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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 15, 2001

Mr. Henry J. Stern
Commissioner
New York City Department of Parks & Recreation
The Arsenal, Central Park
New York, NY 10021

Re: Selected Management Practices
Capital Project Program
Report 2000-N-3

Dear Commissioner Stern:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article 3 of the General Municipal Law, we have audited selected management practices related to the Capital Project Program of the New York City Department of Parks & Recreation for projects completed from 1997 to 1999 or in progress as of December 31, 1999.

A. Background

The New York City Department of Parks & Recreation (Parks), a mayoral agency, operates one of the largest municipal park systems in the country. Its principal mission is to ensure that the parks, beaches, playgrounds, and recreational facilities in New York City are clean, safe, in good repair, and attractive for the health and enjoyment of the people; and that they provide a wide variety of recreational opportunities.

Parks maintains about 28,000 acres encompassing 900 playgrounds, 600 ball fields, 500 tennis courts, 33 outdoor swimming pools, 10 indoor swimming pools, 35 recreation centers, 14 miles of beaches, 13 golf courses, 6 ice skating rinks, 4 major stadiums, and 4 zoos in New York City. The agency is also responsible for 500,000 street trees and 2 million park trees. It began a total of 125 project designs and 231 construction projects in fiscal year 1999. From December 1997 to May 2000, Parks completed 575 capital construction projects costing \$306 million. For the 2000 fiscal year, its budget of \$400 million was more or less evenly divided between expense and capital.

In fiscal years 1998 and 1999, the capital budget was lower -- \$165 million and \$162 million, respectively. During that two-year period, Parks started 426 projects and completed 352.

New York City parks receive intensive and extensive use by several million patrons annually. The combination of age, heavy use, and exposure to severe weather conditions can cause the facilities to wear out in less time than it takes Parks to complete the restoration and reconstruction projects the City has decided to fund. Occasionally, Parks collaborates with other agencies such as the Metropolitan Transit Authority, the New York City Department of Transportation, the Landmarks Preservation Commission, and the New York Police Department to construct capital projects. One example of such an endeavor was the renovation and restoration of City Hall Park.

Parks has also formed alliances with some non-profit organizations. The City Parks Foundation, the Central Park Conservancy, Prospect Park Alliance, Riverside Park Fund, and Friends of Van Cortlandt Park organize clean-up and green-up events and raise funds for the maintenance and operation of the local parks. Parks claims, however, that its main outlet to community groups is through Partnership for Parks, founded by Commissioner Stern in 1995 to increase community support for parks.

In 1995, Parks initiated requirements contracts that permit the agency to reconstruct park features at a number of sites under a single contract, substantially reducing the turnaround time for improvements. With such an arrangement, one contractor can operate quickly and simply, installing benches, fences, safety surfacing, play equipment, lighting, and security features, as well as accessibility ramps for the handicapped. In each fiscal year since 1995, the Parks capital budget has included more funding for this type of contract.

B. Audit Scope, Objectives, and Methodology

Our audit covered the period of January 1, 1997 through December 31, 1999, including projects in process as of December 31, 1999, and addressed the following questions:

- Does Parks have a system for identifying capital improvement needs and establishing a priority for repairs?
- Does Parks manage and monitor contractor compliance with job specifications?

To achieve our objectives, we interviewed Parks officials and obtained information about their procedures and systems for capital project selection and prioritization; met with Community Board members to discuss the role they play in capital project planning; reviewed project files to determine the adequacy of documentation regarding project selection, prioritization, and monitoring; and visited selected sites to ascertain the condition of the facilities where capital projects were done or in process.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions reported in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities for audit. Therefore, we focus our audit efforts on those activities we have identified through a preliminary survey as having the greatest probability for improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. Results of Audit

During its most-recent three fiscal years, 1998 through 2000, Parks has budgeted more than \$527 million for capital construction. From December 1997 to March 2000, Parks completed 575 construction projects. Considering the large number of projects, as well as the significant level of expenditures, it is incumbent upon Parks to prioritize and monitor its construction projects. We found that Parks does not have a formal system in place that document the policies and procedures used for capital project selection. In general, Parks monitors contractor performance; however, its contractor evaluations are not always accurate.

