

AUDIT REPORT



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

Follow-up Audit Report on the New York City Housing Authority Resident Employment Program

ME08-070F

June 23, 2008



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
EXECUTIVE OFFICES
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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 responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has audited whether the New York City Housing Authority (NYCHA) implemented the six recommendations made in the *Audit Report on the Administration of the Resident Employment Program by the New York City Housing Authority* (MJ03-143A) issued on June 30, 2004.

NYCHA endeavors to provide decent and affordable housing for low- and moderate-income residents throughout the five boroughs. In addition to housing, it offers its residents opportunities to participate in a multitude of community, educational and recreational programs, as well as job readiness and training initiatives, including the Resident Employment Program. We audit programs such as this to ensure that City agencies efficiently and effectively meet their program objectives.

The results of our audit, which are presented in this report, have been discussed with officials of NYCHA, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

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

Very truly yours,

William C. Thompson, Jr.

WCT/ec

Report: ME08-070F

Date: June 23, 2008

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

**Follow-up Audit Report on
The New York City Housing Authority
Resident Employment Program**

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AUDIT REPORT IN BRIEF

This audit determined whether the New York City Housing Authority (NYCHA) implemented the six recommendations made in the *Audit Report on the Administration of the Resident Employment Program by the New York City Housing Authority* (MJ03-143A) issued on June 30, 2004. NYCHA endeavors to provide decent and affordable housing for low- and moderate-income residents throughout the five boroughs. NYCHA currently manages and maintains 343 public housing developments with 178,466 apartments (as of October 2, 2007) and approximately 400,000 residents. In addition to housing, it offers its residents opportunities to participate in a multitude of community, educational and recreational programs, as well as job readiness and training initiatives.

NYCHA's Department of Resident Employment Services (RES) implements the agency's resident employment training programs, including the Pre-Apprenticeship Program, the Resident Opportunity and Self-Sufficiency Program, and the Resident Employment Program (REP). NYCHA established REP in January 2001. REP requires that every construction and building maintenance contract in excess of \$500,000 expend 15 percent of the total estimated labor cost on hiring and/or training NYCHA residents. NYCHA has two administering departments that oversee construction and building maintenance work—Capital Projects and Operations.

The previous audit concluded that NYCHA did not have effective controls to ensure that REP was operating as intended. The agency did not have standard operating procedures for the program and did not coordinate the efforts of all parties involved in the monitoring of contractor compliance with REP. As a result, those persons charged with monitoring contractor compliance did not have a clear understanding of their responsibilities, and no one was held accountable for ensuring that contractors provided accurate information regarding resident hiring. Contractors generally did not comply with REP requirements and, in a number of instances, overstated the amount of money that went to NYCHA residents. The lack of adequate contract monitoring allowed contractors who did not fulfill their REP obligations to escape the consequences of noncompliance.

Audit Findings and Conclusions

Of the six recommendations made by the previous audit, NYCHA implemented one, partially implemented one, and did not implement four. Although NYCHA strengthened some of its controls over REP contracts, it did not implement several recommended changes that could have helped it achieve its REP goals. The agency established written procedures to manage REP contracts and monitor compliance with REP requirements. It also implemented a system to better track contracts and monitor contractor compliance with REP requirements.

However, our audit concluded that there was a significant lack of management oversight of the monitoring of REP contracts. There was little evidence of REP program coordination between RES and the administering departments. Overall, the REP program did not appear to be a high priority for the administering departments.

Audit Recommendations

To address the issues that still exist, we recommend, among other things, that NYCHA:

- Ensure that administering departments consistently provide hiring summaries and related documents to RES.
- Ensure that payments are made to contractors only if all required supporting documents, including hiring summaries, certified payrolls, and sign-in sheets, are submitted.
- Ensure that all hiring summaries are properly approved by the administering departments before contractors' requests for payment are processed.
- Impose sanctions on contractors who consistently fail to meet REP requirements.
- Revise its procedures so that compliance determinations are based in part on the milestones identified in contractors' hiring plans.
- Modify the REP hiring summary so that the contractor not only reports the total labor cost, the labor cost spent on NYCHA residents, and the percentage spent on residents, but also reports on compliance with the milestones identified in the hiring plan.

Agency Response

In its response, NYCHA agreed or partially agreed with nine recommendations and failed to address five.

INTRODUCTION

Background

The New York City Housing Authority (NYCHA) endeavors to provide decent and affordable housing for low- and moderate-income residents throughout the five boroughs. NYCHA currently manages and maintains 343 public housing developments with 178,466 apartments (as of October 2, 2007) and approximately 400,000 residents. In addition to housing, it offers its residents opportunities to participate in a multitude of community, educational and recreational programs, as well as job readiness and training initiatives.

NYCHA's Department of Resident Employment Services (RES) implements the agency's resident employment training programs, including the Pre-Apprenticeship Program, the Resident Opportunity and Self-Sufficiency Program, and the Resident Employment Program (REP). NYCHA established REP in January 2001. REP requires that every construction and building maintenance contract in excess of \$500,000 expend 15 percent of the total estimated labor cost on hiring and/or training NYCHA residents. Residents who are interested in participating in REP are required to complete an application, called the "Job Training/Section 3/Employment Referral Intake form,"¹ and attend an assessment and orientation session. Residents must be in good standing; those facing eviction proceedings because of improper or illegal conduct are not eligible. At the orientation, residents are provided basic information about the program. After completing orientation, they are included on an intake (pre-qualified) list. This list is provided to contractors who can use it to select resident hires.

NYCHA has two administering departments that oversee construction and building maintenance work—Capital Projects and Operations. Capital Projects oversees major capital projects, while Operations handles certain types of renovation projects, such as those involving elevator repairs and rehabilitation and the abatement of lead-based paint and asbestos.

RES and the administering departments are responsible for monitoring contractor compliance with REP requirements. The administering departments are responsible for ensuring that REP contracts contain the appropriate REP requirement language and that contractors prepare REP hiring plan forms, which include labor-cost estimates and milestones for meeting the 15 percent requirement. During the life of the contract, these units are in charge of reviewing contractors' requests for payment and hiring summaries for accuracy, validity, and REP compliance.

NYCHA has several databases that assist in the monitoring of REP contracts. The Bid Tracking System (BTS) tracks bids and maintains information on all bidders for a particular contract. The Economic Initiative (EI) database, which is used only by RES, tracks REP contracts, the residents employed on the contracts, and the number of hours worked. EI and BTS

¹ Section 3 of the Housing and Urban Development Act of 1968 is a federally funded program designed to provide residents in public housing developments with an economic benefit from construction work at the developments. For capital contracts valued at \$100,000 or more, contractors are urged to hire residents "to the greatest extent possible." However, there is no minimum hiring requirement as to the number of residents that contractors must hire.

are not linked. Once a contract is awarded, information on the contract is manually entered in EI. Another RES system, the Supportive Service Tracking System (SSTS), is used to generate the intake list of NYCHA residents available to work on a REP project. The Tenant Data System (TDS) provides information on all NYCHA residents. RES uses TDS to verify the residency status of residents.

On June 30, 2004, our office issued the *Audit Report on the Administration of the Resident Employment Program by the New York City Housing Authority* (MJ03-143A). The audit concluded that NYCHA did not have effective controls to ensure that REP was operating as intended. The agency did not have standard operating procedures for the program and did not coordinate the efforts of RES and the administering departments in monitoring contractor compliance with REP. As a result, those persons charged with monitoring contractor compliance did not have a clear understanding of their responsibilities, and no one was held accountable for ensuring that contractors provided accurate information regarding resident hiring. Contractors generally did not comply with REP requirements and, in a number of instances, overstated the amount of money that went to NYCHA residents. In addition, only 74 percent of the residents hired for the contracts reviewed were in fact legal residents. Furthermore, only eight percent of the labor expenditures for the contracts reviewed was paid to resident hires. The lack of adequate contract monitoring allowed contractors who did not fulfill their REP obligations to escape the consequences of noncompliance. The audit recommended, among other things, that NYCHA establish formal procedures for the REP program and improve coordination between RES and the administering departments.

Objectives

The objective of this audit was to determine whether NYCHA had implemented the six recommendations made in the June 30, 2004 audit report.

Scope and Methodology

The scope period of this audit was July 1, 2006 to June 30, 2007 (Fiscal Year 2007).

To determine whether RES implemented the previous audit's recommendations, we interviewed NYCHA personnel about the REP program, reviewed NYCHA policies and procedures regarding the monitoring of REP contracts, and conducted audit tests to assess the effectiveness of NYCHA's monitoring of REP contracts. A random sample of six REP contracts with a total value of \$10,185,482 (9%) was selected from the population of 52 REP contracts (with a total value of \$109,538,796) that were active in Fiscal Year 2007. The 52 contracts included 51 overseen by Capital Projects and one overseen by Operations. We excluded requirement contracts since such contracts are not included in the REP program. To ensure that we reviewed only contracts that are at a REP compliance stage, we also excluded contracts that were not at least 25 percent complete, which represents the first milestone for meeting the 15 percent labor-cost requirement. We requested, for each of the six contracts, the request for proposal, the letter of award, the contractor's requests for payment, the REP hiring summaries

(including the certified payroll records), prevailing wages information, and other documentation relevant to the monitoring of REP contracts.

To determine whether NYCHA established formal written procedures for REP that clearly define the responsibilities of all parties involved in the management of REP, we reviewed REP policies and procedures.

