



New York City Comptroller
Scott M. Stringer

NEWS

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PR15-03-034

March 31, 2015

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COMPTROLLER STRINGER AUDIT OF BUILD IT BACK REVEALS MILLIONS PAID OUT FOR INCOMPLETE WORK, DOUBLE-BILLING & UNDOCUMENTED TRAVEL COSTS

*Frustrated homeowners bore the brunt of over
100 procedural changes in the course of a year*

*Same subcontractors that bungled earlier work
still on the job, working without legally
enforceable controls*

(New York, NY) – New York City’s recovery effort following Superstorm Sandy was a boon for consultants who failed to do required work and left thousands of victims without help long after the storm ravaged the City—and problems continue to this day, according to [an audit](#) released by New York City Comptroller Scott M. Stringer.

The Comptroller’s audit revealed the City’s Office of Housing Recovery Operations (HRO) failed to properly monitor contractors and paid \$6.8 million to them for work

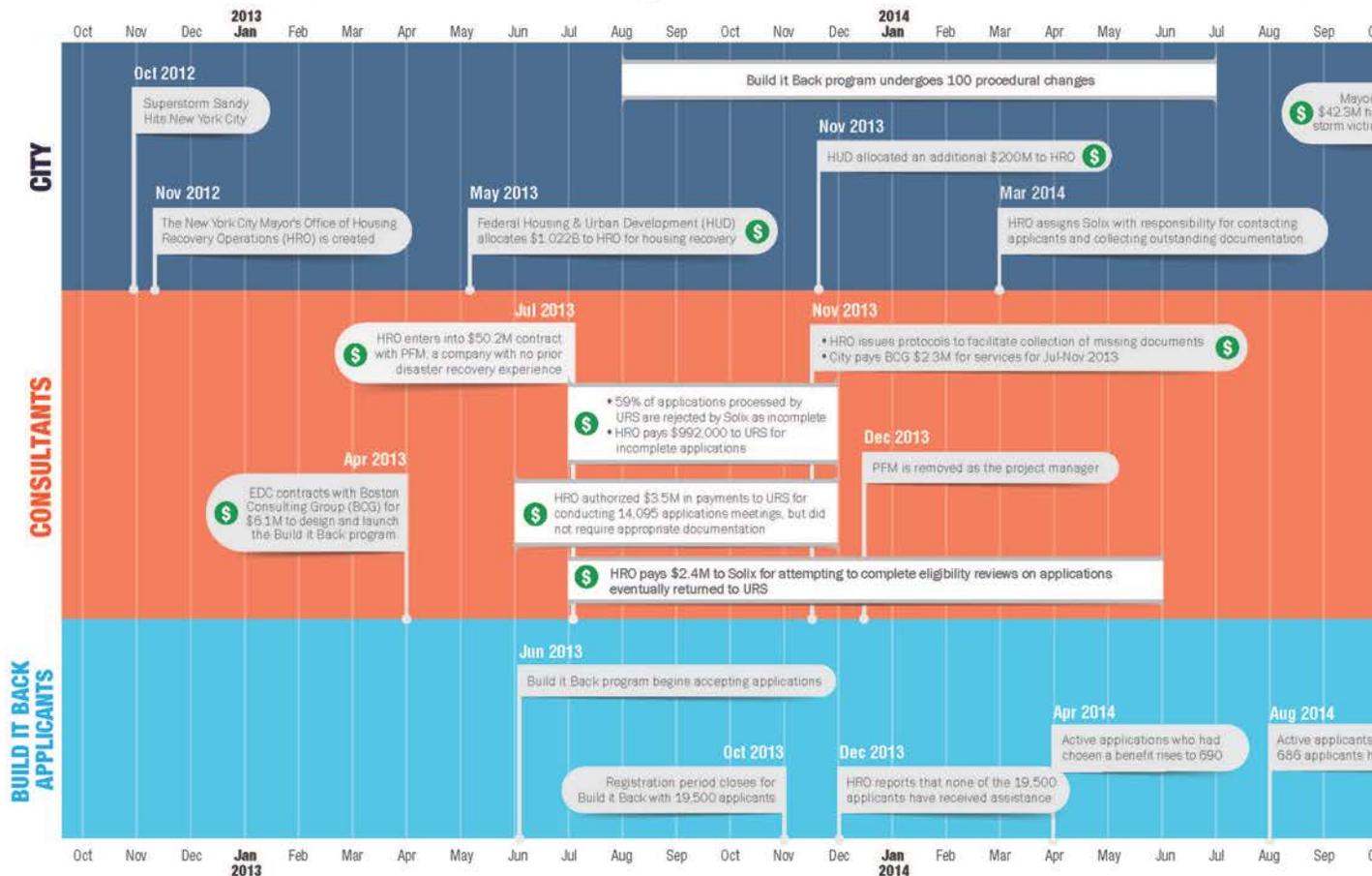
that that was flawed or incomplete – contributing to extensive delays in the delivery of aid to more than 20,000 people seeking help.

