SECOND SEMI-ANNUAL REPORT ON MICRO-PURCHASES
Covering the Period of May 1, 2024 to October 10, 2024

I. Introduction

On February 6, 2024, the Department of Investigation ("DOI") published a set of 14 recommendations to the New York City Housing Authority ("NYCHA") in connection with bribery and extortion charges related to NYCHA's micro-purchase program for services at properties. As detailed in this report, 11 of the 14 recommendations issued by DOI have been implemented and completed. This includes recommendation numbers 3, 4, 5, 6, 7, 8, 10, 11, 12, 13 and 14. The balance of the recommendations, including recommendations 1, 2 and 9, are in progress.

While implementation of recommendations 1 and 2 are pending, NYCHA agreed to recommendation 13, which required the publication of this report. Recommendation 13 states that NYCHA will:

> *13: Require the Quality Assurance and Compliance Departments to conduct semiannual audits of micro-purchase data (including but not limited to the total number of micro-purchase transactions, average micro-purchase cost, frequency with which specific vendors perform work, recordkeeping, and compliance with the recommendations set out above) and post the findings publicly on the NYCHA website.*

As required by recommendation 13, this second "Semi-Annual Report on Micro-Purchases," covering the period between May 1, 2024-October 10, 2024 (the "Covered Period"), includes three sections:

1. **Section 1, Data Summary:** NYCHA Procurement, Compliance and Information Technology built a data tool to report on the total number of micro-purchase transactions for services at the properties, the average micro-purchase cost, and the frequency with which specific vendors perform work. The tool also includes details on how often specific properties use the micro-purchase program and the ability to click and drill down into individual purchase orders. The first section of this report summarizes that data.
2. **Section 2, Recordkeeping:** In conformance with prior similar efforts, NYCHA Compliance and Quality Assurance perform reviews of micro-purchases by conducting interviews, reviewing documents and conducting site visits at properties. Properties are selected based on the risk tool and other factors. To report on recordkeeping, Compliance publishes **Appendix A** and Quality Assurance publishes **Appendix B** to this report. This report also summarizes the findings in those appendices and provides analysis on the results of those reviews.
3. **Section 3, Compliance with the Recommendations:** NYCHA Compliance gathers and reviews documentation related to the status of each of the Policy and Procedure Recommendations issued by DOI and provides updates to the general public and DOI on NYCHA's progress in implementing the PPR recommendations for micro purchases across the NYCHA portfolio.

This report will also be published on NYCHA's "Transparency and Reports" webpage at https://www.nyc.gov/site/nycha/about/reports.page. The next semi-annual report, covering the period between October 11, 2024 to March 31, 2025, will be published by the end of April 2025.

II. Section 1: Data Summary

The summary data for the second semi-annual report for the Covered Period is below. During the Covered Period there were 660 total purchase orders for micro-purchases for services where property management was the administering department. In the last covered period, there were 1,178 purchase orders. The total cost of these purchase orders was approximately $4.43 million, and the average purchase order was for a cost of $6,715.30. In the last covered period, the total cost of these purchase orders was $9.26 million, and the average purchase order was for a cost of $7,865.25.

During the Covered Period there were 134 unique "ship to" locations (a proxy for individual properties or locations) where at least one micro-purchase for services was purchased and where property management was the administering department. During the Covered Period there were 111 unique vendors who received a purchase order for at least one micro-purchase for services where property management was the administering department. In the last Covered Period there were 180 unique "ship to" locations and 170 unique vendors. These figures show a substantial reduction in utilization of micro-purchases at the properties for services.

1. Data For Entire NYCHA Portfolio

Table 1: Micro Purchase PO Summary Data Across NYCHA

Time Period	Total Spend	Average Spend per PO	Total Count of POs	Total # of Locations w/ PO	Total # of Vendors w/ PO
Nov. 1, 2023 – Apr. 30, 2024	$9,265,259.98	$7,865.25	1,178	180	170
May 1, 2024 – Oct 10, 2024	$4,432,101.84	$6,715.30	660	134	111

Based on the Compliance Department's prior experience identifying issues in this program, the data tool also lets users sort in order of the properties and vendors with the highest amount of spending, the largest total number of purchase orders and averages per purchase order closest to the $10,000 per purchase order limit. These properties and vendors may be considered higher risk.

