



CHICAGO HOUSING AUTHORITY OFFICE OF INSPECTOR GENERAL CHICAGO, IL

OIG Case #2018-05-0037

2019 Elevator Maintenance Service Audit

December 12, 2019



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ACRONYMS

- **AIC:** Annual Inspection Certification
- **ASME:** American Society of Mechanical Engineers
- **CDOB:** Chicago Department of Building
- **CHA:** Chicago Housing Authority
- **ESOC:** Emergency Services Operation Center
- **HUD:** U.S. Department of Housing and Urban Development
- **MCP:** Maintenance Control Program
- **OIG:** Office of the Inspector General
- **OSFM:** Office of the State Fire Marshal
- **PO:** Property Office
- **PPM:** Private Property Management

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

The OIG believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives to identify conditions and/or an environment that results in, or could result in, waste, fraud, abuse, misconduct or mismanagement.

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. Review CHA's process to ensure procedures are in compliance with CHA's Private Property Management (PPM) Direct Procurement Procedures and Chapter 16 of the PPM Procedural Manual.
2. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the City of Chicago, Department of Building (CDOB), Annual Inspection Certification (AIC) Program, Municipal Code Section 13-20-100.
3. Review expenditures/cash disbursements and payment of invoices associated with elevator maintenance contracts for compliance with the PPM Procedural Manual and the Cash Disbursements Section of the PPM Financial Policy and Procedural Manual.
4. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.
5. Assess the risk environment and determine whether the current internal controls are sufficient to identify and mitigate safety concerns for CHA residents.

III. Scope

The scope period of this audit is January 1, 2016 to December 31, 2017.

IV. Approach and Methodology

The audit was performed by reviewing documentation, conducting interviews, inspections, and tests with PO personnel, PPM firms and CHA's contractor, Phoenix Enterprises (Phoenix), for elevator consulting and inspections, and other measures deemed necessary. Other measures include, but are not limited to, utilizing investigative techniques to collect, analyze, evaluate and interpret relevant data.

Site visits were conducted by the auditors to observe conditions in the machine rooms and the elevator pits. The auditors collected maintenance and inspection records from the machine rooms and tested the emergency systems in the elevator cars to ascertain whether the systems were functioning properly.

The auditors obtained invoice documents, service tickets and work orders from the PPMs. This information was matched against the billable rates in each respective service agreement.

The auditors analyzed data provided by CHA's Emergency Services Operation Center (ESOC) on reported elevator outages at CHA properties for the scope period.

The auditors reviewed transactions related to elevator maintenance services to identify whether expenditures were properly recorded and classified to meet reporting requirements as described in CHA's Chart of Accounts.

Material deficiency and relevant issues were discussed with and communicated to CHA's PO. The OIG provided CHA and PPM management a draft report with findings and observations and allowed CHA and PPMs time to respond. The management submitted written responses which are incorporated in the report. The final report was submitted to the PO, the Chief Executive Officer and the Audit Committee.

V. Research

1. CDOB AIC Program
2. City of Chicago Rules for the Registration and Inspection of Conveyance Devices Under the AIC Program, effective August 2016
3. CDOB Checklist for Elevator or Dumbwaiter Inspections
4. CDOB Report Form on Periodic Tests of Elevators
5. CDOB Monthly Fire Service Test Log
6. City of Chicago List of Certified Inspection Companies
7. Office of the Illinois State Fire Marshall (OSFM) Elevator Safety and Maintenance Program
8. American Society of Mechanical Engineers (ASME) A17.1-2007 / CSA B44-07 Safety Code for Elevators and Escalators (*Adopted by the City of Chicago §18-30-010*)

**The OIG contacted the Elevator Bureau of CDOB and spoke to the Assistant Chief Elevator Inspector who declined to provide further guidance to the OIG regarding inspection criteria for annual inspections.

VI. Data Overview and Sample Selection

CHA has 153 elevators located in 89 buildings across the city of Chicago. A total of 128 of the elevators are located in CHA senior buildings.

Elevator maintenance services are provided to CHA by independent vendors under elevator maintenance and inspection contracts at CHA properties. In November 2017, CHA contracted with Phoenix for annual inspection services on all CHA elevators, as required by CDOB. This inspection contract does not include repair or preventive maintenance services. The PPM companies are responsible for repair and preventive maintenance services of the elevators in their respective portfolios.

Approximately, \$2.6 million was spent on elevator services for the entire scope period.

The OIG selected 16 sites for testing; 12 were randomly selected, while four were selected using a judgmental sample. The selected sites have a combined total of 33 elevators. The testing was based on the following criteria:

1. Was the maintenance contract properly solicited;
2. Is CHA in compliance with CDOB requirements;
3. Is CHA in compliance with OSFM Elevator Safety and Maintenance Program;
4. Did CHA follow appropriate procedures for related invoice payments.

Definitions

For the purpose of this report, the following definitions were used:

1. “Service Agreement” refers to the document provided by an elevator service company which lists the deliverable services and the terms and conditions of the agreement.
2. “Contract” refers to specific type of agreements executed between CHA and/or PPM and an elevator service company with minimum terms and conditions as specified on form HUD-5370 (General Condition for Non-Construction Contracts), including all exhibits incorporated by reference and contract provisions of the 24 CFR Part 85 Subpart 36.

Key Rules and Relevant Contract Requirements

1. The Safety Code for Elevators and Escalators – ASME A17.1-2007/CSA B44-07, states:
“A conveyance owner must have a Maintenance Control Program in place for their conveyance(s). The conveyance owner should review this information with their maintenance provider to be sure that they are in compliance with the Code.”
2. Billing – Private Managers Financial Policy & Procedures Manual states: *“The payment for goods and services, whether accomplished by cash, check or bank transfer, shall be organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment and all payments are recorded in the appropriate period. All supporting documents shall also be reviewed by the PPM or designee to ensure that only appropriate expenditures are processed for payment.”*
3. Vendor Payments – CHA Private Managers Financial Policy & Procedural Manual states: *“Disbursements from bank accounts shall be made only for valid transactions and in compliance with CHA and HUD regulations.”*
4. Procurement and Contracts Manual – Between PPMs and the CHA states:
Section 4.12: *“The manager (PPM) shall use competitive purchasing procedures pursuant to 24 CFR. Part 85.36, HUD Procurement Handbook 7460.8 REV.1, (Procurement Handbook), CHA’s Procurement Policy, 24 C.F.R. Part 135 and to the maximum extent possible, 24 CFR. Part 963 for procuring services, supplies, materials and equipment for use by the manager in carrying out its responsibilities under this Agreement.”*

Section 4.13: *“The manager (PPM) shall have the power and authority to make reasonable contracts for terms not to exceed one (1) year.... The manager shall monitor and supervise all vendors and contractors for services rendered to the property to reasonably assure the required quality of the workmanship, enforcement of warranties and compliance with the contracts for the daily operation of the property.”*
5. Contracts – Between each PPM, including Woodlawn Community Development Corporation (WCDC), McCormack Baron Management (MCCB), East Lake Management Group (East Lake) and the Habitat Company (Habitat), and the elevator service vendors that were approved by the Board of Commissioners.

VII. Summary

The Audit has 13 findings and recommendations. PO fully concurred with all findings except for one that they partially concurred with.

The OIG recommends that CHA obtain a comprehensive master contract for elevator repair and maintenance services. CHA should develop and use a Maintenance Control Program (MCP) for each elevator machine.

CHA recently launched the Elevator Modernization Program that is scheduled to take about 30 months to complete. In the meantime, the PO should take steps to remediate the risks identified and associated with each finding, especially those pertaining to safety issues.

