



THE CITY OF BOSTON FINANCE COMMISSION  
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**Background**

The Finance Commission reviewed the administration “repetitive services” or “requirement” contracts which were issued through the Property Management Department by using the M.G.L. 30B procurement process. The reason for these contracts is to have a consistent mechanism in place to assist in maintaining city properties beyond the capacity of the full-time staff.

The services covered under these three year contracts, which fell into thirty-nine categories including areas such as plumbing and general contracting, were procured with one blanket “not to exceed” amount which, the last time the services were bid was \$1,650,000. “Qualified” vendors from various trades could then be contacted by Property Management to complete tasks within their field of expertise (see attached). Vendors received a “Vendor Category Sheet” with instructions to select two out of the thirty-nine categories for which they were qualified (see attached), but Property Management employees were not made responsible to assure vendors worked within their approved qualified areas. As a result, they regularly designated vendors to complete work in categories where vendors had not shown or claimed any competency to undertake the work in question.

Once vendors qualified and were retained under the “requirement” contracts, employees of Property Management were required to assign work as it became available. Interviews with several employees indicated that this process was completed by following the outlines of procurement laws:

1. Estimated job cost of \$25,000 and over: Work was bid with sealed responses.
2. Estimated job cost of between \$10,000 up to \$25,000: Bids for work required sealed quotes
3. Estimated job cost of between \$5,000 up to \$10,000: 3 vendors were called for quotes.
4. Estimated job cost of under \$5,000: Best business practices.

\*\*\*Best business practices was defined as whoever could get the job done well and on time.

After obtaining advice of the Attorney General this year, Property Management put these contracts on hold, and the method for procuring these services was revised. Instead of one umbrella contract covering all services, the services were broken down into several trade categories with a \$75,000 maximum for any one vendor’s contract. Vendor submissions were evaluated based on their combined employee hourly rate, with the lowest cost being deemed most advantageous and this is the vendor who will be contacted first when jobs arise. When the lowest cost vendor’s maximum contract threshold is met, the next lowest cost vendor will be contacted for jobs. The categories of landscaping, equipment rental, moving services and sign making are to be procured through the M.G.L. 30B procurement process. Other services in the categories of general contracting, flooring, plumbing and

electrical will be procured using M.G.L. 149 and masonry maintenance and drains on City Hall Plaza are subject to M.G.L. 30 and 39M. This revision of the process under which these services are procured is meant to provide clarity in vendor qualifications for specific tasks under the contract, and to prevent any one contractor from receiving an unbalanced share of jobs available at the City of Boston.

### Investigation

The Finance Commission interviewed several Property Management employees, reviewed various documents including City of Boston Invitations for Bids, vendor purchase order payments, and other documents, some of which are attached as exhibits. The Commission noted that the City of Boston heeded the Attorney General's advice and revised the procurement method. However, concerns remain about the management and administration of these contracts.

City employees who secure vendors for specific jobs are responsible for arranging the work, inputting the purchase orders, inspecting the work, collecting and reviewing invoices, and submitting invoices for payments. These employees often have time-sensitive jobs and need to rely on vendors to complete the work quickly and skillfully. In situations where a vendor is unable to do so, employees become subject to internal criticism. In the past, this has resulted in vendors who have a favorable track record working with Property Management being utilized more frequently. Under the revised method of securing vendors, some of this burden should be eliminated, but Property Management employees are nonetheless exposed to the risk of unfair criticism based on selection of the lowest cost vendor, who may not be the most reliable or skillful choice.

During our investigation, we identified three areas where the process appeared to reflect continuing weakness:

**Bid Splitting:** This problem arises when a job needs to be completed in a timely manner, and the cost of the job exceeds the threshold requirement that additional time be given to secure the bid. As an example, a vendor's bid to complete a job will be \$7,000 which would require a call to three vendors, so the employee splits the job into one job of \$3,000 and one of \$4,000 and creates two separate purchase orders. This allows the employee to phone a vendor to get the job completed instead of having to call three vendors for quotes.

**Change Orders:** This is a gray area in the bidding laws. It arises when a vendor requires additional money due to a change in the scope of services or unforeseen additional work. As an example, a job is estimated by city employees to cost under \$10,000, three vendors are phoned for bids, and the low bid is \$9,000. While the work is in progress, the city employee determines that additional work is needed to complete the task for the desired outcome. The vendor is asked the cost for the additional work and, though the additional cost will raise the job above the \$10,000 threshold, if it is "reasonable" the vendor will be asked to complete the work.

**Non-Sealed Bids:** Procurement laws allow jobs in the \$5,000 to \$10,000 range to be quoted via email, fax and phone. In these instances, there is no oversight, meaning that this process relies on the integrity

of only one employee. The Finance Commission believes that this is an area that needs restructuring in order to avoid potential abuse.