2. Data for Top 15 Locations

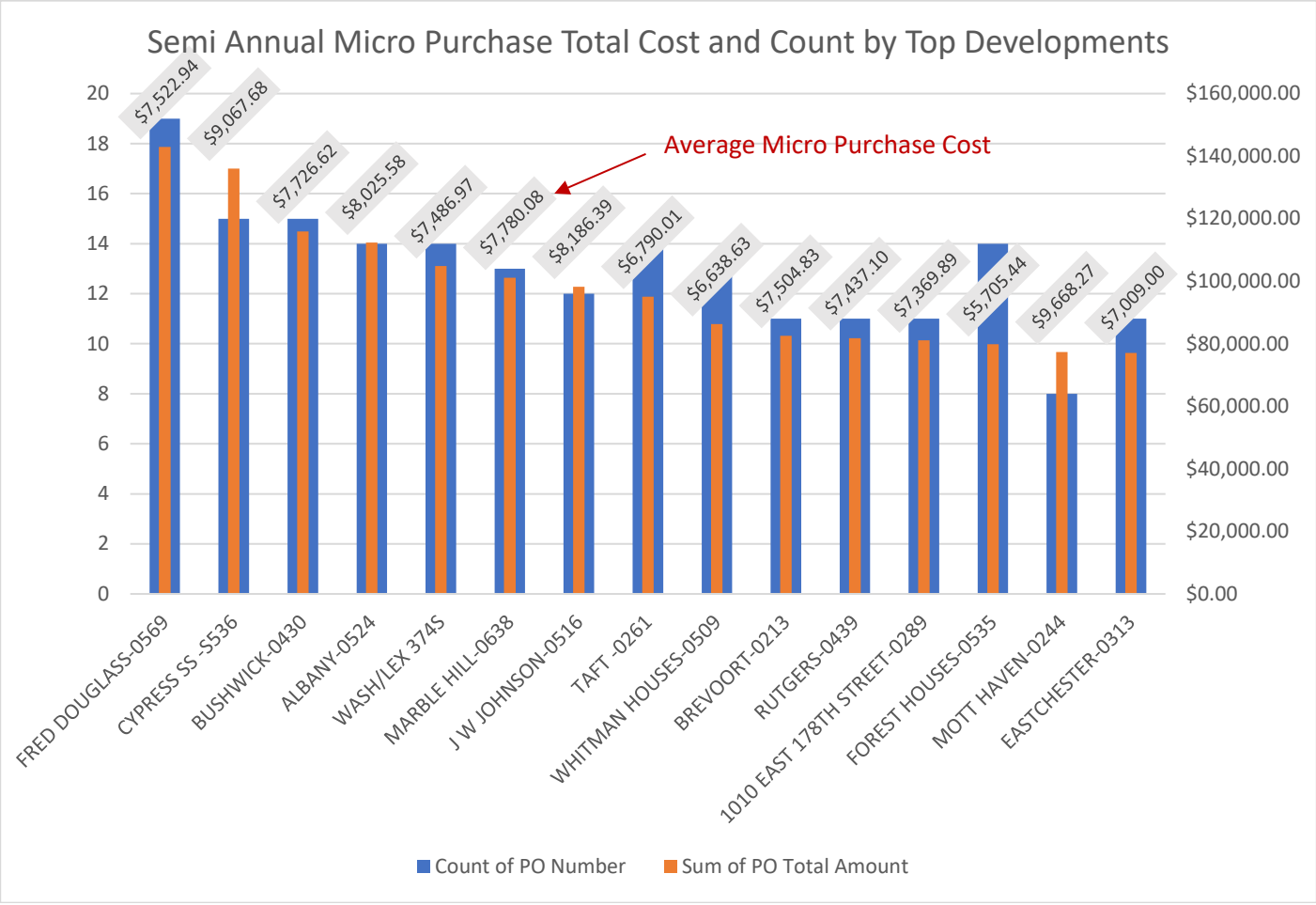
The top fifteen locations in terms of the total amount of spend (constituting 11.2% of the 134 total number of locations), accounted for (i) 195 purchase orders (29.5% of the 660 total purchase orders), and (ii) $1.48 million in spending (33.2% of the $4.43 million spent in the program). In addition, while the average per purchase order cost among other properties was $6,197.95, the average cost per purchase order among these fifteen locations was $7,551.37. Locations that remained in the top 15 for micro purchases from the

first to the second semi-annual report include: Douglass Houses, Cypress Hills, Washington and Lexington, Marble Hill, Whitman, and Mott Haven. However, the total number of purchase orders and the total amount for these purchase orders is far lower than in the first semi-annual report.

