



# City of New York

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## OFFICE OF THE COMPTROLLER

**Scott M. Stringer  
COMPTROLLER**



### **FINANCIAL AUDIT**

**Marjorie Landa**  
Deputy Comptroller for Audit

Audit Report on the Administration of  
the New York City Build It Back  
Single Family Program by the Mayor's  
Office of Housing Recovery Operations

FM14-115A

**March 31, 2015**

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, NY 10007

SCOTT M. STRINGER  
COMPTROLLER

March 31, 2015

To the Residents of the City of New York:

My office has audited the Mayor's Office of Housing Recovery Operations (HRO) to determine whether HRO had proper controls in place to ensure the appropriate, prompt and efficient delivery of services to applicants for benefits under the New York City Build it Back Single Family Program (BIB) from June 1, 2013, through August 1, 2014. The BIB program was launched after Hurricane Sandy to carry out long-term residential reconstruction with more than \$1.7 billion dollars in federal funds available, and was specifically designed to assist owner-occupants of properties with one-to-four units affected by the hurricane. During its open registration period from June 3, 2013, to October 31, 2013, HRO received approximately 19,500 registrations for this program.

This audit found that HRO failed to implement proper controls to ensure the appropriate, prompt and efficient delivery of services to applicants. Specifically, HRO failed to effectively monitor the work of the multiple consultant companies hired to carry out the program. In addition, as HRO repeatedly changed program procedures and policies, it failed to adequately memorialize these changes in contract amendments, assignments or other documents that would ensure that the changes were adhered to and enforceable. Furthermore, HRO failed to ensure that consultants effectively notified and trained their staffs about program changes, failed to provide quality control over their implementation, and failed to track the effects of the changes on the efficiency of the BIB program over time. This audit further found that HRO authorized \$6.8 million in payments for work that did not conform to program requirements, failed to properly review invoices and supporting documentation, approved payments of \$1.2 million without proper documentation, and authorized \$245,000 in duplicate payments.

By December 31, 2013, seven months after the program began accepting applications, and over a year after the hurricane devastated homes along the New York City coastline, only 960 of the roughly 20,000 program applicants had met with HRO to discuss the options available to them through the BIB program, and zero applicants had actually received any program benefits. As of August 1, 2014, nearly two years after the hurricane hit New York and fifteen months after the BIB program began accepting registrations, only 686 applicants had received any type of benefits.

The results of the audit have been discussed with HRO officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report. If you have any questions concerning this report, please e-mail my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

Scott M. Stringer

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# **THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT**

## **Audit Report on the Administration of the New York City Build It Back Single Family Program By the Mayor's Office of Housing Recovery Operations**

**FM14-115A**

### **EXECUTIVE SUMMARY**

This audit examined whether the Mayor's Office of Housing Recovery Operations (HRO) had proper controls in place to ensure the appropriate, prompt and efficient delivery of services to applicants for benefits under the New York City Build it Back (BIB) Single Family Program during the period from June 1, 2013, to August 1, 2014. After Hurricane Sandy, the City launched the BIB program to carry out long-term residential reconstruction proposed as part of the United States Department of Housing and Urban Development Community Development Block Grant–Disaster Recovery initial Action Plan (Action Plan). Pursuant to the Action Plan, the City proposed using more than one billion dollars in federal funds to pay for the City's reconstruction initiatives, including the Single Family Program, which was specifically designed to assist owner-occupants of properties with one to four units affected by Hurricane Sandy. During its open registration period from June 3, 2013, to October 31, 2013, HRO received approximately 19,500 registrations for the BIB Single Family Program.

On July 3, 2013, the City entered into a \$50,219,564 contract with Pennsylvania-based consultant Public Financial Management (PFM) under which PFM was to provide oversight and management of BIB subcontractors from June 24, 2013, to June 23, 2015. PFM's contract required it to engage the services of three subcontractors who were to carry out the BIB program's day-to-day operations under PFM's direction: URS Group, Inc. (URS); Solix, Inc. (Solix); and the Center for New York City Neighborhoods (CNYCN). Pursuant to the contract with PFM, these three subcontractors would collectively provide applicant/customer support operations, eligibility review, and counseling services, while PFM was responsible for overall project management, subcontractor supervision, billing and reporting to HRO. HRO terminated PFM as the BIB program project manager on December 16, 2013.

As of March 9, 2015, HRO had approved payments to PFM in the amount of \$17,249,281, \$4.4 million of which was paid to PFM on behalf of its subcontractors after PFM ceased to function as the project manager. Also as of March 9, 2015, URS and Solix have submitted an additional \$17.6 million in invoices, \$4.7 and \$12.9 million, respectively, which remain unpaid pending the registration of a contract or assignment covering this work with the Comptroller's Office.

## Audit Findings and Recommendations

HRO failed to implement proper controls to ensure the appropriate, prompt and efficient delivery of services to applicants for benefits under the BIB Single Family Program. Specifically, HRO failed to effectively monitor the work of the multiple consultant companies hired to carry out the program. In addition, as HRO repeatedly changed program procedures and policies, it failed to adequately memorialize these changes in contract amendments, assignments or other documents that would ensure that the changes were adhered to and enforceable. Furthermore, HRO failed to ensure that consultants effectively notified and trained their staffs about program changes, failed to provide quality control over their implementation, and did not track the effects of the changes on the efficiency of the BIB program over time.

As a result, by December 31, 2013, seven months after the program began accepting applications and over a year after the storm devastated homes along the coast of New York City, only 960 of the roughly 20,000 program applicants had met with HRO to discuss the options available to them through the BIB program; and zero applicants had actually received any program benefits. As of August 1, 2014, nearly two years after the storm hit New York and fifteen months after the BIB program began accepting registrations, only 686 applicants had received any type of benefits.

This audit further found that HRO authorized \$6.8 million in payments for work that did not conform to program requirements set out in PFM's contract with the City, including payment of \$3.5 million for initial applicant meetings held without the contractually mandated proof that registrants had provided complete application information and payment of \$3.3 million combined to URS and Solix for their respective billings related to incomplete applications that URS prematurely submitted to Solix for eligibility reviews. In addition, HRO failed to properly review invoices and supporting documentation and approved payments of \$1.2 million for "on-demand" staffing<sup>1</sup> where consultants did not submit the detailed weekly activity reports required by PFM's contract with the City. We also found that HRO's failure to properly review invoices led them to approve approximately \$245,000 in duplicate payments.

Finally, though many improvements were made to the BIB program after January 2014, numerous critical service problems persisted up to and through our audit period. As reported by applicants who testified during the Comptroller's Hurricane Sandy public hearings and by applicants that the Comptroller's Office interviewed in connection with this audit, delays and inefficiencies continue to frustrate many applicants. And because HRO has not formally registered any new contracts to regulate the BIB program's operations since relieving PFM of its duties at the end of 2013, the City remains deprived of its primary means of control over program costs and operations, thereby increasing the risks of higher cost and inefficient service.

## Audit Recommendations

This report makes a total of sixteen recommendations to HRO and to the Mayor's Office, including:

### Recommendations to HRO:

- HRO should not solely or primarily delegate responsibility for the oversight and implementation of the BIB program to private consultant companies. City staff should be

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<sup>1</sup> On-demand staffing included consultants who were hired as subject matter experts or for specific services (e.g., printing and mailings) and paid through the PFM contract.

actively involved in all aspects of the program to directly monitor services provided to applicants and to ensure the program is carried out appropriately.

- HRO should finalize contract assignments with those consultants that previously operated as subcontractors to PFM and promptly register those contracts with the Comptroller's Office.
- If and when HRO institutes or changes any BIB program procedures, it should ensure that all staff are adequately trained on the new procedures; that they are reflected in all necessary program documents including applicable forms and Standard Operating Procedures (SOPs); that the BIB program's data storage case management system, CMS, is modified as necessary to reflect these changes; and that the implementation and effects of the changes are monitored and assessed.
- HRO should review the qualifications of any future hires made by URS and other consultants who work on the BIB program to ensure that candidates meet the educational and experience requirements mandated by their contracts.
- HRO should implement necessary contract amendments and/or SOPs to require URS and Solix to contact applicants within a set time frame after the most recent prior contact and specify whether applicants should be contacted by phone, email, text, or USPS mail, and detail specific measures to ensure that adequate contact efforts are made.
- HRO should ensure that data contained in CMS is accurate, including that each applicant's status designation is correct and up-to-date.
- HRO should review each application to identify which are inactive, withdrawn, and/or ineligible and expeditiously take appropriate action.
- For any work that is to be paid on a time and materials basis, prior to approving payment, HRO should require the consultants to submit timesheets specifying the hours worked and tasks performed, and to submit any other reasonable supporting documentation.
- HRO should thoroughly review invoices to ensure that HRO does not make duplicate payments to consultants. In any instances where HRO determines that it has made duplicate payments, HRO should seek to recover overpayments to the consultants immediately.

### **Recommendations to the Mayor's Office to Prepare for Future City-Wide Disaster Recovery Operations**

- Based on the experience of the City with the Build it Back program and responses undertaken by the City to recent emergencies, the Mayor's Office should assess the best ways for the City to prepare to address future emergencies and implement any necessary rule changes related to procurement and contract oversight to ensure that contracts for necessary goods and services are in place, that the City gets the best possible prices, and that those contracts are fully enforced.
- The City should explore ways to develop emergency relief capacity to maximize the use of City resources rather than outside consultants for potential City-wide disasters such as Hurricane Sandy.
- Future contracts with consultants to assist in the provision of emergency disaster relief services should state specific deliverables that the consultants are required to provide within specified timeframes. The consultants should be held accountable for meeting those deliverables.

## **Agency Response**

HRO submitted a written response to our audit Draft Report on March 25, 2015 in which it endorsed recommendations made by the Comptroller and further stated that “[t]he City is generally in agreement with the [Comptroller’s] Findings related to delays, applicant frustration, and the start-up of the Program.” HRO maintains that it fully implemented six of the Comptroller’s recommendations in 2014 and that it is in the process of implementing the remaining seven and that it had previously dealt with the matters that were the subject of the audit in its 2014 report titled, *One City, Rebuilding Together*.

We are pleased that HRO has committed itself to implementing all of the audit’s recommendations. We note that while HRO’s 2014 report touched on many of the problems examined in the audit, unlike the audit, it did not provide a detailed explanation of the causes of these program failures or analyze any of the critical lapses in management that led to them. The Comptroller’s audit report provides just such detail and in-depth analysis so that the City can understand and address past program failures and be better prepared to respond to future emergency situations.

The full text of HRO’s response to this report and to the thirteen recommendations made to HRO is included in the Addendum to this report.

# AUDIT REPORT

## Background

On October 29, 2012, Superstorm Sandy inflicted unprecedented damage and disruption on New York City. The hurricane resulted in more than \$19 billion in damages and lost economic activity, destroying or significantly harming over 300,000 homes. An estimated 800,000 New Yorkers lost electricity and many were left temporarily homeless, with limited access to food, drinking water, healthcare, and other necessities. Tragically, 44 New Yorkers lost their lives.

To spearhead the City's reconstruction efforts, in November of 2012 Mayor Michael Bloomberg created the Mayor's Office of Housing Recovery Operations (HRO). Two months later, in January 2013, President Obama signed the "Disaster Relief Appropriations Act, 2013" into law and on May 7, 2013, the U.S. Department of Housing and Urban Development (HUD) approved New York City's Community Development Block Grant–Disaster Recovery (CDBG-DR) initial Action Plan, which included a plan to use more than one billion dollars in federal funds to repair homes damaged by the hurricane.

The City launched the Build it Back (BIB) program to carry out the Action Plan's proposals for long-term residential reconstruction. For the BIB Single Family Program, which was designed to address the needs of owners of one to four unit owner-occupied homes, the City was awarded its first and second allocations of HUD CDBG-DR funding, \$1,022,000,000 and \$200,000,000 on May 7, 2013, and November 18, 2013, respectively. On October 16, 2014, HUD announced a third round of funding and awarded an additional \$491,056,000 to the City, bringing the BIB Single Family Program's total available CDBG-DR funding to \$1,713,056,000. Under the Action Plan, the City would expend City tax dollars on the BIB program in the first instance and, so long as BIB's activities were conducted in accordance with the Action Plan and HUD guidelines, HUD would reimburse the City with federal funds up to the allocated amounts.

On June 3, 2013, six months after Hurricane Sandy and only 22 days after HUD approved the City's Action Plan, the BIB program began accepting registrations from homeowners, and continued to accept them until October 31, 2013. During this five month period, HRO reported receiving approximately 19,500 registrations for the Single Family Program and approximately 700 applications for a separate Multi-Family Repair Program, designed to assist homeowners, landlords and tenants in properties damaged by Hurricane Sandy containing five or more units.

Our audit focused on the Single Family Program, through which homeowners could be entitled to benefits through one or more of the program's pathways, which included:

- Repair
- Repair with Elevation
- Rebuild
- Reimbursement
- Acquisition for Redevelopment

In planning for the BIB Single Family Program, the City projected that roughly 17,000 program registrants would attend initial intake meetings to submit eligibility documentation for review. According to HRO, as of December 31, 2013, the actual number was closer to 15,000, after roughly 5,000 registrants formally withdrew their applications or became unresponsive.

### *Planning, Staffing and Oversight of the BIB Program*

HRO relied primarily on consultants to execute the BIB program and contracted with private companies to design the program's structure and deliver actual services to applicants. Initially, the New York City Economic Development Corporation (EDC) contracted with Boston Consulting Group (BCG) to, among other things, complete the design and launch of the BIB program.<sup>2</sup> The City paid BCG \$6,106,590 for its work on two task orders under this contract for services rendered from April 1, 2013, to July 26, 2013.

Under its contract with the City, BCG was required to provide ongoing program design and assistance to HRO concerning its organization, processes and logistical capabilities for program delivery; support the program's ramp-up; and refine costs and update demand and unmet needs estimates for the City's CDBG-DR funding. Pursuant to two additional task orders in effect from July 29, 2013, through July 1, 2015, BCG continues to provide, among other things, communications and outreach support services, program management operations support, and monitoring of the effectiveness of the BIB program and its CDBG-DR compliance. BCG bills the City on a time and materials basis.<sup>3</sup> As of November 2014, the City paid BCG \$2,308,620 for the services that it provided from July 29, 2013, to November 30, 2013.