During the Audit, the OIG did not observe any physical conditions that would pose an immediate safety concern for those entering and exiting the elevators. Based on interviews with PPM staff, the response time by the elevator service contractors was appropriate and reasonable if and when a building had an elevator outage which needed prompt attention.

➤ **Notable Risks Observed:**

1. Inefficient administration of the program by the PPMs and lack of oversight by PO;
2. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving services it is paying for (i.e. duplicate payments);
3. Violation of ASME Safety Code, adopted by City of Chicago and State of Illinois;
4. CHA may be paying for the same service under routine preventative maintenance and repair services;
5. CHA's reputational risk.

Details of each finding and the associated risk(s) and recommendation(s) can be found in the sections to follow.

B. Finding and Recommendations

I. Finding: Contracts/Agreements Do Not Meet HUD/CHA Requirements

Pertaining to Non-Construction Contracts

Risk Level: High

A. CHA Sites Either Had No Contracts or the Contracts Lacked Required Information

The PO failed to ascertain whether there were contracts or agreements in place that complied with HUD/CHA requirements and that were sufficient to carry out CHA operations with regards to elevator repair and maintenance services.

Twenty-five percent (25%) of selected sites did not provide a contract.

Of those sites that had a contract or an agreement in place, the OIG noted the following requirements were missing:

1. HUD Form 5370-C was not attached (100%)
2. Contracts with no signature (42%)
3. Normal billing rate and/or callback rate was not listed (83%)
4. Maintenance frequency was not specified (100%)

Section II of HUD Form 5370-C General Conditions for Non-Construction Contracts lists the labor standard provisions and must be included in all maintenance contracts greater than \$2,000 but not more than \$100,000.²

The lack of signatures, billing rates and maintenance frequency also creates and allows for potential fraud, waste and/or abuse (See Finding III).

Relevant Objective(s):

1. Review CHA's process to ensure procedures are in compliance with CHA's PPM Direct Procurement Procedures and Chapter 16 of the PPM Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving services it has paid;
3. CHA's reputational risk.

Recommendation I.A:

- a) CHA PO should obtain a fully executed, properly solicited and HUD compliant master elevator maintenance contract. Due to the number of CHA elevators, a comprehensive master contract for elevator maintenance should improve economy and efficiency and provide cost savings to the agency.
- b) CHA PO should include Section II of HUD Form 5370-C General Conditions for Non-Construction Contracts.

² U.S. Department of Housing and Urban Development. General Conditions for Non-Construction Contracts. (01/2017). OMB Approval No. 2577-0157.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>The property Office solicited and awarded private property management services in 2015. Those agreements require that the private property management firms coordinate and as required procure maintenance services for all building elements. As the private property management firms assumed management of each property they were directed to assume any ongoing contracts with their existing terms and to neither extend nor enter into any new contracts unless specifically directed by the Property Office. The reasoning for this was that in 2016 the Property Office undertook a major initiative to review all property level procurements and re-procure services and commodity buying in a manner that was compliant with all HUD and CHA requirements while also ensuring that the result of each procurement represented best value to CHA and operated with industry best practices in mind. Over the following three years the Property Office successfully centralized the procurement of almost 95% of all services and commodities within its annual budget, to ensure that all met both HUD and CHA requirements. The property office additionally provided a revised procedure delineating private property management direct procurements required to respond to urgent and emergencies issues.</p> <p>In parallel to this program to centralize procurements, the elevator modernization program was being developed. In 2016 the elevator equipment, not necessarily the cars, in CHA portfolio were identified as being past their serviceable life and in need of modernization. As the Property Office evaluated all services funded in its annual budget, a centralized elevator maintenance program was reviewed. The Property Office reviewed options including expedited solutions such as reference contracts with US Communities. During this review the property office confirmed that in order to solicit a comprehensive industry standard maintenance program a cataloging and assessment of the condition of every elevator would be required. Industry benchmark contracting is based upon a guarantee on up time for every elevator for a fixed price. The elevator modernization program was soliciting third party expertise to assess and catalog every elevator in the portfolio, so the Property Office deferred. During the Property Office's due diligence, it learned that soliciting industry standard maintenance agreements would be cost prohibitive and wasteful without a full current assessment. Furthermore, any attempt to solicit a new maintenance program would require that each new contract was tightly sequenced with the elevator modernization program to ensure that CHA was not paying for services on in process elevator modernizations and more importantly was paying lower rates on completely modernized elevators after the typical one-year maintenance warranty expired. It was therefore determined that it was not viable to pursue new master maintenance agreements, until the elevator modernization program had sufficient time to assess and develop a detailed schedule. As such the private property management firms</p>		

continued to manage the necessary preventative and emergency maintenance as required while CHA worked towards modernizing all elevators and then moving towards a centralized maintenance agreement that meets industry best practices.

While the Property Office is awaiting the turnover of modernized elevators to then migrate to a centralized maintenance contract based upon industry best practices, the private property managers have made at times extraordinary efforts to work with their contractors to keep elevators operational for residents, even though the equipment running those elevators is far past its serviceable life.

The Property Office will review with all active contracts that the private property management firms have with elevator maintenance vendors and verify with the Department of Procurement and Compliance that each meets all HUD and CHA requirements. Once this review is complete the property Office will make all necessary changes, up to and including cancelling, to maintenance agreements to ensure compliance.

Custodian:	Ketsia Colinet
Implementation Timeline:	Q1 2020

B. Contracts Not Competitively Procured

The PPMs did not include appropriate documentation indicating elevator maintenance services were competitively bid as required by HUD.

Section 4.12 of PPM’s management contract states:

“The Manager [PPM] shall use competitive purchasing procedures pursuant to 24 CFR 85.36, HUD Procurement Handbook 7460.8 REV.1, CHA’s Procurement Policy, 24 C.F.R. Part 135 and to the maximum extent possible, 24 C.F.R. Part 963 for procuring services, supplies material and equipment for use by the Manager in carrying out its responsibilities under this Agreement.”

During interviews with the PPMs, representatives stated they did not competitively procure new elevator maintenance contracts at the direction of CHA PO. PPMs were instructed to continue using the agreement or contract in place when they assumed management of the property.

The PO failed to ascertain whether the elevator maintenance services were competitively procured as required by both CHA and HUD.

Relevant Objective(s):

1. Review CHA’s process to ensure procedures are in compliance with CHA’s PPM Direct Procurement Procedures and Chapter 16 of the PPM Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. CHA’s reputational risk.

Recommendation I.B:

- a) PO should use competitive purchasing procedures when procuring a master contract for elevator maintenance services.
- b) CHA should ensure the new contract meets 24 CFR Part 85.36, HUD Procurement Handbook 7460.8 REV.1, and CHA’s Procurement Policy.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
Please refer to the response to item I.A. Also note that some properties assessed in this audit have converted through RAD and are no longer held by the CHA. This may affect some findings.		
Custodian:	Ketsia Colinet	
Implementation Timeline:	Q1 2020	

C. Repeated Finding by OIG

Non-compliance with HUD and CHA requirements for non-construction contracts is a recurring finding by the OIG. In 2015, the OIG issued several recommendations in the Audit of Scavenger Services that the PO concurred with and provided the following response:

1. *All [PPM] firms will be required to re-procure all on-going services using standard CHA template documents.*
2. *24 CFR Part 85.36, HUD Procurement Handbook 7460.8 REV.1, and CHA’s Procurement Policy are currently included in the property management procedural manual. As part of the new property management contracts, property managers that fail to adhere to these requirements will be subject to financial penalties.*
3. *Asset Management will consult with CHA ITS to determine if Yardi or the iFile Document Management System would have the capacity to track all of the Property Manager’s contract related documents.*

If the PO took any of the above listed corrective actions, as stated in their previous response, the current condition may have been mitigated.