Table 2: Micro Purchase PO Summary Data for Top 15 Locations

Time Period	Total Spend	Average Spend per PO	Total Count of POs
November 1, 2023 – April 30, 2024	$3,283,190.57	$8,332.97	394
May 1, 2024-Oct 10, 2024	$1,472,517.37	$7,551.37	195

Figure 1: Detailed Data on Top 15 Locations



3. **Data for Top 15 Vendors**

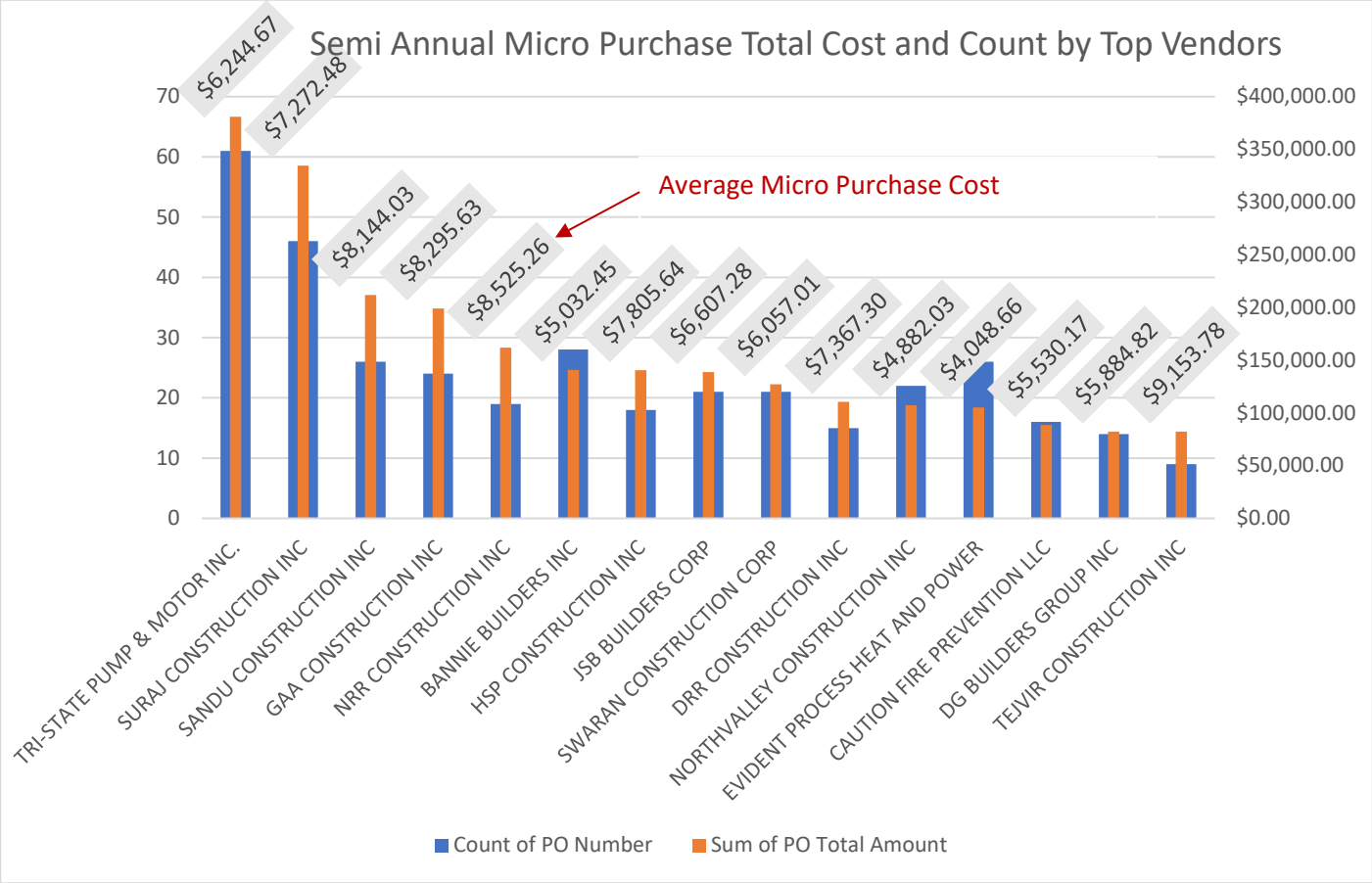
The top fifteen vendors in terms of the total amount of spend (constituting 13.5% of the 111 total vendors), accounted for (i) 366 purchase orders (55.5% of the 660 total purchase orders), and (ii) $2.41 million in

