentation indicating that Linden Plaza had conducted price analyses or taken other steps to determine the reasonableness of the prices related to sampled non-contract purchases. Consequently, there is no assurance that these goods and services were procured at competitive prices.

Further, while the Rules require HPD approval for contract renewals, this approval was only obtained for one of the three contracts renewed during our scope period. Moreover, Linden Plaza did not have sufficient documentation to support payments made to one of the vendors, as some purchase and work orders did not match the invoices and/or there was no evidence the work was completed. Finally, Linden Plaza needs to strengthen its inventory system. We judgmentally selected two invoices, one for ten refrigerators and another for eight stoves, to account for these items; however, Linden Plaza officials were unable to account for any of the requested items due to poor record keeping.

Purchasing Criteria

The Rules require that contracts valued at over \$100,000 for building services, repairs, replacements, redecorating or improvements, and supplies be competitively bid and approved by HPD. If these types of contracts are renewed, they require HPD approval. However, they are not required to be re-bid. These rules only cover certain kinds of contracts over \$100,000 and provide no guidance for contracts under \$100,000 or for purchases made without contracts.

Due to the limited scope of the Rules, none of the \$10.7 million in purchases made by Linden Plaza were subject to competitive bidding for the following reasons:

- \$6.1 million was paid to 11 vendors with contracts for services that were not covered by the Rules, for contracts under \$100,000, for renewals of previously-entered-into contracts, and/or for contracts without a stated contract value.
- \$4.6 million was paid to 163 vendors without contracts. The Rules only pertain to contracts over \$100,000 and do not specify when a contract is required (i.e., based on the total amount to be paid over the life of the contract or amount paid per year).

The Rules are also limited in scope as they relate to HPD approval. According to the Rules, only 3 of the 11 contracts required HPD approval since they were renewals of previously-entered-into contracts. The remaining eight contracts were not subject to HPD approval because they were for services not covered by the Rules, for contracts under \$100,000, and/or for contracts without a stated contract value.

While the Rules required HPD approval for the contracts that were renewed, only one was approved. Importantly, an administrative audit conducted by HPD in February 2017 did not identify that the other two renewal contracts had not been approved. Further, although the Rules require that a log of contracts (i.e., names of contractors, fees, and expiration dates) be maintained, Linden Plaza did not maintain such a log. If Linden Plaza had maintained the log as required, HPD officials may have been aware of these contracts during their site visits.

The Rules do not promote the procurement of goods and services at competitive prices. We note that the Division of Housing and Community Renewal (DHCR), a New York State agency, oversees a separate portfolio of Mitchell-Lama developments. DHCR's regulations require competitive analysis and bidding for all purchases and contracts regardless of dollar amount; prior approval of all purchases or contracts over \$100,000; and approval for any purchases, commitments, or contracts projected to have annual expenditures over \$100,000. If HPD had applied requirements similar to DHCR regulations, all 11 of Linden Plaza's contracts would have been subject to competitive analysis and bidding. Further, 8 of the 11 contracts (which were over \$100,000) would have required HPD approval.

Payments to Vendors Without Contracts

We reviewed the ten highest-paid vendors without contracts during our audit period. These vendors were paid a total of \$3.2 million. Since purchases from these vendors were made without contracts, they were not subject to HPD's competitive bidding and approval requirements. With limited exception, there was no documentation indicating that Linden Plaza had conducted price analyses or taken other steps to determine the reasonableness of the prices. There was also limited evidence that the prices charged by these vendors had been previously agreed to by Linden Plaza. For example:

- One vendor was paid over \$1.1 million without a contract during our audit period for building repair services, such as balcony railing repair. While Linden Plaza officials assert that unit prices were negotiated by a previously employed project manager, they were unable to provide documentation to support that the prices were competitive and/or previously agreed to.
- Another vendor was paid \$577,822 without a contract during our audit period for various plumbing services. While Linden Plaza officials assert they agreed to the labor rates charged by the vendor, there was no documentation to support that the prices were competitive and/or previously agreed to.