Relevant Objective(s):

1. Review CHA’s process to ensure procedures are in compliance with CHA’s PPM Direct Procurement Procedures and Chapter 16 of the PPM Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. CHA’s reputational risk.

Recommendation I.C:

- a) PO should develop a comprehensive monitoring process for contract compliance and management of PPMs as it relates to elevator maintenance services.
- b) PO should take corrective action to address findings and recommendations as stated in their previous responses to OIG audits pertaining to service contracts.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
Please refer to the response to item I. A. Also note that this finding fails to acknowledge the significant responsiveness of the Property Office to managing the procurement of services and commodities for almost all of the annual budgeted operating expenses. As such, the Property Office has taken corrective actions to significantly improve and bring solicitations and contracts into compliance with HUD and CHA requirements.		
Custodian:	Ketsia Colinet	
Implementation Timeline:	Q1 2020	

II. Finding: Non-Compliance with City Regulations, State Ordinance and Industry Best Practices **Risk Level: High**

A. Lack of Elevator Maintenance Control Program

CHA did not have a written elevator Maintenance Control Program (MCP) to maintain the equipment in compliance with the requirements of Section 8.6 of the Safety Code for Elevators and Escalators.

The Safety Code for Elevators and Escalators, ASME A17.1-2007/CSA B44-07, adopted by both the City of Chicago and State of Illinois states,

“A conveyance owner must have a Maintenance Control Program in place for their conveyance(s). The conveyance owner should review this information with their maintenance provider to be sure that they are in compliance with the Code.”

The Code (8.6.1.2) goes on to identify the following general maintenance requirements:

“A written Maintenance Control Program shall be in place to maintain the equipment in compliance with the requirements of 8.6.

(a) The Maintenance Control Program shall consist of but not be limited to (1) examinations, maintenance, and tests of equipment at scheduled intervals in order to ensure that the installation conforms to the requirements of 8.6. The maintenance procedures and intervals shall be based on

- (a) equipment age, condition, and accumulated wear*
- (b) design and inherent quality of the equipment*
- (c) usage*
- (d) environmental conditions*

(e) improved technology

(f) the manufacturer's recommendations for any SIL rated devices or circuits

Relevant Objective(s):

1. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the CDOB, AIC Program, Municipal Code Section 13-20-100.
2. Assess the risk environment and determine whether the current internal controls are sufficient to identify safety concerns for CHA residents.

Risk:

1. Regulatory non-compliance;
2. Potential for judicial action;
3. Inefficient administration of the program;
4. Potential waste if CHA is paying for the same service under routine preventative maintenance and repair services;
5. CHA's reputational risk.

Recommendation II.A:

- a) See recommendation I.A.
- b) All future contracts should include Code 8.6.1.2 General Maintenance Requirements.
- c) CHA should develop and use a MCP for each elevator machine.
- d) CHA should specify the maintenance frequency and tasks to be performed within any new contracts.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
Please refer to the response to item I.A. Also note that the Property Office has worked closely with the Chicago Department of Buildings to ensure that all of its elevators meet the building code requirements through inspections. The property Office has brought all elevators into compliance with the Chicago Department of Buildings requirements and continues to utilize its private property managers to affect all necessary repairs and maintenance to ensure continued compliance.		
Custodian:	Glenda Clark and Ellen Sargent	
Implementation Timeline:	Q1 2019	

B. Lack of Monthly Fire Service Test Records

The OIG noted that 81% (13 out of 16) of the selected sites were not in compliance with the CDOB Monthly Fire Service Test; 44% (7 out of 16) did not maintain a Fire Service Test Log; and 38% (6 out of 16) maintained partial Fire Service Test Logs (See Appendix Table I). The CDOB requires,

“The building owner or his/her designee shall provide for monthly test of Phase I recall by use of the key switch and a minimum of one-floor operation on phase II firefighters’ emergency service operation. A record of findings shall be available to elevator personnel and the Chicago Department of Building in the form of a log. This log shall remain in the elevator machine room. ...”

Article V, Rule No. 10(f) of the City of Chicago Rules Regarding the Registration and Inspection of Conveyance Devices Under the AIC Program, it is the duty of an owner to:

“(1) ensure that all required periodic tests of conveyance devices are performed in a timely manner; and (2) kept on file, for a period for six (6) years, the results of such periodic tests.”

Relevant Objective(s):

1. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the CDOB, AIC Program, Municipal Code Section 13-20-100.
2. Assess the risk environment and determine whether the current internal controls are sufficient to identify safety concerns for CHA residents.

Risk:

1. Regulatory non-compliance;
2. Potential for judicial action;
3. Inefficient administration of the Program;
4. Violation of CDOB and Article V, Rule No. 10(f) of the City of Chicago Rules Regarding the Registration of Conveyance Devices Under the AIC Program;
5. CHA’s reputational risk.

Recommendation II.B:

- a) See recommendation I.A.
- b) Maintenance contracts should abide by all City of Chicago Rules Regarding the Registration and Inspection of Conveyance Devices Under the AIC Program.
- c) PO should ensure that elevator maintenance contractors comply with monthly fire service testing and that the results are kept for six years.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
The Property Office will review this finding with the Chicago Department of Buildings and the private property management firms to ensure the CHA is in compliance with all requirements for monthly fire service test records.		
Custodian:	Glenda Clark	
Implementation Timeline:	Q1 2020	

C. Lack of Records for Routine Maintenance and Call-Back Services

The OIG noted that 38% (2016) and 19% (2017) of the selected sites did not maintain any maintenance records. During the same time period, 81% (2016) and 69% (2017) of the sites had incomplete records. Three sites recorded only two or three months of maintenance for the entire year. The repair logs and the call-back logs for maintenance records were systematically blank.

The OIG also found that the maintenance mechanics were not fully documenting which procedures were performed during their work. The lack of complete documentation and descriptions of corrective actions leaves the next mechanic with inadequate information to make an informed decision on repairs, testing and replacements.

With respect to the maintenance records, the ASME Code (8.6.1.4) states:

“Maintenance records shall document compliance with 8.6 of the Code and shall include records on the following activities:

- (a) description of maintenance task performed and dates*
- (b) description and dates of examinations, tests, adjustments, repairs, and replacements*
- (c) description and dates of call backs (trouble calls) or reports that are reported to elevator personnel by any means, including corrective action taken*
- (d) written record of the findings on the firefighter’s service operation required by 8.6.11.1*

Failure to maintain maintenance records with tasks performed for callbacks, which do not include a complete description of corrective actions taken, will be deemed as non-compliant pursuant to Code 8.6.1.4 (See Appendix Table II).

Relevant Objective(s):

1. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the CDOB, AIC Program, Municipal Code Section 13-20-100.
2. Assess the risk environment and determine whether the current internal controls are sufficient to identify safety concerns for CHA residents.

Risk:

1. Regulatory non-compliance;
2. Potential for judicial action;
3. Inefficient administration of the program;
4. CHA may be paying for the same service under routine preventative maintenance and repair services;
5. CHA’s reputational risk.

Recommendation II.C:

- a) See recommendation I.A.
- b) The PO shall include language in all future contracts which is consistent with Code 8.6.1.4 for maintenance records.
- c) The PO shall establish a record maintenance and monitoring process for compliance with ASME Code 8.6.1.4

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
The Property Office will review this finding with the private property management firms to ensure they appropriately manage their vendors and keep accurate records of routine maintenance and call-back services. Once this review is complete, the Property Office will revise the private property management procedures manual as needed and conduct random inspections of such records to ensure continued compliance.		
Custodian:	Glenda Clark	
Implementation Timeline:	Q1 2020	

D. Elevator-Machine Room and Elevator-Pit Maintenance

During fieldwork, the OIG observed the conditions of the machine rooms and elevator pits. Of the 16 elevators selected, the OIG noted that 50% of the machine rooms and 38% of the pits were listed as “NG [No Good]” on the CDOB Checklist for Elevator or Dumbwaiter Inspections. Machine rooms and elevator pits not in an approved condition can create a safety hazard. For example, dust in a machine room can affect the electronic control panels and cause elevator malfunctions. Keeping the machine room and elevator pit clean from debris are part of routine maintenance services and should only be conducted by licensed elevator personnel.