spending (54.4% of the $4.43 million spent in the program). This demonstrates greater concentration in the program relative to the last covered period, when the top 15 vendors accounted for 40.83% of the total number of purchase orders and 42.5% of the total spend. In addition, while the average per purchase order cost among all vendors was $6,715.30, the average cost per purchase order among these fifteen vendors was $6,590.36.

Table 3: Micro Purchase PO Summary Data for Top 15 Vendors

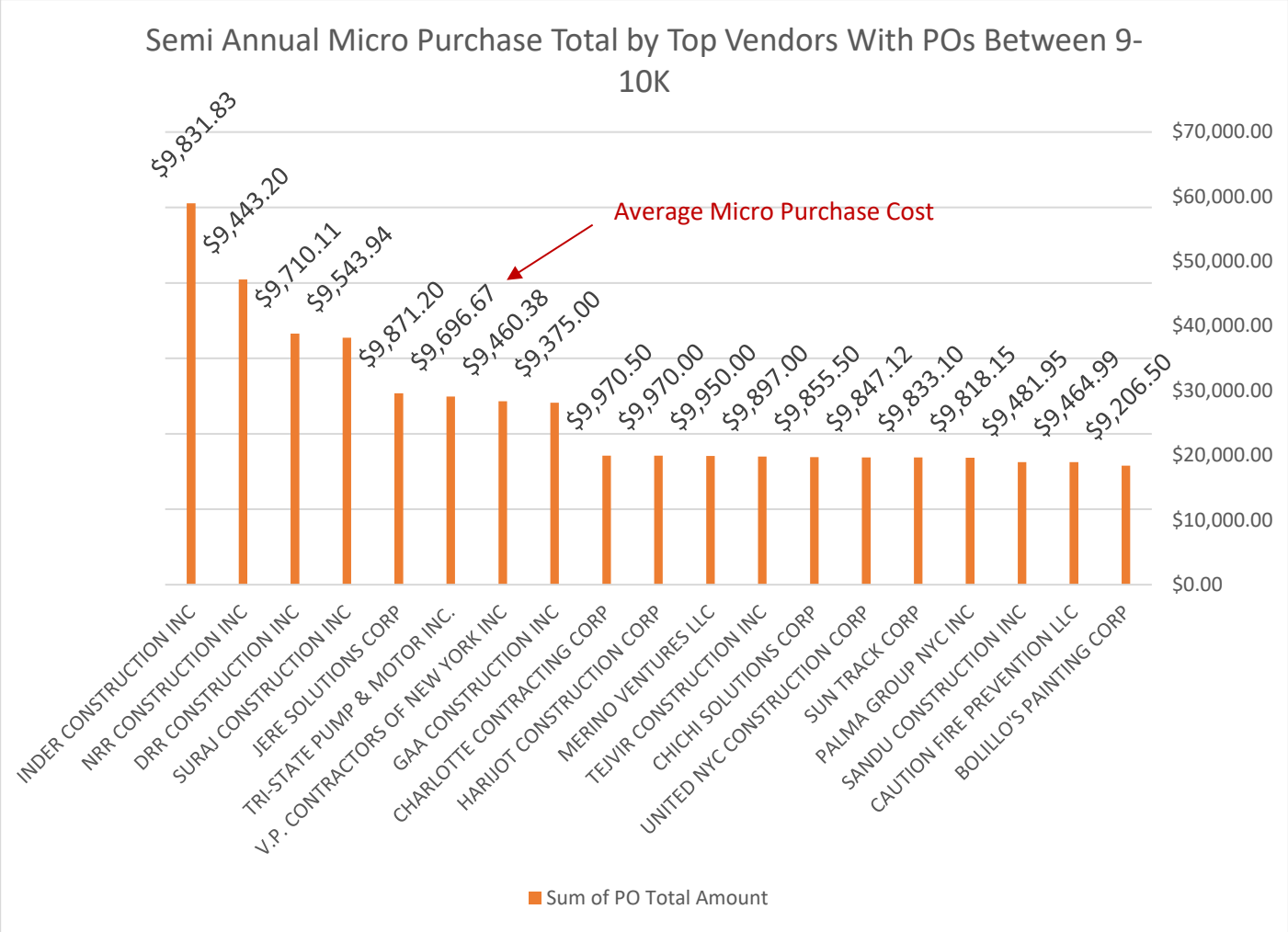
Time Period	Total Spend	Average Spend	Total Count
November 1, 2023 – April 30, 2024	$3,939,515.26	$8,190.26	481
May 1, 2024-Oct 10, 2024	$2,412,072.81	$6,590.36	366