“New York City’s response to Sandy was a case study in dysfunction,” Stringer said. “During the course of this audit, I went to affected communities to hear first-hand the stories of the recovery from hundreds of City residents -- from the endless delays, to the lost paperwork and the maddening lack of progress. With this audit, we present a new level of detail about how the City allowed consultants to run amok and what must be done to ensure these mistakes are never again repeated.”

The audit examined the Build it Back Single Family Program – which focused on owner-occupants of properties with one-to-four units affected by Sandy – from June 1, 2013 to August 1, 2014. The findings were enhanced by testimony from six public hearings that Stringer’s office held in areas hardest hit by the storm, which were attended by hundreds of New Yorkers. The audit included detailed reviews of a random sample of 70 applicants, plus reviews of program design, management and operations by HRO and its contractors.

Immediately following the storm, the City engaged Boston Consulting Group (BCG) to design a relief program at the cost of \$6.1 million dollars, and then contracted with Public Financial Management (PFM), a Pennsylvania-based firm, to provide oversight and management of various subcontractors, including URS Group, Inc., and Solix Inc. Under the terms of these contracts, the subcontractors were to provide intake assistance to victims seeking aid, process applications, determine their eligibility, offer customer support and help New Yorkers navigate a complicated system.

Build It Back Program: A Timeline of Dysfunction



Credit: Office of the New York City Comptroller Scott M. Stringer, "Audit Report on the Administration of the New York City Build It Back Single Family Program by the Mayor's Office of Housing Recovery Options, FM14-115A."

Click [here](#) to download a high-resolution version of the Build It Back timeline.

The Comptroller's audit found that:

Contractors were paid millions for flawed and incomplete work, delaying aid: HRO approved \$6.8 million in payments to contractors for incomplete and insufficiently documented work. This included payments for the processing of thousands of incomplete applications, many of which had to be returned for further information, adding months to the process.

Because contractors were paid up front for incomplete submissions, they had little incentive to accelerate or properly complete applications. For example, despite contract language stipulating that contractors would only be paid for completed applications, vendors were routinely paid for incomplete applications. Between July

and December 2013, URS sent 9,126 applications to Solix, of which 59 percent (5,432) were incomplete. Ultimately, URS and Solix were paid \$3.3 million for submitting and reviewing 4,409 incomplete applications, contrary to contract requirements.

In addition, HRO authorized payments of \$3.5 million to URS for conducting 14,095 initial application meetings without requiring the company to certify it fulfilled its contractual obligation to discuss program eligibility, documentation or options for counseling.

