



## FIRST SEMI-ANNUAL REPORT ON MICRO-PURCHASES Covering the Period of November 1, 2023 to April 30, 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, 8 of the 14 recommendations issued by DOI have been implemented and completed. This includes recommendation numbers 3, 4, 8, 10, 11, 12, 13 and 14. The balance of the recommendations, including recommendations 1 and 2, are in progress.

While implementation of recommendations 1 and 2 is 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 first “Semi-Annual Report on Micro-Purchases”, covering the period between November 1, 2023 to April 30, 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 (“PPR”) 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 May 1, 2024 to October 31, 2024, will be published by the end of November 2024.

**II. Section 1: Data Summary**

The summary data for the first semi-annual report for the Covered Period is below. During the Covered Period there were 1,178 total purchase orders for micro-purchases for services where property management was the administering department. The total cost of these purchase orders was approximately \$9.26 million, and the average purchase order was for a cost of \$7,865.25. During the Covered Period there were 180 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 170 unique vendors who received a purchase order for at least one micro-purchase for services where property management was the administering department.

**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
11/1/23 – 4/30/24	\$9,265,259.98	\$7,865.25	1,178	180	170

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.

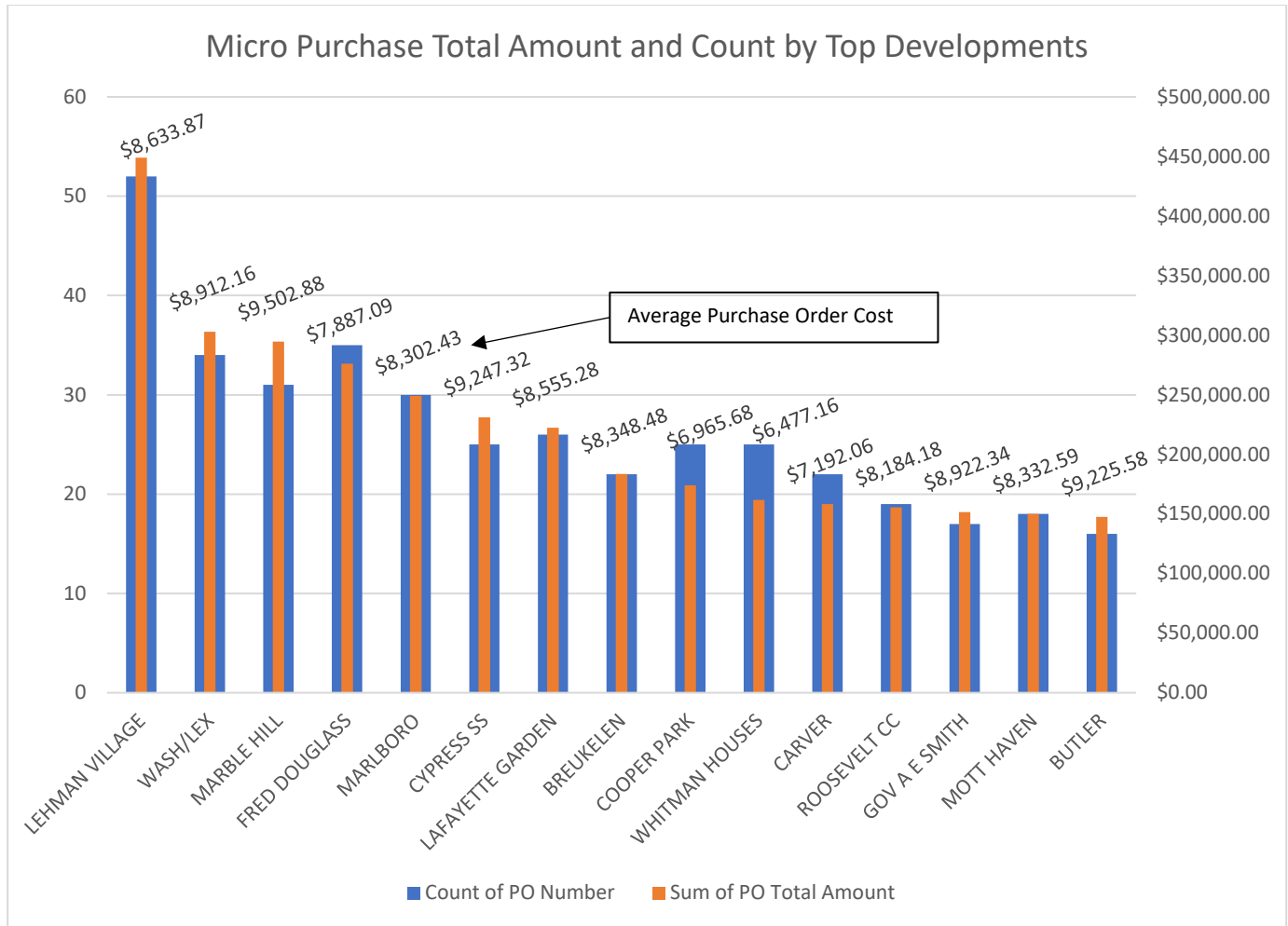
**2. Data for Top 15 Locations**

The top fifteen locations in terms of the total amount of spend (constituting 8.3% of the 180 total number of locations), accounted for (i) 394 purchase orders (33.4% of the 1,178 total purchase orders), and (ii) \$3.28 million in spending (35.4% of the \$9.26 million spent in the program). In addition, while the average per purchase order cost among all locations was \$7,865.25, the average cost per purchase order among these fifteen locations was \$8,332.97.

