

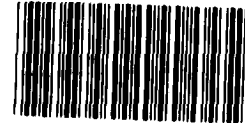
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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D. C. 20548

FOR RELEASE ON DELIVERY
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STATEMENT OF



114652

DONALD L. SCANTLEBURY

DIRECTOR, ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION,

AND CHIEF ACCOUNTANT OF

THE UNITED STATES GENERAL ACCOUNTING OFFICE

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

CONCERNING

[QUALITY OF WORK PERFORMED ~~BY ROBINSON ELECTRICAL CO., INC.~~
IN INSTALLING AN ELECTRICAL DISTRIBUTION SYSTEM AT
THE DESIRE HOUSING PROJECT, NEW ORLEANS, LOUISIANA LA]

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Mr. Chairman and Subcommittee Members:

We are pleased to be with you today. I have with me Messrs. Marvin Doyal and Bill McPhail who were responsible for our work in New Orleans and Mr. Sy Efros of our Office of General Counsel. Our purpose is to discuss certain contracts awarded to Robinson Electrical Company, Inc. by the Housing Authority of New Orleans. My formal statement will summarize our work related to four such contracts awarded for modernization of the electrical distribution system at the Desire Project. Following this, we will be happy to answer any questions you may have.

Before going further, let me identify the organizations we will be discussing today.

THE HOUSING AUTHORITY OF NEW ORLEANS OR HANO

HANO is a city agency that was created to provide safe, decent, sanitary housing for low income persons in New Orleans. HANO manages some 14,000 housing units occupied by about 47,000 persons, or about 8 percent of the city's population.

HANO employs about 850 persons. This staff, headed by an Executive Director, reports to a five person Board of Commissioners. The commissioners are appointed by the Mayor and they in turn select the Executive Director.

THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR HUD

HUD, under its public housing program, subsidizes the operation of HANO. The relationship between HUD and HANO is spelled out in a document called the annual contributions contract.

HUD pays interest and principle on monies borrowed by HANO to build rental units. Because rental income is not enough to pay operating cost, HUD also provides an operating subsidy. Additionally, HUD provides funds to modernize the rental units.

HUD in New Orleans is represented by the New Orleans Area Office, a sublocation in the Dallas Region.

THE DESIRE PROJECT

Of the Housing projects managed by HANO and supported by HUD, the Desire Project is the largest. In fact, we are told that this project is the largest low rent public housing project in the nation. Without vouching the accuracy of this claim, we offer the following statistics. Desire:

--consists of 248 separate buildings containing some 1844 apartments.

--houses some 11,000 persons according to rental records and perhaps 20,000 in fact.

THE ROBINSON ELECTRICAL COMPANY, INC. OR ROBINSON

Robinson is an electrical contracting firm that was formed in 1970. Robinson was low bidder on four contracts to modernize the interior electrical distribution system of the Desire Project and performed under these contracts during the period August 1974 through September 1975.

REQUEST FOR REVIEW

Our work in New Orleans was initiated in response to the March 28, 1980, request of this Subcommittee. During our field

work we examined HUD, HANO and Robinson's books and records and interviewed officials in these organizations. Our field work was substantially completed in August 1980.

Because of the nature of the Subcommittee request and because of the amount of business done for HANO by Robinson, we examined the relationship between Robinson and HANO at length. Among other Robinson contracts were four for modernization of the interior electrical distribution system at the Desire Housing Project.

The circumstances leading to award of these contracts to Robinson are as follows.

AWARD OF DESIRE CONTRACTS

HANO, in late 1972, set about to modernize the Desire Project--the nation's largest single low-rent housing project. Included in this modernization program was replacement of the electrical distribution system. The cost of the program was funded by HUD.

Design Contract

On January 10, 1973, HANO awarded a \$160,000 contract for the design of the Desire Project modification. This contract resulted in a set of plans and specifications for the planned work at Desire.

First Round of Bidding

HANO, during May 1974, published a notice to bidders concerning the work at Desire and sent letters to 12 firms soliciting their interest in bidding on the project. A number of firms

purchased the plans and specifications necessary to work up bids on the project.

At the bid opening on June 3, 1974, only one firm bid. This bid included \$3,891,000 for interior and exterior electrical work.

On June 5, 1974, HANO notified this bidder that it had tentatively been awarded a contract for the interior and exterior electrical work pending HUD approval. Additionally, the bidder offered to reduce his \$3,891,000 bid by \$1,125,000 if his proposed subcontractor for interior electrical work could provide a bond.

Further still, the bidder suggested that the interior electrical work be broken into four phases which could be worked sequentially and bonded separately. For these and other reasons, HANO counsel advised that the work should be rebid.

Second Round of Bidding

HANO announced that the first bid had been rejected and the work readvertised. It also requested HUD's approval to split the interior electrical work into four parts but was informed that HUD approval was not required.