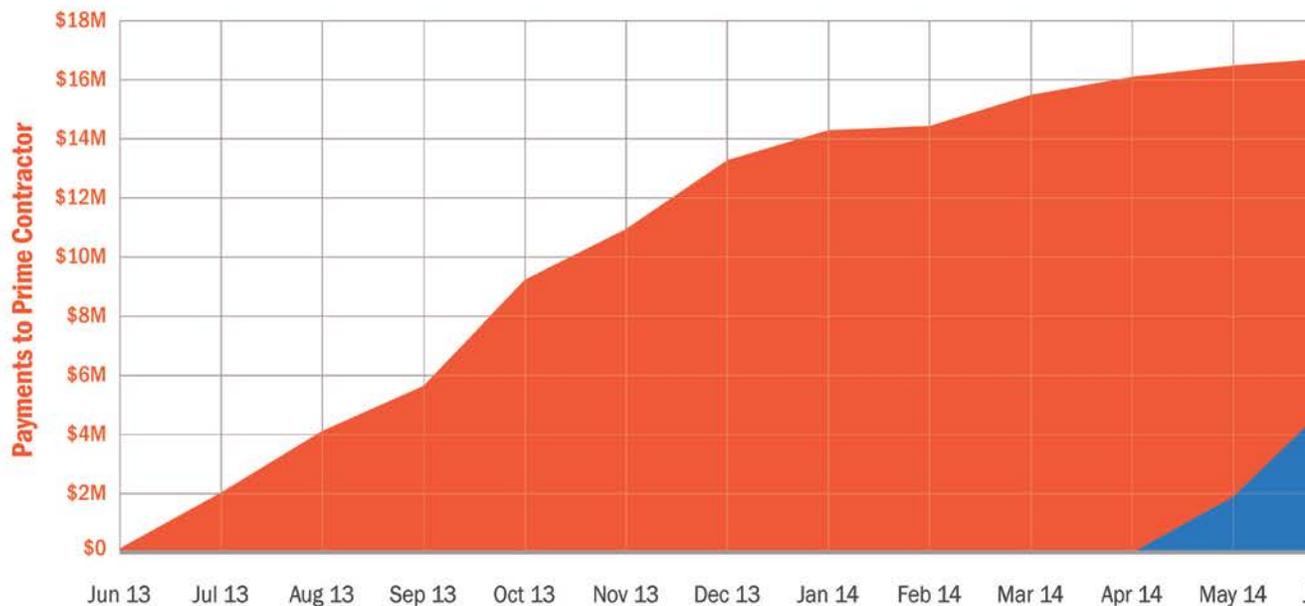
Poor management led to double billing by consultants and payments for inadequately supported travel and other costs: Key oversight was not in place to ensure that consultants were paid only for work that they performed. HRO paid \$245,000 for 905 deliverables that had already been paid for. HRO also paid \$443,247 for consultant hours that were supposed to be submitted on a weekly basis with activity reports, but were instead submitted monthly on an aggregate basis. An additional \$719,940 in consultant costs were paid with no activity reports whatsoever, and \$74,200 in travel expenses were paid without supporting documentation.



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Consultants Paid \$17M While Sandy Applicants

■ Payments to Prime Contractor ■ Number of Applicants Who Received



Contractors failed to meet specified standards in hiring front-line staffers: URS was supposed to hire Housing Recovery Specialists who had two years of experience in case management or similar work experience and a bachelor's degree in social work or related field. But a review of 154 resumes indicated that none had a degree in social work, and only 29 percent had a bachelor's degree of any kind.

Storm victims told auditors that the front-line staff often misunderstood the program and its requirements. A sample of 51 applicants found that 43 percent reported their Housing Recovery Specialist was unable to provide basic information about the Build it Back program.

“One of the key lessons of Build it Back is that our City must take the lead role in disaster recovery – because we can’t simply outsource all aspects of such critical work,” Comptroller Stringer said. “The City must take responsibility when disaster strikes our shores. Contracting out our most crucial tasks to consultants means that profit can be put before people, which is exactly what happened after Sandy.”

Superstorm Sandy victims were shuffled from one staff person to the next, many of whom were not familiar with their cases: Although they were promised at the outset that their cases would be handled by a single housing recovery specialist, applicants requesting relief or information were routinely confronted by different staffers, many of whom did not know the facts about their applications. The confusion stemmed from a decision by HRO to abandon a model of one caseworker per applicant because they argued it was too expensive to assign an individual specialist to each case. This model did not provide incentives for URS to work more quickly, as it was paid a flat monthly management fee in addition to specific sums for completed deliverables, several of which were waived by HRO. As a result, delays and frustrations with the system grew.

Applicants were frequently forced to submit duplicative paperwork: In a sample of applicants, a third told auditors that they had been asked to fill out identical forms multiple times. This finding was echoed by residents from Breezy Point, Coney Island, Rockaway and Staten Island who attended the Comptroller’s public hearings in the spring of 2014 and said repeatedly that they were asked to submit the same documentation for applications multiple times. Some even appeared at the hearings with bags full of documents they said they had been required to resubmit as part of the application process.

Build it Back’s communication with applicants wasn’t timely, accurate or effective: URS, operating out of a call center in Maryland, was responsible for contacting applicants to request outstanding documentation. But it wasn’t until November 2013 – four and a half months after operations began – that HRO created procedures requiring URS to inform victims if their applications were missing documentation. Even after this new procedure was put in place, nearly 90 percent of applicants in our sample went over one month before getting a follow up call from HRO.

