

CHICAGO HOUSING AUTHORITY RESPONSE TO FINDINGS

CROWE LLP EXAMINATION OF THE PROCUREMENT AND CONTRACT COMPLIANCE OF PRIVATE PROPERTY MANAGEMENT CONTRACTS #11653, #11660, AND #11664

FINDING

1. WDCDC's response to the RFP lacked all required documents as stated in the RFP:
 - a. Third-party reports or evaluations of WDCDC's compliance within the last five years
 - b. HUD Form 5369-C Certifications & Representations of Offerors—Non-Construction Contracts
 - c. Equal Employment Opportunity Compliance Certificate

CORRECTIVE ACTIONS

(Responsible Department: Procurement and Contracts)

CHA will define a specific timeframe and deadline for vendors to cure deficiencies while maintaining its existing policy of deeming a respondent non-responsive if the deficiencies are not cured within the prescribed timeframe.

FINDING

2. CHA's procurement policies and procedures included many best practices in the procurement of goods and services; however, in the case of this RFP, lacked adequate time for executive review.
 - a. The total time elapsed from issuance of the RFP on May 22, 2015 to the award date of August 17, 2015 was brief and DPC did not receive numerous key documents and analysis until August 14, 2015. As of August 13, 2015, or four days prior to the award date of August 17, 2015, DPC was still gathering financial information from WDCDC to complete CHA's financial review of the vendor. The expedited timeline did not provide the Contracting Officer, UD Head, board, and other departments adequate time to properly vet the procurement and recommendation to award Region 3 to WDCDC prior to the presentation to the Board.
 - b. Respondents were permitted to prepare proposals for any/all the five regions and the respondent that received the highest total score within a region would be recommended for the award of the contract for that region. The Habitat Company LLC, McCormack Baron, and Eastlake Management Group were ranked higher than WDCDC after consideration for pricing, compliance, technical factors, oral presentations and best and final offers. Crowe found no evidence within the procurement files or CHA emails that supported why WDCDC was awarded Region 3 over the other three higher rated bidders.

CORRECTIVE ACTIONS

(Responsible Department: Procurement and Contracts)

Item a: CHA's Department of Procurement and Contracts (DPC) will review all expiring contracts during Procurement Team meetings with user department and procurement staff to develop a schedule of priorities which will drive the preparation and release dates for formal bidding.

Item b: The Procurement Specialist will be required to review each solicitation with the Deputy Chief Procurement Officer prior to holding evaluation consensus meetings, and after any requisite oral presentations to review any final outcomes in accordance with CHA and HUD policies.

Additionally, to improve the process of document storage and retrieval, in addition to paper files, an electronic repository to store all documents related to any procurement projects has been created. Improvements have also been made to CHA's 'P-Tracker' procurement tracking database to more efficiently track the movement of files. DPC also requires its managers to perform reviews of the files to ensure document compliance.

FINDING

3. WCDC had a history of performance related issues servicing contracts including improper use of CHA operating funds, that placed WCDC on CHA's vendor Watch List. Additional due diligence and investigation into WCDC's performance was necessary and not completed by CHA prior to awarding them the Region 3 contract.

CORRECTIVE ACTIONS

(Responsible Department: Procurement and Contracts)

CHA will increase due diligence on respondents prior to awarding a contract to lessen the risk of vendor nonperformance. CHA will review financial and operational information available to make the best-informed decision on all contract awards.

Beginning in Q2 2020, quarterly vendor performance reviews will be implemented with the user department and, if applicable, vendors to discuss performance and compliance with M/W/DBE and Section 3 goals and commitments.

A vendor score card will be used to identify key contract performance metrics and track compliance after award.

As part of the RFP process, CHA will revise the disclosure language. Increased disclosure will aid in capturing any pending disputes, litigation, liens, etc. CHA will work with the Legal Department to research the firms recommended for contract award for any publicly available information prior to award.

CHA's Department of Procurement and Contracts also has instituted regular trainings with internal staff to include recommendations made by the City's Procurement Reform Task Force.

FINDING

4. Based on CHA's financial review and Crowe's additional research in Lexis Nexis, WCDC was not a profitable or efficient organization. In August of 2015, CHA identified that WCDC may be at risk for bankruptcy or going out of business and still awarded the vendor a multi-million-dollar contract.

Follow-up was not performed by CHA to determine whether WDCDC improved its financial position, per the Finance Department's recommendation.

CORRECTIVE ACTIONS:

(Responsible Department: Finance)

CHA will continue to complete a financial analysis of all respondents' audited financial statements. Staff will review with a critical eye all financial statements, results of financial ratios analyses and Dunn & Bradstreet reports and will follow-up with additional future financial analysis when Finance deems appropriate. It should be noted that under current procurement policies, this contractor would have been deemed non-responsive due to their failure to provide financial statements as required.

FINDING

5. WDCDC does not appear to fulfill its contractual obligations to CHA with regards to the collection of rent. WDCDC collected less than 98% of total rent charged to tenants in 36 of the 41 months examined by Crowe and less than 92% in 20 months. CHA also did not enforce the performance incentive/disincentive program related to the collection of rent as outlined in Exhibit K of the PPM Agreements.

CORRECTIVE ACTIONS

(Responsible Department: Property Office)

Effective Q3 2020 when the new Private Property Management (PPM) contracts are expected to take effect, all PPM contract fees will be based on PPM's rent collection rates. This removes any incentives and disincentives from PPM contracts, ensuring that fees are based on rent collection.

To ensure proper enforcement of contracts, CHA's portfolio management team will be trained on all contract requirements and performance expectations and all contract and performance audit reports will be stored in a centralized database.

CHA has already updated its rent collection reports to align with the contract performance requirements; additionally, regular contract performance audits will be conducted by the portfolio management teams. Portfolio Managers also will be required to provide a quarterly scorecard of the PPM's performance in the following areas:

- Rent Collection
- Quality Control of Tenant Files
- Occupancy and Leasing
- Compliance with CHA's Procurement Policies and Procedures
- Compliance with the PPM Procedural Manual
- Work Orders
- Inspection Enforcement
- Tenant Relations

FINDING

6. WDCDC does not appear to fulfill its contractual obligations to CHA with regards to filling vacant units. WDCDC achieved a monthly occupancy rate of 98% in only 3 of the 41 months examined by Crowe. The average occupancy rate during the 41 months was 95%. CHA also did not enforce the performance incentive/disincentive program related to occupancy.

CORRECTIVE ACTIONS

(Responsible Department: Property Office)

All PPM contractors will be reviewed based upon their performance in keeping units occupied. CHA is developing a scorecard to track and measure other performance metrics in all new PPM contracts starting in Q3 when the new PPM contracts are expected to be awarded. However, fees will be based upon rent collection.

Additionally, the Property Office will update the PPM Procedure Manual to reflect all updates to contracts effective with the 2020 contract scope of services and the portfolio management team will be trained on all contract requirements and performance metrics.

FINDING

7. WDCDC failed to provide all required monthly financial reports in accordance with Exhibit E of the PPM agreements. Certain required reports within the financial packages examined did not contain all reports listed on Exhibit E (e.g., compliance reports, payroll registers and/or cancelled checks, fixed asset form of acquisition, due to/from account reconciliations, grievance reports, tenant listing, budget revisions, and actual voided checks for the month).

CORRECTIVE ACTIONS

(Responsible Departments: Property Office and Finance)

CHA's Finance Department will continue to report incomplete financial packages and omissions of required documents to all PPMs and CHA's Property Office for action. CHA will vigorously enforce the terms and provisions of contracts to compel property management firms to comply with the reporting requirements of the contract.