### **The Cost of Delays**

As of late October 2014, Property Management had twenty-nine unfilled staff positions. One of the positions, a plumber, has been vacant since the retirement of an employee over a year ago. One of the reasons this position has remained unfilled for so long is that it was posted as an RL 1, grade 11 following the SEIU pay scale which pays between \$33,000 and \$45,000. The benefits package offers additional compensation which adds approximately 30% to the value of the position, but the economic prospects for a licensed plumber in private industry is such that the position remains unfilled.

City Hall alone has between 200 and 300 restroom fixtures (toilets, sinks, slop sinks, etc.), and it is necessary to have a schedule of replacing non-durable parts in City Hall bathrooms for items such as Flushometers (valves that control water flow and pressure in manual flush toilets) and the batteries in motion detector flushers (usually several standard AA size batteries). Currently, when these items fail, a contract plumber is called.

We have been told that Property Management recently requested an increase in grade to an RL 1, grade 15 for this position, which should increase the compensation level to approximately \$66,000 annually. Meanwhile, this particular vacancy has come at a cost to the taxpayers. Due to the fact that the city has been without a staff plumber, the City has had no choice but to hire a contractor to repair leaks and toilets that are out of order. In 2013, Property Management paid just one of the plumbing vendors almost \$100,000 for eighteen jobs (see attached).

### **Recommendations:**

#### **1. Contract Management:**

It is in the City's best interest that the bidding and management of these contracts be separated from employees who have working relationships with the vendors. Accordingly, the City should create a Contract Specialist position assigned to the Purchasing or Law Departments. Employees in Property Management should not be engaged in the bidding process but, rather, should be monitoring contracts to be sure that tasks are prioritized and completed in a timely manner. The creation of a Contract Specialist position will allow Property Management employees to focus solely on assuring that tasks are completed.

Additionally, there is a lack of clarity as to who is responsible for vendor compliance with requirements to pay prevailing wages and to ensure resident hires. This can be resolved by placing responsibility with the Boston Residency and Job Policy Office.

#### **2. Quotes for work estimated between \$5,000 and \$10,000:**

The rules permit job quotes between \$5,000 and \$10,000 to be received without a sealed bid, but our review of individual vendor payments shows that these dollar figures can reach significant numbers,

and therefore this is an area that needs improvement. Currently a sole employee can call vendors for quotes which exposes the process to potential corruption due to the fact that a favored vendor can be called last and persuaded to bid in a manner that will secure the job. One simple approach would be to require that vendors respond to these estimate requests to an email address that time and date stamps when the emails are opened.

### **3. Job Details and Invoicing :**

A recent review showed purchase order item descriptions with as little detail as “services” (see attached). Such generalities create an obvious risk, and steps should be taken to require that all purchase orders contain sufficient details of the work.

Vendors should be required to provide invoices that include the location, dates and hours of the job; the number of people used on the job and rate paid; materials used and costs; and such other information as will provide a means of monitoring bills. There should be a sign off by the Property Management employee that the vendor has completed the job and the contract specialist should verify the hourly rate(s) and the cost prior to payments.

### **4. Charge-backs:**

Property Management regularly completes work on properties that are leased such as community centers and schools, and on areas such as City Hall Plaza, which is listed as an asset of the B.R.A. This work should be accounted for through charge backs. The City currently uses this method when repairing vehicles assigned to departments. This will keep Property Management from depleting budgets and provide a more detailed accounting of where taxpayer money is being invested.

### **5. Training:**

City employees should be regularly trained regarding interactions with vendors and acceptable behavior. As many employees are city residents, there is a strong likelihood that they will encounter situations where they need to personally retain a contractor, and the most qualified contractor may also be a city vendor. Employees should know the rules that govern these types of interactions and have a resource to refer to should any questions arise.

### **6. Divide into Districts:**

Property Management has some level of maintenance responsibility at approximately 52 buildings around Boston. The city should consider dividing buildings city-wide into districts or zones and advertise for trade services on a district basis. This should increase the number vendors who respond to the Invitation for Bids and in particular, the number of smaller, local vendors who may see the amount of city-owned buildings as too large for a smaller firm to manage. This should also cut down on the travel time of vendors and the response time to emergency situations.

### Conclusions

It is not unusual that employees develop relationships with longtime vendors. This is not a bad thing necessarily, but the City must eliminate areas where relationships can compromise responsibility to the taxpayers. This can be accomplished by assuring that no one employee is able to control the entire process. Separating the employees who interact with the vendors from those who control the contracting and payments, will help to increase integrity in the process. Regularly educating employees regarding the rules of conduct will increase awareness of acceptable behavior. Positions need to be reviewed and advertised as soon as the vacancy occurs because these delays increase costs. City management has an obligation to assure that rules are written and followed and that employees are given the tools to succeed.

