

**CHICAGO HOUSING AUTHORITY RESPONSES TO RECOMMENDATIONS IN THE
CROWE LLP EXAMINATION OF THE PROCUREMENT AND CONTRACT COMPLIANCE OF PRIVATE
PROPERTY MANAGEMENT CONTRACTS #11653, #11660, AND #11664**

RECOMMENDATION: Inclusion Requirements

Include a checklist of the documents required by the RFP and the documents submitted by respondents with their proposals to CHA.

RESPONSE:

(Responsible Departments: Procurement and Contracts)

Starting in Q2 2020, CHA will implement this recommendation. CHA currently does provide the list of required documents as part of the RFP.

RECOMMENDATION: Inclusion Requirements 2

Return incomplete proposals to respondents and create a process to verify the inclusion of all required documents prior to a predetermined deadline date outlined in the RFP, such as the first consensus meeting.

RESPONSE:

(Responsible Departments: Procurement and Contracts)

CHA instituted a Responsiveness Checklist as part of the RFP process in 2017. The Department of Procurement and Contracts (DPC) performs the responsiveness check prior to distribution of the responses to the evaluation committee.

RECOMMENDATION: Evaluation Process

1. Include a hardcopy of the final scoresheet (i.e., technical, pricing, compliance, oral evaluations, and BAFO) in the procurement file, along with supporting documentation.
2. Require approval and signatories from each member of the Evaluation Committee, the Contracting Officer, the User Department Head, and a representative from the Board of Commissioners on the final scoresheet.
3. Document in a memorandum to the procurement file the rationale to award the contract to the winning respondent, including any exceptions or changes to the RFP or evaluation processes (e.g., the highest rated respondent was not awarded the contract).

CHA RESPONSE:

(Responsible Departments: Procurement and Contracts)

1. DPC has implemented the storage of all files in a centralized shared drive for each event (RFP).
2. The Deputy Chief Procurement Officer will implement review and acceptance of the final score sheet by signature validation.

The Deputy Chief Procurement Officer will implement a recommendation memo that is presented to the User Department Head and Deputy Chief Procurement Officer that documents the procurement process and supports the recommendation of award. This new process will require a project lead as part of the evaluation committee.

RECOMMENDATION: Evaluation Process:

Require additional due diligence of the financial health of each respondent based on CHA's financial review and investigate red flags (i.e., significant debt and liens) prior to the awarding of contracts. Perform annual due diligence and follow-up monitoring of vendors at risk for bankruptcy or going out of business to confirm improved financial positions.

CHA RESPONSE:

Responsible Department: Finance

Beginning in Q2 2020, CHA will work with the Legal department to investigate financial risks for respondents (i.e. debt, liens). Follow-up analysis will be performed by CHA's Finance Department annually for "at risk" vendors.

RECOMMENDATION: Evaluation Process:

Document all confirmed performance-related issues (i.e., audit findings, substantiated complaints) with existing vendors and consider the prior performance of respondents within the evaluation process of future RFPs.

RESPONSE:

(Responsible Departments: Procurement and Contracts)

Beginning in Q2 2020, the Deputy Chief Procurement Officer will implement a quarterly vendor performance review and score card that will be utilized as part of the past performance metric for the evaluation teams.

RECOMMENDATION Evaluation Process:

Implement a formal process to select qualified members of the Evaluation Committee who have relevant technical knowledge of the scope of services and/or experience with the respondents.

RESPONSE:

(Responsible Departments: Procurement and Contracts)

Beginning in Q2 2020, the Deputy Chief Procurement Officer will implement a review process and request final approval of the members of the evaluation committee by the Contracting Officer. Review of the recommended evaluation committee members will still reside with the Chief Executive Officer.

RECOMMENDATION: Evaluation Process:

Include the date, location, attendees, and minutes for all consensus meetings in the procurement file.

RESPONSE:

(Responsible Departments: Procurement and Contracts)

Beginning in Q2 2020, CHA will review and strengthen the procedures implemented in 2017 to store all project related documents in the centralized electronic file. CHA will perform periodic file reviews to ascertain compliance with prescribed procedures.

RECOMMENDATION: Management Fee-Based Compensation:

Implement a process to verify the monthly management fee invoices provided by vendors, especially the units occupied and rent collection reported to CHA.

RESPONSE:

(Responsible Departments: Property Office and Finance)

CHA will strengthen its existing monthly process for verifying management fee invoices. In the new Private Property Management contracts to be issued in Q3 2020, fees will be based upon rent collection.

RECOMMENDATION: Incentive and Disincentive Program:

1. Evaluate the incentive and disincentive compliance program outlined in the PPM agreements and determine whether the program and underlying contract language should continue or be removed from the agreements.
2. Consider alternative performance incentives and disincentives for vendors to measure overall performance of vendors, in addition to occupancy rates and rent collections.

RESPONSE:

(Responsible Departments: Procurement and Contracts, Property Office)

Beginning with the award of new Private Property Management contracts in Q3 2020, the incentive and disincentive program will be discontinued; fee will be based upon collected rent.

RECOMMENDATION: Deliverables: Monthly Financial Packages

1. Require vendors to provide all deliverables as stated in the Agreements or revise the language in the Agreements to match actual deliverable requests by CHA. Update the checklist provided by CHA to vendors.
2. Strengthen internal controls to examine monthly financial packages submitted by vendors and follow-up on any missing information. Document all instances of missing information and consider within the overall performance assessment of the vendor.

3. Examine quarterly and annual payroll tax filings to verify payroll taxes paid by vendors Perform internal audits of all existing property management vendors to verify contract and monitoring compliance and minimize risks to CHA.
4. Perform internal audits of all existing property management vendors to verify contract and monitoring compliance and minimize risks to CHA.

RESPONSE:

(Responsible Departments: Finance and Internal Audit)

1. CHA Finance will require vendors to provide all deliverables as stated in the contract agreements. Terms and provisions of the contract will be enforced to compel compliance. The checklist will reflect the requirements stated in the contract.
2. CHA will review and revise internal controls as needed for monthly financial review and follow-up on missing information. Finance will document all instances of missing information and incorporate that information into the overall performance assessment of the vendor.
3. CHA Finance will examine quarterly and annual payroll tax filings to verify payroll tax payments by the vendor.
4. Internal Audit included in its 2019 audit plan a review of performance of existing Private Property Management vendors., as well as a review of the transition and implementation plan for the new contract awardees in 2020.