On July 3, 2013, through the Human Resources Administration (HRA), the City entered into a \$50,219,564 contract with PFM, a firm with no prior experience with disaster recovery management. PFM was to act as the primary contractor for the BIB program and provide direct oversight and management of subcontractors from June 24, 2013, through June 23, 2015. To carry out the direct service work, PFM's contract stated that it would engage the services of URS, Solix, and CNYCN<sup>4</sup> to handle day-to-day program operations, collectively providing applicant/customer support operations, eligibility review, and counseling services, while PFM remained responsible for overall project management and subcontractor supervision, billing the City for subcontractor services, and reporting to HRO.

While HRA entered into the BIB contract with PFM on behalf of the City, HRO was charged with overseeing PFM's work and with ultimately approving payment invoices for services provided prior to the bills being sent to HRA for actual payment. As of March 9, 2015, HRO approved payments to PFM in the amount of \$17,249,281 for its work and that of its subcontractors, \$4.4 million of which was paid to PFM on behalf of its subcontractors after PFM was terminated from its project management responsibilities. Also, as of March 9, 2015, URS and Solix have submitted invoices in the amounts of \$17.6 million, \$4.7 million and \$12.9 million respectively, that are pending the approval of the assignment and amendment of PFM's contract.

On July 17, 2013, EDC entered into a contract on behalf of the City with Dewberry Engineers, Inc. (Dewberry) to perform pre-construction damage assessments and environmental reviews and generate feasibility reports to determine the program pathways for which a homeowner would be eligible. As originally designed, applicants to the Single Family Program would not receive any services from Dewberry until after their applications had proceeded through the program's eligibility screening process.

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<sup>2</sup> According to a HRO official, HRO does not have its own authority to enter into contracts, so all of the contracts associated with the BIB program had to be entered into by City agencies with contracting authority under the law.

<sup>3</sup> Consultants working on a time and materials basis are paid based on the work done by the hour and the expenses incurred, rather than in a pre-negotiated lump sum.

<sup>4</sup> CNYCN was retained to provide housing and legal counseling services. Its work was not the focus of this audit. During the audit scope period, PFM billed \$69,849 for services performed by CNYCN.

To support the BIB program, coordinate operations and facilitate communications between the various consultants and HRO personnel, HRO's in-house technology staff implemented a computer-based data entry case management system known as the "Case Management System" (CMS). HRO intended for all of the program's consultants and staff to use CMS to schedule appointments with applicants and manage and coordinate applicant information throughout the program's numerous stages, including application intake, eligibility review, damage assessment, counseling, environmental review, and feasibility analysis. The consultants were required to use CMS to record case notes, complete applications, record the results of quality control reviews, and designate applications as ready for the next program stage.

### *The BIB Program Process*

At the time of the BIB program's launch in June 2013, the application and assessment process that homeowners would have to follow was governed by the combined provisions of the City's contract with PFM and SOPs promulgated by HRO. This multi-stage process included the following steps:

- Applicants were to fill out a registration form online or call the City's 311 hotline to ask for assistance from the BIB program before close of registration on October 31, 2013.
- After registration, URS staff were to call applicants to schedule an in-person appointment at a Build it Back Center with a URS Housing Recovery Specialist.<sup>5</sup> To simplify the process for applicants, the City's contract with PFM stipulated that each applicant would be assigned to a single Housing Recovery Specialist, who would thereafter be the applicant's sole point of contact throughout the application process until the applicant selected an assistance pathway or was deemed ineligible. As an applicant's single point of contact, a Housing Recovery Specialist was supposed to explain the application process to the applicant, assist the applicant in completing his or her application, gather the documents necessary to determine eligibility, have the applicant sign the legal forms necessary to process his or her application, and inform the applicant about optional counseling. For a complete list of documents required see Appendices I and II.
- As a safeguard to ensure that a Housing Recovery Specialist had informed an applicant about which documents an applicant needed to submit and how the BIB program functioned, the City's contract with PFM required that Housing Recovery Specialists sign a separate checklist for each applicant they were assigned to assist, on which they certified that they had discussed certain key topics with the applicant during the program's intake stage. Submission of this checklist to HRO was a deliverable specifically required in connection with each application before URS would receive the \$250 fee for holding an initial intake meeting.

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<sup>5</sup> A start-up fee of \$500,000 was paid to URS for the first month of operation. Thereafter, a monthly management fee of \$200,000 was paid to URS for the next 5 months. The monthly management fee was to be reduced to \$120,000 for the following 6 months and then to \$60,000 for the last 12 months of the two-year contract. The monthly management fee was established as a result of the "perceived variability of the number of applicants that would come to the Housing Recovery Center's unprepared with their documentation requiring additional time with the applicant" according to a memo from HRO to HRA dated June 11, 2013. The fee was intended to cover a fluctuating pool of applicants that could result in URS being unable to produce any completed applications under the Single Family Deliverable unit rate structure in Task 1. Thus, HRO agreed to a shared risk approach with the combination of the lump sum start-up and monthly fee and unit rate structure.

- Once all of the required documents were received and forms completed, a Housing Recovery Specialist would make a notation in the applicant's CMS file stating "Intake–Complete (Ready for QC)."<sup>6</sup>
- During the BIB program's quality control review stage, each application package would be reviewed for accuracy and completeness by either a Housing Recovery Center Site Supervisor or a Quality Assurance Specialist, both of whom were among the staff to be provided by URS. These URS staff were to use CMS to code any application they determined was complete as ready for eligibility review by Solix. URS' identification of a case as complete was a contractual deliverable sufficient to support a second payment to URS in the amount of \$225 per application.
- Eligibility reviews were then to be performed by Solix, and would include verifying the presence of necessary documentation and conducting a check for duplication of benefits to identify benefits an applicant may have already received from other sources. Solix staff were to make a determination that an applicant was either eligible or ineligible for the BIB program and would then make a notation communicating this determination in CMS. This action was a contractual deliverable that would be sufficient to support payment in the amount of \$296.68 per application to Solix.
- If an applicant was deemed eligible, a damage assessment and environmental review would be conducted by Dewberry staff, who would determine the cost of repairing the applicant's home. Payment in the amount of \$946.07 per application was to be made to Dewberry once the damage assessment and environmental review were completed.<sup>7</sup>
- After an applicant was deemed eligible, Solix was also required to identify all of the Hurricane Sandy-related benefits an applicant previously received from any source. Then Solix was to determine if those benefits had been used for allowable expenses (e.g., temporary structural repairs paid for by the applicant prior to the damage assessment date). Any benefits not used for allowable expenses would then have to be repaid to the program before the applicant could receive BIB program benefits. This calculation of benefits that had to be repaid prior to the receipt of BIB program funds is referred to as the "transfer amount." Construction could start only after the transfer amount is paid. HRO was to pay Solix \$98.89 for each report certifying duplication of benefits.
- URS staff was then to hold an Option Review Meeting with the applicant to discuss results of the eligibility, damage assessment and environmental reviews. HRO would then pay URS \$200 per application once an applicant signed a confirmation document stating that the applicant had been informed of the results of these reviews.
- If an applicant then chose to move forward with one of the benefit pathways available to them, the applicant was to sign an award agreement designating the applicant's decision. The City was then to pay URS \$85 per award agreement signed.

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<sup>6</sup> "QC" refers to a "quality control" review that URS was required to undertake.

<sup>7</sup> This \$946.07 payment to Dewberry includes: \$284.33 per application for Final Damage Assessment Report; \$199.03 per application for Final Verification and Valuation of Complete Repairs; \$217.30 per application for Final Environmental Data Report; \$107.43 per application for Final Feasibility Report and \$137.98 per application for Tier 2 Environmental Review.

- If an applicant chose either the Repair or Rebuild options, a design consultation was to be held to plan out the construction process. Thereafter, for applicants who selected either the Repair or Rebuild options, construction would begin.<sup>8</sup>
- An application would be closed after the applicant was fully reimbursed for approved work previously paid for by the homeowner or the BIB construction contractor was paid in full. The City would pay URS \$75 for closing each case.

According to the City's contract with PFM, the goal period for the date when an applicant submitted all necessary application documents to the point of transitioning the applicant to a construction path was four to six weeks. As stated in the contract, "[t]his time line would encompass intake, eligibility review, assessment of the cost to complete, and determination of assistance level and path. Outreach [would] be undertaken to encourage homeowners to bring the appropriate documentation to achieve a complete application file in the shortest possible timeframe."

HRO later identified a longer timeline of 94 days or three months in its July 2013 Daily Outcomes Report for this same part of the process. These three months were segmented into individual target dates which started with the scheduling of the initial intake meeting within seven days of the first contact by the applicant. Intake was then supposed to be completed within 21 days, with an eligibility review conducted within fourteen days and environmental and feasibility assessments conducted within 45 days. In total, under HRO's revised guidelines, an application was supposed to be processed through eligibility review within a total of 80 days. Where applicants were found eligible, pathway options available to them were supposed to be discussed with the applicant within seven days of that determination.

Table I below summarizes the estimated necessary staffing levels for PFM, URS, Solix, and CNYCN and their payment deliverables as provided for in the City's contract with PFM.

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<sup>8</sup> To carry out the construction work, the City's contractors were assigned based on where the home was located. Alternatively, applicants could choose to use their own contractors as long as the contractor met the minimum qualifications required by the City.

**Table I**  
**Estimated Staffing Levels for PFM, URS, Solix and CNYCN and Their Payment Deliverables**

		Staffing levels from 6/17/2013 to 12/31/13:	Staffing levels from 1/2/2014 to 1/2/15 :
<b>URS</b>	<b><u>Payment up to \$12 million for customer operations, which included:</u></b>		
	a) Up to \$4.25 million for signing checklists confirming key topics discussed b) Up to \$3.15 million for completed applications c) Up to \$2.6 million for signed confirmations that eligibility, assessment and environmental results were communicated d) Up to \$975,000 for closing cases after construction was completed e) Approximately \$2.9 million as a project management fee over two years. The management fee was to account for the "perceived variability of the number of applicants that would come to the Housing Recovery Centers unprepared with their documentation requiring additional time with the applicant."	50-125 Housing Recovery Specialists  5-10 Customer Service Representatives  2-5 Quality Assurance Specialists  8-13 Customer Operations Supervisors	25-38 Housing Recovery Specialists  2-8 Customer Service Representatives  1-2 Quality Assurance Specialists  1-5 Customer Operations Supervisors
<b>Solix</b>	<b><u>Payment up to \$10 million for eligibility reviews, which included:</u></b>		
	a) Up to \$5.93 million for eligibility reports b) Up to \$1.98 million for duplication of benefit reports c) Up to \$1.98 million for award amount reports	35-45 Eligibility Specialists  4-5 Eligibility Supervisors	35-45 Eligibility Specialists  4-5 Eligibility Supervisors
<b>CNYCN</b>	<b><u>Payment up to \$5.9 million for housing counseling services and \$7.6 million for legal counseling services</u></b>	N/A	N/A
<b>PFM</b>	<b><u>Payment up to \$1.6 million for staffing the Project Management Office (PMO).</u></b>	3 full time staff and 7 part time staff (20% or less of time charged to the PMO)	N/A

Because the Single Family Program went through multiple changes within and between the two different mayoral administrations, in some cases we found it instructive to divide our analysis into the following periods:

- June 3, 2013, to December 31, 2013: measuring from the beginning of applicant registration through the end of Mayor Bloomberg's administration;
- January 1, 2014, to March 31, 2014: measuring from the beginning of Mayor de Blasio's administration to the appointment of a new director of HRO;<sup>9</sup> and
- April 1, 2014, to August 1, 2014: measuring from the first four months of HRO's operation with a permanent director appointed by Mayor de Blasio to the close of our audit period.

The overall progress of applications was different in certain respects during these three time periods. As of December 31, 2013, HRO reported that zero applications had been closed out and that only 100 of the 20,149 (0.5%) Single Family Program registrations (active applicants) HRO

<sup>9</sup> For the first three months after Mayor de Blasio came into office, HRO operated with holdover management from the prior administration.

reported had chosen a program pathway.<sup>10</sup> As of March 31, 2014, the number of active applicants who had chosen a pathway had risen to 690 of the 19,989 applications HRO reported were submitted (3%). Finally, HRO reported that by August 1, 2014, 2,719 out of 20,167 active applicants reported by HRO had selected a pathway (13%) and that 686 applicants had received their benefits (3%) in the form of construction started or reimbursement checks sent for repair work previously performed. While outside the scope period of the audit, we note that as of March 6, 2015, HRO reported that the number of active applicants that had selected awards was 5,784 of 20,206 (29%) applications HRO reported and that 3,600 (18%) applicants had received their awards either by construction started or reimbursement checks received.

## Objective

The objective of this audit was to determine whether HRO had proper controls in place to ensure the appropriate, prompt and efficient delivery of services to applicants for benefits under the New York City Build it Back Single Family Program.

## Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope of this audit covers the period from June 1, 2013, through August 1, 2014. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

## Discussion of Audit Results with HRO

The matters covered in this report were discussed with HRO officials during and at the conclusion of this audit. A preliminary draft report was provided to HRO officials and discussed at an exit conference held on February 24, 2015. After the exit conference, HRO provided additional documentation in response to issues presented in the preliminary draft report. Discussions with HRO officials and the additional documentation submitted were considered in preparation of the draft report. On March 11, 2015, we submitted a draft report to HRO officials with a request for comments. HRO submitted a written response to our audit Draft Report on March 25, 2015, in which it endorsed all of the recommendations made by the Comptroller and further stated that “[t]he City is generally in agreement with the [Comptroller’s] Findings related to delays, applicant frustration, and the start-up of the Program.” HRO maintains that the agency fully implemented six of the Comptroller’s recommendations in 2014 and that it is in the process of implementing the remaining seven and that it had previously dealt with the matters that were the subject of the audit in its 2014 report titled, *One City Rebuilding Together*.

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<sup>10</sup> According to HRO’s Daily Case Management Reports, the number of Single Family Active Applications may increase or decrease as the applications switch from “Single Family” to “Multi Family” or “Active” to “Inactive” status.

We are pleased that HRO has committed itself to implementing all of the audit's recommendations. We note that while HRO's 2014 report touched on many of the problems examined in the audit, unlike the audit, it did not provide a detailed explanation of the causes of these program failures or analyze any of the critical lapses in management that led to them. The Comptroller's audit report provides just such detail and in-depth analysis so that the City can understand and address past program failures and be better prepared to respond to future emergency situations.

The full text of HRO's response to this report and to the thirteen recommendations made to HRO is included in the Addendum to this report.