Frequent changes in procedural requirements confused and frustrated storm victims: The Build it Back program was required to conform to at least 64 different federal laws and regulations, plus state and local laws and guidance documents from the federal Housing and Urban Development (HUD). More than 100 procedural changes were made to the program and its forms and applications for the Single Family Program between August 2013 and July 2014. At each public hearing held by

Comptroller Stringer, scores of applicants echoed the findings that confusing forms, resubmissions and the lack of returned phone calls contributed to lengthy delays in getting aid.

“Behind each finding there’s a human story,” Comptroller Stringer said. “Our hearings on Sandy left us all asking the question, why did this happen? What went wrong? We know now why the initial desperation of people whose homes had been damaged or destroyed gave way to anger at a process that buried them in red tape and offered little or no help. Left to fend for themselves, dealing with contractors who were not held accountable by City officials, the Build it Back process was in shambles.”

Subcontractors who failed to deliver adequate services have continued to operate Build it Back for more than a year without valid contracts: When the City terminated PFM’s role in case management of Build it Back applicants in December 2013, it established informal agreements with subcontractors to continue operations. Since that time, Solix and URS have continued to perform Build it Back services without registered contracts – and with the expectation that they will be paid by the City.

If there are no valid contracts in place, the City has limited leverage over its vendors’ work and cannot hold them accountable for their performance. As a result, applicants remain vulnerable to further program failures, just as they were when the Build it Back program first began. Additionally, the City is at risk for overpaying for inadequate services.

The de Blasio Administration has improved operations: Mayor Bill de Blasio’s administration improved the performance of Build it Back by engaging City staff to actively supervise contractors, establishing a single point of contact protocol, and working to process applications more expediently. There has been definite progress, for which the Mayor should be commended. By August 14, 2014, 13 percent of the original 20,026 applicants were engaged in selecting awards for work to be done on their homes. According to the Administration, as of March 24th, 2015, more than 6,200 —or 31 percent of the total -- had selected the relief they would be receiving under Build it Back. At the same time, 2,913 single-family homeowners had received reimbursement checks, construction has started at 965 homes and has been completed at 506 homes.

Work remains to be done to improve oversight, accountability and results: Remnants of the flawed system continue to frustrate applicants while increasing costs to taxpayers. The Administration, for example, intends to renew a contract with URS,

which has already demonstrated a clear failure to perform – including the incomplete processing of thousands of applications for aid, all of which had to be bounced back.

“If there’s one lesson to be learned from Sandy, it’s that contracts are only as good as the people who manage them,” Stringer said. “Mayor de Blasio’s administration has taken on many of the most frustrating elements of the Build it Back program and improved upon them, but there is more work to be done. Without real oversight and accountability, the City has inadequate leverage to deliver necessary relief to New Yorkers still waiting to rebuild from the storm.”

The Comptroller’s Office made several recommendations to HRO, the majority of which it said were already implemented or were in the process of being implemented.

Recommendations include:

Consultants alone should not run Build it Back – City staff should manage the program more directly to ensure responsiveness, accountability and efficiency. Poor supervision of contractors allowed problems to snowball, costing taxpayers millions, while delaying critical relief.

HRO should dedicate sufficient staff to contract management and invoice approvals – With millions of dollars paid to contractors for incomplete work, HRO must adhere to City protocols to protect against waste and abuse by dedicating sufficient oversight staff.

HRO should ensure the accuracy of data in the Case Management System, and review applications to determine which are active, eligible, inactive and ineligible and take appropriate action promptly.

HRO should take prompt action to register valid contracts for subcontractors, including clear expectations of performance, and require proper invoices and supporting documentation for time and materials work.

HRO should review invoices to ensure it does not make duplicate payments to consultants and should seek to recover any overpayments previously made to consultants.

Recommendations to the Mayor’s Office include:

The City should explore ways to maximize the use of City resources rather than outside consultants for potential disasters – The City should have qualified and experienced staff to design, manage, and assess future disaster recovery efforts and

should also develop the information technology capacity to directly train systems users on any technology likely to be utilized in an emergency response.

Specific timeframes should be established in future contracts and contractors must be held accountable – Contracts should contain clear deliverables and time expectations, and agencies must provide proper oversight to ensure they are met. The City’s failure to help victims after Sandy was typically not for lack of clear procedures and protocols; most of these failures happened because existing rules and contract requirements were not properly enforced.

“Government failed the victims of Sandy, but now we must move forward. I welcome the opportunity to work with the Mayor and other City leaders to ensure that our future responses to storm emergencies are better managed and more accountable to those we serve,” Stringer concluded.

To see the audit report, click [here](#).