1. Capital Project Prioritization

Planning

In connection with Parks' mission, and its goal to preserve the infrastructure of its properties, the agency has established programs for monitoring capital projects and implementing park inspections. We believe that planning should be an essential element of Parks' capital projects program. The Construction Procedure Manual and other documents established by the agency indicate that the capital project-planning process begins with submission of project requests from elected officials (Mayor, Borough Presidents, and City Council members), Parks staff, and Community Boards. (Community Boards hold meetings with local residents and groups to determine projects they would like to have funded, and accordingly inform Borough Presidents and City Council members.) Parks' Design Division reviews and evaluates these requests, making site inspections, prepares preliminary cost estimates; and determines which projects to recommend for funding. The NYC Office of Management and Budget approves Parks' five-year capital plan. The current plan runs through 2004 and encompasses 823 projects. It is segregated by funding source but does not provide information about how a project was initiated.

In a capital project planning process, written policies and procedures should be in place that detail the methodology for selecting and prioritizing requests submitted for funding. Furthermore, good internal controls dictate that officials maintain complete documentation that will substantiate the decisions made for reviewing, evaluating, and recommending projects to be funded. Proper documentation provides a permanent written record that would enable management to ensure that activities are carried out in accordance with established policies and procedures.

Our review of the files for swimming pool capital projects found adequate documentation that substantiate decisions made by Parks officials regarding selection and prioritization. For example, the files contain completed inspection reports identifying capital needs at the pool sites, as well as memos of meetings regarding the decisions made on swimming pool work to be completed under the capital program. In addition, a computerized database of the results of swimming pool inspections is maintained and kept current. These projects totaled \$11.3 million.

We found, and Parks officials confirmed, that for other capital projects, Parks has not established a formal system that would depict the policies and procedures for project selection and prioritization. Instead, Parks follows a non-written policy in selecting the projects to be funded with mayoral funds. Such projects are selected and prioritized based on need; that is, something that is malfunctioning is given priority. If capital projects are to be funded with Borough President and City Council funds, those elected officials must make the final decisions regarding project selections and priorities. However, Parks management also plays a significant role in this process, because it provides pertinent information, including a preliminary scope of the work to be done, as well as a cost estimate.

Parks does not have sufficient documentation for non-swimming-pool capital projects to substantiate the manner in which officials have reviewed and evaluated the requests they received from Community Boards, elected officials, and Parks' staff. For example, Parks provided us with a copy of the *Register of Community Board Budget Requests* for fiscal year 2000, which lists project requests submitted by the Community Boards, along with the agency's decisions about funding. However, the process by which Parks evaluated these requests is not documented. Also, we did not have listings of the Parks projects proposed by elected officials, or Parks' evaluation of those requests.

We recognize that certain capital projects are undertaken because of a specific problem; that is, to correct an immediate concern or emergency. But for other projects, a formal system that details written policies, procedures, and records of the decision-making process would enhance the ability of Parks to assure that the capital projects program is funding projects of the highest priority.

Recommendations

1. *Establish written policies and procedures showing the methodology for the selection and prioritization of capital projects so that projects of the highest current priorities are funded.*

2. *Prepare and maintain documentation that illustrates the process of project selection and funding decisions.*

(In response to our draft report, Parks officials indicated they will keep records pertaining to project selection. However, they also, indicated that there are cases where decisions regarding project selection are not made by Parks. Parks officials reiterated that there are times when emergencies have to be addressed regardless of any priorities. However, they will “attempt to implement a written policy and/or guideline governing priority.”)

Auditors’ Comments: In those cases where Parks does not select a project, Parks officials should identify where the decision to fund each project was made and request a copy of any documents for its files.

Inspections

Parks has established a Parks Inspection Program (PIP) that measures the performance of park facilities by monitoring their conditions. Equipped with hand-held computers and digital cameras, PIP inspectors rate features related to cleanliness, landscape, and structure. Each feature, as well as the entire park, is given an acceptable or unacceptable rating; and the ratings are then detailed in a site inspection report. According to the PIP procedures manual, inspectors can recommend capital replacement of a feature when they believe it needs work that is beyond the ability of in-house forces to accomplish through routine maintenance.

The hazards and conditions identified in the inspection reports, as they relate to features recommended for capital replacement, can serve as a valuable planning tool. Parks management should take these reports into consideration when it determines which projects will receive funding. At times, however, Design Division management does not receive the site inspection reports when project selection and prioritization are being decided. In such cases, the findings cited in the site inspection reports are reviewed and considered only after a project has received funding. As a result, Parks management might not be making use of a tool that could help in the capital project planning process; and thus cannot be assured that the facilities with the most important needs are being funded.