Linden Plaza officials acknowledge they generally do not utilize competitive bidding or conduct price analyses for vendors without contracts. Rather, they continue to use current vendors for various reasons, such as vendor familiarity with Linden Plaza and their responsiveness in meeting their needs. We note that some of these vendors have been used for many years without assurance that the prices paid are fair and reasonable; specifically, four of the ten vendors have been used by Linden Plaza for over ten years.

Documentation Supporting Payments

While reviewing the documentation for the ten vendors without contracts that were paid \$3.2 million during our audit period, we observed discrepancies with one vendor who provided plumbing services. This vendor was paid a total of \$577,822 during the audit period. To determine the extent of the issue, we randomly selected 50 of the 204 invoices totaling \$87,914. We found that 20 of the 50 payments (40 percent) totaling \$45,710 (52 percent) did not have proper supporting documentation. For example, payments were made even though purchase orders and work orders did not match the invoices and there was no evidence of work completion (such as a sign-off on the work order by Linden Plaza officials). For example:

- A July 28, 2015 invoice for \$1,021 related to sprinkler repair had the following issues:
 - The work order, dated June 24, 2015, did not have a Linden Plaza official's sign-off indicating the work was completed.
 - The invoice billed for two days of work (June 24, 2015 and July 2, 2015). However, there was documentation to support only one day of work (June 24, 2015).
- An August 18, 2016 invoice for \$8,813 to install a new condensate tank and pumps had the following issue:
 - The information on the work order did not match the work that was billed on the invoice.

We met with Linden Plaza officials to discuss supporting documentation for payments. They believed the documentation they had was sufficient to make the payments. We maintain that better documentation is needed to support payments.

After our audit fieldwork, Linden Plaza officials obtained work orders for 5 of the 20 payments. These five work orders, which totaled \$8,923, contained a Linden Plaza official's sign-off indicating the work was complete. Importantly, Linden Plaza had made payment on the related invoices without first ensuring that the work had been performed.

Accounting for the Location of Purchased Assets

Assets purchased by Mitchell-Lama housing developments should be adequately accounted for using an inventory control system. However, we found that Linden Plaza was not able to account for some of its purchased assets; specifically, refrigerators and stoves purchased for tenants' apartments.

To determine whether Linden Plaza was able to account for assets purchased during our scope period, we judgmentally selected four invoices for review. The invoices were selected because the purchased items should have serial numbers and would be identifiable. Linden Plaza officials were unable to identify specific items from two of the four invoices. These items were purchased from Home Depot. The two invoices, dated August 25, 2016, were for the purchase of ten refrigerators and eight stoves. We asked Linden Plaza officials to account for these items. They showed us several refrigerators and stoves in a warehouse. However, they were unable to

determine whether the items listed on the two invoices had been placed in apartments or were still stored in the warehouse.

Linden Plaza officials explained they keep refrigerators and stoves in a warehouse until needed; when one is needed, they enter the date, serial number, and apartment number onto a spreadsheet. However, Linden Plaza does not have any record of the serial numbers of the refrigerators and stoves they purchased and therefore are unable to determine whether the items purchased are in an apartment, the warehouse, or are otherwise unaccounted for. Without an adequate inventory control system in place, there is a risk that assets purchased may be misappropriated.

Recommendations

1. Expand requirements for bidding and/or HPD approval and ensure that the Rules are enforced.
2. Establish dollar thresholds above which a purchase for goods or services requires a contract.
3. Ensure that Linden Plaza and all other HPD-supervised Mitchell-Lama developments maintain a log of contracts.
4. Enhance HPD oversight so that issues similar to those identified in this audit are identified during HPD administrative audits.
5. Require that invoices only be paid when supported by adequate documentation.
6. Require Linden Plaza to establish and maintain an inventory control system to properly account for assets.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether Linden Plaza was procuring goods, supplies, and services at competitive prices and in accordance with applicable requirements. Our audit covered the period from January 1, 2016 through August 31, 2017.

To accomplish our objective and assess related internal controls, we met with HPD officials to discuss their Rules and requirements for developments to follow when making purchases; obtained contracts and vendor payment files from Linden Plaza officials; met with Linden Plaza officials and reviewed their process for awarding contracts to vendors; sampled vendor payment files and met with Linden Plaza officials to discuss any steps that may have been taken to ensure the prices obtained from vendors without contracts were reasonable; reviewed a sample of invoices for supporting documentation; and selected inventory items for verification.