## FINDINGS

HRO failed to implement proper controls over the BIB program to ensure the appropriate, prompt and efficient delivery of services to applicants for benefits under the New York City Build it Back Single Family Program. Consequently, by December 31, 2013, only 960 applicants out of the roughly 20,000 who applied had an option review meeting scheduled to discuss the program pathways available and none of them had received any program benefits. As of August 1, 2014, nearly two years after the storm hit New York, only 686 of the applicants had received any type of benefits.

Specifically, the audit found that HRO failed to effectively monitor the work of the consultant companies hired to carry out the program. In addition, as HRO repeatedly changed program policies and procedures, it failed to ensure that consultants effectively notified and trained their staffs about program changes, failed to provide quality control over their implementation, and did not track the effects of the changes on the efficiency of the BIB program over time. Furthermore, HRO did not adequately memorialize the changes in contract amendments, assignments, or other documents that would hold the contractors accountable.

The audit also found that HRO approved \$6.8 million in payments for contract work that did not conform to program requirements and \$1.2 million for “on-demand” staffing where consultants did not submit the detailed weekly activity reports required by PFM’s contract with the City. Additionally, HRO’s failure to properly review invoices led them to approve approximately \$245,000 in duplicate payments.

Finally, though the administration of Mayor Bill de Blasio made many improvements to the BIB program after assuming control in January 2014, numerous critical service problems persisted up to and through our audit period. As reported by applicants who testified during the Comptroller’s Hurricane Sandy public hearings and by applicants that the Comptroller’s Office interviewed in connection with this audit, delays and inefficiencies continue to frustrate many applicants. And because HRO has not formally registered any new contracts to regulate the BIB program’s operations since relieving PFM of its duties at the end of 2013, the City remains deprived of its primary means of control over program costs and operations, thereby increasing the risks of higher cost and less efficient service.

Given the weaknesses we found in the City’s contract oversight and in the consultants’ delivery of services that resulted in massive program delays and increased costs, we recommend that the City consider enhancing its ability to address future emergencies with internal City resources instead of relying on outside contractors to provide the planning, operations and oversight of future emergency responses. In future City-wide disaster recovery projects, we recommend that the City place greater emphasis on either hiring additional City workers or pulling more City employees from other agencies.

**HRO’s Response:** HRO states that “[f]or single family applicants, to date, almost 9,000 applicants – nearly all active applicants -- have been offered a benefit option by Build It Back, compared to only 451 at the end of 2013 . . .” (Emphasis original.)

**Auditor’s Comment:** We recognize that many improvements have been made to the BIB program under the new administration in 2014, including particularly the number of applicants who have finally received benefits. However, we question the basis of HRO’s assertion that “nearly all active applicants” have received a

benefit option. According to HRO's data published on the NYC Hurricane Sandy Funding Tracker website, HRO lists the current number of "active applicants" as of March 16, 2015, as 20,202. In its response to our audit to support its claim that HRO has now served "nearly all active applicants," however, HRO asserts that there are actually a far lower number of "active applications" because it now contends that applicants designated as "unresponsive" should not be counted as "active applicants." However, our audit found instances in which HRO prematurely labeled applicants as "unresponsive" in violation of program procedures requiring a minimum number of attempts at making contact before labeling them as such. Given this, we are concerned that the number of "active applicants" HRO has chosen to measure its performance against may be too low. In addition, several applicants interviewed stated that they became less interested in pursuing benefits partly because of program failures that led these applicants to give up trying to obtain benefits. In such cases, it may be inappropriate to remove these applicants from the count of individuals who have not yet received service. We note that HRO implicitly acknowledges that there may be seemingly "unresponsive" applicants who are still interested in participating in the program when it states that HRO will attempt to contact "unresponsive" applicants in the coming months to determine if they would like to continue with the program application process. Depending on the number of applicants who resume the application intake process, the number of "active applicants" will increase.

## **HRO Failed to Implement Proper Controls, to Enforce Critical Contract Requirements, and to Ensure that the Build it Back Program Was Appropriately Managed and Staffed**

HRO failed to ensure that the BIB Single Family Program was properly managed and staffed, that contract requirements were met and, where HRO changed program procedures, that those changes were appropriately documented and reflected in contract amendments and/or assignments registered with the Comptroller's Office in accordance with the City's procurement rules. As a result, claims were delayed, program costs increased and the program continues to be at risk of further cost overruns. These conclusions are based on our review of program design and implementation documents, consultant contracts, SOPs, payment invoices, and performance data recorded and reported by HRO. In addition, we conducted in-depth reviews of 70 applications for BIB Single Family Program benefits, randomly selected from the 20,179 applications received by HRO as of May 27, 2014. For each of these applications, we reviewed the information contained in CMS, and we spoke directly to 51 of the 70 applicants whose CMS files we reviewed.

### **HRO Continually Changed BIB Program Procedures and Requirements, Creating Delays and Applicant Frustration**

HRO never operated the BIB Single Family Program as it was originally designed. The contours of the program were laid out by BCG working under contract with the City to assist with the program's design and launch. Its requirements were described in PFM's contract with HRA, which obligated PFM through its three subcontractors, URS, Solix, and CNYCN, to provide: 1) application intake and case management; 2) eligibility reviews, including documentation

verification and duplication of benefit checks; and 3) counseling services. PFM was required to provide overall project management, which included oversight and coordination of subcontractors and their respective tasks.<sup>11</sup>

However, from the inception of the program, HRO modified or eliminated many of these specific tasks and associated procedures. Indeed, between August 2013 and July 2014, HRO made more than 100 procedural changes to the Single Family Program. As PFM reported to HRO in its Case Management Report for the period from June 24, 2013, to July 31, 2013, “multiple requirements and required form changes have been pushed into the centers causing training and operational delays.”<sup>12</sup>

According to documents provided by HRO, the BIB program needed to comply with at least 64 different federal laws and regulations, an array of additional state and local laws, and numerous binding guidance documents that HUD issued during the course of the program. HRO officials informed us that many changes to program policies and procedures were made to ensure compliance with these numerous requirements. However, we found that in its efforts, HRO failed to ensure that program and operational changes it determined to be necessary were adequately documented, clearly communicated, reflected in computer and other system changes, and that their implementation and effects were adequately monitored. With each form and document change, the staffs of multiple organizations had to be notified, new procedures written, CMS modified where necessary, new forms created, staff trained, applicants informed, and new documentation completed and submitted.

In connection with procedural changes, HRO repeatedly issued new versions of the same forms. Table II below lists forms that applicants for Single Family Program benefits may have been required to complete depending on the applicants’ circumstances and the dates on which successive form versions were issued.

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<sup>11</sup> The specific tasks the subcontractors were required to carry out in the application and eligibility review phases are set forth in Appendix III to this report.

<sup>12</sup> PFM was required to track performance against metrics and submit daily, weekly and monthly reports to HRO.

**Table II**  
**Dates Required Forms Were Revised<sup>13</sup>**

Form#	Revision0	Revision1	Revision2	Revision3	Revision4	Revision5	Revision6	Revision7	Revision8
F1	7/7/13	7/24/13	1/28/14		3/29/14				
F2	7/11/13	7/24/13	9/13/13	10/8/13	1/28/14	3/29/14	4/24/14		
F3	7/7/13	7/15/14		7/17/13	7/24/13	1/28/14	3/29/14		
F4	7/7/13	7/24/13	1/28/14	3/29/14					
F5	7/7/13	7/11/13							
F6	7/7/13	7/10/13	7/24/13	10/3/13	10/17/13	1/28/14	3/29/14	6/26/14	
F7	7/7/13	7/24/13	7/24/13	10/3/13	10/17/13	1/28/14	3/29/14	6/26/14	
F8	7/7/13	7/24/13	1/28/14	3/29/14					
F9	7/7/13	7/24/13	1/28/14	3/29/14					
F10	7/7/13	7/24/13		1/28/14					
F11	7/7/13	7/24/13	1/28/14	3/29/14					
F12	7/7/13	7/24/13	1/28/14	3/29/14					
F13	7/7/13	8/7/13	8/13/13	12/23/14	1/28/14		3/7/14	3/29/14	7/16/14
F14	7/7/13	7/24/13	1/28/14	3/29/14					
F15	7/7/13	7/24/13	1/28/14	3/29/14					
F16	7/24/13	8/15/13	1/28/14	3/29/14					
F17	1/18/14	3/7/14	3/29/14	4/15/14					

The task of continually implementing program changes was made more complicated by the fact that, as of the first day the BIB program began receiving applications, CMS did not yet have the full functionality necessary to enable the program's subcontractors to perform their respective tasks. Solix, for example, was unable to fully perform eligibility reviews in CMS until four months later in October 2013. As an alternative, Solix used a Microsoft Excel spreadsheet that, unlike the information in CMS, was not immediately accessible by HRO or the other subcontractor consultants. Similarly, CMS did not have reimbursement process functionality until February 2014. There were twelve version updates (CMS releases) to CMS between June 2013 and April 2014 in which these and other functionalities were added and updated. In addition to the twelve CMS releases, multiple updates were made to each release.

The program requirements for the Single Family Program laid out in PFM's contract with the City required URS to provide a single Housing Recovery Specialist to assist each applicant to complete his or her application. Pursuant to the Application Quality Control Job Aid issued by HRO on August 28, 2013, once a Housing Recovery Specialist determined that an application was complete, a URS Quality Assurance Specialist was supposed to review the application and ensure that this was the case. The Quality Assurance Specialist was then supposed to code the application in CMS with the designation, "intake complete - ready for eligibility review." Only then was the application to be reviewed by Solix staff, who were to determine if the applicant was eligible or ineligible for program benefits.

However, from the outset, HRO never effectively implemented either the single point of contact model or the BIB program's quality control procedures. In many cases, applicants were unable to reschedule appointments with their original Housing Recovery Specialist and instead needed to communicate with a series of different contact persons who were unfamiliar with the details of the individual applicant's circumstances. According to HRO, this modification of the single case

<sup>13</sup> HRO never produced for our office any revisions for the blank boxes which Table II contains (e.g., Revision 3 to Form F1).

worker model was necessitated by the high volume of program applicants. However, when one does not count withdrawn, unresponsive, or duplicate applications, the BIB Single Family Program was left with fewer applicants than HRO originally projected. Moreover, HRO could have required URS to increase the number of Housing Recovery Specialists to at least the maximum staffing numbers estimated in the City's contract with PFM. Our audit revealed that there were at most only 109 people employed by URS at one time with the job title of Housing Recovery Specialist, notwithstanding the fact that the City's contract with PFM estimated that URS would need to supply as many as 125 Housing Recovery Specialists.

Instead of seeking to increase staffing levels, HRO modified the BIB program's existing procedures by dispensing with the single point of contact model and requiring any available Housing Recovery Specialists to meet with any applicant who came for an appointment. Further, HRO's policies and procedures were modified to eliminate the requirement that Housing Recovery Specialists produce the document collection deliverables laid out in the City's contract with PFM, and instead only required Housing Recovery Specialists to collect and scan documents into CMS without verifying that the documentation actually complied with the program's requirements.

According to one former HRO official, it was determined that having one case manager handle an applicant's entire case would be too costly. However, URS was not paid based on the number of Housing Recovery Specialists it employed. Rather, the company was paid a flat \$200,000 monthly management fee, and then paid individual sums for the completion of specific deliverables on each application. Moreover, it may have saved the City money to require URS to supply additional Housing Recovery Specialists because additional staffing may have allowed URS to complete its work faster, which would have reduced the number of times the City had to pay URS' monthly management fee.

As a result of HRO eliminating the requirement of a single case manager for each applicant, there was never a single person responsible for making sure that an application was complete. Accordingly, for there to be follow up with an applicant for missing information, a Housing Recovery Specialist who was unfamiliar with the application had to rely on CMS to understand where the applicant was in the intake process. However, we found that information in CMS was not always accurate or complete. For example, our sample found that CMS listed some documents as received when, in fact, these documents had not been submitted. That fact, combined with the Housing Recovery Specialists' unfamiliarity with individual cases, impaired their ability to effectively complete the intake process. Fifteen of the 51 applicants we interviewed reported that their cases were handled by multiple Housing Recovery Specialists who were not always familiar with their cases.

This problem likely contributed to delays in case processing and increased the number of incomplete applications that URS erroneously submitted to Solix for eligibility reviews. Moreover, whatever quality control reviews were performed on these cases prior to their submission to Solix were largely inadequate as reflected by the 5,432 out of 9,126 applications submitted to Solix by URS for eligibility review between July 2013 and December 2013 that Solix rejected as incomplete.

#### *BIB Program Applicants Consistently Reported Being Required to Submit Duplicate Documentation*

The continual changes in BIB program policies and procedures contributed to the confusion and delays experienced by applicants. Of the 70 randomly selected applications reviewed as part of this audit, seventeen of the 51 applicants we interviewed said that they were required to resubmit

documents that they had previously submitted. In one case, an applicant was contacted by five different BIB program representatives after, according to her CMS record, she had not been contacted for six months following her initial submission of documents on July 25, 2013.

These applicant comments were echoed by the statements made by residents of Breezy Point, Coney Island, Rockaway and Staten Island at public hearings held by City Comptroller Scott M. Stringer in the spring of 2014. Repeatedly, applicants reported that they were asked to submit the same documentation multiple times, some of them appearing at the hearings with bags full of documents they said they were required to submit and resubmit as part of the application process. Applicants also reported that BIB representatives did not return their phone calls or that they were not contacted for long stretches of time. Many also reported that they saw multiple Housing Recovery Specialists who were not familiar with their cases and who seemed confused as to how the program processes worked.

**HRO's Response:** HRO states that program changes and delays frustrated applicants, set forth multiple reasons why they contend these changes occurred and asserted that since 2014, HRO states that it has focused on streamlining processes and improving customer experience and implementing changes required by HUD. Further, HRO states that it has since 2014 assigned "homeowners a single application coordinator, case manager, and financial or legal counselor to provide single points of contact as they move through the application process." Finally, HRO states that it has addressed problems with duplicate requests for applications with CMS enhancements, additional training and revised applicant materials.

## URS Submitted Incomplete Applications for Eligibility Reviews

URS submitted incomplete applications to Solix for eligibility reviews in violation of the requirements set out in PFM's contract with the City. Consequently, between July 2013 and December 2013, applications went back and forth between Solix and URS an average of two to three times before they were determined to be complete and ready for eligibility reviews. URS continued to submit incomplete applications to Solix during the period from January to August 2014, even though URS' workload was lessened due to far fewer applications being submitted during this time.