According to ASME A17.1 and the Office of the State Fire Marshal (OSFM), “*Only elevator personnel licensed by the State of Illinois may access elevator pits and hoist ways.*” However, an agreement dated 9/01/2018 between Mid-American Elevator Company and the Habitat Company for elevator maintenance services at Daniel Hudson Burnham Apartments on behalf of the CHA requires, “*the Purchaser [PPM] to keep the elevator Pit(s) and motor room(s) clean and free from water and rubbish.*”

In addition, the Chicago Elevator Company has agreements, signed in 2010, with East Lake Management (Patrick Sullivan Apartments) and the Habitat Company (Zelda Ormes Apartments) for elevator maintenance services, which both state, “*The Owner agrees to keep the elevator pit(s) and motor room(s) clean.*”

These contract clauses disregard elevator safety standards and are in violation of ASME A17.1 and OSFM. PPM personnel are not licensed elevator mechanics and therefore, should not be going into elevator pits to perform tasks exclusively reserved for licensed professionals. Doing so would expose PPM staff to peril (See Appendix Table III Machine Room and Pit Condition).

Relevant Objective(s):

1. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the CDOB, AIC Program, Municipal Code Section 13-20-100.
2. Assess the risk environment and determine whether the current internal controls are sufficient to identify safety concerns for CHA residents.

Risk:

1. Inefficient administration of the program;
2. Liability Risk;
3. CHA may be violating ASME A17.1 and causing unsafe conditions for PPM staff;
4. Potential waste due to CHA paying for services it is not receiving;
5. CHA’s reputational risk.

Recommendation II.D:

- a) See recommendation I.A.
- b) PO should amend the current contracts that have a clause requiring a PPM to clean the pits and machine room.
- c) The new contract should stress the enforcement of elevator safety standards, including the ASME A17.1 Safety Code for Elevators and Escalators.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>While an agreement found by the OIG states the owner shall clean the elevator pits and machine rooms clean, the elevator pits are in practice not cleaned by private property maintenance staff. Private property staff does clean machine rooms as these are not located in the pit or hoistway. As such the Property Office will confirm that the cleaning of the pit, and if required hoistway is conducted by licensed personnel. Please note that that while these cleaning activities are not part of the routine maintenance and call back service agreements, they can be conducted as an additional service by licensed personnel under the management of contracted by private property managers.</p>		
Custodian:	Glenda Clark	
Implementation Timeline:	Q1 2020	

E. Inadequate Annual Elevator Inspection Program

In reviewing the elevator inspection forms submitted by Phoenix, the OIG noted that some test requirements were not checked although the elevators received passing grades and were approved for certification. Each test requirement should be marked as OK, Not Good (NG) or Not Applicable (NA).

The following assessment was made after the interview of the owner of Phoenix:

1. Phoenix was unable to identify the minimum requirements, besides safety, for passing or failing an elevator for an annual inspection as required by the CDOB AIC Program.
2. Phoenix was not sufficiently communicating elevator issues or the city's unannounced elevator inspection audits to CHA and/or PPM site managers.
3. Based on the current personnel count (2 inspectors), Phoenix did not seem to have the capacity to adequately inspect approximately 900 elevators in its portfolio every year, including 153 elevators owned by the CHA, and to follow up within 30 days after a failed inspection.

As shown in Finding II-B, a thorough and diligent inspection would have identified the absence of a Fire Service Test Log and this information would have been communicated to the appropriate parties.

Relevant Objective(s):

1. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the CDOB, AIC Program, Municipal Code Section 13-20-100.
2. Assess the risk environment and determine whether the current internal controls are sufficient to identify safety concerns for CHA residents.

Risk:

1. Inefficient administration of the program;
2. CHA may be violating the regulation and causing unsafe conditions for PPM staff;
3. CHA's reputational risk.

Recommendation II.E:

- a) PO should review Phoenix's capability to effectively inspect all CHA elevators.
- b) PO should establish a communication protocol between Phoenix and CHA.

Management Response:		
<input type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input checked="" type="checkbox"/> Concur with part of the observation and recommendation
<p>The Property Office competitively procured elevator inspections service to the list of approved vendors as defined by the Chicago Department of Buildings. Through the competitive procurement process the lowest responsive and responsible bidder was awarded the contract. While the awarded contract did have challenges maintaining their schedule at one point, they have recovered and are now meeting the requirements of the Chicago Department of Buildings. The CHA has met with the Chicago Department of Buildings to ensure the annual inspection process, required repairs and re-inspections are in compliance. The CHA also has a dedicated point person to work with the Chicago Departments of Buildings to ensure any issues are responded to in a timely manner. The Property Office agrees that all applicable test requirements for a device should be checked on the inspection form.</p>		
Custodian:	Glenda Clark	
Implementation Timeline:	Q1 2020	

III. Finding: Elevator Maintenance Expenses

Risk Level: Medium

In reviewing elevator invoices, the OIG noted inconsistent hourly rates, charges that were not congruent with service agreements and improper invoice payments.

A. Inconsistent Hourly Rates

There were inconsistent hourly rates across CHA’s portfolio. The contracts only include the monthly costs for routine preventative maintenance. They do not include callback service or overtime billing rates. The only exception includes two 2010 contracts with the Chicago Elevator Company.

Mid-American Elevator is servicing 102 elevators for CHA. The company charges the highest hourly rate compared to the other CHA contracted companies (See Appendix Table IV).

Relevant Objective(s):

1. Review expenditures/cash disbursements and payment of invoices associated with elevator maintenance contracts for compliance with the PPM Procedural Manual and the Cash Disbursements Section of the PPM Financial Policy and Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the Program;
2. Waste due to paying a higher rate than necessary for maintenance and repair services;
3. CHA’s reputational risk.

Recommendation III.A:

- a) See recommendation I.A and I.C.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
The Property Office will review the private property management agreements with vendors and determine if a standard rate can be established. Due to the existing condition variables from property to property, distances to properties, and vendors; the focus of the property office review will be on the flat hourly and overtime rates, abstracted from any other additional costs of travel, materials, confined space work, etc. If the property office is able to establish a basis to standardize rates, those rates will be included in any new or revised agreements moving forward.		
Custodian:	Ketsia Colinet	
Implementation Timeline:	Q1 2020	

B. Improper Payments

The OIG identified two invoices that were paid twice at Mary Hartwell Catherwood. While the first duplicate payment was later credited to another invoice, the second duplicate payment of \$3,060 is still outstanding.

The following table illustrates duplicate payments identified by the OIG:

Table V Duplicate Invoice Payment at Mary Hartwell Catherwood Apartment.						
Tran#	Invoice Date	Invoice Number	Amount	Check#	Check Date	Comment
P-7705983	01/01/2016	23740	\$3,060.00	2902	02/15/2016	Duplicate invoice payment with transaction P-7780453
P-7780453	01/01/2016	23740	\$3,060.00	2938	03/25/2016	Duplicate invoice payment with transaction P-7705983 *
P-8323862	11/01/2016	27534	\$3,060.00	147	11/14/2016	Duplicate invoice payment with transaction P-8392410
P-8392410	12/01/2016	27534, 27885	\$6,304.00	182	12/19/2016	Duplicate invoice payment with transaction P-8323862
* In June 2016 PPM used invoice #25496 to offset the duplicate payment of the invoice #23740 that was paid by checks #2902 and 2938.						