Figure 2: Detailed Data on Top 15 Vendors



There were also 39 vendors whose average purchase order amount was over $9,000 during the covered period. NYCHA did not use any of those 39 vendors more than 6 times for purchase orders greater than $9,000 during the Covered Period. The visual below shows additional detail on NYCHA's use of these vendors.

Figure 3: Detailed Data on Vendors with PO of $9,000 to $10,000 and Frequency of Use



III. Section 2: Recordkeeping

As detailed in Appendix A, NYCHA's Compliance Department conducts routine reviews of micro-purchases for services at properties. These reviews include summarizing the details of the purchase order, interviews with staff, a review of applicable records for completeness, and observations of the completed work. Properties are chosen by Compliance either because (i) the property is included in the "On-Site Monitoring" program because the property has been identified as high risk using the Department's development risk scoring assessment, or (ii) based on a review of the new data tool discussed above in the monthly meetings among Quality Assurance, Compliance, and Property Management Operations, as required by

Recommendation 8. In total, Compliance visited 20 developments and reviewed 84 individual purchase orders during the Covered Period.[1] Findings included:

- The micro-purchase form proposal template was found for all 84 purchase orders.
- The Statement of Service ("SOS") could not be produced for 38 of the 84 purchase orders. This was a particular issue at Claremont, Stapleton, Forest, Douglas, Sotomayor, Grant, Washington, and Lafayette, where managers produced fewer than 20% of SOS's. It is possible that management did not have access to some of these documents because property staff had not yet signed off on the work.
- Vendors did not leave logbook entries while onsite for 51 of the 84 purchase orders. This was found repeatedly at the following developments: Carver, Claremont, Stapleton, Forest, Butler, Douglas, Gompers, Amsterdam, 1010 E 178th, Smith, Washington, and Lafayette.
- In some cases, as detailed in Appendix A, NYCHA may have paid an unreasonable price for the work conducted. Compliance found there were purchase orders where NYCHA was charged for re-usable tools or NYCHA was charged for labor in excess of the amount of labor actually performed.
- There were a couple of instances where it did not appear the repairs were fully completed and/or the work may have deteriorated quickly. However, for the most part, Compliance was able to view the work that had been conducted, and Compliance was able to verify that the repairs were completed.

As detailed in Appendix B, Quality Assurance ("QA") reviewed approximately 138 micro-purchases during the Covered Period across 37 developments. Below is additional detail pulled from Appendix B:

> *During this reporting period from May 1, 2024, to October 11, 2024, 138 micro purchases were reviewed with 43 identified as needing additional follow up. This follow-up can consist of a referral to the IG, an in-person interview with QA, or a telephone call with QA to explain or clarify an issue identified with the paperwork, the repair, or the prices charged. Whenever QA required further follow-up other than a phone conversation, the IG was contacted for approval. Explanation calls were completed on 22 micro purchase repairs and an additional 17 clarity calls were completed on separate micro purchase repairs. Since May of 2024, QA has requested in person interview for 1 vendor and the IG concurred with this request. QA has referred 3 vendors to the IG since May 2024, for issues such as work not being completed, a vendor charging a price which seemed extremely inflated, and a vendor performing limited work for an inflated price. Issues identified during QA's review this period which required further attention by QA consisted of:*
>
> - *Vendors potentially charging too much for a repair.*
> - *Vendors charging NYCHA for equipment or materials which the vendor should normally have on hand for their normal repairs.*

