

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Emergency Repair Program of the Department of Housing Preservation and Development July 1, 2000–June 30, 2002

FN04-061A

June 18, 2004



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the administration of the Emergency Repair Program of the City Department of Housing Preservation and Development (HPD). The results of our audit, which are presented in this report, have been discussed with HPD officials, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that City agencies are providing quality services to the public.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.
WCT/gr

Report: FN04-061A
Filed: June 18, 2004

Table of Contents

AUDIT REPORT IN BRIEF	1
Audit Findings and Conclusions	1
Audit Recommendations	2
INTRODUCTION	2
Background	2
Objectives	3
Scope and Methodology	3
Discussion of Audit Results	5
FINDINGS	6
RECOMMENDATIONS	7
HPD's Response	7
ADDENDUM – HPD's Response	

*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the
Emergency Repair Program of the
Department of Housing Preservation and Development
July 1, 2000–June 30, 2002**

FN04-061A

AUDIT REPORT IN BRIEF

This audit assessed the administration of the Emergency Repair Program (ERP) by the Department of Housing Preservation and Development (HPD). ERP is responsible for correcting confirmed emergency conditions in privately-owned and City-owned buildings. The HPD Central Complaint Bureau (now part of the City's 311 System) receives complaints about emergency conditions from tenants and informs the building owner of the allegation. If the condition continues to exist, verified by an HPD inspection, a "notice of violation" is issued to the owner, who is given 24 to 72 hours—depending upon the existing condition—to make the repairs. If the repair is not made, ERP either hires a contractor, using an "Open Market Order," or assigns its own employees, using its "Handyman Work Orders." In either case, once the repair is made, HPD notifies the Department of Finance (Finance) of the cost of the repair. Finance is responsible for billing the owner for the cost of repairs. If the owner fails to pay the bill within 60 days, a lien is placed on the property.

Audit Findings and Conclusions

ERP generally followed HPD's *Emergency Repair Program OMO Processing Flow* procedures when paying vendors for services performed and for documenting that the conditions noted in the complaints were corrected. Also, ERP generally followed its established procedures for documenting that the conditions were corrected when agency employees made the needed repairs. Moreover, HPD transferred the relevant information to Finance so that the landlords could be billed for the costs incurred by ERP in correcting the emergency conditions. However, the audit disclosed the following minor exceptions.

- Nine voucher packages—five of 456 Handyman Work Order packages and four of 470 Open Market Order packages—were missing from HPD's files.
- Fourteen Open Market Orders lacked authorization signatures or documents.
- ? One Open Market Order voucher package lacked a preparer's signature, and a second lacked the pre-audit certification signature.

- ? Twelve Open Market Order voucher packages did not contain the Affidavit of Work, which would indicate that a vendor completed the repair work according to the terms of the Open Market Order.

Audit Recommendations

We recommend that HPD ensure that:

- All voucher packages are accounted for by establishing a checklist to record and track voucher packages; and
- Each voucher package contains all required documents and authorizations.

INTRODUCTION

Background

HPD works to maximize the availability, affordability, and quality of housing in New York City. During the scope of this audit, HPD’s Central Complaint Bureau (now part of the City’s 311 System) received all complaints about emergency conditions from tenants in privately-owned and City-owned buildings, which are logged into the HPDInfo computer system. The HPD Central Complaint Bureau, through its “callback service,” informed the owner of the allegation and issued a “Notice of Complaint”—a copy of which is sent to the owner and the complainant. An electronic version of the complaint is forwarded to the appropriate borough’s Code Enforcement Bureau (a division of the HPD Enforcement Services Bureau) where a “call back coordinator” attempts to verify whether the emergency condition still exists. If the tenant cannot be reached or if the tenant reports that the condition still exists, an inspector is sent to observe the reported condition. Information gleaned through HPD inspections is entered into HPDInfo. If the condition has not been corrected, a “notice of violation” is issued to the owner, who is given 24 to 72 hours—depending upon the existing condition—to make the repairs.