To determine whether NYCHA improved coordination between RES and the administering departments, several interviews and walkthroughs were conducted in the units and contract-related documents were reviewed. We determined whether the contractors complied with REP requirements and whether any sanctions were imposed in cases of noncompliance. In addition, we determined whether the contractors paid the residents the correct amounts by comparing hiring summaries, certified payrolls, and sign-in sheets and recalculating the amounts owed to the residents.

To determine whether the NYCHA units involved in the monitoring of REP contracts used the correct criteria to evaluate contractor compliance with REP requirements, we interviewed appropriate personnel from each unit and reviewed hiring summaries submitted by contractors on the sampled contracts. Furthermore, to determine whether NYCHA implemented controls to ensure that the NYCHA residents hired were actually working, we conducted field visits to construction sites, interviewed inspectors, and examined employee sign-in sheets.

To determine whether workers hired by the contractors were NYCHA residents, we searched the TDS system to verify that the workers were NYCHA residents at the time of employment. To determine whether hired NYCHA residents received prevailing wage rates, we compared the amounts paid to NYCHA residents for our sampled contracts to the prevailing wage rate schedules. We also compared data on these NYCHA residents in various NYCHA databases to determine whether these data were consistent.

The reliability of EI processed data was evaluated by testing the accuracy and completeness of the data. We tested the accuracy of the data by randomly selecting 12 contracts from the list of 65 REP contracts active in Fiscal Year 2007 according to the EI system. We compared the information stored in the EI system to the information in the contract files. We further tested the completeness and accuracy of the data by randomly pulling 20 contract files from filing cabinets at the RES unit and comparing the information in the contract files to the information in the EI system.

The results of the above tests, while not statistically projected to their respective populations, provide a reasonable basis for us to assess the adequacy of NYCHA's monitoring of REP contracts.

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

Discussion of Audit Results

The matters covered in this report were discussed with NYCHA officials during and at the conclusion of this audit. A preliminary draft report was sent to NYCHA officials on March 25, 2008, and was discussed at an exit conference held on April 16, 2008. A draft report was sent to NYCHA officials on May 9, 2008, with a request for written comments. We received a written response from NYCHA officials on May 23, 2008.

In its response, NYCHA agreed or partially agreed with nine recommendations and failed to address five. In its response, NYCHA stated: “NYCHA has a wide range of job training opportunities for residents. The Resident Employment Program (REP) has been a part of ongoing efforts and we recognize the programs improvements are indeed necessary. However, as a means to achieve long term job opportunities for NYCHA residents, we see REP as just one small portion of our overall effort.” NYCHA also stated: “We believe that some of the recommendations made in the Draft Audit Report will add value to the Resident Employment Program, and as indicated, will implement improvements in the program to facilitate better monitoring and coordination. NYCHA will evaluate the long term benefits of REP in light of the construction apprenticeship program and overall job training efforts.”

The full text of the NYCHA response is included as an addendum to this report.

RESULTS OF FOLLOW-UP AUDIT

Of the six recommendations made by the previous audit, NYCHA implemented one, partially implemented one, and did not implement four. Although NYCHA strengthened some of its controls over REP contracts, it did not implement several recommended changes that could have helped it achieve its REP goals. The agency established written procedures to manage REP contracts and monitor compliance with REP requirements. It also implemented a system to better track contracts and monitor contractor compliance with REP requirements.

However, our audit concluded that there was a significant lack of management oversight of the monitoring of REP contracts. There was little evidence of REP program coordination between RES and the administering departments. Overall, the REP program did not appear to be a high priority for the administering departments.

NYCHA stated that RES has been able to help many NYCHA residents obtain employment in various industries and occupations through a number of employment programs in addition to REP, such as the Pre-Apprenticeship Program and the Resident Opportunity and Self-Sufficiency Program. This audit focused on REP and did not include a review of any of the other RES employment programs, so we cannot comment on the success of NYCHA's efforts with regard to those programs.

Previous Finding: "NYCHA Management Has Not Developed Formal Procedures for REP"

The previous audit found that NYCHA had been implementing the REP program for more than three years without standard operating procedures. Significant staff and management turnover since the inception of the program exacerbated the difficulties associated with a lack of formal procedures. As a result, no clear written explanation existed of the key responsibilities for all parties associated with the program and of the controls needed to ensure that the program operated as intended. At the exit conference, NYCHA officials provided us with an initial draft of a section of the standard operating procedures for the REP program.

In the previous audit we made the following recommendation:

Previous Recommendation #1: "NYCHA should design and issue a formal written procedures manual for REP. The procedures should clearly define the responsibilities of all parties involved in REP and document the internal controls and milestones that management has developed to help ensure that the program's objectives are achieved."

Previous NYCHA Response: "We agree. In March 2004, RES completed and distributed departmental procedures outlining the responsibilities of the Section 3/Resident Employment Program specialists and the unit's monitoring processes. NYCHA's RES is working with all the cognizant departments, including Capital Projects, Equal Opportunity and Program Assessment & Policy Development to finalize the draft written procedures it currently has in place. It is anticipated that the final written procedures will be issued by the fall of 2004."

Current Status of Recommendation #1: IMPLEMENTED

Since the previous audit, NYCHA has established written procedures known as the Section 3/Resident Employment Program Monitoring and Enforcement procedures (REP procedures). The procedures define the responsibilities of the parties involved in REP and identify controls that could help ensure that the program works as intended. However, our review disclosed that these procedures were often not followed, as is shown in subsequent sections of this report.

Previous Finding: “Lack of Coordination between RES and Administering Departments Hinders NYCHA Effectiveness in Monitoring REP”

The previous audit found that because of poor coordination between RES and the administering departments, NYCHA was unable to properly monitor contractor compliance. No one was held responsible for ensuring the accuracy of the financial information reported by contractors regarding money paid to residents; no one ensured that the contractors even submitted hiring summaries. The administering departments processed the payments to contractors even when the contractors did not submit the REP hiring summaries. For example, of the 433 payment packages reviewed, only 236 (55%) contained a hiring summary. In addition, NYCHA management did not implement a system to ensure that the administering departments provided hiring summaries and payroll data to RES. Because of the poor coordination between RES and the administering departments, RES was unable to properly monitor contractor compliance.

In the previous audit we made the following recommendation:

Previous Recommendation #2: “NYCHA should coordinate the efforts of RES and the administering departments to ensure that materials are transmitted in a timely manner and that all parties know their respective roles in the administration of REP and the steps to take regarding noncompliant contractors.”

Previous NYCHA Response: “We agree. As previously mentioned in our response to Recommendation 1, the roles and processes of the Section 3/Resident Employment Program staff were distributed and reviewed in March 2004 and NYCHA anticipates issuing final procedures in the fall of 2004. These procedures will clearly define the responsibilities of each department as well as management controls, objectives and steps to be taken to ensure contractor compliance.”

Current Status of Recommendation #2: NOT IMPLEMENTED

Since the previous audit, NYCHA failed to coordinate the efforts of RES and the administering department to ensure contractor compliance with REP requirements. There was little evidence of effective management oversight of the REP program to ensure proper coordination. Neither RES nor the administering departments properly reviewed hiring summaries or payroll information for accuracy or REP compliance. As a result, non-compliant

contractors were fully paid by NYCHA. There appeared to be a significant lack of commitment in NYCHA to enforcing REP program requirements.

According to REP procedures:

“The contractor is required to report any new hires and to submit Section 3 or REP Hiring Summaries, including Payroll Forms, with their Periodical Estimate for Partial Payments to the Department administering the contract (Administering Department). The Administering Department is responsible for forwarding copies of these forms to RES. RES provides the Administering Department with such verification of residency for new hires within 24 hours from receipt. Payroll Forms, appropriate Hiring Summaries and the Periodical Estimate for Partial Payment submitted must correlate with each other to be further processed for payment. . . . If the Hiring Summary is incorrect (e.g., it contains non-Authority residents), the Periodical Estimate for Partial Payments must be returned to the contractor for modification.”

In addition, the hiring summary form states in its heading that “this Summary must be attached to your payrolls for each period invoiced or payment will not be processed.”

However, the responsible units did not take the necessary steps to comply with these procedures. As a result, the following weaknesses still exist:

Lack of Communication between the Parties Involved in REP

According to the RES unit, the administering departments often did not forward hiring summaries to RES for review, even when they were specifically requested. Hiring summaries were missing from RES files for 26 of the 29 contractor requests for payments we reviewed. Hiring summaries for 16 of these 26 requests for payment were found in the administering departments’ files. A senior official in Operations told us that hiring summaries were not forwarded to RES because the contractors needed to be paid for completed work and because recoupment for REP noncompliance could be obtained later. However, when RES does not receive hiring summaries, it cannot review them for compliance with REP requirements before payments are made either during or at the end of the contract. According to RES, implementing REP is not the top priority of the administering departments. The primary objective of the administering departments is to complete construction projects on schedule and on budget.

Estimates for Partial Payments Lack Proper Supporting Documentation

For the six sampled contracts, we reviewed 29 contractor request-for-payment packages, which should include hiring summaries, payroll information, and sign-in sheets. Contrary to REP procedures, hiring summaries were submitted by the contractor for only 19 of the 29 requests for payment. The remaining ten requests for payment did not include hiring summaries and yet were processed and paid. In addition, payroll information and/or sign-in sheets were not included in 10 of the 19 payment packages that had hiring summaries.

In one of our sample contracts, ten requests for payments provided hiring summary and labor-cost information that sometimes consolidated contractor and subcontractor data and sometimes reported the information separately, making it difficult to determine REP compliance. Nevertheless, NYCHA did not seek clarifications from the contractor and simply paid the request.