[1] This includes – (i) Marcy – 4 requisitions; (ii) Carver – 4 requisitions; (iii) Gun Hill – 4 requisitions; (iv) Claremont – 4 requisitions; (v) Stapleton – 4 requisitions; (vi) Forest – 3 requisitions; (vii) Butler - 2 requisitions; (viii) Mott Haven – 4 requisitions; (ix) Mitchel – 1 requisition; (x) Douglass – 9 requisitions; (xi) Gompers – 2 requisitions; (xii) Sotomayor-4 requisitions; (xiii) Eastchester Gardens; (xiv) Amsterdam-5 requisitions; (xv) 1010 East 178th St-6 requisitions; (xvi) Grant-4 requisitions; (xvii) Smith- 7 requisitions; (xviii) Gravesend-6 requisitions; (xix)Washington-6 requisitions; (xx) Lafayette-5 requisitions

- *Vendors charging for additional workers for a repair that didn't seem necessary.*
- *Vendors overcharging for materials.*
- *Clarification calls to vendors for what consists of overhead.*
- *Vendors charging for more work hours that seemed necessary.*
- *Vendors not identifying the locations of the repair work, especially with tub enclosures.*
- *Vendors not breaking down the labor prices to account for titles and pay rates.*
- *Requesting questionable receipts from some Vendors.*
- *Poor workmanship by a vendor.*

For additional details on the findings of Quality Assurance, see **Appendix B**.

IV. Section 3: Compliance with Recommendations

In the first semi-annual report, during the covered period of November 1, 2023-April 30, 2024, NYCHA implemented and completed 8 of the 14 recommendations issued by DOI. During this Covered Period, 11 of the 14 recommendations issued by DOI were implemented and completed. This includes recommendation numbers 3, 4, 5, 6, 7, 8, 10, 11, 12, 13 and 14. The balance of the recommendations are in progress, with work having started on implementing these items, as detailed below.

1. **Recommendation 1-** *"Identify and implement an alternative staffing model for the micro-purchase process that removes responsibility for micro-purchases from staff within the housing developments and places the responsibility instead with specialized centralized staff with the necessary expertise."*

Status: In Progress

Update: The Chief Operating Officer's office ("COO") and Strategy and Innovation created and posted job descriptions for Neighborhood Contract Managers ("NCMs"). As of the third week of October 2024, 19 of the 29 Neighborhood Contract Managers have been onboarded. The Chief Operating Officer is coordinating the interview process; the COO, Learning & Development and Strategy & Innovation have created workflows and other training materials, which have been utilized as NYCHA onboards the NCM positions.

Procurement is also recruiting 8 new positions to align procurement resources to Operations' new operating model. These positions will work in concert with the NCMs to support the developments and optimize the procurement process. As of October 2024, 4 of these individuals have been onboarded, 2 have a forthcoming start date and 2 are still being recruited.

Next Steps: Completing hiring of staff to continue deployment of the alternative staffing model.

2. **Recommendation 2-** "*Study the micro-purchase process as a whole in order to identify, – and if available, to implement, any feasible alternatives that allow for prompt selection of vendors and efficient completion of necessary work but are less vulnerable to abuse."*

Status: In Progress

Update: Procurement is reviewing a series of alternative procurement methods for the scopes of work typically procured by development staff using micro-purchases. Alternative procurement methods being rolled out (e.g. for particular vendors and scopes) have included larger requirements contracts, entering into small procurements or larger contracts for certain scopes, and the use of pre-qualified lists, among other items. The goal is to develop a comprehensive portfolio of contracts and procurement methods particular to the developments' needs to manage facilities and avoid the use of micro purchases to meet daily needs.

Next Steps: Procurement will complete a memo after all other recommendations are implemented outlining the results of this review of alternatives, with recommended procurement strategies and which methods have been selected for implementation.

