

DOCUMENT RESUME

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[Survey of Service Contracts Awarded by Local Authorities].
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pp.).

Report to Secretary, Department of Housing and Urban
Development; by Henry Eschwege, Director, Community and Economic
Development Div.

Issue Area: Federal Procurement of Goods and Services (1900);
Federal Procurement of Goods and Services: Notifying the
Congress of Status of Important Procurement Programs (1905).

Contact: Procurement and Systems Acquisition Div.

Budget Function: General Government: General Property and
Records Management (804).

Congressional Relevance: House Committee on Banking, Currency
and Housing; Senate Committee on Banking, Housing and Urban
Affairs.

A review of the methods used in awarding contracts for
elevator maintenance and repair work at selected Public Housing
Authorities (PHAs) in the Department of Housing and Urban
Development (HUD) Region V indicated that the PHAs were not
obtaining effective competition for maintenance and repair
contracts. Findings/Conclusions: Sixty-eight contracts,
involving payments of \$415,888 during 1976, had existed for
periods ranging from 3 to 13 years. Four PHAs had negotiated 31
of these contracts with elevator manufacturers and continued
these arrangements under options for an extended period.
Generally, the PHAs could not locate appropriate HUD approval
for either renewal options or contract periods beyond 2 years.
Consolidation of elevator maintenance contracts results in
reduced contract administration and lower costs. However, only 3
PHAs had combined overall requirements under blanket contracts.
Savings resulting from competitive bidding for elevator
maintenance contracts were reported by PHAs in Chicago and
Indianapolis. Recommendations: The Secretary of Housing and
Urban Development should: instruct field offices in Region V to
take steps to insure the PHAs obtain competition and consolidate
requirements for elevator maintenance to the extent possible;
insure that within Region V, approvals are obtained for either
renewal options or use of contract periods beyond 2 years; and
determine whether the problem found in Region V exists in other
regions, and if it does, take appropriate corrective action.
(RRS)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

17 JAN 1978

04689

B-167637

The Honorable
The Secretary of Housing and
Urban Development

Dear Mrs. Harris:

We analyzed the methods used in awarding contracts for elevator maintenance and repair work at selected Public Housing Authorities (PHAs) in Region V. Our review was conducted at the Department of Housing and Urban Development (HUD) offices in Chicago, Illinois, and Milwaukee, Wisconsin. In addition, we obtained information from PHAs located in the more heavily populated cities in the Region.

We found that PHAs were not obtaining effective competition for elevator maintenance and repair contracts. In addition, we noted that many small contracts were being awarded which we believe could have been placed more economically on a consolidated basis. Further, some contracts were extended or awarded year after year to the same contractors. Some for as long as 13 years.

LACK OF COMPETITION AND COMBINED REQUIREMENTS

In our review, we identified 78 current elevator maintenance and repair contracts awarded by 13 PHAs. Sixty-eight of these contracts, involving payments during 1976 of \$415,688, had existed for periods ranging from 3 to 13 years. Four PHAs negotiated 31 of these contracts with elevator manufacturers and continued such arrangements under options for extended periods. Generally the PHAs could not locate appropriate HUD approvals for either renewal options or use of contract periods beyond 2 years as required by Section 315 of HUD's annual contribution contract with the PHAs. In Chicago and Milwaukee, the approvals could not be located in the HUD offices either.

Consolidation of elevator maintenance contracts results in reduced contract administration and provides opportunities for lower prices. However, only 3 of the

13 PHAs had combined overall requirements under blanket contracts.

For example, the Milwaukee Housing Authority (MHA) had 14 contracts, 1 for each of its 14 project sites. MHA negotiated the contracts with the elevators' manufacturers and awarded the 14 contracts in 1971 (10), 1972 (3), and 1976 (1) with provisions for indefinite extensions and with periodic inflation adjustments. MHA officials told us they would take action to combine requirements, obtain competition, and limit contract periods. See Enclosure 1 for a table showing PHAs and the number periods, and dollar value of their open contracts.