The above duplicate payments were made possible by the following factors:

- Mid-American Elevator has four vendor numbers in CHA’s Yardi System
 1. (vcha1047) - MID AMERICAN ELEVATORS
 2. (vcha1195) - MID-AMERICAN ELEVATOR CO INC
 3. (vcha2271) - MID AMERICAN ELEVATORS
 4. (vph00209) - MID-AMERICAN ELEVATOR CO

Payments for the same invoice were made under vendor numbers “vcha1195” and “vcha1047.”

- Accounting Clerks modified or altered invoice numbers as shown in transaction number P-8392410. Otherwise, the Yardi System would have identified duplicate invoice numbers and rejected the invoice.

Relevant Objective(s):

1. Review expenditures/cash disbursements and payment of invoices associated with elevator maintenance contracts for compliance with the PPM Procedural Manual and the Cash Disbursements Section of the PPM Financial Policy and Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. Waste due to paying the same invoice multiple times;
3. CHA’s reputational risk.

Recommendation III.B:

- a) CHA should consolidate vendor numbers in Yardi.
- b) CHA should apply the duplicate payment to an outstanding invoice from Mid- American Elevator.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
The Property office will investigate this finding to confirm the payment was a duplicate and not inappropriately coded for the wrong building at the three building Catherwood property. Once verified the Property Office will have the Private Property Manager make any required deducts from the vendors next invoice.		
Custodian:	Glenda Clark	
Implementation Timeline:	Q1 2020	

C. Invoice Inconsistent with Service Agreements

The OIG matched, when possible, an invoice with its respective service ticket and/or work order to identify whether invoices were consistent with the appropriate service agreement. The OIG found four sites where the PPM was paying inconsistent service rates. The OIG also noted that three sites failed to provide a service agreement, two sites had agreements that did not cover the audit period, and one site provided illegible service tickets.

The following cases reflect invoice charges that were inconsistent with the respective service agreement:

Lidia Pucinska Apartments

- Service Agreement states, *“On emergency minor adjustment overtime callback service, the company will absorb the cost on a 24 hour, seven-day per week basis. The following items shall be considered MINOR ADJUSTMENTS: Coil replacement, ...other repairs requiring two hours or less to complete.”*
- As shown in Table VI, Mid-American Elevator charged for overtime, even though the work was performed in two hours or less.

Table VI Over Charged By Mid-American at Lidia Pucinska Apartments										
Invoice Date	Invoice Number	Amount	Rate Charged	Time Charge	Time In & Out	# Hours Charged	Correct Charged	Over Charged	Comment	
12/22/2016	27583	\$ 857.25	\$ 381.00	1.7	12:10 -1:00	2.25	\$ -	\$ 857.25	The work was performed in less than 2 hour.	
01/25/2017	28277	\$ 762.00	\$ 381.00	1.7	3:30 - 5:30	2	\$ -	\$ 762.00	The work was performed in less than 2 hour.	
09/12/2017	31605	\$1,260.00	\$ 360.00	1.7	16:00-17:00	3.5	\$ -	\$ 1,260.00	The work was performed in less than 2 hour.	
Total								\$ 2,879.25		
<p>The Agreement stated that: On emergency minor adjustment overtime callback service , the company will absorb the cost on a 24 Hour, seven-day per week basis. The following items shall be considered MINOR ADJUSMENTS: Coil replacement,, other repairs requiring two hours or less to complete.</p>										

Caroline Hedger Apartments

- Service Agreement states, *“On emergency minor adjustment overtime callback service, the company will absorb the cost on a 24 hour, seven-day per week basis. The following items shall be considered MINOR ADJUSMENTS: Coil replacement, ...other repairs requiring one hour or less to complete.”*
- As shown in Table VII, Mid-American Elevator charged overtime even though the work was performed in one hour or less.

Table VII Over Charged By Mid-American at Caroline Hedger											
Invoice Date	Invoice Number	Amount	Check#	Check Date	Rate Charged	Time Charge	Time In & Out	# Hours Charged	Correct Charged	Over Charged	Comment
04/30/2017	29941	\$1,000.00	633	07/27/2017	\$400.00	1.7	6:00 -7:00	2.5	\$ -	\$ 1,000.00	The work was performed within 1 hour.
11/30/2016	27921	\$1,428.00	5885	12/14/2016	\$408.00	2	5:40 - 6:30	3.5	\$ -	\$ 1,428.00	The work was performed within 1 hour.
02/29/2016	24614	\$ 369.00	5661	05/17/2016	\$246.00	ST	11:00-12:00	1.5	\$ -	\$ 369.00	The work was performed within 1 hour.
04/30/2017	29931	\$ 856.00	967	10/06/2017	\$428.00	2	9:30 - 9:30	2	\$ -	\$ 856.00	The work was performed within 1 hour.
11/30/2017	32783	\$ 700.00	1245	01/06/2018	\$400.00	1.7	9:10 - 9:45	1.75	\$ -	\$ 700.00	The work was performed within 1 hour.
08/18/2017	31305	\$1,498.00	967	10/06/2017	\$428.00	2	12:00-13:00	3.5	\$ -	\$ 1,498.00	The work was performed within 1 hour.
Total										\$ 5,851.00	
<p>The Agreement stated that: On emergency minor adjustment overtime callback service , the company will absorb the cost on a 24 Hour, seven-day per week basis. The following items shall be considered MINOR ADJUSMENTS: Coil replacement,, other repairs requiring one hour or less to</p>											

Zelda Ormes and Patrick Sullivan Apartments

- Service Agreements state, *“This contract includes emergency minor adjustment call-back service during regular working hours, at no additional charge. If overtime examinations or repairs are requested, you are to pay us, at our regular billing rates, for the bonus (overtime) hours only.”*
- As shown in Table VIII (Zelda Ormes) and Table IX (Patrick Sullivan), Chicago Elevator Company consistently charges for overtime.

Table VIII Over Charged By Elevator Industry of Illinois, dba Chicago Elevator Company at Zelda Ormes Apartments									
Invoice Date	Invoice Number	Invoice Amount	Rate Charged	Time Charge	# Hours Charged	Additional Charged other than Parts	Correct Charged	Over Charged	Comment
10/25/2016	17852	\$ 570.40	\$ 355.00	1.7	1.5	\$ 37.90	\$ 298.50	\$ 271.90	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
11/09/2016	18204	\$ 535.58	\$ 199.00	1	2.5	\$ 20.08	\$ 515.50	\$ 20.08	Cartage and/or mileage should not be charged.
11/09/2016	18205	\$ 405.40	\$ 199.00	1	2	\$ 7.40	\$ -	\$ 405.40	This is a call back after the mechanic claimed to have fixed the problem.
11/22/2016	18206	\$1,129.42	\$ 199.00	1	2		\$ -	\$ 1,129.42	Invoice #18204, 05 and 06 were for works done on same car# 1. The job tickets have the same description.
12/14/2016	18651	\$6,986.78	\$395 / \$207	team/2	15.5	\$ 148.72	\$ 5,436.56	\$ 1,550.22	The total teams' hours on tickets is 11 (4+4+1.5+1.5). Cartage should not be charged.
02/03/2017	19459	\$1,265.00	\$ 355.00	1.7	3.5	\$ 23.00	\$ 696.50	\$ 568.50	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
10/04/2017	22600	\$1,916.92	\$ 355.00	1.7	5	\$ 28.00	\$ 710.92	\$ 1,206.00	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
11/02/2017	23043	\$1,088.00	\$ 355.00	1.7	3	\$ 23.00	\$ 597.00	\$ 491.00	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
12/12/2017	23443	\$1,424.20	\$ 350.00	2	4	\$ 24.20	\$ 796.00	\$ 628.20	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
12/05/2017	23414	\$3,633.85	\$ 412.00	team/3	8	\$ 137.85	\$ 3,496.00	\$ 137.85	Cartage or mileage should not be charged.
12/05/2017	23411	\$ 862.50	\$ 199.00	1	2.5	\$ 359.50	\$ 503.00	\$ 359.50	Cartage or mileage should not be charged.
12/05/2017	23412	\$1,253.50	\$ 350.00	2	3.5	\$ 23.00	\$ 702.00	\$ 551.50	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
02/23/2018	24319	\$5,803.99	\$355 /\$199	1.7/1	4	\$ 28.80	\$ 4,952.91	\$ 851.08	Per contract (page 4) overtime is charged at regular rate. Cartage or mileage should not be charged.
			Total					\$ 8,170.65	

The Agreement stated that: This contract includes emergency minor adjustment call-back service during regular working hours, at no additional charge. If overtime examinations or repairs are requested, you are to pay us , at our regular billing rates, for the bonus (overtime) hours only.