Recommendation

3. *Use the results of the site inspection reports as part of the capital project planning process.*

(In response to our draft report, Parks agreed to disseminate inspection reports more widely, especially to the Design Division Department.)

2. Capital Project Monitoring

At Parks, resident engineers monitor capital construction projects and complete weekly progress reports. To determine the effectiveness of the engineers’ efforts, we interviewed

Parks officials and identified the procedures and systems for capital construction; reviewed 22 of 908 project files for projects that were in progress as of December 31, 1999, or had been completed between 1997 and 1999; and visited selected sites to verify that the construction was in process. The projects we reviewed totaled \$24.4 million.

Generally, we found evidence in the project files that the resident engineers had performed the monitoring function. Weekly progress reports were prepared and submitted to the borough's director of construction. The project files supported the resident engineers' efforts to monitor vendor compliance with the contracts; as well as their activities in cost analysis and evaluation, change order identification, evaluation, and payment submittals. Nevertheless, our review of the files in coordination with the site visits uncovered a few opportunities for improvement in some aspects of project management.

Baisley Pond Park

On September 28, 1998, construction of a playground began at Baisley Pond Park in Queens. With 96 percent of the job complete, the construction contractor learned on August 14, 1999, that the consultant architect had not timely applied for a sewer connection permit. As a result, the contractor had to stop work for seven months -- until March 14, 2000 -- before the permit was obtained and he could resume work. The resident engineer was monitoring the project closely, and had cited these delays on both of the construction contractor's evaluations. In response, the construction contractor stated that the project was delayed because the architect did not apply for the sewer connection permit before construction began. However, the architect who was at fault had received a satisfactory performance evaluation without any mention of the negligence that brought this project to a halt. The construction was finally completed on April 22, 2000, seven months late. Although the delay in completing the sewer connection did not require a change in the date for opening the playground, we conclude that the architect's error should have been addressed in his performance evaluation.

Horse Barn at Queens County Farm Museum

This project involved the renovation of a kitchen, installation of a ramp, and purchase of interior furnishings, including audiovisual equipment, at a cost of \$158,000, (\$98,000 from the Borough President's discretionary funds and \$60,000 of private funds). Although the work was to have been completed by February 11, 2000, the job was not finished when we visited the museum on September 28, 2000. We found that the audiovisual equipment had been purchased, installed, and paid for by Parks, whereas the kitchen was still in a state of major overhaul. The museum official told us that the work on the kitchen was on hold because the architect's services were discontinued due to non-performance. According to the same official, the kitchen is meant to be used by groups who rent the adjacent hall for social functions such as wedding receptions and birthday parties. Although revenues collected from such functions would help defray the expenses of the museum, Parks has not determined how much revenue has been lost because the hall was not available for rent. As a result of our visit, the museum official planned to forward to Parks his third request for a time extension; he assured us that completion of the project would be expedited.

Performance Evaluations

The Vendex system is an information bank that retains performance-related information about contractors and is used by New York City agencies to perform background checks on construction contractors before they are hired. In addition, Parks' Construction Manual states that a construction contractor's performance is evaluated twice – first, when the job is 50-percent complete, and second, when it is 100-percent complete. The procedures for evaluating design consultant performance require that annual evaluations be conducted on the work order date. We noted a few inconsistencies in the process Parks follows to evaluate performance.

We found that contractors were evaluated regularly, and these evaluations were made part of Parks' project files; however, the design consultants' evaluations were not located in the files; nor were they evaluated at the completion of projects. For example, the Design Consultant Project Management unit could not provide us with the evaluation of a design consultant who designed the Running Track at Astoria Park, a project with major problems.

In another case, a contractor had one year to finish the Manhattan portion of a contract requiring work in all five boroughs. The weekly progress reports did not indicate a problem with the contractor's performance; his performance had been evaluated as satisfactory. Yet, the files indicated that his contract had been terminated on August 16, 2000. Parks officials could not explain why his poor performance, a cause for termination, was not reflected in his evaluation.

Based on our findings, we conclude that Parks cannot be assured that the intent of the evaluation process is being fulfilled effectively. Furthermore, our findings raise concerns regarding the accuracy and reliability of information contained in the Vendex system. By not evaluating the design consultants upon completion of a construction project, Parks lacks assurance that the impact of design errors and omissions uncovered during the construction phase are being considered in the consultant's performance evaluation and reported to Vendex. Upon our inquiry, Parks convened a meeting in August 2000 to discuss the possibility of evaluating the design consultants at the end of the construction phase.