3. **Recommendation 3-** "*Require Resident Building Superintendents, Assistant Resident Building Superintendents, and any additional titles/staff involved in the micro-purchase process to attend an annual training that will be created and presented by the Department of Investigation. This training will cover gratuities and bribes, criminal liabilities, and Executive Order 16 of 1978 (the duty to report allegations of bribery and gratuities to the Department of Investigation).*"

Status: Completed

Update: Learning and Development and Procurement launched the online training, approved by DOI, for "Corruption Prevention Awareness." This training went into effect on April 1, 2024, it was assigned to all staff who use NYCHA iProcurement and must be taken on an annual basis.

4. **Recommendation 4-** "*Create, with the assistance of the Department of Investigation, and disseminate annually to all staff involved in procurement and inspections, a Compliance Advisory Alert pertaining to gratuities and bribes, criminal liabilities, and Executive Order 16 of 1978 (the duty to report allegations of bribery and gratuities to the Department of Investigation) and an acknowledgment form for employees to sign stating that they have read, understood and agree to comply with the Compliance Advisory Alert.*"

Status: Completed

Update: On February 20, 2024, the NYCHA Compliance Department distributed "Compliance Advisory Alert 57 – The Duty to Report Allegations of Bribery and Gratuities" to all NYCHA employees. The Compliance Advisory Alert detailed employees' obligations pertaining to Executive Order 16 and staff was required to acknowledge the Advisory Alert in the NYCHA Acknowledgments portal.

5. **Recommendation 5-** "*Create a Pre-Qualified List (PQL) of micro-purchase vendors and require such vendors to undergo a NYCHA/DOI-developed vendor integrity review. Once the PQL is in place, require that a Resident Building Superintendent or Assistant Resident Building Superintendent choose a micro-purchase vendor from the micro-purchase PQL. To the extent practicable, require the Superintendents to rotate through the list of vendors and to minimize repetitive use of a single vendor.*"

Status: Completed

Update: Effective September 30, 2024, NYCHA's micro-purchase prequalification list went into effect. For additional detail, you can visit NYCHA's website - https://www.nyc.gov/site/nycha/business/micro-pql.page.

6. **Recommendation 6-** "*Create, with the assistance of the Department of Investigation, a training program that micro-purchase vendors must attend to be placed on the PQL. The program will include information about NYCHA's micro-purchase process, vendor responsibilities and liabilities, and bribes and gratuities. Upon completion of the training, require the micro-purchase vendor to submit to NYCHA a signed acknowledgement form stating: "I acknowledge and understand that offering, giving, and/or accepting bribes, gratuities, and/or gifts is a criminal offense under federal and New York state law."*

Status: Completed

Update: Procurement drafted a training deck and incorporated feedback from DOI in the training content. NYCHA published the training online and sent multiple emails to vendors detailing the obligation to take the training. The training is available at Procurement Ethics Training. NYCHA will produce and monitor tracking reports.

7. **Recommendation 7-** "*As soon as practicable, establish a schedule of cost estimates for the top 15 types of services and goods most often obtained by developments through the micro-purchase method. If a vendor's cost proposal for one of these services exceeds the cost estimate schedule, require the vendor to provide a written explanation for the additional cost, including the specific conditions that warrant the increased cost. Require review of the written explanation of the increased cost, and the Neighborhood Administrator must provide approval prior to the commencement of such services."*

Status: Completed

Update: Procurement, Operations and PPMO developed a Cost Estimating Tool along with Cost Estimating Methods for various categories of goods and services. PPMO completed a training guide and the tool itself in August 2024. NYCHA went over the tool with DOI in a meeting in September. The tool will be utilized by the Neighborhood Contract Managers and onboarded NCMs have been trained on how to use the tool. PPMO sent an email on October 9, 2024, with procedures for NCMs to follow including written explanations of links to cost estimation tools. Procurement subsequently sent formal notification to all service buyers to ensure service micro purchase requests follow the new work-flow and necessary documentation is provided.

8. **Recommendation 8-** "*Pending the development of the schedule of cost estimates, require the EVP for Property Management Operations, working with the Compliance and Quality Assurance Departments, to conduct monthly reviews of all micro-purchases for services at the developments to*

identify and investigate any irregular or questionable transactions. Any transactions identified as such will be promptly reported to the Department of Investigation."