**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 to April 30, 2024	\$3,283,190.57	\$8,332.97	394

**Figure 1: Detailed Data on Top 15 Locations**



**3. Data for Top 15 Vendors**

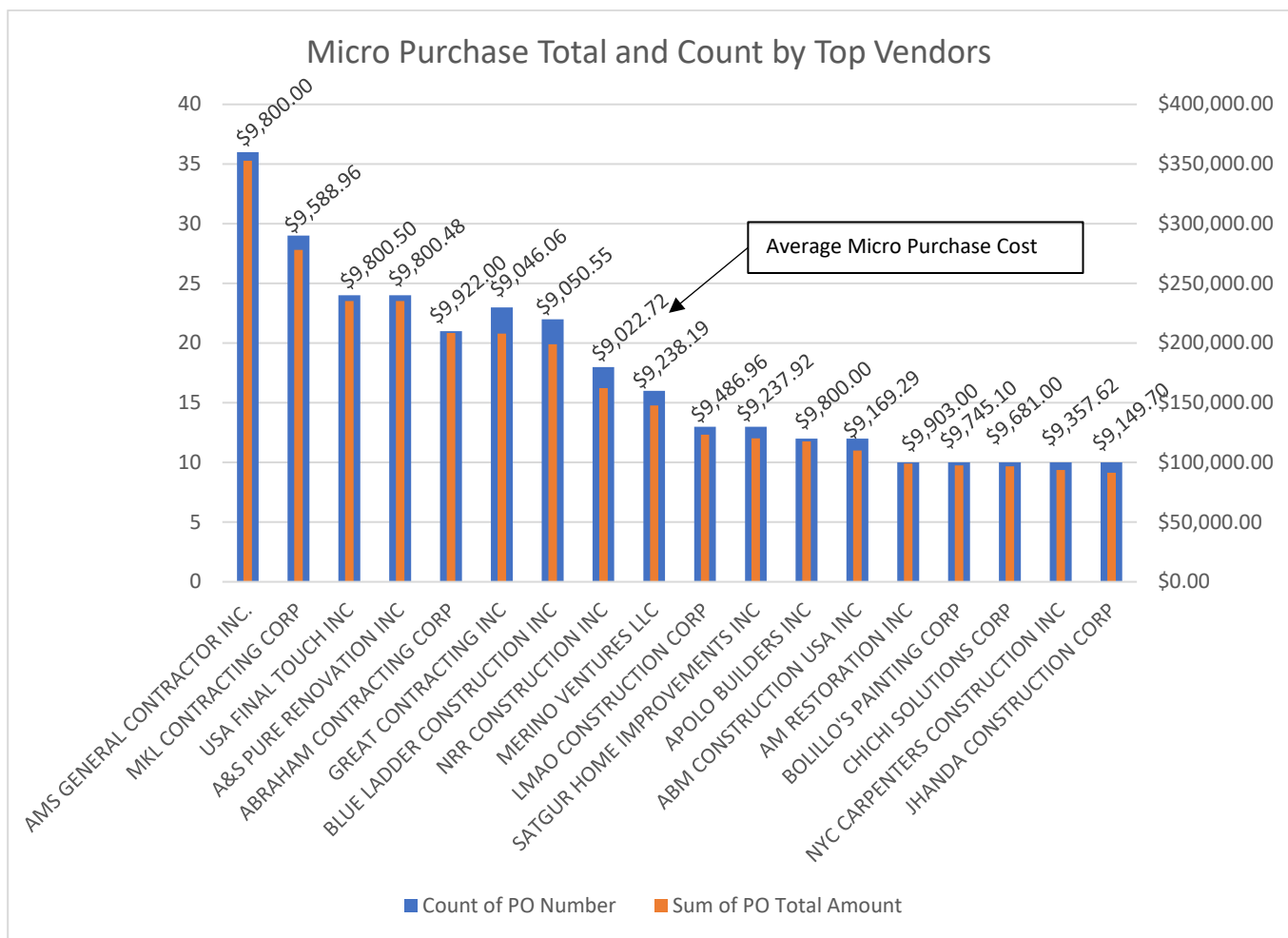
The top fifteen vendors in terms of the total amount of spend (constituting 8.8% of the 170 total vendors), accounted for (i) 481 purchase orders (40.83% of the 1,178 total purchase orders), and (ii) \$3.94 million in spending (42.5% of the \$9.26 million spent in the program). In addition, while the average per purchase order cost among all vendors was \$7,865.25, the average cost per purchase order among these fifteen vendors was \$8,190.26.

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

Total Spend	Average Spend	Total Count
\$3,939,515.26	\$8,190.26	481

There were also 60 vendors whose average purchase order amount was over \$9,000 during the covered period. Among these 60 vendors, NYCHA used 18 of the vendors 10 or more times during the Covered Period. Some of these vendors (AMS General Contractor Inc., USA Final Touch and A&S Pure Renovation Inc.) focused on installing bathtub and shower enclosures in resident’s apartments. This work does have a relatively consistent unit price and property staff are instructed to complete as many of these as possible, since it is critical work to resolve mold and leak issues in apartments. Compliance and Quality Assurance were not as concerned about these purchase orders. Other vendors were generalists and the scope of the work varied. Compliance found that scopes included roof fans, doors, flooring, landscaping, pest proofing exterior grounds and other items. The visual below shows additional detail on NYCHA’s use of these vendors.