Unapproved and Inaccurate Hiring Summaries

Contractors' requests for payment must be supported by the hiring summaries, the certified payroll, and sign-in sheets. The hiring summary form requires a review and approval signature by a NYCHA employee. According to Capital Projects, an administering department inspector or supervisor must sign the hiring summary after reviewing its consistency with payroll records and sign-in sheets. However, 16 (37%) of the 43 REP hiring summaries related to the six contracts in our sample were not signed by a NYCHA employee.

Furthermore, several payments were made to contractors based on inaccurate hiring summaries. The discrepancies in the hiring summaries were due to inaccurate computation or reporting of workers' pay. Ten of the 29 payments reviewed had these kinds of discrepancies. For our six sampled contracts, three contractors overstated (by \$6,990) and five understated (by \$4,059) the labor costs paid to NYCHA residents. Some of the hiring summaries related to these ten payments were not approved by a NYCHA employee.

In addition, 5 of the 43 REP hiring summaries did not record the payroll period, and this made it difficult for us to reconcile the payroll amounts of the resident hires. Inaccurate hiring summaries should have been returned to the contractors as required by the procedures. Instead, the contractors' requests for payment were approved.

For the REP hiring summaries to allow RES to efficiently monitor resident hiring, they should be accurate and approved. Inaccurate hiring summary amounts can lead to RES receiving incorrect information from the administering departments on contractor compliance with the REP requirement. NYCHA should reinforce controls over the processing of REP hiring summaries so that no payments are made without proper approval.

No Action Taken in Case of Noncompliance

As a result of an apparent lack of NYCHA commitment to the REP program, no action was taken when contractors did not comply with REP requirements. None of the six contracts in our sample met the 15 percent REP requirements, yet there was no evidence that any sanctions were imposed on any of these contractors for noncompliance (see Table I below).

Table I
Sample Contract Compliance and Sanctions Imposed

	Contract Amount	Percentage of Construction Contract Completed	Total Labor Costs	NYCHA Resident Labor Costs	Percentage of Labor Costs Paid to NYCHA Residents	Number of NYCHA Residents Hired	Sanction Imposed
1	\$567,467	35%	N/A*	\$6,525	N/A*	1	none
2	\$940,000	63%	N/A*	\$0	0%	0	none
3	\$469,000	82%	N/A*	\$2,100	NA*	1	none
4	\$868,000	86%	\$74,489	\$1,696	2%	1	none
5	\$6,741,015	100%	\$1,196,208	\$79,676	7%	4	none
6	\$600,000	100%	\$248,739	\$31,398	13%	3	none

*NYCHA could not provide information on labor costs because either the hiring summary was not provided or it was completed incorrectly.

RES officials told us that they have no power to enforce REP compliance because they can only make recommendations to the administering departments to recoup part of the contractor's retainage. One Capital Projects official stated that they would rather work with the contractors and urge them to hire residents than force them to do so.

However, Section 48A of the Instructions to Bidders and General Conditions for NYCHA Contracts states that "the Contractor shall, and is hereby required to, expend not less than 15 percent of the total labor cost (including fringe benefits) . . . to unemployed legal residents of Authority developments." It also states that "the Contractor's noncompliance with the provisions of Section 48A (a) shall constitute a breach of this Contract and may result in sanctions, default, and/or a finding of non-responsibility with respect to future contracts with the Authority." Therefore, the administering departments are authorized to impose sanctions against the contractors who do not comply with REP requirements. A reluctance to impose sanctions on contractors who consistently fail to meet REP requirements may encourage contractors to disregard the REP provision of their contracts.

Toward the end of this audit, a senior official at RES told us that one contractor who did not comply with REP requirements will now be sanctioned by the administering department if the 15 percent requirement is not met by the end of the contract. That contractor had spent only seven percent of the total labor cost on NYCHA residents at 80 percent completion of the contract; according to the same official, \$738,482 will be recouped if it is not spent on NYCHA residents to meet the 15 percent requirement by contract completion.

A serious lack of NYCHA management oversight and commitment to the REP program resulted in program goals not being achieved. By not effectively coordinating the efforts of RES and the administering departments and by not enforcing REP requirements, NYCHA allowed contractors to largely ignore the REP provision of their contracts.

Recommendations

To address the issues that still exist, we recommend that NYCHA:

1. Ensure that administering departments consistently provide hiring summaries and related documents to RES.
2. Ensure that payments are made to contractors only if all required supporting documents, including hiring summaries, certified payrolls, and sign-in sheets, are submitted.
3. Ensure that all hiring summaries are properly approved by the administering departments before contractors' requests for payment are processed.
4. Ensure that hiring summaries and supporting documentation are accurate before any payment is processed.

Agency Response: "Following a review of NYCHA's current Standard Procedures – 001:04:1 – Section 3/Resident Employment Program Monitoring and Enforcement, it is evident that established procedure is adequate to cure the auditors' findings and recommendations, but it has to be effectively enforced by staff. To this end, Capital Projects Department (CPD) will ensure that its construction project managers who oversee the projects in the field, and review and approve contractor payments follow the procedure for Section 3/REP enforcement. Additionally, the Technical Support Unit of CPD will randomly review contractor payments to ensure compliance."

5. Impose sanctions on contractors who consistently fail to meet REP requirements.

Agency Response: NYCHA partially agreed with this recommendation but stated: "Given the inherent limitations of the Section 3/REP program, which make it difficult or not cost-effective to impose sanctions on contractors, the Authority continues to research ways to improve its operations and make its residents self-sufficient."

Auditor Comment: NYCHA does not identify the "inherent limitations" of the REP program that "make it difficult or not cost-effective to impose sanctions on contractors," or explain how these limitations have this result. The contract provides NYCHA with discretion as to the imposition of sanctions, but if NYCHA rarely imposes sanctions on contractors who consistently fail to meet REP requirements, then contractors may be encouraged to disregard the REP provision of their contracts.

Previous Finding: "Specialists Use Inappropriate Criterion in Monitoring REP Compliance"

The previous audit found that RES specialists generally did not use the appropriate criterion when monitoring contractors for compliance with REP. Specialists evaluated

contractors based solely on the number of residents hired rather than the REP criterion, which is that 15 percent of the total labor costs should be directed to resident hires.

In the previous audit, we made the following recommendation:

Previous Recommendation #3: “NYCHA should ensure that specialists use the correct criterion—the percentage of total labor costs that are paid to NYCHA residents—to evaluate contractor compliance with REP hiring requirements.”

Previous NYCHA Response: “We agree. Internal staff training on Section 3/Resident Employment Program procedures has been implemented to ensure uniformity throughout the unit in monitoring contracts and contractor compliance. Section 3 specialists are aware of proper criteria when evaluating contractor compliance with respect to Resident Employment Program hiring requirements. Additionally, Department of Equal Opportunity (DEO) will assume a more active role, from the start of contract to its completion, and monitor contractor compliance with respect to prevailing wages and ensure that the appropriate labor costs are directed to resident hires by examining Hiring Plans and Payroll forms. DEO will forward findings to RES and administering departments.”

Current Status of Recommendation #3: PARTIALLY IMPLEMENTED

Since the previous audit, RES and the administering departments have been using the percentage of the total labor cost paid to resident hires, rather than the number of residents hired, to evaluate contractor compliance with REP hiring requirements. However, the compliance evaluations are not being done based on milestones stated in the contractors’ hiring plans. Those milestones are benchmarks that the contractor agreed to accomplish at 25, 50, 75, and 100 percent of contract completion to make progress toward and ultimately meet the REP requirement. Instead, at each payment request by the contractor, RES and the administering departments only reviews contractor compliance based on the 15 percent requirement.

While 15 percent of total labor costs has to be spent on NYCHA resident hires by the end of the contract, the milestones stated in contractor’s hiring plans should also be considered in reviewing the amounts that a contractor should spend on resident hires at each stage of contract completion. For example, a contractor may have planned to hire more NYCHA residents early in the contract and fewer during later stages. In such a case, only enforcing the 15 percent standard for an early milestone might increase the chances of noncompliance later. When we brought this to the attention of NYCHA officials, they agreed to take into account the milestones included in hiring plans in the monitoring of REP contracts.

By assessing contractor performance based on contractors’ hiring plans, NYCHA can inform contractors when they are deviating from their own REP goals. While the hiring summary form would need to be slightly revised to capture milestone compliance information, NYCHA might achieve better compliance with the REP requirement by more closely reviewing the contractors’ compliance with their own hiring plan milestones.

Recommendations

To address the issues that still exist, we recommend that NYCHA:

6. Revise its procedures so that compliance determinations are based in part on the milestones identified in contractors' hiring plans.
7. Modify the REP hiring summary so that the contractor not only reports the total labor cost, the labor cost spent on NYCHA residents, and the percentage spent on residents, but also reports on compliance with the milestones identified in the hiring plan.

Agency Response: "Agree. ... The Executive Management of NYCHA will re-evaluate the cost benefit of the entire REP Program, notwithstanding the planned integration of the CM Build Apprenticeship Program, which offers a wider margin of opportunity to residents. Given the temporary and ad hoc selection of residents within the current REP requirements, the current REP program must be reevaluated."

Previous Finding: "RES Does Not Know the Number of REP Contracts"

The previous audit found that RES was unable to provide an accurate list of all contracts participating in the program. The initial contract list contained Section 3 and requirement contracts as well as REP contracts. NYCHA provided several additional lists, but all of them contained significant inaccuracies. RES officials attributed the problem to database weaknesses.

In the previous audit, we made the following recommendation:

Previous Recommendation #4: "NYCHA should develop an accurate listing of all contracts participating in REP."