Respectfully Submitted,

Matthew A. Cahill  
Executive Director  
City of Boston Finance Commission

VENDOR CATEGORY SHEET

SELECT TWO CATEGORIES YOUR FIRM IS QUALIFIED TO PARTICIPATE IN. THE REQUIREMENTS (SPECIFICATIONS) FOR EACH CATEGORY IS IN THE FOLLOWING SPECIFICATION SECTION.

- 1. ASBESTOS ABATEMENT
- 2. BUILDING GLASS REPAIR
- 3. CARPETING
- 4. CLEANING SERVICES
- 5. ELECTRICAL
- 6. EXTERMINATION OF RODENTS, INSECTS
- 7. FLOORING
- 8. GENERAL CONTRACTING
- 9. ENVIRONMENTAL WASTE DISPOSAL
- 10. H.V.A.C.
- 11. LOCKSMITH
- 12. MASONRY
- 13. OIL BURNER REPAIR
- 14. OVERHEAD DOOR REPAIRS
- 15. PAINTING/PLASTERING
- 16. PLUMBING
- 17. ROOFING
- 18. RUBBISH DISPOSAL
- 19. SECURITY SYSTEMS
- 20. MOVING
- 21. MOVING SYSTEMS
- 22. SHARPENING
- 23. TOOL REPAIR/TOOL RENTAL - EQUIPMENT REPAIR & RENTAL
- 24. CABINET MAKING
- 25. WINDOW WASHING
- 26. ORNAMENTAL IRON REPAIRS
- 27. REPAIR & REPLACEMENT OF PAVEMENT, BRICK, STONE, CONCRETE
- 28. CHAIN LINK FENCE
- 29. MISCELLANEOUS REPAIRS TO PASSENGER CARS
- 30. MISCELLANEOUS BODY REPAIRS
- 31. IRRIGATION SYSTEMS
- 32. ELECTRICAL REPAIRS & MAINTENANCE/REPAIR OF FLOODLIGHTS
- 33. EQUIPMENT CONTRACT
- 34. LOT CLEAN-UP
- 35. ELEVATOR
- 36. ENGINEERING
- 37. VEHICLE MARKING/LETTERING
- 38. SIGN MAKING/ENGRAVING/BANNERS
- 39. LANDSCAPING SERVICES

IMPORTANT: CONTRACTOR MUST STATE LABOR RATE FOR THE DURATION OF THIS CONTRACT (WHERE APPROPRIATE). VENDOR MUST MAKE REFERENCE TO PREVAILING WAGE WHERE APPLICABLE.

\$ \_\_\_\_\_ PER HOUR

Tierney Contracting for Calendar Year 2013

PO Date	Item Description	Merchandise Amount	Status	Encumbrance Balance
12/9/2013	Replacement of 6 Bradley shower systems in the men's locker room	\$4,900.00	Closed	
11/18/2013	Replacement of cracked & leaking sanitary line on ceiling in Boiler Room at BCFE Mason Pool (\$2,500.00)	(\$4,537.97)		
11/18/2013	Plumbing repairs & services at BCFE locations	\$7,037.97	Closed	
11/1/2013	BCFE - Purchase & install new Chicago Valves in the Men's room showers at Curtis Hall Comm. Center	\$10,000.00	Approved	
10/25/2013	BCFE - Contracting services to be performed at the various Community Center Sites & Pool Sites	\$4,900.00	Approved	
10/10/2013	Purchase & install new Chicago Valves for the BCFE Curtis Hall Women's Locker Room showers	\$6,000.00	Closed	
10/9/2013	BCFE - Contracting services to be performed at the various Community Center Sites & Pool Sites	\$4,200.00	Approved	
8/22/2013	Services	\$4,999.99	Closed	
8/22/2013	Services	\$8,606.55	Approved	0.08 USD
8/8/2013	Chester Square Fountains - install PVC piping into existing drain line	\$1,405.00	Closed	
8/2/2013	BCFE - Plumbing services at various Community Center Sites & Pool Sites	\$2,600.00	Closed	
7/18/2013	Plumbing repairs & services at BCFE locations	\$4,900.00	Closed	
6/19/2013	Plumbing services in Boston City Hall & various locations	\$9,987.37	Closed	
6/14/2013	BCFE Diaper Pool Emergency Repairs	\$10,000.00	Approved	2,599.48 USD
5/13/2013	Plumbing services at BCFE facilities	\$2,700.00	Approved	
3/21/2013	Open service order for plumbing repairs	\$10,000.00	Approved	339.78 USD
1/8/2013	Repair shower at Parkman House	\$5,000.00	Approved	56.29 USD
		\$2,689.99	Approved	

399,926.87