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DOI FOLLOW-UP INVESTIGATION FINDS INSUFFICIENT INVENTORY CONTROLS OVER LARGE APPLIANCES AT NYCHA FACILITIES

Mark G. Peters, Commissioner of the New York City Department of Investigation ("DOI"), announced that an investigation into the New York City Housing Authority's ("NYCHA") inventory tracking and controls of large appliances is insufficient and places inventory at risk for theft. DOI undercover investigators entered six NYCHA facilities and removed new and used refrigerators and stoves without being stopped or detected. In each of these instances, subsequent interviews with NYCHA employees revealed that managerial staff was unaware the items had been removed and did not report any appliances as missing. This investigation was a follow-up to DOI's investigation in 2016 that exposed the problem of large appliance theft from NYCHA facilities, resulting in the arrest of a NYCHA caretaker and the recommendation for NYCHA to perform an inventory review and strengthen controls in tracking and safeguarding large appliances to prevent further theft. A copy of DOI's Report follows this release and can also be found at the following link: <http://www1.nyc.gov/site/doi/newsroom/public-reports.page>

Commissioner Mark G. Peters said, "At a time when NYCHA faces a severe budget crisis, its failure to safeguard property simply compounds this problem. DOI undercover investigators were able to enter into NYCHA facilities and cart away large appliances, without challenge or notice."

DOI first informed NYCHA of breakdowns in its inventory management in July 2016, when it arrested a NYCHA caretaker for stealing three refrigerators from a NYCHA facility, and subsequently discovered that same employee had stolen additional appliances on multiple occasions, including stoves and washing machines, and sold them to an appliance store for cash. That employee pleaded guilty to Petit Larceny and resigned from NYCHA after his arrest. A copy of the press release from the July 2016 arrest can be found at the following link: <http://www1.nyc.gov/assets/doi/press-releases/2016/jul/23KenyonAllen07-22-16.pdf>

In July 2017, DOI began its follow-up investigation and surveyed 19 NYCHA developments, focusing its undercover investigations on six that readily presented security vulnerabilities. Dressed as either NYCHA employees or in plainclothes, DOI undercover investigators went to these six sites to determine whether NYCHA had strengthened its safeguards against large appliance theft, as DOI recommended a year earlier. Investigators easily removed large appliances, including refrigerators and stoves, at these six sites: Pelham Parkway Houses in the Bronx, Wald Houses and Smith Houses in Lower Manhattan, Sheepshead Bay Houses in Brooklyn, Hammel Houses in Queens and Mariner's Harbor in Staten Island. During follow-up visits to these same sites, storeroom and managerial staff were unaware that any appliances were missing, telling DOI investigators that no appliances were missing from the storerooms, no thefts had occurred, or all appliance stock was accounted for. In one of these developments – the Sheepshead Bay Houses – a week

more

after investigators removed a new stove from the premises, investigators observed that the storeroom remained open and unsecured, and the Assistant Superintendent reported that no appliances were missing or stolen.

DOI also identified several other vulnerabilities at these NYCHA properties that need to be addressed to further secure appliances at developments, including the inadequate use of CCTV cameras to monitor employee areas like development storerooms, and a lack of routine physical inventory counts by managers to aid in the detection of theft or other losses.

As a result of this follow up investigation, DOI determined that NYCHA failed to address the vulnerabilities identified in DOI's 2016 theft investigation. As a result, DOI has made the following recommendations to NYCHA:

- Survey and improve security as needed at development storerooms and supply rooms, including installing self-closing and self-locking doors, alarm systems, electronic-layered access control systems, roll-down gates, and CCTV cameras.
- Ensure that Housing Managers and Superintendents are practicing appropriate controls over storeroom and supply room keys such that only authorized NYCHA personnel – Housing Managers, Superintendents, Assistant Superintendents, Storeroom Keeper, Supervisor of Housing Caretakers, and Supervising Housing Groundskeeper – have key access. Development staff should be instructed to question unauthorized individuals found in development storerooms and to promptly report any suspicious activity to NYCHA's Office of the Inspector General.
- Install signage at each storeroom indicating that access is restricted to authorized personnel.
- Implement policy to track large appliances and other valuable items by manufacturer's serial numbers via computerized systems, beginning at receipt from the supplier, through storage in storerooms/supply rooms, and following through to installation in individual resident's apartments.
- Enforce NYCHA policies requiring development managers to personally count 100% of all high-value ("Closed Kit") inventory items each year, and to document and investigate any inventory imbalances.

DOI Commissioner Mark Peters thanks NYCHA Chair and Chief Executive Officer Shola Olatoye and her staff for their cooperation in this investigation.