BIB program records show that 5,432 (59%) of the 9,126 applications submitted to Solix by URS for eligibility review between July 2013 and December 2013 were returned to URS because of missing or invalid documentation. Our review of 70 randomly selected case files revealed that 41 out of the 44 (93%) applications submitted by URS<sup>14</sup> for eligibility reviews between June 2013 and December 2013 were rejected as incomplete<sup>15</sup> and that between January 2014 and August

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<sup>14</sup> 23 of the 70 applications contained in our sample were not eligible to be included in this section because five applicants did not attend their initial intake meeting; three applications were submitted to Solix outside of our scope period; one application did not contain the necessary field, the eligibility tab, to enable us to perform our analysis; and fourteen applications were opened and reviewed by Solix before URS staff completed their work and submitted them for eligibility review.

<sup>15</sup> Based on our case reviews, 44 out of 61 applications were submitted by URS and reviewed by Solix from July 3, 2013 to December 31, 2013. Solix returned 41 out of 44 (95%) applications to URS for documentation follow-up.

2014, two out of the three<sup>16</sup> (67%) applications submitted by URS were deemed incomplete.<sup>17</sup> See Appendix IV for a detailed summary of the basis for Solix's determinations that applications in our 70 case sample were incomplete.

As discussed in more detail below, notwithstanding Solix's rejection of 5,432 applications submitted by URS for eligibility review, the City paid URS \$225 per application for 4,409 applications as of December 31, 2013 (HRO has not issued payment for the remaining 1,023 applications as of February 10, 2015). The City paid Solix \$296.68 for each eligibility review Solix attempted to perform on these incomplete applications. When questioned about what incentive either vendor had to do the additional work necessary to promptly process applications for which they had already been paid, HRO officials explained that the vendors received additional payments later in the process that were dependent on the applications having been fully submitted. However, we note that the remaining payments that might be made to URS totaled only \$360 per applicant as opposed to the \$475 per applicant that URS had already received for each case; a \$250 fee would have been paid for holding an initial intake meeting, plus an additional \$225 fee would be paid for each case submitted for an eligibility review, even when the application was incomplete. In addition, the longer the program was in effect, the longer URS received a flat monthly fee on top of the per applicant payment, thus providing a financial disincentive for URS to accelerate its performance. Thus, HRO's payment of the per application fees specified in the City's contract with PFM without requiring the corresponding deliverables listed in the contract may have removed an incentive for prompt performance that otherwise could have improved the BIB program's functioning.

**HRO's Response:** HRO responded to the audit's observation that its payments to URS for the submission of 4,409 incomplete applications to Solix for eligibility review violated the contract terms by stating that it "disagrees with the implicit statement that these applicants should have been left to stagnate at the intake phase of the Program."

**Auditor's Comment:** In December 2013, HRO's own contract manager disallowed payment for applications determined to be incomplete. Notwithstanding this fact, HRO's response suggests application "stagnation" as the only alternative to its having paid URS for submitting incomplete applications in violation of its contract terms. However, as is discussed in detail in the audit, in order to ensure that applications did not "stagnate" at the intake stage, HRO could have followed its contract manager's advice to deny payment to URS for the submission of incomplete applications, and insist that URS adhere to contract terms, retain more, better qualified Housing Recovery Specialists and Quality Control reviewers and that they perform the jobs in accordance with contract requirements.

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<sup>16</sup> In our sample of 70 applications, we found that 3 were submitted by URS to Solix between January 1, 2014 and August 1, 2014, two of which were deemed incomplete by Solix.

<sup>17</sup> Between January 2014 and August 2014, according to our sample, 17 of the 70 applications were reviewed by Solix. However, URS submitted only 3 of those applications. Solix reviewed the remaining 14 prior to URS completing and submitting them.

## **Communication with Applicants Was Not Timely, Accurate or Effective**

### *HRO Failed to Ensure Adequate Follow-Up with Applicants*

HRO and PFM compounded the delays that resulted from URS' submission of incomplete applications to Solix by failing to implement and enforce procedures requiring the appropriate personnel to contact applicants within a set timeframe to obtain any missing application documentation. While HRO modified program procedures to enable Solix staff to return incomplete applications to URS prior to completing an eligibility review, corresponding changes were not made to the consultants' responsibilities that required appropriate timely follow-up with applicants. There was no protocol at all for follow-up with the applicants in the original design of the program or in the terms of the City's contract with PFM.

To facilitate the modified procedure that allowed Solix to return an incomplete application to URS so that additional documentation could be obtained, HRO added a function to CMS on July 29, 2013, that allowed Solix to record, "Submitted to [Housing Recovery Specialists] for Follow-up" in the system. This entry would alert URS that an application had been returned and that URS needed to contact an applicant to request additional documentation. However, procedures issued by HRO between July and November of 2013 failed to give clear guidance as to who was responsible for contacting applicants in these circumstances or how this contact was to occur.

HRO officials informed us that URS Customer Service Representatives (also referred to as Call Center Schedulers) located at a call center in Maryland<sup>18</sup> were responsible for calling applicants to request outstanding documentation.<sup>19</sup> Yet the operating procedures in effect prior to November 2013 did not specifically require Customer Service Representatives to do so. Rather, the SOP for Call Center Operations in effect between August and October of 2013 provided that the call center Customer Service Representatives were responsible for "reach[ing] out to customers at specified points in the case development process to schedule appointments" and "respond[ing] to customer phone inquiries." While they were required to remind applicants to bring all required documents to their *initial* intake appointments, nothing mandated that they make follow-up calls to request missing documentation from applicants after Solix rejected applications as incomplete or provided a timeframe in which these calls should be made.<sup>20</sup>

It wasn't until November 12, 2013, four and a half months after operations began, that HRO issued a Call Center operations SOP that set out operating protocols for how URS' Call Center Customer Service Representatives were to follow up with applicants when documentation was missing from their files, including after the files had been returned by Solix. The November 2013 modified SOP expanded the Customer Service Representatives' responsibilities to include, among other things, obtaining missing documentation needed to complete rejected applications.

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<sup>18</sup> The Call Center in Maryland was closed down on August 8, 2014. HRO also opened its own Call Center in New York City in November 2013.

<sup>19</sup> Applicants were also advised to contact the Call Center Customer Service Representatives with inquiries and general questions. When applicants attended their initial intake appointments, the Housing Recovery Specialists were to provide them with a checklist of any outstanding documents required to complete their applications and to upload the documents they then brought back into CMS as part of their applications and complete the intake process. Timeframes were provided for all of these activities in order to facilitate submission of completed applications within the 80-day timeframe.

<sup>20</sup> A URS official also stated that "a small pool of HRO staff began placing missing document phone calls to meet an HRO Staff commitment to [the former] Director" in mid-September 2013.

No part of Solix's contract required it to pursue and collect the outstanding documentation either. However, as part of the eligibility review process, Solix would make notes in CMS to inform URS of exactly what was believed to be missing from each application. Prior to March 2014, Solix would generate missing documentation letters for applications that were incomplete. These letters would be forwarded to URS in accordance with the *Missing Documentation Communication SOP*, dated October 21, 2013, which provided that "applicants will be notified of the missing document requirements through a letter generated by Solix." At this point, per the *Business Requirement Release*, dated 7/10/13, outreach responsibility shifted from Solix back to URS because the Housing Recovery Specialists were to "send letters to the applicants and check[] off in CMS that [the] task is completed."

On or about October 21, 2013, PFM submitted a *Missing Document Collection SOP* to HRO which stated, among other things, that: "Applicants will be notified of the missing document requirements through a letter generated by Solix." Further, this SOP instructed that "Applicants will be notified that they have the option of submitting missing documentation via e-fax, email, or at a Housing Recovery Center." This SOP provided that "The Call Center will also contact applicants, drawing upon an HRO script to communicate document requirements outlined in the letter." No specific timeframe for these communications was set forth in the SOP until March 2014.

Consistent with HRO and PFM's failure to clearly assign responsibility for contacting applicants after the rejection of applications by Solix or impose guidelines on how and when such contact should occur, we found that applicants rarely received timely notice of problems with their applications. Among the sample of 70 cases we reviewed, we found many instances where applicants were not contacted for weeks or months at a time, including one case where the applicant was not contacted for over a year.<sup>21</sup> Among the 70 cases we sampled, we found the following rates of follow-up contacts between July 3, 2013, and December 31, 2013:

- 61 out of 70 applicants (87%) were not contacted for over one month.
- 34 out of 70 applicants (49%) were not contacted for over two months.

Even after HRO changed its SOPs in November 2013 to expressly require Customer Service Representatives to contact applicants about missing documents, HRO still did not amend its SOPs to instruct Customer Service Representatives on how often the contacts should be made or how to determine which documents were missing. As a result, even after HRO's November 2013 revisions to its SOPs, applicants were not contacted any more frequently than before. Rather, our sample of 70 case reviews revealed lower rates of contact between January 1, 2014, and August 1, 2014, than we observed occurred from July 3, 2013, to December 31, 2013:

- 64 out of 70 applicants (91%) were not contacted for over one month.
- 49 out of 70 applicants (70%) were not contacted for over two months.

**HRO's Response:** HRO states that "[t]he Audit Report identifies a number of applications where the audit team identified follow-up communications by the City as 'untimely.' However, upon review of the applications cited by the auditors, HRO found that 22 out of the 70 applications (31%) reviewed were recorded as

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<sup>21</sup> In this one instance, information in the file suggests that the applicant may not be eligible to receive BIB Single Family Program benefits. Rather than letting the case languish in the system as happened here, prompt contact by a BIB representative would have enabled that fact to be quickly determined and if in fact the applicant proved ineligible, the case could be closed, the applicant could seek other avenues of relief and no further BIB resources would be diverted from eligible applicants to address this still open case.

‘unresponsive’ during the audit period, indicating that the homeowner was not responding to the City. For example, one application was marked ‘unresponsive’ in CMS on October 16, 2013, November 8, 2013, and again on December 20, 2013. The Audit Report suggests that all of these applicants were waiting to hear from the Program, when in fact in many cases it was the Program that was waiting to hear back from applicants.”

**Auditor’s Comment:** As was the case with HRO’s management of the BIB program’s operations, HRO’s response fails to take its own Standard Operating Procedures into consideration. Specifically, HRO’s Call Center Standard Operating Procedures, dated November 3, 2013, direct that an applicant should be listed as unresponsive when “a minimum of three attempts are made to contact the Customer, with no return call.” Notably, HRO’s response highlights an example of just such a disregard for its own guidelines for declaring an applicant to be “unresponsive,” where information in CMS demonstrates that HRO successfully reached this applicant by phone on November 8, 2013, but that HRO thereafter designated the applicant as “unresponsive” when the applicant did not later return another HRO phone call placed on December 20, 2013. According to HRO’s procedures, HRO should not have designated this applicant as unresponsive until HRO had made two additional attempts to establish contact.

As is illustrated by this example, the audit shows that HRO’s failure to follow or enforce program procedures led to untimely communication with applicants.

#### *Communications With Applicants Seeking Missing Documentation Were Often Inaccurate or Incomplete*

When applicants were contacted about missing documentation, our case reviews revealed that URS employees often failed to accurately identify and effectively communicate exactly what information was missing. Based on missing documentation letters generated by Solix, URS repeatedly sent incomplete and sometimes inaccurate requests for documents to the applicants, a practice that further delayed the process and frustrated the participants.<sup>22</sup>

In our sample of 70 applications, five people did not attend their initial intake meetings and their applications were never completed. Out of the remaining 65 applications in our sample, 47 were submitted to Solix by URS after September 1, 2013. Solix staff generated missing document letters for at least fifteen of the 47 applications they received from URS between June 3, 2013, and December 31, 2013.<sup>23</sup> Our review revealed that nine of these fifteen missing document letters were either incomplete, unclear or both.<sup>24</sup>

The following Table III summarizes the ways in which Solix-generated missing document emails were incomplete or unclear in our sample:

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<sup>22</sup> It was not until May 2014 that HRO changed this procedure to allow Solix representatives to contact the applicants directly for the missing documentation.

<sup>23</sup> We do not know if letters were also generated for the remaining 29 incomplete applications that were submitted to Solix during this period. However, there is no indication in CMS that they were.

<sup>24</sup> We deemed a letter to be “incomplete” when some but not all of the documentation missing from the applicant’s file as evidenced by the CMS system was requested in the letter. We deemed a letter “unclear” when all of the requirements for specific forms were not explicitly requested, such as where multiple signatures were required to complete a form, but the letter did not request multiple signatures.

**TABLE III**  
**List of Reasons that Emails were Incomplete or Unclear**

Problems in Missing Document Requests	Number of Emails
Emails were unclear because they did not request the total number of signatures necessary to complete a form; did not request a separate F2 Form for each applicant; and did not request a missing damaged property address on the F2 form	9/15
Email unnecessarily requested documents	4/15
Email was incomplete because it did not request every F-form that was outstanding	4/15
Email was incomplete because it did not request documents necessary to establish household income	1/15

Solix continued to generate incomplete and unclear letters that had similar errors after December 2013. According to our sample of 65 cases, fifteen applications had a missing documentation letter generated in January 2014. However, it appears that as of February 2014 these letters were no longer issued.

We found a February 5, 2014, email identifying missing documentation in 42 of our 65 sample applications.<sup>25</sup> Rather than identifying and requesting missing documents needed to complete an application, this email simply informed the applicants of the status of their submitted documentation but did not explicitly request the information necessary to complete their applications. In addition, some of the emails were incomplete, inaccurate, or both because they were based on faulty information entered into CMS. Nineteen of the 42 (45%) missing documentation emails sent on February 5, 2014, in our sampled applications were incomplete, inaccurate, or both.

On March 13, 2014, another email was generated for seven out of 65 (11%) applicants in our sample requesting income documentation, specifically, the F6 form and proof of income (e.g., the applicants' 2012 IRS 1040 form). Many of these emails were unclear, however, because they did not explicitly request income documentation for co-applicants. According to our sample of 65 applications, three of the seven emails (43%) generated on March 13, 2014, were intended for applicants who had multiple homeowners listed on their deeds. As a result, these three applicants were not completely informed of what information was necessary for them to complete their applications.