Status: Completed

Update: The Executive Vice President for Property Management Operations, the Quality Assurance Officer, and the Chief Compliance Officer hold monthly meetings. During those meetings, they evaluate and review the new data tool to identify questionable transactions at developments and determine which developments merit follow up investigations. Monthly meetings commenced in February 2024. Details on findings are included in Section 2 of this report related to recordkeeping. Findings are also detailed in **Appendix A**, which is a summary of all micro-purchases reviewed by Compliance from May 2024 to October 10, 2024. Compliance reviewed 84 purchase orders for 34 vendors at 20 developments. Findings are also detailed in **Appendix B**, which is a summary of QA's visits to developments.

9. **Recommendation 9- "***For all micro-purchases, whether or not in excess of the cost estimate schedule, NYCHA staff outside the development commissioning the work (e.g., contract manager at the borough level) will conduct a review the following documentation: completed services/receipt of goods, Statement of Services, blanket contract releases (as applicable), before and after photos, and the vendor's invoice, prior to processing any payments for approval."*

Status: In Progress

Update: This recommendation will be completed in three phases. Phase 1 required the creation of an expanded receipt process so the package of documents could be consolidated, uploaded and reviewed prior to processing payments. This included launching the revised Statement of Service ("SOS") form. The revised Statement of Service was completed in April 2024. After trainings were completed, Phase 2 required that Procurement, IT and PPMO launch the expanded receipt process in Oracle to help enforce the mandatory upload requirements. This functionality was initially launched in May 2024. While Oracle was chosen as the platform for uploading required documents, NYCHA encountered some challenges with its functionality. As an alternative to Oracle, NYCHA is now transitioning the package upload functionality to a separate system which will also serve as the platform for NCMs to review packages and release invoices for payment.

Next Steps: The relaunch of Phase 2 is anticipated in October 2024. Invoice review capabilities will follow in November 2024 which will ensure staff outside the development staff commissioning the work is reviewing the new Statement of Service and other documentation for completeness before approving the receipt and authorizing the issuance of payment. NCMs will be obligated to review the Statement of Service package prior to payment and the system will put the invoice on hold until the NCMs reviews and releases the package for payment.

10. **Recommendation 10-** "*Display signage at developments and offices (in conspicuous locations frequented by employees) stating the following: "Offering, giving and/or accepting bribes, gratuities, and/or gifts is a criminal offense under federal and New York state law."*

Status: Completed

Update: In February 2024, DOI provided a box of signs for NYCHA to post in management, maintenance, and other work areas. Operations distributed signs to properties the week of February 12, 2024. Properties provided photos of signage in place, and these were tracked to completion by the Chief of Staff to the Chief Operating Officer in February using a Smartsheet.

11. **Recommendation 11-** "*Program IT systems to generate a pop-up window and acknowledgement check box for employees commissioning the work during the micro-purchase process. The pop-up window will contain the statement: "I acknowledge and understand that offering, giving and/or accepting bribes, gratuities and/or gifts is a criminal offense under federal and New York state law."*

Status: Complete

Update: The pop-up statement went live in the Oracle system as of February 26, 2024.

12. **Recommendation 12-** "*Revise the vendor micro-purchase proposal form to include the following statement: "I acknowledge and understand that offering, giving, and/or accepting bribes, gratuities, and/or gifts is a criminal offense under federal and New York state law.""*

Status: Completed

Update: Procurement updated the Micro Purchase Forms and added the updated forms to NYCHA's Forms and Reference Library in February 2024. It is also available on NYCHA's website.

13. **Recommendation 13-** "*Require the Quality Assurance and Compliance Departments to conduct semiannual audits of micro-purchase data (including but not limited to the total number of micro-purchase transactions, average micro-purchase cost, frequency with which specific vendors perform work, recordkeeping, and compliance with the recommendations set out above) and post the findings publicly on the NYCHA website."*

Status: Complete

Update: This report constitutes the second semi-annual report published by the Quality Assurance Unit and the Compliance Department covering the topics detailed in the recommendation.

14. **Recommendation 14-** "*Continue to report any irregularities (e.g., an employee frequently uses a vendor, an employee regularly requests micro-purchases at amounts above the scheduled prices, etc.) to the Department of Investigation."*

Status: Complete

Update: NYCHA continues to refer questionable micro-purchases or irregular behavior based on our reviews and findings to DOI on an ongoing basis.