Recommendations

4. *Avoid construction delays by obtaining permits timely.*

(In response to our draft report, Parks stated they will give priority to obtaining permits on a timely basis.)

5. *Require employees to input accurate information into Vendex that reflects the work done by design consultants and an evaluation of their performance at the completion of construction projects.*

(Parks officials stated they, "will strive to ensure that all evaluations are complete and accurate and reported to Vendex.")

A draft copy of this report was provided to Parks officials for their review and comment. Their comments were considered in preparing this final report, and are included as Appendix A.

Within 90 days after final release of this report, we request the Commissioner of the New York City Department of Parks & Recreation report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report were Dominick Vanacore, John Gimberlein, Roseline David, Sheila Jones, Unal Sumerkan, and Marticia Madory.

We wish to thank the management and staff of the New York City Department of Parks & Recreation for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Carmen Maldonado
Audit Director

cc: Eileen Reilly, Mayor's Office of Operations



City of New York
Parks & Recreation

The Arsenal
Central Park
New York, New York 10021
Henry J. Stern
Commissioner

May 29, 2001

Ms. Carmen Maldonado
Audit Director
State of New York
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street – 21st Floor
New York, N. Y. 10038

Re: Audit Report on Selected Management Practices
Capital Project Program
Audit Report No. 2000-N-3

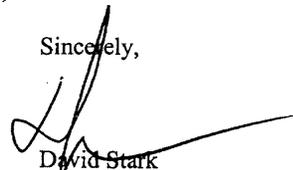
Dear Ms. Maldonado:

Thank you for the opportunity to review and comment on your draft report before its public release. The attached response (**Attachment I**) describes our comments to your findings and response to the recommendations.

We are pleased that your findings depict a process that, despite some minor oversights, works smoothly. Additionally, your staff offers some recommendations that Parks agrees with.

If you have any questions, please call me at (212) 360-8265.

Sincerely,



David Stark
Chief Fiscal Officer

Attachment

cc: John Gimberlein, Principal Auditor
Eileen Reilly, Mayor's Office of Operations

www.nyc.gov/parks

Appendix A

ATTACHMENT I

Parks' Response to the
Audit Report on Selected Management Practices
Capital Project Program
Audit Report Number: 2000-N-3

Recommendation 1: **Establish written policies and procedures showing the methodology for the selection and prioritization of capital projects so that projects of the highest current priorities are funded.**

Although funding comes from any sources, such as the City Council or the Borough President's Office, there are situations that Parks needs to address. For example, a boiler may need replacement in a certain recreation center that would not appear on the aforementioned official list of needs. However, Parks & Recreation would address this situation as a need due its importance and urgency. For this reason it is difficult to establish a "written policy or procedure" dictating highest priority. However, Parks will attempt to implement a written policy and/or guideline governing priority.

Recommendation 2: **Prepare and maintain documentation that illustrates the process of project selection and funding decisions.**

While Parks maintains documentation regarding the source of funding, it is important to understand that many projects are based on need. Additionally, Parks often responds to the request of an elected official who has requested that a certain project be done. In this event, the decision has been outside of our agency. However, Parks does keep all related documentation and will ensure that records on project selection are kept.

Recommendation 3: **Use the results of the site inspection reports as part of the capital project planning process.**

Parks officials review the site inspection reports regularly. Furthermore, Parks does disseminate this information to many individuals involved with the planning process. However, we will ensure that this report is more widely distributed (specifically to the Design Division prior to selection of projects) and that all individuals involved in the capital project planning process are notified and presented with the findings of our Parks Inspection Program (PIP).

Recommendation 4: **Avoid construction delays by obtaining permits timely.**

It is the goal of Parks to ensure that no construction projects are delayed. Obtaining permits in a timely fashion is and will continue to be a priority in our capital projects monitoring process. Parks will endeavor to ensure that no projects are delayed due to lack of appropriate permits.

Recommendation 5: **Require employees to input accurate information into Vendex that reflects the work done by design consultants and an evaluation of their performance at the completion of construction projects.**

While Parks does currently evaluate its design consultants at the end of the construction process, it is agreed that these evaluations must be accurate. Parks will strive to ensure that all evaluations are complete and accurate and reported to Vendex.