The investigation was conducted by DOI's Office of the Inspector General for NYCHA, specifically Deputy Inspector General Osa Omoigui and Confidential Investigator Alfred Carletta, under the supervision of First Deputy Inspector General Pamela Sah, Inspector General Ralph Iannuzzi, Associate Commissioner James Flaherty, Deputy Commissioner/Chief of Investigations Michael Carroll and First Deputy Commissioner Lesley Brovner.

Video footage available upon request.

DOI is one of the oldest law-enforcement agencies in the country and New York City's corruption watchdog. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City. DOI's strategy attacks corruption comprehensively through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms that improve the way the City runs.

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**New York City Department of Investigation
Failed Large Appliance Inventory Controls at NYCHA**

**MARK G. PETERS
COMMISSIONER**

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INTRODUCTION

On July 22, 2016, the New York City Department of Investigation (DOI) arrested a New York City Housing Authority (NYCHA) caretaker for stealing three refrigerators purchased by NYCHA and intended to be placed at NYCHA apartments. DOI further determined that, in addition to the theft charged on July 22nd, this employee had stolen refrigerators, stoves, and washing machines on multiple occasions and sold them to an appliance store for cash.

The July 2016 investigation revealed that NYCHA was not checking its inventory on a regular basis to uncover thefts and was failing to make sure that facilities where appliances are stored were properly secured. As a result, DOI made the following policy recommendation to NYCHA's General Manager:

“[DOI] strongly recommends that NYCHA immediately perform a review to inventory major appliances (including refrigerators and stoves) that are currently stored at developments and other NYCHA locations city-wide, and evaluate the efficacy of NYCHA procedures to track such property and protect it from theft.”

In response to the above recommendation, NYCHA's Audit Department reported that in 2016 it had implemented an inventory tracking system for certain high-value items, including stoves and refrigerators.

DOI conducted this follow-up investigation to determine whether NYCHA in fact has taken steps to improve the integrity of its appliance inventory and whether such steps are effective and have resulted in greater accountability. The current investigation found that any measures taken by NYCHA to safeguard its inventory are insufficient and its inventory continues to be at significant risk for future thefts. Specifically, DOI undercover investigators were able to access six NYCHA storerooms and remove various appliances without being challenged and without NYCHA ever realizing that the appliances were removed. Indeed, although these items were taken several months ago, NYCHA has yet to uncover that the items are missing.

CURRENT INVESTIGATIVE FINDINGS

In July 2017, DOI initiated an investigation to determine if sufficient steps were taken by NYCHA to increase inventory controls and to safeguard appliances stored at NYCHA facilities across the city. This follow-up determined that NYCHA did not effectively implement DOI's prior recommendation and is still failing to systemically safeguard and track its large appliance inventory, including over \$3 million in annual purchases of refrigerators and stoves. DOI investigators went undercover, either as NYCHA employees¹ or in plainclothes, and surveyed storage areas at 19 NYCHA developments to determine whether appliance inventory could easily be removed without authorization. At six sites, investigators were able to remove new and used

¹ The NYCHA caretaker who stole and sold refrigerators in 2016 did so in uniform and during daylight hours. In order to mimic those conditions, in the first four site visits described below, DOI investigators posed as NYCHA employees. In the last two site visits, to Hammel Houses and Mariner's Harbor, investigators went in plainclothes with an unmarked vehicle and were still able to remove inventory.

refrigerators and stoves without being stopped or detected.² Not only were investigators able to steal these items with ease, but follow-up visits at these six sites revealed that storeroom and managerial staff were still unaware that DOI had removed these items. To date, NYCHA employees have not reported any appliances missing. Below are some specifics from the sites where DOI removed appliances:

- On July 20, 2017, DOI investigators entered an unlocked storeroom at Pelham Parkway Houses (Bronx) and removed one refrigerator and a NYCHA hand truck. On August 22, 2017, DOI interviewed the Assistant Superintendent, who stated that no appliances were missing from the storerooms, and that there had not been any recent thefts.
- On July 27, 2017, DOI investigators entered a storeroom at Wald Houses (Manhattan) and removed one new stove and one new refrigerator from the premises. On August 9, 2017, investigators interviewed the Housing Manager and Superintendent, who reported that all appliance stock was accounted for and that there had not been any thefts from development storage areas.
- On August 9, 2017, DOI investigators entered an unsecured and unattended storage area at Smith Houses (Manhattan) and removed two new stoves. On August 16, 2017, DOI investigators interviewed the Superintendent, who stated that there had not been any recent thefts. The Superintendent admitted that Smith Houses has “horrible inventory practices” due to short-staffing, and that appliances are counted only initially upon delivery.
- On August 17, 2017, DOI investigators went into an unlocked storage area at Sheepshead Houses (Brooklyn) and removed one new stove from the premises. During a follow-up visit on August 25, 2017, investigators observed that the storeroom remained open and unsecured. DOI investigators interviewed the Assistant Superintendent, who reported that no appliances were missing or stolen, but also said that after delivery, appliances are not re-counted.
- On September 8, 2017, DOI investigators entered an unlocked storeroom at Hammel Houses (Queens) and removed one new stove. On September 19, 2017, the Housing Manager and storeroom Caretaker reported to DOI that all their appliance stock was accounted for and that they were not aware of any thefts of appliances.
- On September 11, 2017, DOI investigators entered a storeroom at Mariner’s Harbor (Staten Island) and removed one new refrigerator. On September 19, 2017, the Superintendent and a Caretaker reported to DOI that there had not been any appliance thefts and that all their appliance stock was accounted for.