Previous NYCHA Response: "As mentioned in the Exit Conference, we believe our current computer system has an up-to-date listing of all contracts participating in Resident Employment Program. Our inability in the past to provide such a list was a result of loss of records due to destruction of our 90 Church Street facilities caused by the September 11 attack."

Current Status of Recommendation #4: NOT IMPLEMENTED

RES was still unable to provide an accurate list of all REP contracts. The REP contract list provided to us by RES on August 20, 2007, was inaccurate.

In response to our request for a list of all REP contracts that were active in Fiscal Year 2007, RES provided a list of 65 contracts. However, only 52 of these 65 contracts were REP contracts. Of the remaining 13 contracts, ten were requirements contracts, two were Section 3

contracts, and one was mistakenly classified as a REP contract even though the contract amount was for under \$500,000.

One possible reason for the inaccurate list is that the BTS system, which tracks bids for these contracts, does not interface with the EI database used by RES to identify REP contracts. Therefore, contract information is not automatically transferred to EI once the contract is awarded. Data entry of this information is required. If these two systems were linked, the risk of data entry errors would be reduced, and EI contract information could become more reliable.

For 12 randomly selected contracts that were on the August 20, 2007 list, we compared EI data to information in the contract files and found that the EI data was often inaccurate. We further tested the completeness and accuracy of EI data by randomly pulling 20 contract files from filing cabinets at the RES unit and comparing the information in these files to EI data. The EI system only identified 19 of these 20 contracts, and the EI data on these contracts was often inaccurate.

NYCHA's inability to produce an accurate list of REP contracts raises further questions about its ability to effectively monitor REP contracts and meet its program goals.

Agency Response: NYCHS disagreed with the finding, stating: "The auditor did not take into consideration the difference between the language in the Requirement Contract versus the language in the REP contract. Of the 65 contracts reviewed, 63 were correctly identified as REP contracts as all were bid with REP language incorporated. The two contracts incorrectly identified as REP contracts which were actually Section 3 contracts, these were ME5011473 and GR0300021. ... The breakdown is as follows:

- The ten (10) requirements contracts were REP contracts since they were all bid with REP language incorporated. The audit covered contracts open between July 1, 2006 and June 30, 2007. As per e-mail correspondence between NYCHAs Law Department, Capital Projects, Resident Employment Services and Technical Services the decision to bid requirement contracts as Section 3 instead of REP contract was not made until October 2007. In addition, in November 2007 NYCHA's Law Department further clarified that once a contract is bid as a REP contract this status cannot be changed unless the contract is re-bid.
- Contract Number EL6008436, which was for under \$500,000, was also bid with REP language and therefore had to be handled as a REP contract."

Auditor Comment: As we stated above, only 52 of the 65 construction and building maintenance contracts identified by NYCHA as having been REP contracts during Fiscal Year 2007 were in reality REP contracts. As NYCHA acknowledges, two of the contracts were Section 3 only contracts (not involving REP) and one was for under \$500,000 and, therefore, ineligible for REP. Although in its written response NYCHA now claims and provides internal e-mails indicating that the 10 of the 65 contracts that were requirement contracts were in fact REP contracts, this information contradicts the information that NYCHA provided to us during the audit. Not only were the November

2007 e-mails attached to NYCHA's response not shared with us during the audit, other e-mails sent to us during the audit provided a different conclusion on the question of whether requirement contracts could be REP contracts.

In an e-mail sent to us on October 24, 2007, NYCHA officials stated that their Law Department had provided the following statement on the issue: "REP is a program that NYCHA developed and is not required by federal regulations. As mentioned below, its application to a requirements contract is particularly difficult as it is not certain how much money will be expended, therefore committing to expend 15% of total labor costs on NYCHA resident labor does not make sense as the projected vs actual labor costs could be severely different (the expenditure of this 15% is a contract requirement and not a 'greatest extent feasible' standard). Therefore, in requirements contracts above \$500,000, there would not need to be REP language or a REP plan." In addition, according to an internal NYCHA e-mail, both dated and forwarded to us on October 26, 2007, "*there has been an understanding or an unwritten rule that requirement contracts are not awarded REP.*" (Italics added.) Accordingly, our finding remains.

Recommendations

To address the issues that still exist, we recommend that NYCHA:

8. Ensure that only contracts that meet REP requirements are classified as REP contracts. RES should institute a regular review of its REP contracts list to ensure that it is complete and accurate.
9. Consider linking the BTS system to the EI database so that contract information is automatically transferred from BTS to EI once contracts are awarded.

Agency Response: NYCHA failed to address these two recommendations in its response.

Previous Finding: "Limited Controls to Ensure That Resident Hires Are Actually on the Job and Working"

The previous audit reported that inspectors of the Contact Compliance Unit (which was part of RES) were responsible for visiting work sites and ensuring that residents were working. The inspectors conducted three to four site visits each day. The previous audit found that the site visits conducted by these inspectors were usually cursory, since the inspectors did not bring information with them on which residents worked at the sites. Moreover, there were no records at the sites of the resident hires who reported to work the day the inspectors visited the sites. Therefore, the inspectors had to rely on the contractor to inform them of the persons who were working that day.

In the previous audit, we made the following recommendation:

Previous Recommendation #5: “NYCHA should institute better controls to verify that NYCHA residents whom the contractors reportedly hire are actually on the job and working.”

Previous NYCHA Response: “We agree. As stated in the audit report, contractors and employees, including resident hires, are required to sign in at their work sites at the start of the day. Additionally, the final procedures will outline the department responsible for verifying that residents are actually on the job.”

Current Status of Recommendation #5: NOT IMPLEMENTED

Since the previous audit, NYCHA has implemented some procedures for tracking resident hires at the job sites, including requiring workers to sign in and sign out every workday. Those sign-in sheets are maintained by the administering departments. However, the Contract Compliance Unit has been disbanded, and REP procedures do not designate the unit or persons responsible for periodically performing site visits to ensure that resident hires are present at the construction sites and working. According to RES, Department of Equal Opportunity (DEO) inspectors conduct surprise visits at the job sites to verify rosters and ensure that the workers are present. However, DEO officials told us that they monitor contractor compliance with prevailing wage requirements, not with REP requirements.

In the absence of periodic site visits to ensure that resident hires are at the construction sites, the administering department and RES rely on the sign-in sheet and the certified payroll to confirm that the residents have been working. However, in our sample, as stated above, for 10 of the 29 requests for payment reviewed, contractors did not submit sign-in sheets or payroll information along with the hiring summaries.

According to REP procedures:

“Failure of the contractor to adhere to this procedure, . . . [on] the Contractor Daily Sign-in Sheet, may result in the levying of monetary fines from the contractor’s account, under the contract or under any other contract between the contractor and the Authority.”

However, there was no evidence that any sanctions were imposed on contractors for a failure to submit sign-in sheets.

By not monitoring the residents hired to work at NYCHA construction sites, the agency is allowing contractors to report resident hires who may not be actually working. To ensure an effective monitoring of resident hires, NYCHA should specify in its procedures the department responsible for periodically conducting on-site inspections and reporting on the work status of resident hires.

A senior Capital Projects official told us that a new unit, Quality Assurance, is being created that will be responsible for verifying contractor compliance with REP requirements, including conducting periodic site inspections to verify that resident hires are working at the site.

Recommendations

To address the issues that still exist, we recommend that NYCHA:

10. Clearly specify in its procedures the unit responsible for periodically verifying that resident hires are actually working at REP construction sites.

Agency Response: “As part of the recent reorganization of the Capital Projects Department, the Deputy General Manager has implemented monitoring controls and has assigned respective staff to inspect construction sites periodically to assess the work actually performed.”

11. Impose appropriate sanctions when contractors fail to submit sign-in sheets, as stated in REP procedures.

Agency Response: “NYCHA will review the current procedures and evaluate the documentation on a per contractor basis. . . . The Authority will re-evaluate the current REP program with the objective of making the residents more self-sufficient.”

Previous Finding: “Lack of Adequate Controls over the Reporting of Resident Hires”

The previous audit found that there were discrepancies in the number of resident hires between the residency information extracted by a TDS clerk from the TDS database, the Contracts Hiring Summary Data Entry report, which was an online report into which the clerk entered the extracted information, and the Contractor History Report, which was maintained by RES specialists and was based on residency verification summaries received from the TDS clerks. For the nine sampled contracts reviewed during the previous audit, there were 57 legal resident hires verified in TDS, but only 36 were included in the Contract Hiring Summary Data Entry Report and only 38 were included in the Contractor History Report. These numbers should have agreed because they were all based on TDS information. The previous audit concluded that these discrepancies adversely affected NYCHA’s ability to accurately assess contractor compliance.

In the previous audit, we made the following recommendation:

Previous Recommendation #6: “NYCHA should reconcile the residency-hiring information recorded in the Section 3 and contractor history report databases so that the information in both databases agrees and is accurate.”

Previous NYCHA Response: “We agree. The department is currently reviewing and evaluating all existing databases in the Section 3/Resident Employment Program with the goal of streamlining and integrating all functions and applications. We anticipate this process will take approximately four to six months.”

Current Status of Recommendation #6: NOT IMPLEMENTED

RES is still using TDS, the Contracts Hiring Summary Data Entry Report (now known as the Hiring Summary Report), and the Contractor History Report to monitor resident hires. A RES specialist first verifies the residency status of new hires in TDS and generates a printout of this information to be used to update the other reports.