We conducted our performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on

our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

As is our practice, we notified HPD officials at the outset of the audit that we would be requesting a representation letter in which agency management provides assurances, to the best of its 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 representations 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.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law.

Reporting Requirements

We provided a draft copy of this report to HPD officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of this report. HPD officials agreed with some of the report's recommendations, indicating that actions will be taken to strengthen practices in those areas. However, they disagreed with other recommendations that would increase the level of HPD oversight. Our rejoinder to certain HPD comments are included in the report's State Comptroller's Comments, which are embedded in HPD's response.

Within 90 days after final release of this report, we request the Commissioner of the New York City Department of Housing Preservation and Development report to the State Comptroller advising what steps were taken to implement the recommendations contained herein, and where the recommendations were not implemented, the reasons why.

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews, and evaluations of New York State and New York City taxpayer-financed programs.

Agency Comments and State Comptroller's Comments



MARIA TORRES-SPRINGER
Commissioner

Office of the Commissioner
100 Gold Street
New York, N.Y. 10038

August 16, 2018

Mr. Kenrick Sifontes
Audit Director
Office of the New York State Comptroller
59 Maiden Lane - 21st Floor
New York, NY 10038

Re: Audit Report of Purchasing Practices at the Linden Plaza Mitchell Lama Housing Development Audit Number: 2017-N-5

Dear Director Sifontes:

Thank you for your audit of Purchasing Practices at the Linden Plaza Mitchell Lama Development. As reflected in the attached responses to the audit's recommendations, HPD will ensure that the Development's management company improves its inventory control practices, and HPD will conduct a follow up on some of the issues raised in the Audit.

HPD's role is to enforce the Mitchell-Lama rules with the goal of ensuring the long-term physical and financial health of Mitchell-Lama housing developments. Our current oversight policies with regard to procurement, pursuant to Mitchell-Lama Rule 3-07, ensure that requisite contracts are in place, a development's record-keeping is adequate and that its real property taxes and mortgage payments are current. HPD's role is to review contracts above the threshold amount, set policy and provide guidance. The day to day management and operations of a Mitchell-Lama housing company is the responsibility of the managing agent.

A Mitchell-Lama housing company must ensure that vital building services are maintained and that any occurrences that interrupt vital services such as heat, water, functioning elevators and the like, are as brief as possible. For this reason, such emergency repair generally does not lend itself to competitive bidding; for example, a plumber's ability to respond quickly to a call for service and provide high quality work is paramount.

The audit report begins by citing expenditures in the millions of dollars, which may give the false impression that millions of dollars are going to waste - when, in fact, the audit did not find any waste at Linden Plaza.

State Comptroller's Comment - For background purposes and context, the report cites the total amount of expenditures made by Linden Plaza for the period January 1, 2016 through August 31, 2017. Our audit focused on \$10.7 million of those expenditures.

Linden Plaza generally complied with the Mitchell-Lama rules relating to procurement practices. It acknowledges that it lacked proper inventory controls and has taken corrective actions.

Thank you for your consideration of our response.

Sincerely,

Maria Torres-Springer

 Printed on paper containing 30% post-consumer material.

AGENCY RESPONSE TO NEW YORK STATE OFFICE OF THE COMPTROLLER AUDIT OF THE PURCHASING
PRACTICES AT THE LINDEN PLAZA MITCHELL-LAMA HOUSING DEVELOPMENT (2017-N-5)

August 16, 2018

HPD's fiscal oversight is accomplished, in part, through our administrative review of City Mitchell-Lama developments, which identifies opportunities for improving management operations. The Mitchell-Lama rules ensure that controls are in place at Mitchell-Lama developments to safeguard assets and provide guidance in order to comply with relevant statutes.

The report focuses on competitive bidding as the only prerequisite for consideration when making purchasing and service decisions at a large scale, multi-building multi-family high-rise complex. The comprehensive Mitchell-Lama rules do require that contracts over \$100,000 be competitively bid and approved by HPD. However, sound management dictates that for other kinds of purchasing decisions, there are many factors in addition to price which must be considered. While competitive bidding is appropriate in certain circumstances, an audit of the management of a Mitchell-Lama housing company should be focused on best practices as applied in the industry.