**Figure 2: Detailed Data on Vendors w/ Average 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. The Compliance Department’s practice of reviewing micro-purchases pre-dated DOI’s recommendations, and therefore reviews conducted before February 2024 but during the Covered Period are also included in Appendix A.

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 11 developments and reviewed 73 individual purchase orders during the Covered Period.<sup>1</sup> Findings included:

- The micro-purchase form proposal template was found for all 73 purchase orders.
- The Statement of Service could not be produced for 17 of the 73 purchase orders. This was a particular issue at McKinley, Cypress Hills, Johnson, Taft and Marble Hill. It is possible that some of these documents were missing because payment had not yet been processed and/or property staff had not yet signed off on the work.
- Logbook entries for the vendor in the vendor logbook could not be found for 37 of the 73 purchase orders. This was a particular issue at McKinley, Washington, Carver, Cypress Hills, Johnson and Taft.
- 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, NYCHA was charged for labor in excess of the amount of labor actually performed, or NYCHA was otherwise charged what property staff admitted were unreasonable prices.
- There were a couple of instances where it did not appear the repairs were fully completed and/or the work may have been impossible to review given timing constraints (e.g. cleaning grounds or doors being vandalized again). 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.
- Significant findings were reported to DOI. Potential bid splitting, inflated prices and over-utilization of one vendor was an issue in particular at Marble Hill, as detailed in Appendix A.