In our sample, the information on resident hires in TDS, the Hiring Summary Report (an EI report), and the Contractor History Report (a stand-alone report) did not agree. Only 10 of the 12 resident hires reported by contractors on hiring summaries for our six sampled contracts could be verified as legitimate NYCHA residents in TDS. (The two hires whose residency was not verified in TDS led to one contractor overstating resident labor costs by a total of \$9,513.) In addition, the Hiring Summary Report did not include five of the ten hires verified in TDS and included one of the two hires not verified in TDS. In fact, the Hiring Summary Report function in EI did not provide any hiring information on one of the five sampled contracts for which a NYCHA resident was hired. This conflicted with the Contractor History Report which showed that a NYCHA resident was hired to work under the contract. To effectively monitor and assess contractor compliance with REP requirements, NYCHA should establish sound controls over the residency verification process for new hires and ensure the accuracy and completeness of Hiring Summary Report information.

Unlike the Hiring Summary Report, the Contractor History Report does not identify individual resident hires; it only provides information on the total number of resident hires. However, the Contractor History Report does include contract amount, contract completion, and resident labor-cost information unavailable in the Hiring Summary Report. The Hiring Summary Report also lacks request-for-payment, total labor cost, and hiring milestone compliance information. Since the Hiring Summary Report in EI is an online report, it could be a more effective monitoring tool than the Contractor History Report, which is a stand-alone report. Adding key Contractor History Report data and request-for-payment, total labor cost, and hiring milestone compliance information to the Hiring Summary Report in EI could better enable RES to monitor contractors' REP compliance.

Agency Response: NYCHA disagreed with the finding that the Hiring Summary Report did not include five of the ten hires verified in TDS. NYCHA stated: "This audit comment is inaccurate. All ten hires were verified in TDS. Only one of those ten hires was erroneously excluded from the Hiring Summary Report. The breakdown is as follows:

- Five (5) of the ten hires were verified by the Department administering the contract and were included in the Hiring Summary Report.
- One (1) hire was inadvertently excluded from the EI database.
- Three (3) residents were reported by the contractor as having been hired. Since, at the time of the audit, that information had not yet been verified by the Department administering the contract; those three residents were not included in the EI database. Only after confirmation of employment are reported hires entered into the database.

- One (1) resident was not counted because this contract had been closed and forwarded to NYCHA’s Law Department for non-compliance. The folder reviewed was a copy of the original folder and was kept in Resident Employment Services’ files pending a decision from the Law Department. Confirmation of this hire was not received from the Department administering the contract until after the contract had been closed and Law Department review of this contract had commenced.”

Auditor Comment: Of the five resident hires who we stated above were not listed on the Hiring Summary Report, NYCHA stated that one was erroneously excluded, that three were not included by RES because the employment information had not been verified by the administering department, and that one was not included by RES because the employment verification was not received from the administering department until after the contract was closed. This “explanation” by NYCHA is actually an admission that there was an inadequate sharing of REP information between RES and the administering departments. We found that the administering departments did have payroll information on all five of the resident hires who RES did not include in its Hiring Summary Report.

Agency Response: NYCHA disagreed with the finding that the Hiring Summary Report function in EI did not provide any hiring information on one of the five sampled contracts for which a NYCHA resident was hired. NYCHA stated: “It is not clear which contract this pertains to. Based on a review of the Preliminary Draft, in which similar language was used in regard to ‘two of the six sampled contracts’ and the attachments to this Preliminary Draft, an explanation follows for each of the two contracts:

- For contract # ME0200012 the only hire was reported by the contractor as a NYCHA resident but this was never confirmed by the administering department.
- For contract # ME4000098, the NYCHA hire was actually the principal of a Resident Owned Business. He was hired by the contractor but was not allowed to work because he had not been pre-qualified by the Authority.”

Auditor Comment: Upon receipt of the draft report, NYCHA had the option of contacting us if it needed a clarification on any of the findings presented in the report. NYCHA elected not to do so. In fact, we were referring to contract #ME0200012. Again, NYCHA’s “explanation” for its handling of this contract is simply an admission that the coordination between RES and the administering departments was inadequate. The administering department maintained payroll information on the resident hired under the contract but this information was not shared with RES on a timely basis.

Recommendations

To address the issues that still exist, we recommend that NYCHA:

12. Ensure the accuracy and completeness of Hiring Summary Report information and its consistency with residency information in TDS.

Agency Response: NYCHA failed to address this recommendation in its response.

13. Consider entering key Contractor History Report data and request-for-payment, total labor cost, and hiring milestone compliance information into the Hiring Summary Report in EI.

Agency Response: NYCHA failed to address this recommendation in its response.

New Issue

Of the ten resident hires for the six contracts in our sample, one worker was not paid according to the prevailing wage schedule for the contract. This resident hire, who was an unskilled laborer, was paid the proper hourly wage of \$28.74, but there is no evidence that the worker was paid the additional hourly fringe benefit of \$14.64 indicated in the wage schedule for this contract. NYCHA was only able to provide us with one daily sign-in sheet for this resident hire, even though the person worked for ten days under this contract.

Agency Response: “The details to this finding identified by the NYC Comptroller’s audit team is listed as a ‘new issue’ and was not discussed with NYCHA officials at the exit conference held on Wednesday, April 16, 2008. Additionally, no details were provided in the draft report dated May 9, 2008 to support this finding. As a result, NYCHA cannot respond effectively and accurately to a finding that is not supported by concrete evidence.”

Auditor Comment: We are puzzled by NYCHA’s response. NYCHA’s inference that it was unaware of this finding until it received the May 9, 2008 draft report is wholly inaccurate. This finding was presented to NYCHA in the preliminary draft report issued on March 25, 2008. Moreover, NYCHA was provided the contract number and the name of the resident hire relative to this finding on March 26, 2008, three weeks before the exit conference held on April 16, 2008.

Recommendation

To address this new issue, we recommend that NYCHA:

14. Ensure that all resident hires receive no less than the minimum wage and benefit amounts stipulated in contracts’ prevailing wage schedules.

Agency Response: NYCHA failed to address this recommendation in its response.



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May 23, 2008

Mr. John Graham
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
The City of New York
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

RE: Draft Audit Report on the Follow-up
Audit report on the New York City Housing Authority
Resident Employment Program
Audit Number ME08-070F

Dear Mr. Graham:

Thank you for your draft audit report commenting on your follow-up of the New York City Housing Authority's Resident Employment Program. We have reviewed the report and our comments on the audit are listed below.

As indicated by the Authority's long commitment to providing high quality services to residents and as outlined in our June 18, 2004 response to your Draft Audit report dated June 18, 2004, NYCHA is fully committed to creating job opportunities for its residents. To this end, in 2005, the New York City Housing Authority (NYCHA) implemented a Pre-Apprenticeship Training Program (P-ATP) under the Construction Management (CM) Build program. The purpose of the P-ATP is to create permanent, highly skilled, and highly paid trades' apprenticeship jobs for NYCHA residents and Section 8 tenants. NYCHA contracted with "The Edward J. Malloy Initiative for Construction Skills, Inc." (CS) to conduct the P-ATP. CS is a Not-For-Profit educational corporation chartered to address training and employment issues affecting New York City's building and construction industry. The contract is for three years with options for two successive one year renewals. CS provides recruitment, assessment, training, and supportive services to qualified Housing Authority residents and Section 8 tenants. This will lead to successful and continuing enrollment and retention in State-certified apprenticeship programs.

The P-ATP covers the following: an overview of the various trades; safety training; identification of and handling of construction industry tools; spatial relation skill development; physical fitness program; professional development and job readiness workshops; counseling/case management; and, simulated on-the-job training.

NYCHA's Resident Employment Services (RES) administers the contract and assists CS with recruitment activities and referrals.

Under the terms of the contract CS will place a minimum of 300 NYCHA residents and Section 8 tenants who have successfully completed the P-ATP into Apprenticeship Programs- programs certified by the New York State Department of Labor that provide training to prepare individuals for careers as skilled crafts practitioners.

In 2007, 132 NYCHA residents and Section 8 tenants completed training and 70 have been placed in Apprenticeship Programs by CS. In total 125 NYCHA residents have been placed in Apprenticeship programs by CS.

NYCHA has a wide variety of other, high quality jobs training programs for residents, many in partnership with premier organizations. Outlined below is a summary of some of these efforts.

FY2005 RESIDENT OPPORTUNITY AND SELF-SUFFICIENCY/ RESIDENT SERVICE DELIVERY MODEL GRANT

On July 22, 2005 NYCHA submitted an application with LaGuardia Community College (LCC), and the College of Staten Island (CSI) as partners to the United States Department of Housing and Urban Development (HUD) for a three year grant under HUD's Resident Opportunity and Self-Sufficiency/Resident Service Delivery Model (ROSS/RSDM)-Family Program to provide a range of comprehensive career training options that give residents a real choice in the direction of their future careers. Under the grant, 150 residents will be trained. LCC will train 100 residents and CSI will train 50. The agreement between HUD and the New York City Housing Authority (NYCHA) was executed on August 28, 2006.

NYCHA recruits residents for the program as well as oversee and monitor overall program implementation and expenditures. LCC and CSI are responsible for the day-to-day operation of the training programs, meeting program goals and objectives and providing necessary reports to NYCHA.

PROGRAM DESCRIPTIONS

CSI offers the following training options for 50 residents: Modern Bookkeeping Systems, Legal Assistant, Teacher Assistant, Certified Nursing Assistant, Phlebotomy Technician, Adult Education, Emergent Worker and Hospitality Industry Training. LCC offers the

following training options for 100 residents: Emergency Medical Technician, Certified Nurse Aide, Retail Sales, Food Service, Security/Fire Guard, Bank Teller, Hospitality, Pharmacy Technician and GED Prep for Youth and Adults.