The State Comptroller's conclusion that many purchases were not competitively bid simply reflects the fact that our rules do not require competitive bidding in many of the circumstances highlighted in the audit report. The audit notes that the State Mitchell-Lama regulations require competitive bidding in instances where the City Mitchell-Lama rules do not. However, the audit report does not provide any data indicating how the State regulations are enforced and whether they even result in better managed Mitchell-Lama properties.

State Comptroller's Comment - We agree that factors other than price should be considered when making purchasing decisions. However, price is a very material factor, particularly when a development's operating costs are passed on to its tenants. As stated in the report, we found the Mitchell-Lama Rules are limited in scope and do not encourage purchasing at competitive prices.

This audit did not include a review of DHCR-supervised properties. However, given HPD's commonality with DHCR in supervising Mitchell-Lama properties, HPD officials should review whether DHCR's requirements would benefit them.

HPD's specific responses to the Audit Report's six recommendations are as follows:

Recommendation 1: Expand requirements for bidding and/or HPD approval and ensure that the [Mitchell-Lama] Rules are enforced.

Agency Response: 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.

State Comptroller's Comment - This audit did not include a review of DHCR-supervised properties. However, given HPD's commonality with DHCR in supervising Mitchell-Lama properties, HPD officials should review whether DHCR's requirements would benefit them.

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

AGENCY RESPONSE TO NEW YORK STATE OFFICE OF THE COMPTROLLER AUDIT OF THE PURCHASING
PRACTICES AT THE LINDEN PLAZA MITCHELL-LAMA HOUSING DEVELOPMENT (2017-N-5)
August 16, 2018

City procurement rules have been amended to increase the cost threshold for small purchases that are not subject to competitive purchasing requirements.¹

Recommendation 2: Establish dollar thresholds above which a purchase for goods or services requires a contract.

Agency Response: 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.

State Comptroller's Comment - As reported, some vendors were paid in excess of \$100,000 without the use of competitive bidding or HPD approval. As recommended, HPD should establish dollar thresholds above which the purchase of goods or services would require a contract. HPD could exempt certain purchases (such as emergency work) from such requirements.

Recommendation 3: Ensure that Linden Plaza and all other HPD-supervised Mitchell-Lama developments maintain a log of contracts.

Agency Response: 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.

State Comptroller's Comment - The log is an important tool to assist HPD in identifying contracts. If Linden Plaza had maintained a log of contacts, HPD officials may have become aware that two renewal contracts had not received the required approvals. In reviewing these renewals, HPD may have identified opportunities for cost savings.

Recommendation 4: Enhance HPD oversight so that issues similar to those identified in the audit are identified during HPD Administrative Audits.

Agency Response: HPD will review the process surrounding Administrative Audits and make any needed adjustments.

Recommendation 5: Require that invoices only be paid when supported by accurate documentation.

Agency Response: Linden Plaza maintains that invoices are only paid when supported by the appropriate documentation. They will be reviewed during HPD's Administrative Audit.

¹ Most recently, New York City instituted an innovative procurement rule that allows non-competitive bid awards to certified New York City Minority- and Women-owned businesses up to \$150,000 by Mayoral agencies pursuant to NYS Senate Bill 6513B, signed into law by Governor Cuomo on December 27, 2017.

AGENCY RESPONSE TO NEW YORK STATE OFFICE OF THE COMPTROLLER AUDIT OF THE PURCHASING
PRACTICES AT THE LINDEN PLAZA MITCHELL-LAMA HOUSING DEVELOPMENT (2017-N-5)
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State Comptroller's Comment - While Linden Plaza maintains that invoices are only paid when supported by proper documentation, we found that 20 of the 50 (40 percent) randomly selected payments we reviewed did not have proper supporting documentation prior to payment.

Recommendation 6: Require Linden Plaza to establish and maintain an inventory control system to properly account for assets.

Agency Response: Linden Plaza acknowledges that it lacks proper inventory controls for valuable assets and will take corrective action.