Table IX Over Charged By Elevator Industry of Illinois, dba Chicago Elevator Company at Patrick Sullivan Apartments									
Invoice Date	Invoice Number	Invoice Amount	Rate Charged	Time Charge	# Hours Charged	Additional Charged	Correct Charged	Over Charged	Comment
01/05/2016	13700	\$ 1,820.45	\$ 350.00	2	5	\$ 70.45	\$ 995.00	\$ 825.45	Per contract (page 4) overtime is charged at regular rate. Mileage should not be charged.
01/13/2016	13776	\$ 1,324.50	\$ 199.00	1	6	\$ 130.00	\$ 1,194.00	\$ 130.50	Mileage should not be charged
03/01/2016	14313	\$ 911.90	\$ 355.00	1.7	2.5	\$ 18.70	\$ 503.20	\$ 408.70	Per contract (page 4) overtime is charged at regular rate. Cartage should not be charged
10/20/2015	12492	\$ 1,298.50	\$ 315.00	1.7	4	\$ 38.50	\$ 796.00	\$ 502.50	Per contract (page 4) overtime is charged at regular rate. Cartage should not be charged
08/29/2017	21927	\$ 2,142.08	\$ 355.00	1.7	6	\$ 12.08	\$ 1,194.00	\$ 948.08	Per contract (page 4) overtime is charged at regular rate. Cartage should not be charged
09/06/2017	22204	\$ 1,250.00	395 / 199	No team	1	\$ 261.00	\$ -	\$1,250.00	Service call on 8/14/2017 at 12:15pm. Technician Henry Soto responded. But have to come back for repair.
09/21/2017	22274	\$ 2,234.98	\$ 412.00	1	5	\$ 14.98	\$ 1,155.00	\$1,079.98	The work for invoice #22204 is performed on this invoice. By technician Daniel Hanns
			Total					\$5,145.21	

The Agreement stated that: This contract includes emergency minor adjustment call-back service during regular working hours, at no additional charge. If overtime examinations or repairs are requested, you are to pay us , at our regular billing rates, for the bonus (overtime) hours only.

The OIG was unable to review invoices for sites listed in Table X for reasons mentioned in each comment section, and thus could not identify any overcharge at these locations:

Table X Sites with Invoices that the OIG Could not Review	
<u>Management Company: WCDC</u>	
Building Name	Comment
Vivian Carter Apartments	PPM could not provide maintenance contract or service agreement.
Lincoln Perry Apartments.	PPM could not provide maintenance contract or service agreement.
Gordon-Harsh (Vivian) Apts.	PPM could not provide maintenance contract or service agreement.
Dearborn Homes	Job tickets associated with invoices are not legible.
<u>Management Company: Habitat Company</u>	
Building Name	Comment
Daniel Burnham Apartments	Service agreement provided by the PPM is dated 9/11/2018. It did not cover the scope period
Henry Horner Annex Apts.	Service agreement provided by the PPM is dated 08/25/2017. It did not cover the scope period

Relevant Objective(s):

1. Review expenditures/cash disbursements and payment of invoices associated with elevator maintenance contracts for compliance with the PPM Procedural Manual and the Cash Disbursements Section of the PPM Financial Policy and Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. Waste for paying more than agreed upon;
3. CHA’s reputational risk.

Recommendation III.C:

- a) PPMs should ensure that elevator maintenance service invoice rates are accurate, payment is made in accordance with established contract rates, and any change to the contract during the contract period be documented and approved.
- b) PPMs should reimburse CHA for the identified overcharges.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>The property office is working with the CHA legal department, private property management companies and the vendors to review each identified area of possible discrepancies in invoicing and agreements. Once the review of each agreement, service tickets and invoices are reconciled, with feedback and insight from the contract service agreement holding property manager, the Property Office will provide a more detailed response of all actions taken to ensure CHA did not pay in excess of the current contract terms.</p>		
Custodian:	Glenda Clark	
Implementation Timeline:	Q1 2020	

IV. Finding: Lack of Consistency in Notifying Emergency Services Risk Level: Medium

Data obtained from CHA’s Emergency Services Operation Center (ESOC) on elevator outages showed 135 elevator incidents (i.e. a person stuck inside the elevator) reported for all 153 CHA elevators from January 1, 2016 to December 31, 2018. This number represents less than one elevator incident per machine for a two-year period.

When reconciling this information with elevator maintenance invoices and the respective service tickets, there were additional calls made for elevator outages that were not reflected on ESOC’s list (See Appendix Table XI-A and XI-B).

Section 2.15 of the PPM Manual states: *“The property manager MUST report unusual incidents such as Elevator Outage to Emergency Services within 2 hours.”*

For example, at Zelda Ormes Apartments (Zelda), maintenance service invoices showed the following elevator outages were not documented by ESOC:

1. On October 27, 2017 at 10:39 am, an elevator repair service call was made for “an entrapment and it [was] stuck on the first floor.”
2. On November 12, 2017 at 6:30 am, an elevator repair service call was made because “Both elevators [were] not working properly.”
3. On October 28, 2018 at 11:27 pm, an elevator repair service call was made because “the #2 elevator [was] down.”

During the scope period, only four elevator outages at Zelda were reported to the ESOC. There was also no loss claim filed at Zelda for an elevator incident during this time period. When the OIG asked whether the Property Managers informed ESOC about elevator incidents, some managers stated they did not inform ESOC, while others stated they only notify ESOC when a person is trapped and/or all the elevators in the building are down.

The OIG reviewed ESOC data to highlight the inconsistent notification by the PPMs. The OIG did not conduct an extensive analysis to ascertain why certain properties may experience elevator outages more frequently than others. The lack of notification to ESOC is just one factor for why some properties only reflect one elevator outage on ESOC’s list. Many additional factors, such as the number of elevators a property has, should also be considered when rationalizing CHA elevator outage frequency.

Relevant Objective(s):

1. Review CHA’s process to ensure procedures are in compliance with CHA’s PPM Direct Procurement Procedures and Chapter 16 of the PPM Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. CHA’s reputational risk.

Recommendation IV:

- a) PO should establish a process to ensure consistent reporting of elevator incidents by Property Managers, as required in the PPM Manual.
- b) PO should perform a quality control review to ascertain that PPMs are complying with emergency procedures, as described in the PPM Manual.

