The Office of the Inspector General recently issued a report pertaining to practices of the Boston Housing Authority (BHA) in purchasing heating system maintenance and repair work. The findings and recommendations presented here may be helpful to jurisdictions planning to contract for building maintenance and repair work.

From January 1, 1992 through May 31, 1995, the BHA spent approximately $1 million per year on contracted services and supplies related to heating systems. This figure includes expenditures for boiler cleaning, chemicals and other supplies, and maintenance and repair contracts.

This Office selected 23 BHA heating system contracts for detailed review.

Our review found problems in procurement, record-keeping, and contract oversight that expose the BHA to fraud, waste, and abuse.

Specifically, we found that:

• The BHA awarded seven contracts based on price quotations that appear to have been falsified.

• The BHA approved a $30,000 no-bid change order to a $20,630 contract.

• The BHA’s lax contract oversight led to frequent contract overpayments.

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Cost-Effective Contracting for Building Maintenance and Repairs, cont.

• The BHA failed to procure major repairs cost-effectively.

• The BHA’s contract specifications were too vague to permit vendors to bid realistic prices.

• The BHA used emergency procurement procedures to award six contracts that should have been advertised and bid.

• The BHA did not fully comply with statutory emergency procurement procedures.

• The BHA awarded six nearly identical $25,000 emergency contracts, thereby avoiding legally mandated state approval.

• The BHA obtained a $26,535 quotation for repair work and then awarded the work through four purchase orders, thereby evading bidding requirements.

The Inspector General’s review yielded the following recommendations to the BHA and other public agencies, cities, and towns contracting for maintenance and repair work:

• Ensure that procurements are legal and competitive.

Contract change orders should be approved only when necessary and only for work that is incidental to the scope of services covered by the contract. A change order should never be used to alter the basic business terms of a competitively procured contract. Emergency procurements should only include the work that is needed to address a genuine emergency situation and should comply with statutory emergency procurement procedures. Contracts should not be divided in a manner that creates the appearance of bid-splitting.

• Issue clear and detailed contract specifications. Specifications for major repairs that are bid on a fixed-price basis should clearly describe the scope of the needed repair work. Preventative maintenance and repair contract specifications should specify the required preventative maintenance tasks and schedule for performance. The scope of services should also clearly delineate the repair work and parts to be included in the contract price. Bidders will then be able to realistically price the work, and your jurisdiction will be able to hold the contractor accountable for a defined level of service.

• Solicit fixed-price bids for major repairs. While it may make sense to permit a maintenance and repair con-

tractor to perform smaller repair jobs at an hourly rate, your jurisdiction should consider seeking competitive bids for larger repair projects on a fixed-price basis. This method generates genuine competition and gives the contractor the necessary incentive to perform the work at the lowest cost to your jurisdiction. It also allows your jurisdiction to hold the contractor accountable for the quality of the work. If the contractor’s work falls short of the specifications, your jurisdiction can withhold payment or require the contractor to fix the problem at no additional cost. Procuring major repairs through a maintenance and repair contract on a time and materials basis offers none of these protections.

• Institute a reliable, centralized record-keeping system for all contracts.

• Institute effective contract oversight practices.

• Prepare a multi-year facilities management plan for capital upgrades and replacement of heating systems.

For a copy of this report, entitled Maintenance and Repair Contracting by the Boston Housing Authority, please fax your request to (617)723-3540.
When must I advertise in the Goods and Services Bulletin?

You must advertise in the Goods and Services Bulletin, which is published by the Secretary of State, when you are procuring a contract for goods or services that will cost $100,000 or more. Your advertisement must be published in the Goods and Services Bulletin at least two weeks before bids or proposals are due. You are also required to place your advertisement in the newspaper, as you would for smaller M.G.L. c.30B contracts. The Secretary of State's Office ((617) 727-2831) can provide further information on how to place an advertisement in the Goods and Services Bulletin.

When may I follow M.G.L. c.30B, instead of the construction bid laws, to procure construction contracts?

You may use M.G.L. c.30B to procure construction contracts, as defined by the construction bid laws, when the contract is estimated to cost at least $10,000, but not more than $25,000. The advantage of using M.G.L. c.30B instead of the construction bid laws is that M.G.L. c.30B does not require an advertisement in the Central Register. However, separate statutory provisions require that you comply with the prevailing wage law, regardless of the cost of the contract or the procurement law you are following. You must also obtain a 50% payment bond for all construction contracts that cost $2,000 or more.

My town is building a new school. The town has decided to select one vendor to install the cabling, hardware, and software in the school so that it can avoid disputes about who bears responsibility for these services. Can the town use one vendor under a statewide contract to do the entire job instead of advertising for bids or proposals?

The answer is yes, provided that the state’s Operational Services Division (OSD) has awarded a statewide contract to one vendor to provide all of the required supplies and services. You must be certain that you are not asking the vendor to provide services or supplies that are not covered by the vendor’s statewide contract. For example, you could not ask a systems integration vendor to provide video equipment if video equipment was not included in the vendor’s statewide contract. For detailed information regarding the scope of specific statewide contracts, contact OSD at (617) 727-7500.