



CHICAGO HOUSING AUTHORITY OFFICE OF INSPECTOR GENERAL CHICAGO, IL

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OIG case# 2018-09-00019 - Procurement Reform Task Force (PRTF) Implementation of Recommendations

Elissa Rhee-Lee, Inspector General
Michael Kosanovich, Deputy Inspector General
Beatriz Martinez, OIG Senior Auditor
Ellaye Accoh, OIG Senior Auditor
Ashley Lindemann, OIG Auditor



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A. Executive Summary

I. Background

The authority to perform this audit is pursuant to the Board approved *Inspector General Charter*, which states that the Office of the Inspector General (OIG) has the authority and duty to audit the administrative programs of the Chicago Housing Authority (CHA). The OIG is tasked with identifying inefficiencies, waste, fraud, abuse, misconduct and mismanagement, as well as promoting economy, efficiency, effectiveness, and integrity in the administration of CHA programs and operations. The role of the OIG is to conduct independent audits of CHA operations and programs and make recommendations for improvement when appropriate. CHA management is responsible for establishing and maintaining measurable processes to ensure that CHA programs operate economically, efficiently, effectively, and with integrity.

➤ Standards:

The OIG conducts audits of programs in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and *The Principles and Standards for Offices of the Inspector General*. Those standards apply to performance audits of government agencies, and require that we plan and perform the audit to provide objective analysis, findings and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.¹

Procurement Reform Task Force (PRTF)

In May 2015, Mayor Emanuel announced the Procurement Reform Task Force (PRTF) in an effort to develop recommendations to make procurement and contract management at the City of Chicago and its Sister agencies more uniform, efficient, and cost effective, while increasing accountability. The Task Force was co-chaired by the City's Chief Procurement Officer and the City's Inspector General, and included the leaders of six of the City's sister agencies: Chicago Public Schools, Chicago Transit Authority, Chicago Housing Authority, City Colleges of Chicago, Chicago Park District, and Public Building Commission (collectively, the Participating Members).

Once established, an ordinance was passed in January 2016 authorizing an intergovernmental agreement (IGA) for all Participating Members to work cooperatively to implement each recommendation identified by the PRTF. The PRTF IGA also provides that each Member's "Inspector General or equivalent shall have the authority to investigate [their] performance under and compliance with this Agreement."

The CHA OIG will exercise this authority and assist the City's Inspector General in a joint oversight project to evaluate and publicly report on CHA's progress toward implementing the recommended reforms at the operational level.

¹ The U.S. Government Accountability Office, Comptroller General of the U.S. (2018). *Government Auditing Standards* (The Yellow Book). Washington, DC: GAO.

II. Objectives

1. Assess whether, and the extent to which, implemented recommendations are fully and effectively operational.
2. Test compliance of current internal controls, as it relates to the PRFT.

III. Scope

The scope of the OIG joint oversight project is to evaluate CHA's progress and identify whether CHA has fully implemented the PRTF recommendations. The scope and objectives may be expanded and/or changed based upon additional relevant material information.

IV. Approach and Methodology

The audit was performed by conducting interviews with the Department of Procurement and Contracts, reviewing documentation, inspections, testing and other measures deemed necessary. Other measures include, but are not limited to utilizing investigative techniques to collect, analyze, evaluate and interpret relevant data. The OIG will provide management a draft report with observations and allow management time to respond. The final report will be presented to the Audit Committee, which will include the management response.

The OIG tested, on a sample basis, PRTF recommendations for implementation and compliance as recommended by the PRTF.