Management Response:																																
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation																														
<p>Property Management Procedural Manual (2.15 Reporting Unusual Incidents to CHA) The property manager MUST report unusual incidents that occur at the development to CHA, on form(s) prescribed by the Asset Management Department, in accordance with the following chart.</p> <table border="1"> <thead> <tr> <th>Type of Incident</th> <th>Contact at CHA</th> <th>Timeframe</th> </tr> </thead> <tbody> <tr> <td>Death of Resident by natural causes</td> <td>Emergency Services Asset Manager</td> <td>Within 24 hours of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Suspected homicide</td> <td>Emergency Services Asset Manager Director of Asset Management</td> <td>Within 2 hours of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Utility Outage that affects less than 5 units</td> <td>Emergency Services Asset Manager</td> <td>Within 2 hours of notice to the PROPERTY Management</td> </tr> <tr> <td>Utility Outage that affects more than 5 units</td> <td>Emergency Services Asset Manager Director of Asset Management</td> <td>Within 1 hour of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Fire that affects one unit</td> <td>Emergency Services Asset Manager</td> <td>Within 2 hours of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Fire that affects more than one unit</td> <td>Emergency Services Asset Manager Director of Asset Management</td> <td>Within 1 hour of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Elevator Outage</td> <td>Emergency Services Asset Manager</td> <td>Within 2 hours of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Other police related incidents</td> <td>Emergency Services Asset Manager</td> <td>Within 2 hours of notice to the PROPERTY MANAGEMENT</td> </tr> <tr> <td>Other non-police related incidents</td> <td>Emergency Services Asset Manager</td> <td>Within 24 hours of notice to the PROPERTY MANAGEMENT</td> </tr> </tbody> </table> <p>The Property Office will remind the PPM firms of their duty to notify CHA and ESOC regarding any elevator outages and emergency technician service calls.</p>			Type of Incident	Contact at CHA	Timeframe	Death of Resident by natural causes	Emergency Services Asset Manager	Within 24 hours of notice to the PROPERTY MANAGEMENT	Suspected homicide	Emergency Services Asset Manager Director of Asset Management	Within 2 hours of notice to the PROPERTY MANAGEMENT	Utility Outage that affects less than 5 units	Emergency Services Asset Manager	Within 2 hours of notice to the PROPERTY Management	Utility Outage that affects more than 5 units	Emergency Services Asset Manager Director of Asset Management	Within 1 hour of notice to the PROPERTY MANAGEMENT	Fire that affects one unit	Emergency Services Asset Manager	Within 2 hours of notice to the PROPERTY MANAGEMENT	Fire that affects more than one unit	Emergency Services Asset Manager Director of Asset Management	Within 1 hour of notice to the PROPERTY MANAGEMENT	Elevator Outage	Emergency Services Asset Manager	Within 2 hours of notice to the PROPERTY MANAGEMENT	Other police related incidents	Emergency Services Asset Manager	Within 2 hours of notice to the PROPERTY MANAGEMENT	Other non-police related incidents	Emergency Services Asset Manager	Within 24 hours of notice to the PROPERTY MANAGEMENT
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Other police related incidents	Emergency Services Asset Manager	Within 2 hours of notice to the PROPERTY MANAGEMENT																														
Other non-police related incidents	Emergency Services Asset Manager	Within 24 hours of notice to the PROPERTY MANAGEMENT																														
Custodian:	Glenda Clark																															
Implementation Timeline:	Q4 2019																															

V. Finding: Incorrectly Charged Accounts**Risk Level: Medium**

The OIG reviewed transactions related to elevator maintenance services to identify whether expenditures were properly recorded and classified to meet reporting requirements as described in the Chart of Accounts. CHA Private Managers Financial Policy and Procedure Manual states, “*The Private Managers must use CHA’s Yardi Chart of Accounts.*”

The OIG identified transactions that were not properly coded in Yardi. A total of \$216,357 was charged to elevator maintenance service accounts (#4430001 ORD. MAINT. CONTR-ELEVATOR SERVICES) in which these transactions did not belong. Consequently, elevator maintenance service accounts were overstated, affecting the accuracy of the CHA’s Financial Statement.

Accounting information must be reliable, reasonably free from error and represent what it is intended to represent. The Government Accounting Standard Board (GASB Cod. 100. 177) places emphasis on accountability, and states that, “*Accounting reporting should provide information to assist users in assessing the service effort and the cost. For proper reporting and accountability, it is paramount that recordings of expenditures reflect actual expenditure.*”

For example, a waste disposal invoice for \$21,888.86 and a scaffolding services invoice for \$27,090 were recorded as elevator services. The following table (Table XII) includes major cases where non-elevator invoices were paid as elevator services:

Table XII Expenses Incorrectly Charged to Elevator Account		
Vendor Name	Commodity	Total Amount
(vcha4935) - Chicago Scaffolding Inc.	Scaffolding Services	\$ 92,521.00
(vcha3693) - Republic Services, #710	Scavenger Services	\$ 72,824.66
(vcha3516) - Peoples Energy	Utility Services	\$ 3,667.62
(vcha1212) - Waste Management	Scavenger Services	\$ 30,358.20
(v0027991) - Resource Center	Recycling Services	\$ 1,221.58
(v0037497) - Cass Information Systems	Expense Management Services	\$ 1,237.76
(v0004368) - A & M General Contractor Inc.	Sprinkler Installation	\$ 1,530.00
(v0001678) - Door Systems Kone Group	Installed ADA Ped Door operator	\$ 2,996.00
(v0001413) - Waste Management	Scavenge Services	\$ 7,787.57

While a user department may be allowed to rearrange funds from one-line item to another line item, the recording of the expenditure has to be accurate. It allows CHA to trace total expenditures for elevator service expenditures.

Reasons for misclassifications may include:

- User departments trying to circumvent their budget requirement;
- Accounts payable (A/P) clerks not taking time to read information on invoices;
- A/P clerks not reviewing the accounting code written by the user departments to ascertain if the account designated is the correct one;
- Management not reviewing work performed by the A/P clerks; and
- CHA Property Accounting Department not reviewing vendor ledgers to ascertain if the charges are applied to correct accounts.

Relevant Objective(s):

1. Review expenditures/cash disbursements and payment of invoices associated with elevator maintenance contracts for compliance with the PPM Procedural Manual and the Cash Disbursements Section of the PPM Financial Policy and Procedural Manual.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Risk:

1. Inefficient administration of the program;
2. Misrepresentation of the elevator maintenance expense.

Recommendation V:

- a) A/P clerks should read invoice descriptions and compare them to coding descriptions.
- b) A/P clerks should notify the user department if the coding does not agree with invoice descriptions, and the A/P department should make the appropriated change.
- c) CHA Property Accounting Department should periodically review vendor ledgers for proper recording.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
The Property Office will competitively procure elevator maintenance services. Through the competitive procurement process the lowest responsive and responsible bidder will be awarded the contract. Upon completion CHA will be responsible for oversight and payment of this contract.		
Custodian:	Ellen Sarget	
Implementation Timeline:	Q3 2021	

C. Results of Objectives

The following summarizes the result based on the audit's stated objectives:

1. Review CHA's process to ensure procedures are in compliance with CHA's PPM Direct Procurement Procedures and Chapter 16 of the PPM Procedural Manual.

Result:

Findings I.A, I.B, and IV show that CHA is not in compliance.

2. Ascertain whether annual elevator inspection reporting, for all elevators on CHA properties, is in compliance with the CDOB, AIC Program, Municipal Code Section 13-20-100.

Result:

Findings II.A, II.B, II.C, and II.D show that CHA is not in compliance.

3. Review expenditures/cash disbursements and payment of invoices associated with elevator maintenance contracts for compliance with the PPM Procedural Manual and the Cash Disbursements Section of the PPM Financial Policy and Procedural Manual.

Result:

Findings III.A, III.B, III.C and V show that CHA is not in compliance.

4. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of elevator services at CHA properties.

Result:

Findings I.A, I.B, III.A., III.C and IV shows that the current internal controls are not sufficient to minimize fraud, waste and abuse of elevator services at CHA properties as related to elevator maintenance services.

