



New York City Comptroller
Scott M. Stringer

NEWS

PRESS RELEASE

FOR IMMEDIATE RELEASE

Contact: Carlota Fluxá, (212) 669-3564, cfluxa@comptroller.nyc.gov

July 24, 2014

COMPTROLLER SCOTT M. STRINGER AUDIT REVEALS NYCHA FAILED TO ENSURE CONTRACTORS COMPLIED WITH HIRING REQUIREMENTS FOR LOW-INCOME NEW YORKERS

NYCHA's mismanagement deprived residents of hundreds of thousands of dollars in potential wages

NEW YORK, NY – The New York City Housing Authority (NYCHA) failed to ensure that contractors working on its capital projects complied with federal law and NYCHA's own regulations that mandate hiring of NYCHA residents and low-income New Yorkers. As a result, public housing and low-income New Yorkers lost out on hundreds of thousands of dollars in potential wages, according to New York City Comptroller Scott M. Stringer's first audit of NYCHA.

"Because of mismanagement and lax oversight, NYCHA has denied its own residents wages and training that they deserve," Comptroller Stringer said. "Federal law and NYCHA's own Resident Employment Program are supposed to help public housing and low-income residents of New York City secure needed job opportunities, but auditors found huge gaps between what the Agency said it was doing and the facts on the ground. It's well past time that NYCHA got serious about making sure that all eligible New Yorkers get the opportunities to which they are entitled to help them build a better future."

Under Section 3 of the U.S. Housing and Urban Development Act, NYCHA must ensure that contractors with capital contracts over \$100,000 draw 30 percent of new hires from public housing residents and low-income New Yorkers, to the greatest extent possible. An additional requirement is imposed by NYCHA's Resident Employment Program (REP) on contracts over \$500,000, mandating that at least 15 percent of labor costs on those contracts go to individuals in the same two categories. The objective of these programs is to help residents become economically self-sufficient through job placement, training, supportive services and educational opportunities.

Between 2010 and 2012, NYCHA awarded 224 capital project contracts valued at almost \$1 billion. Based on a review of a sample of 29 of such contracts, the auditors found:

- **Reported payments to NYCHA residents were inflated.** Contractors claimed to spend \$475,000 more on NYCHA residents than the auditors' analysis uncovered. Specifically, for 17 contracts requiring compliance with REP, contractors claimed to spend \$1.45 million, while the Comptroller's review of payroll records found that only \$977,000 was spent on NYCHA residents.
- **Lost Wages:** In six REP contracts alone, NYCHA residents lost out on over \$184,000 in potential wages. Contractors should have paid out \$573,400 in wages to NYCHA residents and low-income New Yorkers on the six projects, given requirements that 15% of labor costs go to those two categories, but the audit found contractors paid only \$388,626.

- **Compliance and monitoring issues.** The audit found problems with the monitoring of more than 80 percent of the sampled contracts reviewed at the two units responsible for ensuring compliance with hiring requirements (the Capital Projects Division and the Resident Economic Empowerment and Sustainability Unit).
- **Limited verification by NYCHA of records submitted by contractors.** Almost three fourths of the required REP hiring summaries and nearly half of the required Section 3 hiring summaries were blank, inaccurate, or incomplete. As a result, NYCHA could not properly monitor compliance with hiring guidelines.
- **Lack of staffing information.** NYCHA did not require contractors to identify their existing staff prior to beginning work on a contract. This hindered NYCHA from determining how many new employees had actually been hired.
- **Inadequate follow-up.** The audit’s review of the contract folders found that key information about monitoring efforts was missing. Nearly a third lacked evidence that the agency contacted the contractor to refer residents for interviews.
- **No punishment for bad contractors.** There is no evidence that NYCHA took any disciplinary measures against contractors who failed to comply. In fact, contrary to what the audit found, NYCHA denied that contractors were out of compliance in any way. As a result, contractors continued to be eligible for future contracts, undermining both the letter and the spirit of REP and Section 3 law.

“NYCHA didn’t just fail to properly manage these programs, the Authority rejected the notion that it needed to improve. That’s simply unacceptable. My office is continuing its top-to-bottom audit of NYCHA so that we can get the full picture of how this Agency is run,” Stringer said.

To address the weaknesses identified in the audit, Comptroller Stringer’s audit recommended that NYCHA:

1. Institute controls to ensure that construction project managers’ review and verify hiring summaries for accuracy.
2. Ensure that monitors are familiar with their responsibilities for reviewing and verifying hiring summaries.
3. Require contractors to submit a list of all permanent staff at the start of a contract.
4. Ensure that contract monitors document their follow-up efforts with contractors and include all supporting evidence of their efforts in the contract folders.
5. Take disciplinary action against contractors who fail to comply with hiring guidelines following appropriate warnings.
6. Update and revise its written procedures to reflect current operations.
7. Ensure that monitors coordinate their efforts so all documents required to verify resident employment are transmitted to each unit in a timely manner.

NYCHA disagreed with all but one of the audit’s findings. However, the agency did not provide any evidence to support its arguments and did not specifically address the audit’s seven recommendations. In the coming months, Comptroller Stringer will reveal the results of other NYCHA audits.

To read the full audit, please [click here](#)

*Visit www.comptroller.nyc.gov for latest news, events and initiative
Follow Comptroller Stringer on [Twitter](#). To receive Twitter updates via text message,
text "follow scottmstringer" to 40404.
View the latest Comptroller's office videos on [Youtube](#).*

###