V. Selection PRTF Completed Recommendations

Recommendation	Detail	CHA Status
#3 - Establish minimum standards by which all Participating Members will publish their anticipated sole source awards, receive public and vendor feedback, and make decisions about whether a solicitation is necessary.	Post proposed sole-source procurements. The central features of this standardized approach are online-posting requirements (for purposes of allowing public comment on the validity of utilizing a noncompetitive process) and the creation by each Participating Member of a Noncompetitive Review Committee, tasked with reviewing and approving proposed sole-source awards. ²	Completed – All proposed applications are posted on the Agency's public website for a period of three (3) weeks. During this period, the public will be invited to comment and/or object and make substantive claims that the procurement is not a Sole Source. CHA's Non-Compete-Sole Source post can be found at the following website address: http://www.thecha.org/doing-business/contracting-opportunities/open-solicitations
#6 - Post all contracts, vendors, and subcontractors on agency websites in a user-friendly and searchable format.	Provide a summary of the contract award online. The summary shall list the prime contractor and subcontractors.	Completed – CHA posts all contracts on the website below, however the website is not in a searchable format. http://www.thecha.org/doing-business/contracting-opportunities/contracts-library
#8 - Establish minimum disclosure requirements for subcontractors and require	Standard certification language to be added to solicitation templates and documents;	Completed – The minimum disclosure statement is included in all solicitation document templates under Section 5. Type of

² Review in more detail on pages 6-7 at https://www.cityofchicago.org/content/dam/city/depts/dps/Outreach/2017AnnualReport_PRTF_030108.pdf.

posting subcontractor information online.	including the EDS, Contractor's Affidavits, and Compliance Schedules.	Contract(s) and Contracts Requirements F. Disclosure Certification. There is also language in the Contractor's Affidavit Section V. Certification regarding suspension and disbarment.
#9 - Establish minimum standards for conducting due diligence of vendors before entering into a contract.	Perform minimum due diligence of vendors before entering into a contract, including checking databases, IRIS.	In Progress – CHA has implemented a project checklist to conduct due diligence of vendors prior to entering into a contract. CHA will upload HUD's debarment list to the file with the vendor identified in the search criteria. CHA does not have access to IRIS.
#10 - Establish uniform rules governing resolicitation of contracts due to significant changes in scope or value.	Adopt written policies prohibiting significant modification of a contract, limiting the amount of time a contract can be extended, and/or increasing the value of a contract.	Completed – CHA revised its Procurement Procedures Manual in February 2018, which includes a Construction Change Orders Section with the appropriate policies as recommended.
#11 - Evaluate the consistency of MBE/WBE/DBE certifications accepted by Participating Members.	Ensure that the standards applied by the certifying entities are sufficiently rigorous to achieve the goal of the Task Force.	In Progress – CHA currently accepts all certifications. CHA has not reviewed the specific criteria required by each certifying agency in order for a business to be considered a M/W/DBE. CHA is federally funded and does not only award contracts to City vendors; therefore, CHA accepts all certifications. CHA did review M/W/DBE certifications to date and determined that most vendors certify with the City of Chicago.
#12 - Implement the uniform criteria and processes for evaluating Good Faith Efforts regarding requests for waivers for MBE/WBE/DBE goals that are currently being developed and will be recommended by the Government Procurement Compliance Forum.	A Schedule D outlines the MBE/WBE/DBE plan for the contract. If a bidder/respondent claims that they cannot meet the goals, they must document their good faith efforts in seeking to meet the goals.	Completed – CHA has a Good Faith Effort (GFE) guide to be followed when submitting GFE documentation. Compliance Specialist will evaluate the bidder/proposer compliance plan demonstrating how a company intends to meet the contract specific goals, as well as other relevant documentation which show the good faith efforts made.
#13 - Require a written, publicly posted protest process for each Participating Member.	Standardize to align with the City's terms and policy approach. The bid protest process includes guidance for numerous areas, including protest timing, adjudicator roles, and pre-bid and pre-awards actions. ³	Completed – CHA posted the Protest Procedure Policy on its web page. http://www.thecha.org/sites/default/files/Protest_Procedures_7_15_2016_0.pdf
#15 - Establish a process for information-sharing and collaboration among Participating Members on personnel matters such as professional development efforts and recruitment.	Within the SharePoint site all agencies will share the following information regarding personnel matters	In Progress – CHA has provided information to CPS, who has posted the departments organizational chart and job descriptions on the SharePoint site. The final resolution of this recommendation by the sister agencies is that at this time, we would only post information on organizational charts and job descriptions.
#16 - Establish uniform standards based on best	Establish uniform practices across agencies, where permitted by law, for the	Completed – CHA revised its Procurement Procedures Manual in February 2018, which