If the repairs are not made within the 24-to-72-hour period, HPD, through its Emergency Repair Program (ERP), hires a contractor using an “Open Market Order,” or assigns its own employees to make the repair, using its “Handyman Work Orders.” In cases where the complaint involves fuel delivery or lead or asbestos testing and abatement, HPD uses vendors with whom it has annual contracts to supply the necessary services. If the complaint involves a shutoff of electricity or gas because the owner did not pay the building’s utility bill, HPD assumes the account, and pays the respective utility company to restore service to the common areas of the building.

Regardless of whether HPD employees or vendors correct the emergency condition, HPD notifies the Department of Finance (Finance) of the cost of the repair. Finance is responsible for billing the owner for the cost of the repair. If the owner fails to pay the bill within 60 days, a lien is placed on the property.

Objectives

Our audit objectives were to determine whether HPD:

- Followed its *Emergency Repair Program OMO Processing Flow* procedures when paying vendors for the services performed and for documenting that the conditions noted in the complaints were corrected; and whether it followed its established procedures for documenting that the conditions were corrected when agency employees made the needed repairs.
- Transferred the relevant information to Finance, allowing Finance to bill the appropriate landlords for the costs incurred by ERP in correcting the emergency conditions.

Scope and Methodology

This audit covered the two-year period July 1, 2000, through June 30, 2002 (Fiscal Years 2001 and 2002). To gain an understanding of HPD procedures regarding complaints received and their disposition, we interviewed management personnel, and conducted a walkthrough of operations on August 22, 2003. We familiarized ourselves with HPD's *Emergency Repair Program OMO Processing Flow* procedures and with its procedures for repairs made by its employees. We documented our understanding of these procedures through flowcharts, narratives, and memoranda.

Open Market Orders

HPD issued 11,603 Open Market Orders totaling \$12.8 million in Fiscal Year 2001, and 14,454 Open Market Orders totaling \$10.9 million in Fiscal Year 2002. For our testing, we randomly chose a sample of 235 of the 11,603 Open Market Orders, totaling \$451,020, for Fiscal Year 2001, and 235 of the 14,454 Open Market Orders, totaling \$292,252, for Fiscal Year 2002.¹

For each Open Market Order selected, we reviewed its completed voucher package to determine whether the package contained all required documentation showing that the repair was made and that the *Emergency Repair Program OMO Processing Flow* procedures were followed. In this regard, we determined whether each package contained an initial field inspection report, notarized vendor affidavits of completed work, and final inspection reports. We also determined whether the package contained the required bid documents, including all invitations to bid, bid responses, confirmation of award, vendor invoices with a certification from the vendor that the information on the invoice was correct, and proof of payment. In addition, for all construction or construction-related Open Market Orders of more than \$5,000, we determined whether the voucher package included the required HPD Engineering Audit Department approval.

¹ Our sample size was based on the expectation that the sample results would be projected to the population from which it was drawn. Our sample size was based on a confidence level of 99 percent, with an expected error rate of occurrence (the number of instances of non-compliance we expected to find in the sample) of not more than 10 percent, and with a precision level (the measure of closeness of a sample estimate to the corresponding population) of plus or minus five percent.

To determine whether HPD transferred the relevant information to Finance allowing Finance to bill the appropriate landlord for the costs incurred by ERP in correcting the emergency condition, we compared the vendor's invoice amount to the amount paid to the vendor, and to the amount shown on the HPDOnline system—an Internet website that reflects the cost of completed emergency repairs by individual location.