In March 2014, HRO's SOP for Call Center Operations, dated March 15, 2014, stated that Customer Service Representatives were required to review applications in CMS and contact applicants in an attempt to collect the documents needed for them to move through the program. In addition, in March 2014, HRO assigned Solix the responsibility of contacting applicants and collecting their outstanding documentation. This had not been the responsibility of Solix in the original PFM contract. However, according to the SOP *Case Management*, dated March 14,

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<sup>25</sup> 5 of the 70 applications in our sample are excluded from this analysis because these applicants did not attend their initial intake meeting.

2014, “Solix will perform a recurring sweep of all applications that have not completed Eligibility Review. This sweep will catalog all documents that an applicant needs to complete Eligibility. A Case Manager will reach out to the applicant via phone to request any additional required documentation and will perform all reviews on submitted documentation.” No specific time frame was included in the SOP for these contacts until March 2014, and the SOP did not identify any additional training or oversight that would be given by Solix to ensure that its staff properly carried out these new responsibilities.

Following these program changes, between April 1, 2014, and August 1, 2014, Solix generated emails and letters personalized for each applicant that explicitly identified what documentation was required to complete each outstanding application. According to our sample of 61 applications, two emails were generated and personally addressed to two applicants during this period. Furthermore, these two emails identified and requested each applicant’s outstanding documentation in much greater detail than was found in the emails generated prior to April 1, 2014.

**HRO’s Response:** HRO states that the auditors misunderstood or misconstrued program requirements, giving as an example that “the Audit Report states that emails sent by HRO requesting income documentation were ‘unclear . . . because they did not explicitly request income documentation for co-applicants.’ However, the Program’s income certification form specifically states that one form should be completed to document the income for the entire household (all those living in the home)—the Program does not require additional income documentation for co-applicants, thus there was no reason to request this information from co-applicants.”

**Auditor’s Comment:** HRO’s response fails to account for additional program guidelines that required each applicant to submit income information under certain circumstances. Specifically, according to a Documents Required Job Aid, issued on September 11, 2013, “[a] 2012 IRS 1040 long form for each member of [a] household on [a] deed must be provided. If two people are on the deed, two 1040 long forms will be required unless they filed jointly in 2012.” This same Job Aid further stated that “In the case of tax forms, if some household members filed separately, the applicant must provide forms for each separate filer.” Since the email sent to applicants on March 13, 2014, failed to request co-applicant income information in the event of deed holders and household members filing tax returns separately, the email provided unclear information to applicants with multiple tax filers in the household about the documentation they needed to submit.

**HRO’s Response:** HRO states that “[t]he Audit Report places heavy reliance on a sample of 70 applications from a total of nearly 20,000 active and inactive applications, a sampling rate of 0.35%. Of particular concern is the size of the sample when highlighting work completed by HRO in 2014. On page 17 of the audit, the Comptroller states that in 2014, 67% of ‘applications submitted by URS were deemed incomplete.’ This is from a sample size of three applications.”

**Auditor’s Comment:** HRO’s critique misstates the purpose and function of the Comptroller’s review of applicant case files, which was expressly to gain insight into the review process that HRO performed for *those* applicants, and to identify potential management control weaknesses. The results of the sample have not been statistically projected as representative of the whole population. At no point

in the audit report are the proportions of various problems observed with these 70 case files extrapolated to demonstrate that equivalent proportions of these problems occurred for the broader applicant population. Rather, the audit report presents its findings with respect to these 70 case files as examples of problems observed, demonstrative of the consequences of mismanagement by HRO, and illustrative of problems that may have occurred on a broader scale.

## **Staff Hired to Deal Directly With the Applicants Did Not Meet Contractually Mandated Educational and Work Experience Requirements**

The vast majority of contractors that URS provided to work as Housing Recovery Specialists, the primary points of contact for applicants to BIB's Single Family Program, did not meet the employment qualifications set forth in the City's contract with PFM. URS failed to perform its contractual obligation to assemble a qualified application intake staff, PFM failed to ensure that URS' performance was in compliance with contract requirements, and HRO not only failed to effectively oversee both companies' performance, but compounded this failure by paying them in full notwithstanding the fact that they did not perform critical requirements of their contracts.

The City's contract with PFM and PFM's contract with URS both included the same set of employment qualifications for Housing Recovery Specialists. These qualifications are listed below:

- More than two years of experience in case management or similar public/customer/client-facing services, with a bachelor's degree in social work or a related field. A combination of education and relevant experience will also be considered.
- More than two years of work experience in NYC or comparable municipality in size, demographics, etc.
- Strong communication skills, with experience in diffusing conflict situations or escalated issues; comfort with high impact, ambiguous, and sensitive cases; and ability to establish rapport.
- An ability to work independently with strong sense of focus.
- A strong sense of and respect for confidentiality involving both clients and fellow employees.
- A willingness to adopt high customer service standards and present a positive and professional demeanor to the public and to colleagues.

However, the individuals supplied by URS to fill these positions<sup>26</sup> almost uniformly failed to meet at least the first of these requirements.<sup>27</sup> Although Housing Recovery Specialists were required

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<sup>26</sup> URS obtained the resumes of potential applicants for positions with the BIB program through Manpower, a national staffing firm.

<sup>27</sup> To assess the degree to which the workers URS placed in HRS positions met the requirements listed in the City's contract with PFM, the Comptroller's Office reviewed the resumes of 154 individuals who have worked and/or currently work on BIB. This sample

to possess “a bachelor’s degree in social work or a related field,” none of the 154 resumes of HRS workers obtained by the Comptroller’s Office listed a bachelor’s degree in social work and only 29% (45 out of 154) listed a bachelor’s degree of any kind. The majority of Housing Recovery Specialists lacked any higher education degree whatsoever, with 57% (88 out of 154) only listing either a high school diploma or General Equivalency Degree (or neither) as the most advanced educational qualification received at the time of initial employment on the BIB program.<sup>28</sup>

Though the language of the Housing Recovery Specialist employment qualifications requirements did allow for the possibility that a candidate who did not possess a bachelor’s degree in social work or a related field might otherwise qualify to work as a Housing Recovery Specialist by virtue of the candidate’s work experience, our audit found limited evidence that URS, PFM, or HRO ever made individualized considerations of whether a candidate’s collective experience and education qualified him or her for the position. According to senior URS officials involved in the Housing Recovery Specialist staffing process, HRO and PFM officials never requested proof of the qualifications of the candidates that URS was supplying for Housing Recovery Specialists positions in the weeks prior to the beginning of application intake. Rather, soon after the execution of the City’s contract with PFM, HRO directed URS to quickly assemble a pool of potential Housing Recovery Specialists and HRO briefly interviewed the candidates to assess their interpersonal skills, but did not request candidate resumes or any other certification of the candidates’ qualifications from either PFM or URS.

When questioned about URS’ failure to fill the Housing Recovery Specialist positions with individuals who met the contract requirements, HRO officials were unable to identify any measures that HRO had taken to verify or even inquire about the Housing Recovery Specialists’ qualifications. However, following an exit conference where our preliminary audit results were discussed with HRO, HRO provided the auditors with memoranda exchanged between HRO and URS in which HRO made inquiries in May of 2014 about the skill set and experience of Housing Recovery Specialists, Quality Assurance Specialists, Customer Service Representatives, and Customer Operations Supervisors retained by URS. Notably, these inquiries were not made for almost a year into the BIB program, after nearly 20,000 applications received by Housing Recovery Specialists who arguably failed to meet the qualifications for their positions had not been processed.

The individuals URS provided to work as Customer Service Representatives and Quality Assurance Specialists similarly failed to satisfy the required employment qualifications. Under the City’s Contract with PFM and PFM’s contract with URS, Customer Service Representatives were required to possess at least an associate’s degree and Quality Assurance Specialists were required to possess at least a bachelor’s degree, though again the employment qualifications listed in these contracts allowed for the possibility that a candidate might overcome their lack of the required degree by virtue of their work experience.<sup>29</sup>

Our analysis of the resumes of the Customer Service Representatives and Quality Assurance Specialists revealed similar rates of unqualified workers as were found with the Housing Recovery

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size represents 83.7% of the total number of workers referred to URS by Manpower Group US Inc., the staffing services company that provided all but a few of the BIB program’s Housing Recovery Specialists.

<sup>28</sup> While compliance with several of the interpersonal skills requirements specified in the contract cannot be determined from an applicant’s resume, the educational and work experience criteria listed in the PFM contract allow for an objective assessment.

<sup>29</sup> As with the BIB contract’s qualifications requirements for Housing Recovery Specialists, the contract states that “a combination of education and relevant experience” may suffice to satisfy the education requirements for both Customer Service Representatives and Quality Assurance Specialists.

Specialists. According to URS officials, URS simply staffed these positions from the applicant pool that URS had previously assembled for Housing Recovery Specialist positions. As stated in records provided by URS, URS provided only five different Customer Service Representatives to the BIB program since its inception, though PFM's contract with the City required URS to provide between five and ten Customer Service Representatives. We were able to obtain the resumes of four of these individuals and found that only two of them possessed an associate's degree, while the other two had only high school or General Equivalency Degrees. Of the eighteen individuals who URS placed as Quality Assurance Specialists, only eight (44%) possessed a bachelor's degree as required by the BIB contract, one possessed an associate's degree, seven possessed either a high school or General Equivalency Degrees, and two listed no education whatsoever on their resumes.

In the review we performed of 70 Single Family Program applications, we found that, although applicants reported that Housing Recovery Specialists were generally courteous and personable, 22 out of 51 applicants (43%) interviewed reported that their respective Housing Recovery Specialist was unable to provide them with basic, critical information about the BIB program, and that Housing Recovery Specialists' unfamiliarity with BIB program processes interfered with the applicants' ability to submit required documentation. Consistent with these reports, URS' November 13, 2013, *Eligibility and Forms Training* document stated that two of the most common application intake mistakes that Housing Recovery Specialists were making were "[n]ot understanding when forms [were] required" and "[r]equiring forms that [were] not applicable to the [application] process."

In light of the BIB program's constantly changing, multi-step application and eligibility process that required input and analysis of numerous forms and documents, the failure to enforce the applicable experience and education requirements for the Housing Recovery Specialists, Customer Service Representatives and Quality Assurance Specialists is of particular concern. Accordingly, this failure to enforce contract obligations may have significantly contributed to the BIB program's failure to properly and quickly process applications so that eligibility determinations could be made.

**HRO's response:** HRO states that "[i]t is not disputed that at the beginning of the Program, arising from the need to quickly ramp-up staffing to support the Program's launch, not every Housing Recovery Specialist met the contract's recommended qualification related to education. That said, the Audit Report's description of the contractual requirement is misleading. By the contract's own terms, staff are not required to strictly meet the educational parameters set forth therein, but rather 'should have' the education and experience requirements or a combination of education and experience requirements, similar to, for example, the City's own employees. . . .

Likewise, notwithstanding the claim of the Comptroller's Office that 'HRO officials were unable to identify any measures that HRO had taken to verify or even inquire about the Housing Recovery Specialist's qualifications,' HRO twice provided the Comptroller's office with memoranda exchanged between HRO and URS showing HRO's inquiries in May and June of 2014 into the skill set and experience of Housing Recovery Specialists, Quality Assurance Specialists, Customer Service Representatives, and Customer Operations Supervisors retained by URS. Although these memos were provided to the Comptroller's audit team, they are ignored in this Audit Report."

**Auditor's comment:** HRO's response substantially understates the degree to which the pool of individuals hired as Housing Recovery Specialists lacked the education qualifications required under the City's contract with PFM. As the audit report shows, though the contract stated that these positions should have been filled with individuals possessing a bachelor's degree in social work or a related field or an equivalent combination of work experience and education, the majority of Housing Recovery Specialists lacked any post-high school degree whatsoever, and not a single one possessed a bachelor's degree in social work.

Moreover, our examination of the individuals' credentials revealed few who possessed vocational experience approximating complex "case management" of the sort that Housing Recovery Specialists were supposed to provide. Rather, many had worked in food service or retail industry positions that would not involve analysis of ever changing program requirements or review of legal and other supporting documents.

In response to HRO's comments, we have included and discussed the two memoranda given to the auditors after the exit conference that HRO relies on to support its claim that it inquired into the qualifications of Housing Recovery Specialists. The memoranda in question include a May 2014 communication from HRO to URS in which HRO "request[ed] further information on the skill set and experience of the current [Housing Recovery Center Staff]" and noted that URS' most recent job posting was "inconsistent with the activities that are required of the Housing Recovery Specialist under the Contract." In URS' reply memorandum on June 6, 2014, URS stated that it had worked to ensure that staffers were "good fits" for their positions, and said that "while not all HRSs have bachelor's degrees, we focused strongly on the last 5 of 6 key skills HRSs 'should' possess. We found that experience was not always a strong indicator of people that would succeed." Thus, upon review of these documents, we determined that HRO was aware that call center staff did not possess the required education credentials, took no significant action based on this knowledge, and that candidate experience was *not* a primary consideration in staffing the call center positions.

## The CMS Database Was Incomplete and Inefficient on the BIB Launch Date

The BIB program's casework challenges and other difficulties delivering benefits were further exacerbated by problems with the CMS system. CMS was designed to function as the central means of case management and communication between the various consultants and City employees responsible for implementing the BIB program. The communication function was particularly important because the Single Family Program was designed as a linear process with applications progressing through stages handled by different interdependent consultants and sub-consultants working out of different locations. Yet, as noted above, the CMS system was not fully functional by the time the BIB Program began receiving applications from Hurricane Sandy victims.

While the BIB Program began accepting registrations on June 3, 2013, through the City's 311 System, online and over the phone, applicant information could not yet be entered into CMS. Instead, the New York City Department of Information Technology and Telecommunications

(DoITT) stored applicant registration information and then uploaded it into CMS when CMS became operational on June 30, 2013. While at that time CMS included functionalities that covered all major program phases, these functionalities were limited and lacked many critical capabilities subsequently gained from numerous system updates.

During the audit period CMS received multiple system expansions called CMS Business Requirement Releases. These expansions increased CMS's capabilities and made system alterations to reflect the multiple operational changes in the program. There have been twelve Business Requirement Releases during the period from June 2013 through April 2014. While they improved CMS's functionality, the Business Requirement Releases also contributed to program delays due to delays in the time it took to implement the new procedures in CMS and work that had to be redone because of the initiation of constantly changing program requirements.