³ Review in more detail on page 13 at https://www.chicago.gov/content/dam/city/depts/dps/Outreach/2017AnnualReport_PRTF_030108.pdf.

practices for approval of noncompetitive awards, including small purchase, emergency, and sole source.	approval process of noncompetitive awards, including small purchases, emergency contracts and sole source contracts.	includes Small Purchase and Non-Competitive Procurement for <ul style="list-style-type: none"> • Sole Source • Public Exigency or Emergency <p>CHA also has a Sole Source Review Committee (SSRC).</p>
#20 - Require each Participating Member to create a comprehensive procurement manual for its staff that is user friendly and available to the public.	Include key components in the Procurement Manual.	Completed – CHA revised its Procurement Procedures Manual in February 2018. CHA posted manual online and is available to the public. <p>http://www.thecha.org/doing-business/forms-and-documents</p>
#21 - Codify and provide training to Participating Members' employees on procurement rules and regulations, including appropriate authority, prohibited communications, and reporting obligations.	Establish and provide training on procurement rules and regulations so that employees know what is required of them. This is expected to increase the integrity of and accountability in the procurement process. DPS has begun scheduling various training program sessions to include Sister Agency staff.	In Progress – CHA Procurement staff participate in relevant trainings as needed. However, at this point the CHA has not received notice of staff trainings listed as part of the recommendation. CHA attended round table discussions with other sister agencies.
#23 - Develop uniform, minimum contract close out procedures for use by all Participating Members.	The Contract Closeout Checklist includes contract time frame, advertising dates, award amounts, evaluator information, legal analysis, financial analysis, term, extensions available, signatures needed, insurance requirements, website posting, MBE/WBE/DBE/ACDBE/BEPD information, and Board Reports.	Completed – CHA has implemented the Contract Closeout Checklist.
#24 - Develop minimum standards for project managers and other onsite review personnel to ensure vendor compliance.	Set minimum standards for project managers and other on-site review personnel to ensure vendor compliance. All Participating Members worked together to craft language for this guide.	Completed – CHA documents site visits in its compliance database. CHA has a site visit guide to ensure adherence with Department of Labor (DOL), Department of Housing and Urban Development (HUD) and CHA compliance requirements.
#25 - Establish a process for information-sharing among Participating Members regarding poor performance, noncompliance, or wrongdoing of a vendor.	Share vendor information with Participating Members	In Progress – CHA does have SharePoint access. However, CHA has yet to upload any information on the poor performance of a vendor and has not currently shared its debarment list.
#26 - Seek to establish reciprocal debarment among Participating Members through the use of a debarment review board or another mechanism as permitted by law.	Establish reciprocal debarment language to be added to Participating Members' debarment policies/procedures for all of the participating members as permitted by law.	Completed – CHA has adopted the language in its Debarment Policy and Procedures, approved by the Board of Commissioners June 2018.

VI. Additional Recommendations

During our review of CHA's progress toward completion of the recommended reforms, we identified additional recommendations to promote continuous improvements in operations, effectiveness and transparency of the procurement process. The following recommendations pertain to the Task Force's original recommendations:

- **PRTF Recommendation 8** - Require contractors to disclose their subs, principles and officers under prior names/Doing Business As (DBA's). Have Compliance check these additional names to ensure the vendor is not subject to debarment under a different name.
- **PRTF Recommendation 9** - Require contractors to disclose both financial and familial relationships with their subcontractors and to provide an explanation of the specific relationship.

The CHA OIG believes these recommendations would limit the risks for fraud and conflicts of interest, as well as increase accountability for government contractors.