Resident Employment Services (RES) Applicable to both the ROSS 2005 and 2006 Programs

The Assessment Unit of RES provides NYCHA residents aged 18 and above who are unskilled or under-skilled, with career guidance and referrals to training programs such as ROSS 2005 that will enhance their marketable skills. In conjunction with the Assessment Unit, the Intake and Validation Unit staff conducts intake of residents recruited through various outreach efforts. Outreach efforts include presentations to community center staff, attendance at TA meetings and presentations at RES resident workshops.

RES provides services to residents city-wide at two different site locations. The first site, our main office located in downtown Brooklyn, primarily services residents in Staten Island, Brooklyn, and Queens. The second site, our satellite office located at Carver Houses in Manhattan, primarily services residents in Manhattan and the Bronx. Interested residents are referred to the ROSS 2005 and ROSS 2006 programs.

In 2007, 57 NYCHA residents enrolled; 15 completed training; and 2 have been placed in employment. In addition, 22 residents were enrolled in the ROSS 2006 Program.

FY2006 RESIDENT OPPORTUNITY AND SELF-SUFFICIENCY/ RESIDENT SERVICE DELIVERY MODEL GRANT

On August 9, 2006 NYCHA submitted an application with City College of New York Adult and Continuing Education (CCNY/ACE), Year Up, and New York Career and Employment Services (NYCES) as partners to the United States Department of Housing and Urban Development (HUD) for a three year \$986,645.56 grant under HUD's Resident Opportunity and Self-Sufficiency/Resident Service Delivery Model (ROSS/RSDM) Program to provide training opportunities in Building Maintenance, Administrative Assistant and Information Technology for 175 residents. CCNY/ACE will train 100 residents; 50 will be trained by NYCES and 25 residents will be trained by Year Up. The agreement between HUD and the New York City Housing Authority (NYCHA) was executed on April 10th, 2007.

NYCHA recruits residents for the program as well as oversee and monitor overall program implementation and expenditures. CCNY, Year Up and NYCES are responsible for the day-to-day operation of the training programs, meeting program goals and objectives and providing necessary reports to NYCHA.

City College of New York

The training program was created to address the growth projected in this occupation, Administrative Assistant, as documented by the New York City Department of Small Business Services. The program trains participants in entry-level computer skills using popular office computer software, and to develop or strengthen the communication and office management skills needed to provide administrative support in an office environment. The program will target NYCHA residents 18 years or older, with GED or High School diplomas. The twelve week program includes the following courses:

- **Introduction to Computers:** This three week workshop provides inexperienced computer users with a basic understanding of the world of computing.
- **Computer Basics:** Hands-on course for beginners. This course covers the fundamentals of computers and provides an introduction to the Windows operating system. This course prepares the Participant for Word XP, Excel XP, and Access XP.
- **Keyboarding:** Touch-type teaching on a keyboard.
- **Computer Technology I:** This course teaches the world's leading processing program, Microsoft Word XP. Participants will learn how to create letters and similar documents, columns, tables and headers and footers; use drop-down menus, templates, editing techniques, tabs, the find and replace function, the thesaurus; change line spacing; and apply styles.
- **Computer Technology II:** This course teaches advanced Word formatting features, including mail merge, and PowerPoint basics, including creating presentations, preparing to deliver a presentation and working with a slideshow.
- **Office Management:** This course provides participants with the skills needed to succeed in today's office environment. It includes technical skills, "soft skills" and communication and management skills required by most employers.

Participants may choose among morning, evening and weekend Training Cycles, each totaling twelve hours per week. The morning Training Cycle will be held four days a week, Monday through Thursday. The evening and weekend Training Cycle will be held three days a week, Tuesday and Thursday nights for three hours each and Saturday for six hours.

New York Career and Employment Services (NYCES)

The NYCES training program consists of maintenance training for NYCHA participants who score at least a 5th grade reading and math level. The maintenance training is scheduled to meet twice a week and participants are provided with employable skills training. The participants gain marketable skills in janitorial, carpentry, housekeeping and custodial. Hands on training is provided in floor care, operating buffers, basic electrical, wall paper and tile, lock installation and basic plumbing. The participants receive an overview and learn the definitions of building maintenance for residential and commercial buildings. They will also learn the importance of safe work habits and safety regulations. Professional Development in which the participant receives classroom training on interviewing techniques, resume writing, and the hidden job market are also

provided. Participants will be placed in gainful employment in the salary range of \$7.50 to \$12.00 per hour in the capacity of porter, building maintenance worker, superintendent, housekeeper or groundskeeper. Upon completion the participant receives a certificate of completion with a picture attached along with referrals to interviews for available positions.

Year Up

Year Up is a one-year intensive education and apprenticeship program for urban young adults, ages 18-24, founded in 2000 in Boston, Massachusetts. Year Up opened its New York City office in 2006. Their mission is to close the Opportunity Divide by providing urban young adults with the skills, experience and support that will empower them to reach their potential through professional careers and higher education. Year Up's high support/high expectation model combines marketable job skills training, life skills training, stipends, paid apprenticeships, college credit, a behavior management system and multiple levels of support to place urban young adults on a viable path to economic self-sufficiency.

Year Up serves urban young adults who have a high school diploma or GED. During the first six months, students attend classes at Year Up, learning technical skills that allow them to succeed in entry-level Information Technology and Investment Operations positions without a college degree. They also study critical academic, professional and communications skills and have the opportunity to earn up to 16 transferable college credits from their academic partner, Pace University. During the second six months, Year Up students gain experience in paid apprenticeships at leading corporations. These apprenticeships provide corporate partners with a valued service: pre-trained, pre-screened, diverse entry-level talent, while offering students the opportunity to demonstrate their value and forge mentoring relationships that often result in post-apprenticeship employment offers.

Year Up's high standards extend to their rigorous academic program. Classroom-based education focuses on technical, professional and business communication skills. In the technical area, students learn how to provide Desktop Support/IT Helpdesk services or back-office support to investment transactions (Investment Operations). The Year Up curriculum is informed by their corporate partners, ensuring their students receive the training that will prepare them for the demands of the workplace. Professional and business communications training helps students develop the skills required to succeed in business and academic settings, including how to write effectively, speak correctly, negotiate and interact with others professionally. Their academic rigor has been recognized by Pace University. Year Up students who successfully complete the program earn up to 16 transferable college credits, a partnership that has received national recognition.

After completing the six months of training, students are placed in paid six-month apprenticeships. This gives students the opportunity to gain experience, apply their skills, and broaden their industry contacts. Year Ups apprentices work at Carlyle Group,

JPMorgan Chase, Lehman Brothers, Marsh & McLennan Companies, Merrill Lynch, Bank of America, Morgan Stanley, American Express and Mount Sinai Medical Center.

Overall in 2007 Resident Employment Services assisted 364 NYCHA residents secure employment in various industries and occupations including the above mentioned program job placements.

As outlined above, NYCHA has a wide range of job training opportunities for residents. The Resident Employment Program (REP) has been a part of ongoing efforts and we recognize the programs improvements are indeed necessary. However, as a means to achieve long term job opportunities for NYCHA residents, we see REP as just one small portion of our overall effort. Listed below are specific responses to audit findings.

Comptroller Recommendation 1-4

1. Ensure that administering departments consistently provide hiring summaries and related documents to RES
2. Ensure that payments are made to contractors only if all required supporting documents, including hiring summaries, certified payrolls, and sign-in sheets, are submitted.
3. Ensure that all hiring summaries are properly approved by the administering departments before contractors' requests for payments are processed.
4. Ensure that hiring summaries and supporting documentation are accurate before any payment is processed.

NYCHA Response to Recommendations 1-4

Following a review of NYCHA's current Standard Procedure – 001:04:1 – Section 3/Resident Employment Program Monitoring and Enforcement, it is evident that established procedure is adequate to cure the auditors' findings and recommendations, but it has to be effectively enforced by staff. To this end, Capital Projects Department (CPD) will ensure that its construction project managers who oversee the projects in the field, and review and approve contractor payments follow the procedure for Section 3/REP enforcement. Additionally, the Technical Support Unit of CPD will randomly review contractor payments to ensure compliance.

Comptroller Recommendation 5 -Impose sanctions on contractors who consistently fail to meet REP requirements.

NYCHA Response to Recommendation 5

The Authority takes into consideration the following regarding the implementation of the Resident Employment program: Type of work required, turnaround time of getting the job completed, appropriate skill trades personnel within the development, not withstanding the geographic location and or

limitations, cost effectiveness of the project to be completed, and availability of skill workers within the development. As a result the Authority (through its Resident Employment Services Department) conducts studies regarding existing barriers facing low-income persons and disadvantaged businesses;

1. Examines policies and procedures that may contribute to these barriers and determine how to improve those policies and procedures;
2. Communicate directly with disadvantaged firms and resident-owned businesses about contracting opportunities, while taking into consideration the standards necessary for quality work at a reasonable cost, and how to succeed in bidding for such work;
3. The Authority (RES Department) maintains a list of disadvantaged and resident-owned firms and notifies them of planned procurement activities, while establishing partnerships with other community agencies, Federal, State and local agencies, and educational institutions as we have identified in the background above.

We believe that our mission will foster job creation, training, and business development. In concluding we are of the opinion that our outreach programs will serve the needs of the Authority, assist resident-owned businesses and low-income persons, and promote a more competitive environment. Additionally, given the inherent limitations of the Section 3/ REP Program, the Authority through its Capital Projects Department (CPD) have incorporated in its construction management build program mandatory apprenticeship programs for its residents.

Comptroller Recommendation 6 and 7

6. Revise its procedures so that compliance determinations are based in part on the milestones identified in contractors' hiring plans.
7. Modify the REP hiring summary so that the contractor not only reports the total labor cost, the labor cost spent on NYCHA residents, and the percentage spent on residents, but also reports on compliance with the milestones identified in the hiring plan.

