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## **COMPTROLLER STRINGER AND NYCHA CHAIR OLATOYE ANNOUNCE SWEEPING OVERHAUL OF HOUSING AUTHORITY INVENTORY SYSTEMS**

*Changes implemented after Comptroller's audit reveals missing goods, incomplete record keeping and other lax controls that placed \$100 million in inventory at risk*

*NYCHA agrees to establish new Supply & Inventory Management Working Group with representation from Comptroller's Office and outside inventory experts*

**(New York, NY)** – In a joint announcement, New York City Comptroller Scott M. Stringer and New York City Housing Authority (NYCHA) Chair & CEO Shola Olatoye announced a sweeping overhaul of the agency's inventory system, following the release today of an audit by the Comptroller that uncovered numerous weaknesses in how the Authority tracks, stores and manages its inventory. As part of the announcement, NYCHA agreed to establish a working group to modernize its supply chain systems with input from the Comptroller's office and outside experts.

"With today's announcement, NYCHA is taking real action to repair its outdated inventory systems, which for too long have failed to serve taxpayers or tenants well," Stringer said. "I commend NYCHA Chair Shola Olatoye for embracing the audit's recommendations, and for working together to demand performance and accountability in how NYCHA manages its vast inventory system for the good of tenants in all five boroughs."

"We have to bring meaningful changes to the way NYCHA does business if we want to sustain the future of public housing and become the type of landlord our residents deserve," said NYCHA Chair & CEO Shola Olatoye. "I thank the Comptroller for uncovering some troubling deficiencies in our supply chain and inventory management practices that hamper our ability to provide timely and quality service to our residents. These deficiencies are simply unacceptable. We are working in partnership with the Comptroller to overhaul our supply and inventory practices to become a more effective and efficient landlord."

NYCHA's inventory is stored in several locations: a main warehouse in Long Island City, Queens, in six satellite warehouses in the Bronx and Brooklyn and in storerooms and skilled trades' shops located at over 300 developments throughout New York City. The audit found that NYCHA had placed some \$100 million in inventory at risk by failing to have a system in place to accurately track and locate supplies and merchandise in its possession.

Among the problems uncovered by the audit were:

- **Missing inventory:** More than \$84,000 in materials were missing from the “Betances A” warehouse in the Bronx, where unaccounted-for items included everything from air conditioners and light fixtures to lavatory sinks and compound saws. In another case, 11 entire pallets of materials valued at \$85,293 stored at the “Armstrong A” warehouse in Brooklyn were missing. Items in the pallets included eye-wash stations, sinks, intercoms and bathroom medicine cabinets.
- **Poor protocols to ensure NYCHA got value for liquidating supplies and materials:** NYCHA made inadequate efforts to utilize or value its inventory prior to liquidation. Examples of liquidated items included 71 double bowl sinks originally purchased at \$19,000, which could not be used at the developments, sold for “a fraction” of that value, and elevator parts marked down by NYCHA by some 90%. One NYCHA email indicated that some \$1.7 million in goods were liquidated because employees found the process of returning the materials to active inventory “cumbersome” and “time consuming.”
- **Failure to maintain detailed logs for items received or distributed:** NYCHA failed to follow procedures to log items when they were received or disbursed. For example, a NYCHA employee picked up material from a neighboring development on several occasions and signed for them as “X-men” each time; in others, there was no signature at all. At three development storerooms visited, none fully complied with NYCHA’s procedures. All three allowed the same person to requisition, receive and distribute goods and re-order supplies based on visual inspection and staff requests; had no security cameras, and left doors to some skilled trade shops unlocked. Two storerooms had no inventory records whatsoever.
- **Poor accountability:** NYCHA supply and inventory management failed to monitor the staff to see if they were following the rules, and there was limited accountability for managing and correcting the problems. Only two staffers were employed to monitor over 300 developments to ensure that inventory was kept at reasonable levels to avoid overstocking and shortages. During their 2014 bi-annual reconciliation of fixed assets, one development was unable to locate 190 items worth more than \$200,000, with no follow-up.
- **NYCHA personnel made misstatements to external auditors:** Staff provided inaccurate information about the extent to which NYCHA had failed to implement recommended steps to address internal control weaknesses.

Comptroller Stringer noted that while most audits call on agencies to fine-tune specific systems, the problems uncovered by the inventory audit were so pervasive that only a complete overhaul would suffice.

“Tinkering around the edges will not do here,” Stringer said. “What we recommended instead was a wholesale restructuring of inventory management. Chair Olatoye wasted no time in recognizing this and has already taken decisive and direct action toward that goal.”

In response to preliminary audit findings shared with NYCHA in recent months, the Authority has already terminated or demoted senior inventory personnel. Other steps it has already taken in recent months in response to preliminary audit findings include:

- Physically securing all six satellite warehouses;
- Immediately suspending liquidation of all inventory maintained at the satellite warehouse; and
- Appointing a new Interim Director of Supply Management & Procurement to lead reform efforts as well as manage day to day operations of supply management and procurement.

Today, Chair Olatoye announced additional steps, including the formation of a new Supply & Inventory Management Working Group to overhaul the agency's supply chain systems. The Working Group will include representatives from the Comptroller's Office, experts in supply chain and inventory management, and HUD.

The group will be charged with:

- Reviewing reports and recommendations relating to all areas of NYCHA's supply chain and inventory management, including but not limited to the management of NYCHA's warehouses, fixed assets, storerooms and procurement;
- Making recommendations for organizational structure and staffing to ensure effective operation and oversight of supply management & procurement; and
- Reviewing and signing off on recommendations for managing NYCHA's satellite warehouses and liquidation processes

"This is why audits matter -- they target problems, identify solutions, and save taxpayers money," Stringer said. "Today, in collaboration with NYCHA's leadership, we are also taking steps to improve the lives of the 400,000 plus New Yorkers who call NYCHA home."

"We appreciate the Comptroller's partnership and remain committed to increasing transparency in the way we operate—and to do so in a way that reflects the values of this administration, our residents and employees," said Olatoye.

To read the full audit, please click [here](#).

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