SAVINGS RESULTING FROM COMPETITION

During a previous review ^{1/}, we reported that in 1966 the Chicago Housing Authority (CHA) entered into 10-year contracts for maintenance and repair of elevators without obtaining competition for the vandalism repair work part of the contracts. As a result, CHA had no assurance that fees paid for such services--about \$2.2 million or 71 percent of the 1975 contract payments--were reasonable. We recommended that competitive bidding be obtained for vandalism repair work when solicitating bids for future elevator repair contracts.

CHA concurred with the recommendation and opened the work to competitive bidding in late 1976. It advertised and directly solicited 12 elevator maintenance contractors for the work on its elevators of all makes at all project sites during the 3 years ending December 31, 1979. The resultant low bid contract includes an option for a 2-year renewal. We estimate the annual savings at 16 percent of the prior contract costs or about \$534,000 annually during the life of the new contracts.

^{1/}"Elderly Tenants Housed Out Of Turn And Questionable Contracting Practices At The Chicago Housing Authority." (CED-76-129, August 6, 1976)

Savings through competition were also noted in independent actions taken by the Housing Authority for the City of Indianapolis, which before 1977, awarded and continued elevator maintenance contracts without competition. It had four contracts covering four sites with two to five elevators each. Its personnel advised us that because of the need for economy, they obtained competition on three of the four sites during 1977. As a result, three awards were made at an estimated total annual savings of \$8,000 or from 22 to 46 percent lower than on each of the 1976 contract payments.

CONCLUSIONS AND RECCMMENDATIONS

We believe that most PHAs can significantly reduce elevator maintenance and/or repair costs by combining requirements and obtaining competition. Accordingly, we recommend that you:

1. Instruct your field offices in Region V to take steps to ensure the PHAs obtain competition and consolidate requirements for elevator maintenance to the extent possible.
2. Insure that within Region V, approvals are obtained for either renewal options or use of contract periods beyond 2 years as required by Section 315 of HUD's annual contribution contract.
3. Determine whether the problem found in Region V exists in other regions, and if it does, take appropriate corrective action.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the Senate Committees on Appropriations and Governmental Affairs, and Chairmen of the House Committees on Appropriations and Government Operations. We are also sending copies to your Assistant Secretary for Housing - Federal Housing Commissioner and Inspector General.

We would appreciate being advised of actions taken on the matters discussed in this letter.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege".

Henry Eschwege
Director

Enclosure

LOCAL HOUSING AUTHORITIES
OPEN CONTRACTS FOR MAINTENANCE OF ELEVATORS
AS OF DECEMBER 31, 1976
SELECTED CITIES IN REGION V

<u>Housing Authority</u> <u>Location</u>	<u>Competitive contract periods</u>		<u>Noncompetitive contract periods</u>	
	<u>Under 2 years</u> <u>Payments</u> <u>(and Contracts)</u> <u>in 1976</u>	<u>3 to 13 years</u> <u>Payments</u> <u>(and Contracts)</u> <u>in 1976</u>	<u>Under 2 years</u> <u>Payments</u> <u>(and Contracts)</u> <u>in 1976</u>	<u>3 to 13 years</u> <u>Payments</u> <u>(and Contracts)</u> <u>in 1976</u>
Cincinnati, OH				\$ 54,170 (9)
Cleveland, OH		\$115,131 (24)		
Columbus, OH	\$ 6,758 (2)	4,767 (1)		34,149 (5)
Evansville, IN	8,640 (1)			
Gary, IN		7,620 (4)		
Grand Rapids, MI		3,436 (2)		
Indianapolis, IN			\$ 7,930 (1)	25,769 (3)
Lansing, MI		8,691 (2)		
Milwaukee, WI			1,106 (1)	56,609 (14)
Minneapolis, MN		85,757 (1)		
Rockford, IL		19,588 (3)		
St. Paul, MN	40,789 (1)			
Youngstown, C.d	6,825 (3)			
TOTAL	<u>\$63,012 (7)</u>	<u>\$244,990 (37)</u>	<u>\$14,085 (3)</u>	<u>\$170,697 (31)</u>