Information provided by managers from PFM, URS and Solix revealed that as the BIB Program commenced operation, it was a challenge to get all of the consultants to use CMS because the system lacked critical functionality. For example, the first version of CMS released on June 30, 2013, had limited reporting capabilities. As a result, additional program resources had to be used to manually obtain accurate program productivity reports. According to PFM's Case Management Report covering June 24, 2013, through July 31, 2013, "the system capability to produce extensive productivity reports is limited and . . . the development of data for invoicing purposes has required some manual tabulation and unexpected workarounds." HRO IT developers addressed this problem in CMS releases 1.0 on July 10, 2013, and 2.0 on July 29, 2013, with critical revisions to update daily and weekly productivity reporting functions.

When CMS was rolled out on June 30, 2013, it also lacked certain features necessary for Solix to perform eligibility reviews. According to the Single Family program design, after a URS Housing Recovery Specialist gathered all the required documents and scanned them into CMS, they were to submit completed applications to Solix through CMS for eligibility reviews, which were themselves to be conducted through the CMS system. However, since the CMS eligibility review capability was not fully functional at the start of the BIB program, Solix used an Excel template to store information and reviewed 2,200 applications before the CMS eligibility function became fully operational. PFM noted in its Case Management Report for the period of June 24, 2013, to July 31, 2013, that because CMS was not available to be used by Solix, "[t]he review process was slowed as many items had to be processed manually since systems had not yet been brought up to automate where needed." Solix's invoice dated January 8, 2014, shows that it added an additional cost of \$180,540 to cover the extra work required to process 2,124 applications manually. Solix did not start to fully utilize CMS until October of 2013 with the implementation of CMS Release 2.0.<sup>30</sup>

Because the original version of CMS was also not capable of tracking the documents provided and outstanding, Housing Recovery Specialists and Customer Service Representatives therefore had to perform these tasks manually, using a check box list of required documents. CMS Release 3.5 on September 12, 2013, included a system update that allowed CMS to automatically generate a Document Check List that Housing Recovery Specialists and Customer Service Representatives could easily use to identify what documents had been provided and what documents, if any, remained outstanding.<sup>31</sup> According to an NYC Build It Back Daily Outcomes

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<sup>30</sup> See Appendix V for details.

<sup>31</sup> See Appendix V for details.

Report,<sup>32</sup> as of September 9, 2013, 5,030 applicants completed the intake stage and had their applications submitted to Solix for Eligibility Review. This means that 5,030 applications were processed by Housing Recovery Specialists who were only able to conduct a manual search of case files to determine if the applicants had any documents who still needed to be produced.

The manual file reviews that were done prior to this update likely contributed to the increased number of times applicants were asked for additional documents to complete their files and to resubmit documents they had already provided. The manual process was not only more prone to human error, but it was also complicated by the frequent process and documentation changes that HRO made to the program. As PFM noted in its Case Management Report, “[t]here is not a checklist upfront within system to allow for a comprehensive review of documentation prior to sending to eligibility,” the “challenge is the ability to complete eligibility according to an established process that is auditable given the daily changes. Significant number of applications missing documents, direction etc.”

With each new system update, staff had to be trained and retrained where processing errors persisted. According to HRO officials, training was a constant challenge as a result. Pursuant to the original program plan, HRO was supposed to provide training to the consultants’ managers and supervisors in a “train the trainer” program, and in turn, these trained managers and supervisors would train their staff. However, this process was not followed and so not all of the frequent program changes that had to be implemented immediately were the subject of training or even adequately communicated. PFM reported that “URS trained Call Center staff on the CMS system on July 1, [2013] and had to retrain on July 3, [2013] when a new script was added. Multiple requirements and required form changes have been pushed into the center causing training and operational delays.” HRO officials confirmed that there was no training manager in charge of training oversight and management. Likewise, there was no system in place that would provide training for Quality Control. The absence of such control features means that there was no assurance that staff and subcontractors were up to date on CMS system and program requirements.

**HRO’s Response:** HRO states that “[a]lthough, at the time of its launch, full CMS functionality was not yet available given the complexity of the system, basic and immediate data management needs were met by the system at launch. Even in its early days, CMS was a system with high availability, meeting industry standards for data security.”

**Auditor’s Comment:** Contrary to HRO’s assertion, the audit revealed that CMS lacked critical functionality at the time of the BIB program’s launch. For example, a PFM’s Monthly Case Management Report for June 24, 2013, to July 31, 2013, stated that “URS has come across multiple unanticipated conditions at the Build it Back intake Centers including unclear policy requirements, CMS software limited abilities, delayed release of CMS, CMS patch updates, delayed documentation requirements and lack of CMS IT support.” This same report further stated that “CMS Statuses are inaccurate and leave no record once changed. Numerous entries are duplicates or inactive. URS has begun clean up of the status issue. CMS still reporting inaccurately, CMS helpdesk ticket has been sent.” Owing to these deficiencies, on January 8, 2014, Solix billed the City for an additional \$180,540 for having to perform unanticipated labor caused by CMS’ missing functions.

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<sup>32</sup> The Daily Outcome Report is the same as a Daily Case Management Report. HRO renamed this report after November 2013.

## **HRO Failed to Ensure Adequate Program Oversight by Not Enforcing Existing Contracts or By Entering Into Contract Amendments and New Contracts**

### *Failure to Oversee the BIB Program and Enforce or Formally Amend Contract Terms*

To a significant extent, the aforementioned problems with the BIB Single Family Program can be attributed to HRO's failed contract management oversight, including its failure to ensure that contract requirements were met when reviewing invoices prior to authorizing payment to the program's consultants. Further, had the Single Family Program's day-to-day operations been properly monitored, the numerous areas of poor program function could have been addressed more quickly and effectively.

Interviews with senior PFM and HRO officials revealed a fundamental disconnect between the two entities' understanding of PFM's oversight responsibilities. According to the PFM manager charged with overseeing PFM's work under its contract, it was HRO's responsibility to manage the day-to-day activities of URS and Solix. The manager stated that PFM was responsible for managing only the financial and administrative aspects of the program, including invoicing, monitoring program functionality and contacting subcontractors on behalf of the City. He contended that PFM was not responsible for management of the direct delivery of services because that required programmatic knowledge of disaster recovery, which he said was outside of PFM's expertise. Upon further questioning, he conceded that PFM's role as primary contractor meant that it was, by definition, responsible for subcontractor performance.

Table IV below summarizes the specific tasks that PFM was obligated to carry out pursuant to its contract with the City.

**Table IV****PFM's Contract Tasks**

Prime Contractor	Responsibilities
PFM	<p style="text-align: center;"><b>Task IV: Project Management</b></p> <p>PFM was required to provide project management. The specific services included:</p> <ul style="list-style-type: none"> <li>• End-to-end management oversight for the execution of timely, first-class Customer Operations, Eligibility Review, and Counseling services.</li> <li>• Provide overall coordination, accountability, and administrative oversight to staff in Tasks I, II, and III, [Customer Operations, Eligibility Review, and Counseling services], ensuring consistency of service and a seamless customer experience.</li> <li>• Communicate with HRO and other stakeholders.</li> <li>• Resolve issues elevated by Task I, II or III supervisors.</li> <li>• Amend process flow or procedures as appropriate to achieve faster processing times and higher customer satisfaction based on finding from Quality Assurance Specialists.</li> <li>• Provide a Project Management Office (PMO) technical interface to the HRO IT staff that administer the HRO-designated IT system, expected to be built upon a Microsoft Dynamics platform with modules customized by the City.</li> <li>• Track performance against metrics; submit daily, weekly and monthly reports to HRO and compliance monitoring.</li> <li>• Responsibility for ensuring that all case management and customer service operations are performed in compliance with HUD and CDBG-DR regulations.</li> </ul>

Notwithstanding these clear contract requirements, PFM failed to perform the most basic tasks, including ensuring that qualified staff processed applications in a timely manner and that the applications were complete and sufficient before they were sent on for eligibility reviews.

HRO received daily case management reports that clearly reflected the lack of progress made by CMS processing applications. Nonetheless, HRO failed to ensure PFM and its subcontractor URS complied with contract and program requirements as outlined in PFM's contract with the City. Rather, instead of requiring PFM and URS to employ sufficient qualified staff to fulfill their responsibilities under their contracts, HRO responded to program difficulties by modifying or eliminating many of the original program requirements and repeatedly approving modifications of procedures. Among other things, as discussed below, HRO approved program changes that relieved URS of the requirement that it submit checklists signed by Housing Recovery Specialists verifying that they had fully explained the program requirements to applicants in order to receive payment of \$250 for the initial intake meeting. Similarly, HRO allowed URS to be paid \$225 for each application submitted to Solix for eligibility review even where the applications submitted were incomplete, contrary to the express terms of the contract. Further, HRO approved program changes that eliminated the case manager model of service and required Housing Recovery

Specialists to simply scan documents rather than to act as a single point of contact for individual applicants.

None of these changes were embodied in contract modifications or amendments. Thus, contract payment deliverables were changed and payments to consultants were made without HRO having obtained the documentation, approvals and process transparency required by the City's procurement and contracting rules.

URS' failure to adequately perform its quality control functions was also never appropriately addressed. HRO's Application Quality Control Job Aid, dated August 20, 2013, required that every application be reviewed by trained quality assurance staff before being sent to Solix for an eligibility review and that PFM conduct case management quality control, including active monitoring and evaluation of progress to ensure timeliness, completeness, accuracy, consistency of data and accessibility. However, after three full months of incomplete applications being submitted by URS to Solix, which resulted in delays in processing the applications, in December 2013, a centralized Quality Control process was implemented by URS with HRO's approval. URS reported that the centralized quality control was supposed "to streamline [Quality Control] and further increase consistency and efficiency of applications before passing them to eligibility." However, this program change failed to ensure that the documentation necessary to complete applications was obtained. Our 70 case reviews revealed that between January 1, 2014, and March 31, 2014, two applications were submitted by URS to Solix for eligibility review and both were returned to URS as incomplete and requiring follow up. Between April 1, 2014, and August 1, 2014, URS submitted two applications to Solix for eligibility review and one was returned to URS for follow up.

#### *Failure to Formally Assign Contracts or Enter Into New Contracts*

Although PFM failed to adequately perform its project management role virtually from the inception of the BIB program, it was not until the end of 2013 that HRO sought to terminate PFM's services.<sup>33</sup> According to PFM's Managing Director responsible for the BIB engagement, PFM agreed to step down from the BIB program because it "realized that more staffing was needed and that URS should take over project management because of their international experience and staffing abilities." In a memo from HRO to HRA, HRO reported that effective December 16, 2013, PFM and HRO came to an oral agreement that released PFM from project management responsibilities and assigned the PFM contract to PFM's subcontractors.<sup>34</sup>

The City's sole contract for BIB case management was with PFM and so when HRO terminated PFM's services in December 2013, the City did not have a contractual relationship with URS, Solix or CNYCN, which nonetheless continued to provide services. Accordingly, the deliverables, staffing and rates of pay for these services are unclear. As of March 9, 2015, PFM's contract had not formally been reassigned or terminated. Moreover, neither URS nor Solix or any of the other PFM subcontractors had entered into their own written contracts with the City. Under the original terms of the City's contract with PFM, however, Solix and certain on-demand staffing consultants have been paid for services rendered subsequent to December 2013. However, since December 2013, Solix and URS have been performing tasks and providing deliverables that were not

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<sup>33</sup> On April 28, 2014, HRO gave PFM a negative performance evaluation.

<sup>34</sup> HRO reported in a memo to its contract file that "[e]ffective December 16<sup>th</sup> [2013], PFM no longer performed services in support of Task 4 Project Management." In addition, in a memo from HRO to HRA dated November 14, 2014, HRO reported that PFM's contract would be assigned to five PFM subcontractors and effective December 16, 2013, PFM would assign Task 1, a portion of Task 4, and Task 5 to URS; Task 2 and a portion of Task 4 to Solix; Task 3 to CNYCN; a portion of Task 4 to LDR Consulting; and a portion of Task 4 to H2Bravo.

covered under the original scope of work in the PFM contract with the expectation they will be compensated for their services. As of March 9, 2015, Solix and URS have \$12.9 million and \$4.7 million in unpaid invoices, respectively, that are pending the approval of the assignment and amendment of PFM's contract.

Absent valid contracts with the City, the standards for the consultants' performance are insufficiently articulated and the amounts they will be entitled to be paid have not yet been transparently established and formalized in accordance with the City's procurement law and rules. Further, absent valid enforceable contracts, the City's primary control over its vendors' work does not exist, applicants are left vulnerable to further program failures, and the City is at extreme risk of incurring unnecessary costs.

Thus, for example, when PFM was relieved of its overall project management responsibilities at the end of 2013, applications continued to linger, and subcontractor responsibilities were constantly changing. In the midst of this, Solix began to conduct eligibility reviews of applications in CMS that URS had not submitted as complete and that had not been put through URS' quality control function. In our sample of 61 applications, we found that Solix opened and reviewed nine incomplete applications between January 1, 2014, and March 31, 2014, and that five incomplete applications were opened and reviewed by Solix between April 1, 2014, and August 1, 2014. This practice was contrary to the process set out in the City's contract with PFM. Notwithstanding, Solix has billed the City \$296 for performing each premature eligibility review, totaling \$4,144 for the 14 applications.

HRO has explained that it has been finalizing contract terms with the existing consultants over the past year. However, given that these consultants have already been selected and performing services all this time, the City is in a significantly diminished bargaining position than it would have been if it had finalized negotiations on contract terms and registered those contracts or assignments prior to work being done. Once the contracts are eventually formally entered into, it is unclear how HRO will be able to effectively review payments for services that were provided months in the past and that were not officially defined in a contract in effect at the time. This is of particular concern because, as outlined in the following sections of this report, HRO made questionable and improper payments for invoices it received covering a period when valid contracts were in effect.

**HRO's Response:** HRO states that since the December 2013 termination of PFM as the BIB program manager, it has been negotiating new and better contracts with consultants to perform BIB program services. Referring to contract assignments submitted to the Comptroller's Office on March 23, 2015, HRO's March 25, 2015 response to the Comptroller's audit notes that three of five contract assignments are now pending before the Comptroller for registration. It contends that it has been able to "fully manage these vendors" and that new contract amendments have resulted in savings to the City.

**Auditor's Comment:** HRO does not provide any facts to support its claimed savings or its ability to "manage" its vendors. By contrast, in the audit we found that during the year and a quarter when consultants have been operating without finalized contracts registered with the Comptroller, it was possible for them to perform out of scope work and be paid for it, as we found was the case in one instance at least where Solix performed and was paid for activities that were not authorized by the City's contract with PFM. Further, the audit details multiple instances where the consultants' work was incomplete or otherwise inadequate

where they were paid nonetheless, all of which belies the claim that HRO has been able to “manage” its vendors both with and without registered contracts in place.