Handyman Work Orders

HPD issued 4,831 Handyman Work Orders totaling \$2.4 million for Fiscal Year 2001, and 4,820 Handyman Work Orders totaling \$1.7 million for Fiscal Year 2002. To determine whether HPD employees completed the repairs according to the scope of work detailed in the voucher packages, we randomly selected a sample 228 of the 4,831 Handyman Work Orders issued totaling \$106,927 for Fiscal Year 2001 and 228 of the 4,820 Handyman Work Orders issued totaling \$69,801 for Fiscal Year 2002.²

For each Handyman Work Order sampled, we reviewed the completed voucher package to determine whether it contained the initial Emergency Repair Violation Inspection-Survey Result report detailing the description of the condition, the Inventory Issued Worksheet, which lists all supplies used, and the Emergency Repair Bureau Invoice, which lists the address, and description of work. The invoice also details the labor hours, labor rate of pay, and the cost of materials used to complete the repair. In addition, we determined whether the package contained the Maintenance Mechanic Work Order that lists the description of the work required, the employee assigned the work, the estimated time needed for the repair, and the actual time it took to complete the repair. We also determined whether a tenant signed that the work was satisfactorily performed and whether the package contained final inspection results.

To determine whether HPD transferred the correct amount of the repair cost to Finance for billing, we compared the amounts on the supporting invoices and Inventory Issued Worksheets to the amounts on the Emergency Repair Bureau Invoice and to the amount listed on the HPDOnline system.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the Comptroller, as set forth in Chapter 5, § 93, of the New York City Charter.

² Our sample size was based on the expectation that the sample results would be projected to the population from which it was drawn. Our sample size was based on a confidence level of 99 percent, with an expected error rate of occurrence (the number of instances of non-compliance we expected to find in the sample) of not more than 10 percent, and with a precision level (the measure of closeness of a sample estimate to the corresponding population) of plus or minus five percent.

Discussion of Audit Results

The matters covered in this report were discussed with HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to HPD officials and was discussed at an exit conference on May 18, 2004. On May 24, 2004, we submitted a draft report to HPD officials with a request for comments. We received a written response from HPD on June 8, 2004, in which it described the actions it has taken to address the audit findings and recommendations.

The full text of HPD's comments is included as an addendum to this final report.

FINDINGS

ERP generally followed HPD's *Emergency Repair Program OMO Processing Flow* procedures when paying vendors for services performed and for documenting that the conditions noted in the complaints were corrected. Also, ERP generally followed its established procedures for documenting that the conditions were corrected when agency employees made the needed repairs. Moreover, HPD transferred the relevant information to Finance so that the landlords could be billed for the costs incurred by ERP in correcting the emergency conditions. Except for the minor issues noted in this report, we found that:

- Each Open Market Order voucher package reviewed contained initial field inspection reports, final inspection reports, invitations to bid, bid responses, and Engineering Audit Department approvals, when required;
- The amounts on the invoices and vouchers billing for all Open Market Orders and Handyman Work Orders reviewed matched the information entered into HPDInfo and the amounts transferred to Finance for billing; and
- All Handyman Work Orders contained the Inventory Issued Worksheet, the Emergency Repair Bureau Invoice, the Maintenance Mechanic Work Order, and final inspection reports.

However, we found several minor exceptions, which are discussed below.

Nine Voucher Packages Were Missing

Five of 456 requested Handyman Work Order voucher packages (three for Fiscal Year 2001 and two for Fiscal Year 2002), and four of 470 Open Market Order voucher packages (two for Fiscal Year 2001 and two for Fiscal Year 2002), were missing. Without these packages, we could not determine whether the repairs were made or whether the proper procedures were followed.

Open Market Orders Lacked Authorization Signatures or Documents

Fourteen open market orders lacked authorization signatures or required documents, as follows:

- One Open Market Order voucher package lacked a preparer's signature, and a second lacked the pre-audit certification signature.
- Twelve Open Market Orders voucher packages did not contain the Affidavit of Work, which would indicate that a vendor completed the repair work according to the terms of the Open Market Order.

RECOMMENDATIONS

We recommend that HPD:

1. Ensure that all voucher packages are accounted for by establishing a checklist to record and track voucher packages.

HPD's Response: “HPD has implemented a process for controlling the sign-out and return of voucher packages for all vouchers, which are kept on site for a minimum of three years:

- Sign-out cards and logs are filled out for all voucher packages removed from the file room—even if the records are pulled for Fiscal personnel.
- The file room staff will check (weekly) all outstanding cards with an open package return date and contact the responsible individual to determine the status of the package.