5. Assess the risk environment and determine whether the current internal controls are sufficient to identify safety concerns for CHA residents.

Result:

Findings II.A, II.B, II.C, and II.D show that the current internal controls are not sufficient to identify safety concerns for CHA residents as related to elevator.

D. Appendix

Table I Monthly Fire Service Test Recorded in 2016 and 2017			
BUILDING NAME	Maintenance Company Name	Monthly Fire Services Test Log 2016	Monthly Fire Services Test Log 2017
Bumham (Daniel H.) Apts.	Mid-American	3 / 12 months	9 / 12 months
Hartwell - Catherwood (Mary) Apt	Mid-American	No Fire Service Log	No Fire Service Log
Hedger (Caroline) Apts	Mid-American	No Fire Service Log	No Fire Service Log
Puchinska (Lidia) Annex Apts.	Mid-American	No Fire Service Log	No Fire Service Log
Spurlock - Sampson (Edith) Annex	Mid-American	No Fire Service Log	No Fire Service Log
Wicker Park Apts.	Mid-American	No exception Noted	7 / 12 months
Amour Square I Apts.	Mid-American	8 / 12 months	10 / 12 months
Gordon-Harsh (Vivian) Apts.	Mid-American	No Fire Service Log	No exception Noted
Sullivan (Patrick F.) Apts.	Chicago Elevator Company	8 / 12 months	9 / 12 months
Campbell (Kenneth E.) Apts.	Mid-American	5 / 12 months	No Fire Service Log
Carter (Vivian) Apts.	Mid-American	No Fire Service Log	No Fire Service Log
Perry (Lincoln) Apts.	Mid-American	No Fire Service Log	No Fire Service Log
Jackson (Mahalia) Apts.	Mid-American	9 / 12 months	6 / 12 months
Ormes (Zelda) Apts.	Chicago Elevator Company	3/ 12 months	8 / 12 months

Table II. Maintenance Records				
BUILDING NAME	ELEVATOR TYPE	Maintenance Company Name	Monthly Maintenance Log 2016	Monthly Maintenance Log 2017
Burnham (Daniel H.) Apts.	Hydraulic	Mid-American	2 months	11 months
Hartwell - Cather wood (Mary) Apts.	Traction	Mid-American	No Record Find	6 months
Hedger (Caroline) Apts	Traction	Mid-American	6 months	6 months
Puchinska (Lidia) Annex Apts.	Traction	Mid-American	9 months	No Record Find
Spurlock - Sampson (Edith) Annex A	Traction	Mid-American	3 months for car #2. No record for #1	7 months for car #2. No record for #1
Wicker Park Apts.	Traction	Mid-American	No Exception	No Exception
Amour Square I Apts.	Traction	Mid-American	9 months	No exception
Gordon-Harsh (Vivian) Apts.	Traction	Mid-American	No Record Find	No exception
Homer (Henry) Annex Apts.	Traction	Skyway	No Exception	No Exception
Sullivan (Patrick F.) Apts.	Traction	Chicago Elevator Company	8 months	9 months
Campbell (Kenneth E.) Apts.	Traction	Mid-American	No Record Find	No Record Find
Carter (Vivian) Apts.	Traction	Mid-American	No Record Find	No Record Find
Dearborn Homes	Traction	1st Priority	No Exception	No Exception
Perry (Lincoln) Apts.	Traction	Mid-American	No Record Find	8 months
Jackson (Mahalia) Apts.	Hydr-Tract.	Mid-American	No Record Find	8 months
Ormes (Zelda) Apts.	Traction	Chicago Elevator Company	3 months	9 months

Table III. Maintenance Records of Machine Room & Pit

BUILDING NAME	ELEVATOR TYPE	Maintenance Company Name	Machine Room Space exception noted	Pit Condition
Burnham (Daniel H.) Apts.	Hydraulic	Mid-American	No Exception	No Access
Hartwell - Cather wood (Mary) Apt	Traction	Mid-American	No Ventilation. AC not working	Good
Hedger (Caroline) Apts	Traction	Mid-American	No Exception	No Access
Puchinska (Lidia) Annex Apts.	Traction	Mid-American	Not clean	No Access
Arlock - Sampson (Edith) Annex A	Traction	Mid-American	No Ventilation or AC not working	Good
Wicker Park Apts.	Traction	Mid-American	No Exception	Debris in the pits. Light not working
Amour Square I Apts.	Traction	Mid-American	No Lighting	Debris in the pits.
Gordon-Harsh (Vivian) Apts.	Traction	Mid-American	Light are out	No Access
Horner (Henry) Annex Apts.	Traction	Skyway	Out dated fire Extinguisher	Debris in the pits.
Sullivan (Patrick F.) Apts.	Traction	Chicago Elevator Company	Not cleaned	Debris in the pits.
Campbell (Kenneth E.) Apts.	Traction	Mid-American	No Exception	No Access
Carter (Vivian) Apts.	Traction	Mid-American	No Exception	Debris in the pits.
Dearborn Homes	Traction	1st Priority	No Space	Good
Perry (Lincoln) Apts.	Traction	Mid-American	No Ventilation. AC not working	Debris in the pits. Light not working
Jackson (Mahalia) Apts.	Hydr-Tract.	Mid-American	Not clean. Web all over the place	No Access
Ormes (Zelda) Apts.	Traction	Chicago Elevator Company	No Exception	No Access

This Table IV Inconsistent Rate

BUILDING NAME	ELEVATOR TYPE	Maintenance Company Name	St Time Rate Mechanic	1.7 O.T Rate Mechanic	2 O.T Rate Mechanic	Team Rate Mechanic
Ormes (Zelda) Apts.	Traction	Chicago Elevator Company	\$ 199.00	\$ 355.00	\$ 350.00	ST Team \$395
Dearborn Homes	Traction	1st Priority	\$ 165.00		\$ 280.00	
Carter (Vivian) Apts.	Traction	Mid-American	\$ 258.00	\$360 - \$400	\$ 428.00	
Sullivan (Patrick F.) Apts	Traction	Chicago Elevator Company	\$ 199.00		\$ 355.00	
Horner (Henry) Annex Ap	Traction	Skyway	\$ 176.89	\$ 230.07		
Hartwell - Cather wood	Traction	Mid-American	\$ 246.00	\$ 400.00	\$ 428.00	ST Team \$446

St = Straight time

O.T = Overtime

Table XI-A				
Emergency Event Type	People Stuck in Elevator			
Building Name	Armour Square	Caroline Hedger	Dearborn	Fisher
Total Occurrence.	1	1	1	1

Table XI-B						
Emergency Event Type	Elevator Outage					
Building Name	Ada S McKinley	Alfreda Barnett	Armour Square	Caroline Hedger	Castleman	Dearborn
Total Occurrence.	1	7	3	6	13	14*
Building Name	Edith Spurlock	Elizabeth Davis	Elizabeth Woods	Ella Flagg	Fisher	Flannery
Total Occurrence.	1	4	2	4	3	3
Building Name	Hattie Callner	Henry Horner	Judge Fisher	Kenneth Campbell	Lake Parc Place	Las Americas
Total Occurrence.	4	1	1	1	5	1
Building Name	Major Lawrence Apts.	Lidia Pucinska Apts	Lincoln & Sheffield	Long Life Apts	Loomis Courts	Lorraine Hansberry
Total Occurrence.	1	1	1	10	1	2
Building Name	Mahalia Jackson	Margaret Day Blake	Mary Hartwell	Minnie Ripperton	Patrick Sullivan	Ss Nw
Total Occurrence.	2	2	1	3	2	1
Building Name		Vivian Carter	Vivian Gordan Harsh	Zelda Ormes		
Total Occurrence.		10	2	4		
* Dearborn has 16 elevators						