## **HRO Improperly Approved Payments to Subcontractors Despite Non-Compliance with Contractual Obligations**

As described below, HRO made payments to subcontractors even where the subcontractors' performance was contrary to the express terms of PFM's contract with the City and/or specific program requirements. HRO made these payments either because they did not conduct a sufficient review or because they chose not enforce contractually mandated milestones.

### **HRO Authorized \$3.5 Million in Payments Prior to Obtaining Proof That Key Topics Were Discussed With Applicants Contrary to Contract Requirements**

HRO authorized payments totaling \$3,523,750 for URS having conducted 14,095 initial application intake meetings without requiring URS to submit the signed checklists confirming that Housing Recovery Specialists had discussed certain key topics with applicants required under the City's contract with PFM. These key topics included an overview of the application process, the documentation required for eligibility review, options for counseling and an explanation of how award amounts are calculated.

According to the PFM Case Management Reports covering the period from July to November 2013, the elimination of the signed checklist as a precondition to payment was needed because “[i]n many instances, program key topics and document requirements have changed since the first applicant meeting making the signed checklist obsolete.” The decision by HRO not to require the Housing Recovery Specialists to sign a key topics checklist was made by a former Director of HRO, according to a current senior HRO official, but never embodied in a contract amendment. That official stated that HRO did not see this checklist requirement as either a productive or reasonable request.

HRO officials contended that in place of the signed checklist requirement they substituted a functionally equivalent procedure requiring Housing Recovery Specialists to read aloud a script written by HRO at an applicant's initial intake meeting containing all the information that was supposed to be covered by the checklists. However, the script system implemented by HRO did not require Housing Recovery Specialists to provide HRO with any statement attesting to their having actually read the scripts to applicants, and given that HRO needed to update these scripts with each change to the BIB program, it is unclear what efficiency was gained through their use that was worth the loss of a key program safeguard.

***HRO's Response:*** HRO states that “in 2013, [it] approved program changes including a new process which eliminated this required paperwork in favor of a required script to be followed during intake, covering key topics. It is not clear in retrospect or in the Audit Report which of these methods for structuring intake meetings had or would have had a better result.”

***Auditor's Comment:*** Although HRO cites a decision made in 2013 to abandon a contract deliverable, the contract was never amended to reflect this change. Nor

were we provided with any documentation supporting this decision or the reasons for it. Further, information obtained in the audit calls into question the merit of this program change. As noted, between August 2013 and July 2014, HRO made more than 100 procedural changes to the Single Family Program. In the review we performed of 70 Single Family Program applications, we found that, although applicants reported that Housing Recovery Specialists were generally courteous and personable, 22 out of 51 applicants (43%) interviewed reported that their respective Housing Recovery Specialist was unable to provide them with basic, critical information about the BIB program, and that Housing Recovery Specialists' unfamiliarity with BIB program processes interfered with the applicants' ability to submit required documentation.

By abandoning this requirement, HRO unnecessarily deprived itself of a potentially useful reference source to confirm that Housing Recovery Specialists were performing their responsibilities appropriately. Moreover, we note that elsewhere in its response HRO appears to recognize the utility of a similar checklist requirement, where HRO states that it has added a checklist safeguard to ensure that accuracy of subcontractor billing rates (see HRO response to Comptroller Recommendation 5).

## **HRO Authorized \$3.3 Million in Payments for Incomplete Applications That Were Prematurely Submitted for Eligibility Reviews**

According to the City's contract with PFM, URS' Housing Recovery Specialists were responsible for reviewing documentation and checking case files for completeness before forwarding applications to Solix for eligibility reviews. Further, PFM's Case Management Report for the period from June 24, 2013, to July 31, 2013, states that an application is only considered complete when all required documents have been received. However, we found that HRO authorized payment of \$992,025 for URS' submission of 4,409 incomplete applications and an additional \$2.4 million for Solix's performing eligibility reviews on applications that were incomplete and therefore not ready for these reviews. Specifically, of the 9,126 applications that URS certified as complete and submitted to Solix for eligibility review between July and December of 2013, Solix found that 5,432 (59%) needed to be returned to URS due to missing or invalid documentation. Notwithstanding these errors by URS, HRO paid the full \$225 per application contract rate for 4,409 of these incomplete applications URS forwarded to Solix, totaling \$992,025. A breakdown of this payment by time period is contained in Table V below.

**Table V**  
**Payments for the Submission of Incomplete Applications by Time Period**

	<b>July 13 – Dec 13</b>	<b>Jan 14 – June 14</b>	<b>Total</b>
<b># of Applications Returned</b>	3,805	604	<b>4,409</b>
<b>Total</b>	\$856,125	\$135,900	<b>\$992,025</b>

Rather than denying payment for URS' submission of incomplete applications, HRO authorized payment and modified one of Solix's deliverables so that the company would receive full payment for the reviews conducted that determined that many of the applications submitted by URS were incomplete. No formal contract amendments were made to reflect these program and payment

changes. According to an undated report covering the period from June 24, 2013, through July 31, 2013, HRO authorized payment for each eligibility determination and for returning the applications to URS for follow-up. Consequently, both URS and Solix were paid for unfinished work. Paying for applications that were not complete removed one of the key controls in place to ensure services were properly delivered to the applicants.

**HRO's Response:** Regarding HRO's payment to URS of \$3.3 million for submitting 4,409 incomplete applications to Solix for eligibility reviews, HRO states that the only alternative was to allow these applications to "stagnate" in the intake stage. Further, HRO states that the agency's decision to allow Housing Recovery Specialists to forward incomplete applications to Solix reviewers promoted program efficiency on the asserted grounds that Housing Recovery Specialists did not possess the expertise to perform this assessment.

**Auditor's Comment:** As previously stated, in December 2013, HRO's own contract manager disallowed payment for applications deemed incomplete. Further, the audit found that HRO's decision to allow incomplete applications to be submitted for eligibility review contributed to program delays rather than helped to prevent applications from stagnating because Solix then had to return the applications to Housing Recovery Specialists for additional follow up that should have been completed before Solix received the applications. We found that on average, these applications went back and forth between URS and Solix two to three times.

Moreover, we cannot credit HRO's assertion that Housing Recovery Specialists were by definition unable to assess application documentation for incompleteness. As stated in numerous procedure documents promulgated by HRO, Housing Recovery Specialists were supposed to perform precisely this function. For example, HRO's September 11, 2013, Documents Required Job Aid lists multiple review steps that Housing Recovery Specialists were supposed to perform to ensure that applications were ready for eligibility reviews, such as reviewing ownership information to confirm that an applicant owned the damaged property in question at the time of Hurricane Sandy.

We note here that, to the degree that Housing Recovery Specialists were not in fact capable of performing the tasks required under HRO's procedures, as HRO asserts in its response, this problem may have been avoided if HRO had assembled a Housing Recovery Specialist staff that possessed the education and experience credentials required under the HRO's contract with PFM. Moreover, as detailed in the audit, under the existing contract, HRO could have insisted that URS retain more, better qualified Housing Recovery Specialists and Quality Control reviewers and that they perform the jobs in accordance with the contract. HRO could have then enforced the contract requirements by not paying URS after it failed to perform in order to ensure that applications did not "stagnate" in intake.

## Inadequate Oversight Resulted in \$1.48 Million in Payments for Double Billing and Insufficiently Supported Invoices

HRO did not adequately review the invoices and supporting documentation submitted by PFM prior to authorizing payment. Consequently, HRO made approximately \$245,000 in payments for deliverables that HRO had already paid for and \$1.23 million for on-demand staffing invoices that did not include the documentation required by program task orders. With regard to the duplicate payments, our comparison of the documentation supporting the invoices revealed that 905 application numbers appeared more than once for the same deliverable. Rates for each deliverable ranged from \$98.89 to \$296.88. In total, HRO disbursed \$245,357 in redundant payments for deliverables for which it had previously paid.

For on demand staffing, PFM employed several additional subcontractors for the Task 4 Project Management portion of their contract through contractually required written task orders. The task orders required the consultants to provide as deliverables weekly activity reports that included “hours worked and demonstrating commensurate effort.” Per our review of timesheets, invoices and supporting documentation provided by HRO, we found that \$1.2 million in payments were not properly documented. Specifically, \$443,247 in payments were made to consultants who provided hours on an aggregate monthly basis rather than a weekly basis as required, and these hours were not supported by weekly activity reports that demonstrated “commensurate effort” as required by the contract. In addition, HRO paid \$719,940 to other consultants who did not provide weekly activity reports at all. Finally, HRO paid \$74,200 in reimbursed travel expenses that were not accompanied by any supporting documentation whatsoever. Thus, key controls were not utilized to ensure that consultants had actually done the work for which they were paid.

**HRO’s Response:** HRO states that “[n]o vendor has received payments in excess of the total amount that they are owed to date. In fact, only \$17.25M has been paid to the vendors, one-third of their original contract value.”

**Auditor’s Comment:** HRO’s assertion is inaccurate and misleading. The audit does not assert that the total *volume* of payments that HRO has made to date exceeded the amounts authorized under the contract. Rather, the audit shows that \$6.8 million of these payments were improper because they were made in violation of express contract terms that required certain deliverables in exchange for payment that were not produced. Additionally, the \$17.25 million figure that HRO cites as having been paid to date is not indicative of the actual costs that will eventually be paid for services received thus far. As the audit report explains, though program subcontractors continued to operate after HRO removed PFM from its role as the primary contractor in December of 2013, HRO has not paid subcontractors for all of the services they have rendered since that time. Whatever amount HRO will eventually pay for these services is not included in the \$17.25 million figure it cites. As is noted in the audit report, there are thus far in excess of \$17 million in bills that have been submitted to HRO that it has not yet authorized payment for.

# RECOMMENDATIONS

## Recommendations to HRO:

1. HRO should not solely or primarily delegate responsibility for the oversight and implementation of the BIB program to private consultant companies. City staff should be actively involved in all aspects of the program to directly monitor services provided to applicants and to ensure the program is carried out appropriately.

**HRO Response:** HRO agrees with this recommendation and states that it implemented the recommendation in June 2014.

2. HRO should finalize contract assignments with those consultants that previously operated as subcontractors to PFM and promptly register those contracts with the Comptroller's Office.

**HRO Response:** HRO agrees with this recommendation and states that it began to implement the recommendation in April 2014.

3. Contract terms should be modified where experience, circumstances and program requirements indicate modifications are warranted. In making such modifications, HRO should follow Procurement Policy Board Rules and other applicable City and State laws, rules and regulations.

**HRO Response:** HRO agrees with this recommendation and states that it began implementing the recommendation in June 2014.

4. If and when HRO institutes or changes any BIB program procedures, it should ensure that all staff are adequately trained on the new procedures; that they are reflected in all necessary program documents including applicable forms and Standard Operating Procedures (SOPs); that the BIB program's data storage case management system, CMS, is modified as necessary to reflect these changes; and that the implementation and effects of the changes are monitored and assessed.

**HRO Response:** HRO agrees with this recommendation and states that it implemented the recommendation in July 2014.

5. HRO should dedicate sufficient staff to perform contract management tasks and diligent accounting oversight in connection with invoice approvals in order to ensure that these oversight functions are diligently performed.

**HRO Response:** HRO agrees with this recommendation and states that it began implementing the recommendation in June 2014.

6. HRO should review the qualifications of any future hires made by URS and other consultants who work on the BIB program to ensure that candidates meet the educational and experience requirements mandated by their contracts.

**HRO Response:** HRO agrees with this recommendation and states that it implemented the recommendation in June 2014.

7. HRO should ensure that URS personnel perform a thorough quality control check on any application before sending it to Solix for an eligibility review.

**HRO Response:** HRO agrees with this recommendation and states that it began implementing the recommendation in April 2014.

8. HRO should implement necessary contract amendments and/or SOPs to require URS and Solix to contact applicants within a set time frame after the most recent prior contact and specify whether applicants should be contacted by phone, email, text, or USPS mail, and detail specific measures to ensure that adequate contact efforts are made.

**HRO Response:** HRO agrees with this recommendation and states that it implemented the recommendation in October 2014.
9. HRO should require consultants' staff to review application statuses in CMS as part of the Quality Control (QC) checks they perform on each application.

**HRO Response:** HRO agrees with this recommendation and states that it is in the process of implementing it.
10. HRO should ensure that data contained in CMS is accurate, including that each applicant's status designation is correct and up to date.

**HRO Response:** HRO agrees with this recommendation and states that it implemented the recommendation in June 2014.
11. HRO should review each application to identify which are inactive, withdrawn, and/or ineligible and expeditiously take appropriate action.

**HRO Response:** HRO agrees with this recommendation and states that it implemented the recommendation in April 2014.
12. For any work that is to be paid on a time and materials basis, prior to approving payment, HRO should require the consultants to submit timesheets specifying the hours worked and tasks performed, and to submit any other reasonable supporting documentation.

**HRO Response:** HRO agrees with this recommendation and states that it is in the process of implementing it.
13. HRO should thoroughly review invoices to ensure that HRO does not make duplicate payments to consultants. In any instances where HRO determines that it has made duplicate payments, HRO should seek to recover overpayments to the consultants immediately.

**HRO Response:** HRO agrees with this recommendation and states that it is in the process of implementing it.

#### **Recommendations to the Mayor's Office to Prepare for Future City-Wide Recovery Operations**

14. Based on the experience of the City with the Build it Back program and responses undertaken by the City to recent emergencies, the Mayor's Office should assess the best ways for the City to prepare to address future emergencies and implement any necessary rule changes related to procurement and contract oversight to ensure that contracts for necessary goods and services are in place, that the City gets the best possible prices, and that those contracts are fully enforced.

**HRO Response:** HRO contends that the City agrees with this recommendation and will follow an assessment process in the ordinary course of its emergency preparedness operations.

15. The City should explore ways to develop emergency relief capacity to maximize the use of City resources rather than outside consultants for potential City-wide disasters such as Hurricane Sandy.

**HRO Response:** HRO agrees that “[I]everaging city resources, while simultaneously accessing the benefits from outside expertise, is critical when responding to a large-scale emergency in a complex urban environment.” Further it indicated that the “City will continue to explore opportunities to further enhance future recovery efforts utilizing the experience and lessons learned from past events.”