“In 2004, HPD instituted a new records management program for all agency-wide records. A centralized off-site facility is equipped with a bar coding system and is managed by the *Accutrac* records management software. Voucher packages greater than three years old are sent off-site for storage.

“These process improvements will enable HPD to better track the location and status of its files.”

2. Ensure each voucher package contains all required documents and authorizations.

HPD's Response: “HPD has developed a checklist, which will be completed by the Pre-Audit staff for each voucher package that they process for payment approval. All appropriate categories (determined by the type of voucher) for a particular voucher package will be reviewed and checked off if the paperwork is present. If paperwork is missing, the auditor will send the package back for follow-up and completion prior to approving the package for payment.”



City of New York
DEPARTMENT OF
HOUSING PRESERVATION AND DEVELOPMENT
100 GOLD STREET, NEW YORK, N.Y. 10038

SHAUN DONOVAN
Commissioner

June 8, 2004

Mr. Greg Brooks, Deputy Comptroller for Policy,
Audits, Accountancy & Contracts
Office of the New York City Comptroller
1 Centre Street, Room 530 South
New York, New York 10007-2341

**Re: Audit on the Emergency Repair Program of the Housing
Preservation and Development July 1, 200 – June 30, 2002
Audit Number: FN04-061A**

Dear Mr. Brooks:

The following represents the Department of Housing Preservation and Development's response to the recommendations made in your audit on the Emergency Repair Program.

If you have any additional questions, please have your staff call Deputy Commissioner Bernard Schwarz at (212) 863-6610.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Shaun Donovan".

Shaun Donovan



nyc.gov/hpd

AUDIT RESPONSE
NEW YORK CITY COMPTROLLERS AUDIT
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
AUDIT OF EMERGENCY REPAIR PROGRAM JULY 1, 2000-JUNE 30,2002
FN04-061A June 8 ,2004

Finding

Nine voucher packages were missing.

- Four of 470 Open Market Order Voucher Packages.
- Five of 456 requested Handyman Work Order Voucher Packages

Recommendation 1.

HPD should ensure that all voucher packages are accounted for by establishing a checklist to record and track voucher packages.

Response 1

HPD has implemented a process for controlling the sign-out and return of voucher packages for all vouchers, which are kept on site for a minimum of three years:

- Sign-out cards and logs are filled out for all voucher packages removed from the file room – even if the records are pulled for Fiscal personnel.
- The file room staff will check (weekly) all outstanding cards with an open package return date and contact the responsible individual to determine the status of the package.

In 2004, HPD instituted a new records management program for all agency-wide records. A centralized off-site facility is equipped with a bar coding system and is managed by the Accutrac records management software. Voucher packages greater than three years old are sent off-site for storage.

These process improvements will enable HPD to better track the location and status of its files.

The five (5) Handyman Work Order folders missing represents 1% of the files requested (456) by the Auditors and .05% of all Handyman Work Orders issued during the audit period. The Emergency Repair site office is responsible for the record retention of approximately 50,000 HWO files. During the past two years the site office has moved on three separate occasions, combining all Emergency Repair operations at one site office at 516 Bergen Street. It is inevitable with the many moves and the vast amount of files that some file folders may have been misplaced or misfiled. The site office has instituted the use of out cards to account for files that are removed.



AUDIT RESPONSE
NEW YORK CITY COMPTROLLERS AUDIT
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
AUDIT OF EMERGENCY REPAIR PROGRAM JULY 1, 2000-JUNE 30,2002
FN04-061A June 8 ,2004

Finding

Open Market
Orders Lacked
Authorization
Signatures or
Documents

Recommendation 2.

HPD should ensure each
voucher package contains
all required documents
and authorizations.

Response 2.

HPD has developed a checklist, which will be
completed by the Pre-Audit staff for each voucher
package that they process for payment approval.
All appropriate categories (determined by the type
of voucher) for a particular voucher package will
reviewed and checked off if the paperwork is
present. If paperwork is missing, the auditor will
send the package back for follow-up and
completion prior to approving the package for
payment.