The second set of bids were opened on July 31, 1974. Bids were received from three firms--each firm bid on a separate part of the work package. The HANO Board of Commissioners awarded, subject to HUD concurrence, the exterior electrical work to one firm for \$1.15 million and four contracts for interior electrical work to Robinson for \$1.65 million in total. The Board deferred

a decision on the other item of work. HANO requested and received HUD approval of the Board's actions. Four contracts were then awarded to Robinson for the interior electrical work at Desire Project.

ELECTRICAL BLACKOUT AT DESIRE PROJECT

During late 1978, about three years after Robinson completed work, the Desire Project experienced severe electrical outages. In seeking the cause of these outages, HANO asked three separate engineering firms to investigate the matter.

One firm concluded that the cause could be attributed to improper wiring, lack of preventive maintenance and possibly lightning strikes.

A second engineering firm also investigated the matter and in its January 1979 report confirmed the poor workmanship and raised two particularly interesting questions:

- Why were aluminum cables used rather than copper as called for by plans and specifications? and
- Why weren't cables between main distribution panels and apartment panels in conduit as called for by plans and specifications?

A third consultant characterized the work at Desire as the poorest workmanship he had ever seen.

PROBLEMS DURING CONSTRUCTION

Our work disclosed evidence of problems during construction of the electrical distribution system. However, the extent of the problems was not clearly determined. Specifically, there

was evidence of:

- substitution of materials, and
- poor workmanship.

Substitution of Materials

During execution of the four Desire contracts, Robinson:

- used aluminum cable rather than copper, and
- used plastic coated cable (or romex) rather than cable in conduit.

Aluminum vs Copper

There is no doubt that the initial plans and specifications called for copper cable rather than aluminum. However, early in the construction phase a changed location for the main distribution panel was proposed and accepted. In adjusting the plans and specifications to account for this change, Robinson submitted a drawing to HANO depicting the required change. On this drawing, Robinson included a schedule of conduit and conductors which disclosed its plan to use aluminum cable.

In June 1975, after completion of two of the four contracts, the architect informed HANO that it was his intention that aluminum cable be allowed throughout the project despite the wording in the plans and specifications. There was no adjustment in contract price for this substitution.

Absence of Conduit

The question of Robinson not using conduit arose in early 1975. At this time HANO's Technical Section noted that conduit

was not being used under the buildings as required by the plans and specifications. On March 12, 1975, Robinson was notified that failure to use conduit was not in accordance with the plans and specifications. This notice was based on a decision by HANO's Board of Directors.

HANO's position was that either conduit should be used or a credit received. Robinson claimed conduit was not required and that HANO was not due a reduction in price. HANO decided to refer the matter to HUD and abide by HUD's decision.

In May HUD's engineering technician inspected the installation and agreed with the HANO position. HANO estimates show the amount of credit anticipated to be about \$257,000.

HUD did not get a chance to arbitrate the matter because, on June 5, 1976, HANO's board reversed its original decision and accepted Robinson's method. Even so, as recently as 1980, the former Head of HANO's Technical Section still believed strongly that a credit was due.

Poor Workmanship

There was little evidence of quality assurance inspections during construction. What was available, however, indicated workmanship problems. For example:

---A March 26, 1975, inspection report disclosed Robinson was reusing old electrical outlets when new outlets were specified;

--An April 22, 1975, inspection report disclosed that cable under the buildings generally was not properly supported.

--A May 12, 1975, inspection report again complained of improper cable support.

Robinson did maintenance work at Desire during the one year warranty period following completion of the contracts. After that, another electrical contractor took over maintenance work. Between January 1976 and July 1979 the system experienced 240 emergency repairs costing \$150,000.

The electrical contractor who took over maintenance from Robinson reported that many of the problems he faced related to:

--The improper use of aluminum cable, especially at connections with distribution panels; and

--The manner selected to support the cable in the crawl space.

COST SUMMARY

The cost incurred by HANO thus far to modernize the electrical distribution at the Desire Housing Project has been:

--Contracts to Robinson completed in 1975	\$1,702,986
--Emergency repairs 1976 to 1979	150,000
--Repairs since blackout	<u>500,000</u>
Total	<u>\$2,352,986</u>

In addition, HANO believes they will require some \$1.5 million more to complete the repairs.

An electrical contractor is currently inspecting each building in the Desire Project and performing necessary repairs. As of last week, 118 buildings had been inspected and 75 (or 64 percent) were determined to need extensive repairs.

Debarment, Suspension and Denial of Participation

Early during our work at HANO we found that Robinson had been convicted of a felony. We reported this matter to local HUD officials who issued a temporary denial of participation. HUD Washington officials also initiated debarment proceedings using the felony conviction as a basis.

Robinson appealed these actions to HUD's Board of Contract Appeals. According to the ruling by the administrative law judge, the temporary suspension was lifted and debarment rejected because the conviction was for a technicality and did not warrant the extreme action of debarment.

As of today, Robinson is eligible to bid on and receive HUD contracts.

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We will be happy to answer any questions you have.