In addition to the specific security vulnerabilities identified at the above six locations, below are general conditions observed across NYCHA by DOI during this investigation that need to be addressed in order to properly secure the millions of dollars’ worth of appliances at NYCHA developments:

² Thirteen of the visited sites did not present an immediate opportunity to remove items based on presence of staff and use of locked storage areas.

- Though approximately two-thirds of NYCHA developments have CCTV cameras, these cameras are rarely used to monitor internal employee areas such as development storerooms.
- Most storerooms do not have self-closing/self-locking doors, and development staff sometimes leave doors “propped open”.
- NYCHA development staff typically do not know when appliance deliveries are scheduled until they see a delivery truck at the development, nor how many appliances are to be delivered.
- After receiving deliveries and storing items, NYCHA development managers do not routinely conduct physical inventory counts in order to detect thefts or other losses, and NYCHA borough office staff do not conduct quality assurance re-counts, contrary to policy.
- NYCHA does not track large appliance serial numbers via computerized systems in order to be able to match placed orders with individual items that are delivered to developments, and to effectively track appliances that are stored at developments and then installed in residents’ apartments.
- NYCHA skilled trades employees and contractors are given unrestricted access to some development storerooms, contrary to NYCHA policy³ that specifies that only authorized employees may be permitted unsupervised access.

POLICY AND PROCEDURE RECOMMENDATIONS

This investigation revealed that NYCHA has not taken enough measures to address the security vulnerabilities identified in DOI’s 2016 theft investigation. Specifically, NYCHA development storerooms still lack effective physical security mechanisms, staff do not stop or question all unauthorized personnel and staff are not routinely monitoring inventory to safeguard against theft.

Therefore, DOI makes the following Policy and Procedure Recommendations:

- 1) NYCHA should survey and improve security as needed at development storerooms and supply rooms, including installing self-closing and self-locking doors, alarm systems, electronic layered access control systems, roll-down gates, and CCTV cameras.
- 2) Pursuant to NYCHA policy,⁴ development Housing Managers and Superintendents are responsible for the overall operation of storerooms and supply rooms. NYCHA should ensure that Housing Managers and Superintendents are practicing appropriate controls over

³ NYCHA policy prohibits unauthorized persons from accessing inventory storage areas. NYCHA Standard Procedure (SP) 040:04:2 (2004), “Operation of Development Storerooms,” page 11, Section III.C.8.

⁴ SP 040:04:2, page 3, Section III.B

storeroom and supply room keys such that only authorized NYCHA personnel⁵ – Housing Managers, Superintendents, Assistant Superintendents, storeroom keeper, Supervisor of Housing Caretakers, and Supervising Housing Groundskeeper -- have key access. Development staff should be instructed to question unauthorized individuals found in development storerooms about any legitimate business purpose, and to promptly report any suspicious activity to NYCHA’s Office of the Inspector General.

- 3) NYCHA should install signage at each storeroom indicating that access is restricted to authorized personnel.
- 4) NYCHA should implement policy to track large appliances and other valuable items by manufacturer’s serial number via computerized systems, beginning at receipt from the supplier, through storage in storerooms/supply rooms, and following through to installation in individual residents’ apartments.
- 5) NYCHA should enforce its policies requiring development managers⁶ to personally count 100% of all high-value (“Closed Kit”) inventory items each year, and to document and investigate any inventory imbalances.

⁵ SP 040:04:2, page 8, Section III.B.10

⁶ NYCHA Standard Procedure 040:04:2, “Operation of Development Storerooms” (2/6/04), page 6, Section III.B.5, requires development Housing Managers and Superintendents to review Inventory Record forms 060.006 and to personally inspect and count 100% of high-value “Closed Kit” inventory items every year (50% each), with Managers and Superintendents each fully counting at least four Closed Kit items every month, and to complete NYCHA’s Report of Closed Kit Inspection Form 060.278.