NYCHA Response to Recommendations 6 and 7

The Executive Management of NYCHA will re-evaluate the cost benefit of the entire REP Program, given the success of the CM Build Apprenticeship Program, which offers permanent job opportunity to residents. Given the temporary and adhoc selection of residents within the current REP requirements, the current REP program must be re-evaluated. The Authority believes that a more concentrated and in-depth training program will assist residents in becoming self sufficient and undoubtedly add value while strengthening the developmental skills of residents in the long run.

Comptroller Recommendation 8 and 9

8. Ensure that only contracts that meet REP requirements are classified as REP contracts. RES should institute a regular review of its REP contracts list to ensure that it is complete and accurate.
9. Consider linking the BTS system to the EI database so that contract information is automatically transferred from BTS to EI once contracts are awarded

NYCHA Response to Recommendations 8 and 9

The auditor did not take into consideration the difference between the language in the Requirement Contract versus the language in the REP contract. Of the 65 contracts reviewed, 63 were correctly identified as REP contracts as all were bid with REP language incorporated. The two contracts incorrectly identified as REP contracts which were actually Section 3 contracts, these were ME5011473 and GR0300021. See **Attachment one (1)**. The breakdown is as follows:

- The ten (10) requirement contracts were REP contracts since they were all bid with REP language incorporated. The audit covered contracts open between July 1, 2006 and June 30, 2007. As per e-mail correspondence between NYCHA's Law Department, Capital Projects, Resident Employment Services and Technical Services the decision to bid requirement contracts as Section 3 instead of REP contract was not made until October 2007. In addition, in November 2007 NYCHA's Law Department further clarified that once a contract is bid as a REP contract this status cannot be changed unless the contract is re-bid. See **Attachment two (2)**.
- Contract Number EL6008436, which was for under \$500,000, was also bid with REP language and therefore had to be handled as a REP contract.

Comptroller Recommendation 10 - Clearly specify in its procedures the unit responsible for periodically verifying that resident hires are actually working at REP construction sites.

NYCHA Response to Recommendation # 10

As the auditor correctly identified in the audit report a Capital Projects Department senior staff member indicated that a Quality Assurance Unit is being created that will be responsible for verifying contractor compliance with REP requirements including conducting periodic site inspections to verify that resident hires are working at the site. As part of the recent re-organization of the Capital Projects Department, the Deputy General Manager has implemented monitoring controls and has assigned respective staff to inspect construction sites periodically to assess the work actually performed.

Comptroller Recommendation 11 - Impose appropriate sanctions when contractors fail to submit sign-in sheets, as stated in REP procedures.

NYCHA Response

NYCHA will review the current procedures and evaluate the documentation on a per contractor basis. Additionally, in conjunction with our response to recommendation # 5, the Authority will re-evaluate the current REP program with the objective of making the residents more self sufficient.

Comptroller Recommendation 12 - Ensure the accuracy and completeness of Hiring Summary Report information and its consistency with residency information in TDS.

NYCHA Response

This audit comment is inaccurate. All ten hires were verified in TDS. Only one of those ten hires was erroneously excluded from the Hiring Summary Report. The breakdown is as follows:

- Five (5) of the ten hires were verified by the Department administering the contract and were included in the Hiring Summary Report.
- One (1) hire was inadvertently excluded from the EI database.
- Three (3) residents were reported by the contractor as having been hired. Since, at the time of the audit, that information had not yet been verified by the Department administering the contract; those three residents were not included in the EI database. Only after confirmation of employment are reported hires entered into the database.
- One (1) resident was not counted because this contract had been closed and forwarded to NYCHA's Law Department for non-compliance. The folder reviewed was a copy of the original folder and was kept in Resident Employment Services' files pending a decision from the Law Department. Confirmation of this hire was not received from the Department administering the contract until after the contract had been closed and Law Department review of this contract had commenced. See Attachment three (3).

Comptroller Recommendation 13 - Consider entering key Contractor History Report data and request for payment, total labor cost, and hiring milestone compliance information into the Hiring Summary Report in EI.

NYCHA Response

It is not clear which contract this pertains to. Based on a review of the Preliminary Draft, in which similar language was used in regard to "two of the six sampled contracts" and the attachments to this Preliminary Draft, an explanation follows for each of the two contracts:

- For contract # ME0200012 the only hire was reported by the contractor as a NYCHA resident but this was never confirmed by the administering department.
- For contract # ME4000098, the NYCHA hire was actually the principal of a Resident Owned Business. He was hired by the contractor but was not allowed to work because he had not been pre-qualified by the Authority. See Attachment four (4).

Comptroller Recommendation 14 - Ensure that all resident hires receive no less than the minimum wage and benefit amounts stipulated in contracts' prevailing wage schedules.

NYCHA Response

The details to this finding identified by the NYC Comptroller's audit team is listed as a "new issue" and was not discussed with NYCHA officials at the exit conference held on Wednesday, April 16, 2008. Additionally, no details were provided in the draft report dated May 9, 2008 to support this finding. As a result, NYCHA cannot respond effectively and accurately to a finding that is not supported by concrete evidence

NYCHA Closing Summation:

We believe that some of the recommendations made in the Draft Audit Report will add value to the Resident Employment Program, and as indicated, will implement improvements in the program to facilitate better monitoring and coordination. NYCHA will evaluate the long term benefits of REP in light of the construction apprenticeship program and overall job training efforts.

Sincerely,

A handwritten signature in black ink, appearing to read 'Douglas Apple', with a stylized flourish at the end.

Douglas Apple
General Manager

c: Chairman
E. Andrews
M. Lopez
H. Spence
L. Rueda
S. Gosine

ATTACHMENT 1

Page 12
13 Non REP contract

Non REP Requirement Contracts Contract	Section 3 Contracts	Contract #	Contract under \$500,000	
1	1	GR6005688		Requirement contract
2	2	GR6005962		Requirement contract
3	3	GR6005963		Requirement contract
4	4	PD5010884		Requirement contract
5	5	PD5021116		Requirement contract
6	6	VA4016454		Requirement contract
7	7	VA6011026		Requirement contract
8	8	VA6011028		Requirement contract
9	9	VA6011029		Requirement contract
10	10	VA6016201		Requirement contract
11	11	ME5011473		Requirement contract
12	12	GR0300021 S3		Section 3 contract
13	13	EL600B436		Section 3 contract This contract is under \$500,000. It was bid with REP language and was terminated

Bid REP contract

ATTACHMENT 2
PAGE 1

RE Sec III REP Requirement Capital Projects
From: Guillo, Gloria
Sent: Tuesday, November 13, 2007 10:34 AM
To: DiLella, Laura
Subject: RE: Sec III / REP Requirement

The section 3.

-----Original Message-----
From: DiLella, Laura
Sent: Tuesday, November 13, 2007 8:17 AM
To: Guillo, Gloria
Subject: RE: Sec III / REP Requirement

What documents will be included in the future?

Thank you.

Laura DiLella
Resident Employment Services, Section 3
350 Livingston St., Brooklyn, NY 11217 6th floor
718 246-6525

-----Original Message-----
From: Guillo, Gloria
Sent: Friday, November 09, 2007 5:27 PM
To: DiLella, Laura
Cc: Feliciano, Clara; Smoke, Gary; Roberts, Lisa; DiAgostino, Carol; Brazoban, Martha; Redican, Laurence; Hamid, Stacie; Berger, David; Ortega, Maritza
Subject: RE: Sec III / REP Requirement

Based upon Law's below referenced email and a brief discussion with the Exteriors Program Unit Deputy and Project Manager, the division has decided to award contracts BW7007633 Sidewalk Shed Requirement Contract B and BW7007622 Sidewalk Shed Requirement Contract C.

We will expect the bidders to fulfill the REP requirements. Our situation differs from the examples cited by Tech Services in that we expect to draw down all the contract funds in these awards.

Thanks,
Gloria

-----Original Message-----
From: Hamid, Stacie
Sent: Friday, November 09, 2007 10:43 AM
To: Guillo, Gloria
Cc: Feliciano, Clara; Smoke, Gary; DiLella, Laura; Roberts, Lisa; DiAgostino, Carol; Brazoban, Martha; Redican, Laurence
Subject: RE: Sec III / REP Requirement

Gloria,

* (this requirement cannot be changed post-bid as it would be a material change. you can either enforce the REP requirements or re-bid the work.)

-----Original Message-----
From: Guillo, Gloria
Sent: Thursday, November 08, 2007 5:23 PM
To: Hamid, Stacie
Cc: Feliciano, Clara; Smoke, Gary; DiLella, Laura; Roberts, Lisa; DiAgostino, Carol; Brazoban, Martha
Subject: RE: Sec III / REP Requirement

Attachment 2
Page 2

RE Sec III REP Requirement Capital Projects

Procurement inadvertently included REP documents in four requirement contracts when it should have included Section 3 documents in the contracts. We are able to correct this error by addendum in the pre-bid instances detailed below:

NW7003372 Emergency Brick Repair Requirement Contract B NW7003374 Emergency Brick Repair Requirement Contract C

But it is too late to issue addendums for the following contracts as they are post bid:

NW7007633 Sidewalk Shed Requirement Contract B
NW7007622 Sidewalk Shed Requirement Contract C

My question is how do we change this requirement post bid? Is this a no cost change order that the Program Unit will need to issue?