As detailed in Appendix B, Quality Assurance (“QA”) reviewed approximately 146 micro-purchases during the Covered Period across 20 developments. These properties are also chosen during the monthly meetings and are a separate set of developments from those chosen by Compliance. QA also reviews work completed during normal work functions at developments. The following is additional detail pulled from Appendix B:

*The QA process of reviewing micro purchases at NYCHA initially consisted of identifying developments heavily involved in the micro purchase program and reviewing the associated*

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<sup>1</sup> This includes – (i) McKinley – 3 requisitions; (ii) Riis – 1 requisition; (iii) Jefferson – 4 requisitions; (iv) Washington – 7 requisitions; (v) Carver – 8 requisitions; (vi) Woodside – 3 requisitions; (vii) Cypress Hills - 13 requisitions; (viii) Unity Plaza – 4 requisitions; (ix) Johnson – 5 requisitions; (x) Taft – 4 requisitions; (xi) Marble Hill – 22 requisitions.

*paperwork from their recent micro purchases back into 2023. QA also attempts to physically verify the work was completed. [...]*

*Based on the reviews completed so far, the overall price charged on a lot of these micro purchase repairs were extremely high but 144 of the 146 repairs have been completed. During the review with VP Flaherty, 79 micro purchases were 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.*

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

#### **IV. Section 3: Compliance with Recommendations**

During the Covered Period 8 of the 14 recommendations issued by DOI were implemented and completed. This includes recommendation numbers 3, 4, 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 (“COO”) Planning and Project Management Office (“PPMO”) created and posted job descriptions for Neighborhood Contract Managers (“NCMs”). Procurement is also recruiting for 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.

**Next Steps:** The Chief Operating Officer is coordinating the interview process; the COO, Learning & Development and Strategy & Innovation are coordinating on the creation of workflows and other materials to start onboarding NCM positions.

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. This includes the scopes of work being costed out pursuant to Recommendation 7. Alternative procurement methods may include 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 to draft a memo 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: **In Progress**

Update: Procurement developed a PQL policy and has submitted requests, which were subsequently approved, for new positions to support the launch of the PQL. Procurement also received budget to

perform additional vendor integrity checks. IT enhancements to iSupplier are being developed to support the new process.

Next Steps: Procurement is planning to perform outreach to vendors beginning in May regarding the PQL process and PASSPort filing requirement. Procurement will onboard one new employee in June to manage the changes in procurement and the PQL process.

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: In Progress

Update: Procurement drafted a training deck and incorporated feedback from DOI in the training content. Procurement delivered the training deck to Communications. Procurement is researching training delivery platforms.

Next Steps: NYCHA will publish the training online and send multiple emails to vendors detailing the obligation to take the training. NYCHA will produce and monitor tracking reports using iSupplier.

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: In Progress

Update: Procurement, Operations and PPMO developed a Cost Estimating Tool along with Cost Estimating Methods for various categories of goods and services.

Next Steps: PPMO plans to complete the first draft of estimates by June 2024. Once these estimates are completed, they will be utilized by the Neighborhood Contract Managers as part of the proposal process.

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 Vice President of Quality and Cost Control, 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 November 2023 to April 2024. Compliance reviewed 73 purchase orders for 25 vendors at 11 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 launched in May 2024.

Next Steps: Phase 3 will be the next step to 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. Phase 3 will commence when the NCMs start their work at NYCHA, as detailed in Recommendation 1.

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 first 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.