Thanks,
Gloria

-----Original Message-----

From: DiIella, Laura
Sent: Wednesday, November 07, 2007 9:00 AM
To: Guillo, Gloria
Cc: Smoke, Gary
Subject: FW: Sec III / REP Requirement
Importance: High

Gloria,

Please read the determination below with respect to Requirement contracts. The determination is that Section 3 language applies.

I recently received a bid to approve/disapprove for Sidewalk Shed Requirement contract # GR7009275 with Resident Employment Program (REP) language, which requires contractors to expend 15% of labor cost on NYCHA residents.

To my knowledge Capital doesn't bid out many requirement contracts. Please forward to all Departments/Divisions concerned.

Thank you.

Laura DiIella
Resident Employment Services, Section 3
350 Livingston St., Brooklyn, NY 11217 6th Floor
718 246-6525

-----Original Message-----

From: Schmidt, Joseph
Sent: Wednesday, October 24, 2007 12:33 PM
To: DiIella, Laura; Smoke, Gary
Subject: FW: Sec III / REP Requirement

see below. we have an official determination!

----- Original Message -----

From: Hamid, Stacie
To: Schmidt, Joseph
Cc: Callegari, Louis; Case, Brian; Veltrano, Steve; Rodican, Laurence; Stevenson, Sabrina
Sent: Wed Oct 24 12:08:46 2007
Subject: RE: Sec III / REP Requirement

ATTACHMENT 2
PAGE 3

RE Sec III REP Requirement Capital Projects

Joe,

With respect to requirements contracts, the Section 3 language in NYCHA's General Conditions and the Section 3 hiring plan in the Form of Proposals should remain. Despite the uncertainty of how much work will actually be awarded under these contracts, they are still considered "Section 3 covered contracts" due to the type of funding being expended. Thus, federal regulations require that the "Section 3 Clause" appear in the contracts and that contractors, to the "greatest extent feasible," attempt to award jobs and contracts to Section 3 Residents and Business Concerns. Contractors can still fill out the hiring plan as it just asks them to outline anticipated workforce/subcontractors needs and what actions they will take to recruit. Unlike REP, it does not require any specific number of hires or expenditure of funds.

* REP is a program that NYCHA developed and is not required by federal regulations. As mentioned below, its application to a requirements contract is particularly difficult as it is not certain how much money will be expended, therefore committing to expend 15% of total labor costs on NYCHA resident labor does not make sense as the projected vs actual labor costs could be severely different (the expenditure of this 15% is a contract requirement and not a "greatest extent feasible" standard). Therefore, in requirements contracts above \$500,000, there would not need to be REP language or a REP plan. As mentioned above however, those contracts should still contain Section 3 language and a Section 3 hiring plan.

Thank you.

Stacie

-----Original Message-----

From: Schmidt, Joseph

Sent: Monday, October 22, 2007 10:51 AM

To: Hamid, Stacie

Cc: Callegari, Louis; Case, Brian; Vetrano, Steve; Redican, Laurence; Stevenson, Sabrina

Subject: Sec III / REP Requirement

Importance: High

Stacie This is an old issue that seems unresolved and keeps resurfacing. We need to know definitively if Sec III language is needed in requirement contracts under \$500K and if REP language is mandated by HUD in requirement contracts at or exceeding \$500K. As we are all aware, requirement contracts do not have a fixed scope of work, the actual amount of the contract used is driven by individual authorizations for work. The LOA amount is simply a not-to-exceed total and may not be a true representation of the amount of work performed by the contractor. This becomes problematic as we ask the contractor to create a hiring plan when the actual amount of work to be performed under the contract cannot be determined up front. To complicate the problem further, we have run into situations where the initial contract LOA exceeded \$500K, the contractor submitted an REP hiring plan based on the LOA amount, then the actual usage fell far short of approaching the REP threshold.

Please advise as to how we should proceed with this.

Page 3

ATTACHMENT 3

Page 15
Resident Hires Reported on Hiring Summaries

Contract#	Resident Hires Reported on Hiring Summaries	Residents		Non-NYCHA Resident
		Residents Verified in TDS	Not Verified in TDS	
ME0200012		x		- Reported hire
HE4018326		x		
HE5017655		x		
ST1000017		x		
			x	
		x		
		x		
		x		
			x	- actual hire after work on contract was terminated. Contract previously submitted
PD3008228		x		- reported hire LD. Duany Folc reviewed.
		x		- reported hire
		x		- reported hire
	12	10	2	

ATTACHMENT 4

Page 15

Two of the six contracts have no information on the hiring summary report

Contract #	Hiring Summary Report without information
ME0200012	x
ME4000098	x

2

REPORTED HIRE
RBE REJECTED BY
CAPITAL PROJECTS

AUDIT IMPLEMENTATION PLAN

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
Lack of Communication between the Parties Involved in REP Estimates for Partial Payments Lack Proper Supporting Documentation Unapproved and Inaccurate Hiring Summaries	Recommendations: 1. Ensure that administering departments consistently provide hiring summaries and related documents to RES. 2. Ensure that payments are made to contractors only if all required supporting documents, including hiring summaries, certified payrolls, and sign-in sheets, are submitted. 3. Ensure that all hiring summaries are properly approved by the administering departments before contractors' requests for payments are processed. 4. Ensure that hiring summaries and supporting documentation are accurate before any payment is processed. Agency Response: Partially Agree	1. Corrective Action: Following a review of NYCHA's current Standard Procedure – 001:04:1 – Section 3/Resident Employment Program Monitoring and Enforcement, it is evident that established procedure is adequate to cure the auditors' findings and recommendations, but it has to be effectively enforced by staff. To this end, Capital Projects Department (CPD) will ensure that its construction project managers who oversee the projects in the field, and review and approve contractor payments follow the procedure for Section 3/REP enforcement. Additionally, the Technical Support Unit of CPD will randomly review contractor payments to ensure compliance. Date Implemented: Ongoing.
No Action Taken in Case of Noncompliance	5. Impose sanctions on contractors who consistently fail to meet REP requirements. Agency Response: Partially Agree	1. Corrective Action: Given the inherent limitations of the Section 3/REP program, which make it difficult or not cost-effective to impose sanctions on contractors, the Authority continues to research ways to improve its operations and make its residents self-sufficient. Date Implemented: Ongoing.
Specialists Use Inappropriate Criterion in Monitoring REP Compliance	Recommendations: 6. Revise its procedures so that compliance determinations are based in part on the milestones identified in contractors' hiring plans. 7. Modify the REP hiring summary so that the contractor not only reports the total labor cost, the labor cost spent on NYCHA residents, and the percentage spent on residents, but also reports on	2. Corrective Action: The Executive Management of NYCHA will re-evaluate the cost benefit of the entire REP Program, notwithstanding the planned integration of the CIM Build Apprenticeship Program, which offers a wider margin of opportunity to residents. Given the temporary and ad hoc selection of residents within the current REP requirements, the current REP program must be re-evaluated. The Authority believes that a more concentrated and in-depth training program will assist residents in becoming self-sufficient and

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
	compliance with the milestones identified in the hiring plan. Agency Response: Agree.	undoubtedly add value while strengthening the developmental skills of residents in the long run. Date Implemented: Ongoing
<u>RES Does Not Know the Number of REP Contracts</u>	Recommendations: 8. Ensure that only contracts that meet REP requirements are classified as REP contracts. RES should institute a regular review of its REP contracts list to ensure that it is complete and accurate. 9. Consider linking the BTS system to the EI database so that contract information is automatically transferred from BTS to EI once contracts are awarded Agency Response: Disagree	3. Corrective Action: This audit comment is inaccurate. Of the 65 contracts reviewed, 63 were correctly identified as REP contracts as all were bid with REP language incorporated. Date Implemented: Not Applicable
<u>Limited Controls to Ensure That Resident Hires Are Actually on the Job And Working</u>	Recommendation: 10. Clearly specify in its procedures the unit responsible for periodically verifying that resident hires are actually working at REP construction sites. Agency Response: Partially Agree	4. Corrective Action: As part of the recent re-organization of the Capital Projects Department, the Deputy General Manager has implemented monitoring controls and has assigned respective staff to inspect construction sites periodically to assess the work actually performed. Date Implemented: Ongoing
	11. Impose appropriate sanctions when contractors fail to submit sign-in sheets, as stated in REP procedures. Agency Response: Partially Agree	Corrective Action: NYCHA will review the current procedures and evaluate the documentation on a per contractor basis. Additionally, in conjunction with our response to recommendation # 5, the Authority will re-evaluate the current REP program with the objective of making the residents more self-sufficient.

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
Lack of Controls Over the Reporting of Resident Hires	Recommendations: 12. Ensure the accuracy and completeness of Hiring Summary Report information and its consistency with residency information in TDS. 13. Consider entering key Contractor History Report data and request for payment, total labor cost, and hiring milestone compliance information into the Hiring Summary Report in EL. Agency Response: Disagree	5. Corrective Action: This audit comment is inaccurate. All ten hires were verified in TDS. Only one of those ten hires was erroneously excluded from the Hiring Summary Report. Date Implemented: Not applicable.
One Worker Was Not Paid According to the Prevailing Wage Schedule for the Contract	6. Recommendation: 14. Ensure that all resident hires receive no less than the minimum wage and benefit amounts stipulated in contracts' prevailing wage schedules. Agency Response: Insufficient Information to Respond	6. Corrective Action: The details to this finding identified by the NYC Comptroller's audit team is listed as a "new issue" and was not discussed with NYCHA officials at the exit conference held on Wednesday, April 16, 2008. Additionally, no details were provided in the draft report dated May 9, 2008 to support this finding. As a result, NYCHA cannot respond effectively and accurately to a finding that is not supported by concrete evidence. Date Implemented: Not applicable