16. Future contracts with consultants to assist in the provision of emergency disaster relief services should state specific deliverables that the consultants are required to provide within specified timeframes. The consultants should be held accountable for meeting those deliverables.

**HRO Response:** HRO states that the City agrees with this recommendation and that it will “be mindful of and enforce this objective.”

## DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope of this audit covers the period from June 1, 2013 through August 1, 2014. To achieve our audit objective, we reviewed Mayoral Executive Order 175, Public Law 113-2 of the Disaster Relief Appropriations Act 2013, the various versions of BIB Policy Manuals and Applicant Guidebooks, current and previous issues of the Standard Operating Practices (SOP) of BIB contractors and subcontractors.

To obtain an understanding of HRO's program operations, we conducted walk through meetings with senior HRO and consultant officials, reviewed HRO's policies and procedures, assessed internal controls, and documented our observations in memoranda.

To obtain an understanding of HRO's policies and procedures for the BIB program in compliance with HUD requirements, we obtained and reviewed federal agreements, laws and regulations for the CDBG-DR program as well as program rules and requirements issued in March 2014 and June 2014. We compared the various versions of the SOPs prepared by subcontractors and reviewed by HRO to determine procedural changes that were made during the course of the BIB program. We also reviewed monitoring reports of the BIB program issued by HUD.

To determine set goals and timetables for the delivery of services, we obtained and reviewed HRO daily case management reports, Sandy Funding Tracker reports, and contracts with BIB subcontractors. We compared the timeframes detailed in the contracts and tracking reports to the actual results of the delivery of services.

To determine whether procedures are in place to reduce backlog and monitor the speed and quality of services delivered, we interviewed HRO key personnel as well as subcontractor key personnel. We reviewed quality assurance SOPs and reports to determine whether the procedures in the SOPs were followed and if quality control issues were addressed in a timely manner.

To evaluate CMS, our internal IT personnel reviewed the initial requirements and methodology set up to build CMS system. We reviewed the log of changes made to the CMS after initial roll out. We compared these changes to policy changes and business requirements obtained from HRO to determine if these policy changes were initialized in the IT system. To confirm our findings we interviewed IT personnel from HRO and representatives from PFM, URS and Solix.

To determine whether the applicant cases were processed accurately and in a timely manner, we conducted in-depth reviews of 70 applications for BIB Single Family Program benefits, randomly selected from the 20,179 applications identified by HRO as of May 27, 2014. For each of these applications, we reviewed the information contained in CMS and spoke directly to 51 of the 70 applicants whose CMS files we reviewed.

To gain an understanding of the billing practices and the approval of payments to HRO contractors, we reviewed invoices, scope of work and deliverables from April 2013 to June 2014 for the BCG and June 2013 to June 2014 for PFM.

We obtained invoices from HRO, PFM and HRA, the contracting agency for HRO. We compared the invoices and supporting documentation for accuracy and completeness. We then compared the invoices to the deliverables on the PFM contract for Task 1 Customer Operations, Task 2 Eligibility Review for single family homes and Task 4 Project Management. We obtained and reviewed from HRO and PFM Invoice Methodology Memorandums that redefined the deliverables that were required to be completed for payment. To determine the accuracy, completeness and reasonableness of payments made, we compared the invoices to the redefined deliverables and the supporting documentation submitted for payment.

## **Application Intake – Documentation**

### **I. Identity Verification**

The following type of government issued photo identification will be required for the applicant(s) listed on the application:

- Driver License OR
- Enhanced Driver License (EDL)
- State Issued Identification Card OR
- Passport (current or expired) OR
- Passport Card (current or expired) OR
- Permanent Resident Card OR
- Military ID OR
- Other Official State or Federal Photo ID
- Proof of Citizenship or Qualified Alien Status

### **II. Citizenship Verification**

Sandy FEMA individual housing repair or replacement assistance and receipt of such assistance must be considered to be evidence of citizenship or qualified immigrant status.

In the absence of FEMA data the following documents will be accepted as proof of citizenship:

- Valid US Passport or US Passport Card matching name on application
- New York State Enhanced Driver's License or Enhanced Non-Driver Photo ID Card
- Valid US Birth Certificate
- Certificate of Naturalization
- Certificate of Citizenship

If the customer is a qualified alien, the customer must provide an Alien Number, or an I-94 Admission Number, to facilitate a Systematic Alien Verification for Entitlements screening.

### III. Ownership Verification

Ownership verification requires that the primary applicant listed on the application owned the property or had an ownership interest at the time of the storm, October 28, 2012, and at the time of application. The following documents will be accepted to verify ownership.

1. Deed – HRS must confirm that the property address on the deed is consistent with the address of the property entered into the application. For deeds containing multiple owner names, the HRS must confirm that each person on the deed is present and listed in the application as either an applicant or co-applicant. The HRS then collects proof of identity, proof of citizenship, and proof of income from each individual listed on the deed and uploads all information to the CMS.
2. Mortgage Statement – If the applicant has a mortgage statement but no deed, the mortgage statement can be used as proof of ownership. The HRS must confirm that the address on the mortgage statement is consistent with the address of the property entered into the application. For mortgage statements containing multiple owner names, the HRS must confirm that each person on the statement is present and either listed as an applicant or co-applicant. The HRS then collects proof of identity, proof of citizenship, and proof of income from each individual listed as an owner. If a mortgage statement is used, form F9-Authorization for the Release of Mortgage Information must be completed and signed. The HRS will upload all documentation to the CMS.

### IV. Income Verification

#### 1. Household Income

The applicant must provide documentation of total household income, for all persons in the house over 18 years of age. Landlords must also provide a self-certification of income form, signed and dated by at least 51% of all tenants, or 50% in a two-unit building.

#### 2. Property Owner Income

The following documentation will be acceptable to document income:

- A 2012 IRS 1040 long form for each member of the household on the deed must be provided. If two people are on the deed, two 1040 long forms will be required unless they filed jointly in 2012.
- If the applicant filed a 2012 1040EZ form instead of a long form, the Program will accept the 1040EZ form as a substitute if the applicant also provides a signed certification of income for the entire household.
- In the case of tax forms, if some household members filed separately, the applicant must provide forms for each separate filer. The applicant should

also indicate whether his/her income is expected to change in the coming 12 months. The Program will adjust the applicant's current or 2012 income, to reflect such an expected change.

- In the absence of tax documents, the applicant should provide:
- Wages, salaries, tips, etc. by way of the six most recent consecutive pay stubs; pay checks should not be accepted because they do not reflect deductions from the paycheck.
- Taxable Interest Statements
- Dividends Statement
- Taxable refunds, credits or offsets of State and local income taxes (check copies). There are some exceptions - refer to Form 1040 instructions.
- Alimony or Separate Maintenance payments (court judgment or copies of checks)
- Evidence of business income/loss, farm income/loss, capital gain/loss, and other gains/losses (i.e., assets used in a trade or business that were exchanged or sold)
- Taxable amount of individual retirement account (IRA) distributions. (Includes simplified employee pension [SEP] and savings incentive match plan for employees [SIMPLE] IRA.)
- Taxable amount of pension and annuity payments
- Rental real estate, royalties, partnerships, S corporations, trusts, etc.
- Unemployment compensation payments (Unemployment benefit statement)
- Taxable amount of Social Security benefits (Benefit Statement)
- Other income. (Includes: prizes and awards; gambling, lottery or raffle winnings; jury duty fees; Alaska Permanent fund dividends; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from an activity not engaged in for profit).
- If the applicant claims to have zero income, they must complete an Affidavit of Zero Income and get it notarized.

## **V. Primary Residency Verification or Year Round Tenancy Verification**

Documentation must meet all the following criteria to be considered valid:

- The applicant's name(s) must appear on the documentation.
- The documentation must be clearly dated within the date range provided below, and in the cases of ID, non-expired.
- The address of the property listed on the application as being the damaged property address must appear on the documentation

- The applicant must provide a form of Government identification and a Government issued document. Acceptable documents are below. If the applicant is unable to provide a document from each list, the HRS can accept utility bills showing 12 months of utility usage consistent with primary residence, as judged by the Program's eligibility review team.

*Government ID*

- New York State Driver's license OR
- New York State Non-driver ID card
- Government issued document
- 2012 Federal Tax Return OR
- Receipt of government benefits (e.g., social security) received between September 2012 and May 2013 OR
- Vehicle registration

*Landlords*

Proof of year round tenancy will be required from all landlords who do not live on the property. This applies only for tenants whose units will be assisted by the Program.

The applicant must provide the following documentation in relation to tenants whose units are to be assisted by the Program.

- Signed lease for period encompassing Sandy (October 28, 2012)
- Prior rent checks for the three months prior to November 2012

## **VI. Other Assistance Review, as Applicable**

### **1. FEMA**

The HRS must identify the FEMA Registration Number, FEMA Home Repair Amount Received, Interim Housing Award, Structural Damage Award Amount Approved and Amount Received to Date. Obtain and scan the FEMA Award or Denial Letter(s)

### **2. Small Business Administration (SBA)**

Identify SBA Application Number, Award Status and amounts approved. The Program will count the total amount of funds approved by SBA as the benefit for calculation purposes **regardless of whether all of the available funds have been drawn or not.** Obtain and scan SBA Award Letters/Correspondence

### 3. Flood Insurance NFIP

Identify whether applicant was carrying flood insurance at the time of the storm and whether or not there are any pending appeals or lawsuits related to the flood insurance. Obtain and scan, if available:

- NFIP/Flood Insurance Declaration
- Proof of Insurance Payout

Have the applicant sign the Form F4 – Insurance Consent and Release Form or Form F11– Affidavit of No Insurance if the applicant did not have insurance at the time of the storm

### 4. Homeowners Insurance

Identify whether applicant was insured at the time of the storm and whether the policy covered structural and/or contents, claim amounts received, deductible amounts paid, and whether or not there are any pending appeals or lawsuits related to the insurance. Gather all Homeowners and Hazard Policies if more than one policy is in place. Obtain and scan, if available:

- Insurance Declaration Page
- Proof of Insurance Payout

Have the applicant sign the following forms:

- Form F4 – Insurance Consent and Release Form
- Form F11– Affidavit of No Insurance if the applicant did not have insurance at the time of the storm.

### 5. Other Assistance Received

Payments received from non-profits, churches, charitable organizations or other philanthropic organizations which were intended for rehabilitation or reconstruction will be considered benefits. Any available documentation regarding this assistance should be gathered including:

- Letter from philanthropic organization designating amount of funds and the intended use, if available AND
- Copy of Check OR
- Proof of deposit

**VII. Receipts for Allowable Activities**

Applicants must document that funds received for rehabilitation of their damaged property were spent on allowable activities. All applicants will complete Form F13 – Declaration of Sandy Expenditures and attach all documentation, as applicable. Documentation required includes:

- If contractor fraud asserted, police report or other written complaint made at time fraud was asserted
- Receipts showing funds were spent for the purpose claimed, for example:
- Non-construction activities such as temporary housing, forced mortgage payoff and storage fees
- Foundation, wall electrical, roofing, and other major home repairs needed as a result of Sandy damage
- Construction items which are temporary or cannot be visually verified during an onsite inspection
- Rental/Purchase of equipment used for repairs
- Mold Remediation
- Debris removal
- Demolition
- Pest control

## **Forms Requirements**

### **I. Forms Required for All Applications**

The following forms must be signed by all owners of the property, excluding those with Power of Attorney, and uploaded into the CMS for each application:

- F1 – Notice and Acknowledgement of Limited Availability of Funding
- F2 – Conflict of Interest Disclosure Form
- F3 – Right of Entry Permit
- F4 **OR** F11 – Insurance Consent and Release Form or Affidavit of No Insurance
- F6 **OR** F7 – Income Self Certification for Households or Income Self Certification for Tenants

### **II. Forms Required for Special Circumstances**

The following forms will not be required for every application. The HRS must be aware of circumstances in which each form will be required.

#### F8 – Communication Designation Authorization (OPTIONAL)

The HRS must collect this form from owners who wish to authorize another person to receive correspondence or receive program information on their behalf.

#### F9 – Authorization for the Release of Mortgage Loan Information

If the applicant has a mortgage, the HRS must collect this form from all owners of the property, unless other owner(s) have signed a Power of Attorney.

#### F16 – Agreement to Maintain Tenant Contact Information

The HRS must collect this form from landlords whose tenant may be displaced, temporarily or permanently, as a result of the Build it Back program.

### **II. Forms Required for Special Circumstances That Must Be Notarized**

The following forms will not apply to every application. The HRS must be aware of circumstances in which each form will be required. If the following forms will be required, the HRS must ensure the required form(s) are completed, signed, and notarized before uploading to the CMS. If the applicant does not bring these forms to the meeting, the HRS shall provide the forms to the applicant, complete the application to the extent possible, and put the application on hold. They will instruct the applicant that the application can be submitted once the notarized forms are provided.

**F10 – Affidavit of Authority to Bind Corporation**

Sometimes property is owned by a corporation, partnership, family trust, or other entity. In such cases, an applicant must declare that they have the authority make decisions on behalf of that entity, for the purposes of the program. The HRS must collect this form from applicants if the property is owned by a corporation, to demonstrate that the applicant has the authority to bind the corporation.

**F12 – Affidavit of One and the Same Name**

The HRS must collect this form from anyone whose name appears differently on his/her property records than on other documentation.

**F14 – Affidavit of Zero Income**

If an applicant claims his/her household has no income, the HRS must collect this form after going through the following procedure:

1. Remind the applicant that total income includes income for all members of the household over the age of 18
2. Ensure that you have gone through the categories of income on Form F6 – Income Self Certification for Households with the applicant
3. Inform the applicant that if he/she signs this form and is later determined to have been untruthful, he/she can face legal consequences
4. Document that you have discussed all forms of income with the homeowner before this document is signed in the CMS with a date and time stamp

**F15 – Power of Attorney (POA) – OPTIONAL**

The HRS should collect this form if the property owner wishes to authorize others through a legally executed POA document to fully represent him/her in the application process. The HRS must check the POA holder's proof of identity to ensure he/she is, in fact, the person authorized to represent the property owner.

List of PFM's Subcontractor Tasks

Subcontractor	Responsibilities
URS Group, Inc.	<p style="text-align: center;"><b>Task I: Customer Operations</b></p> <p>URS is required to provide three related service capabilities:</p> <ul style="list-style-type: none"> <li>• Housing Recovery Specialists with a focus on application intake and case management;</li> <li>• Customer Service Representatives supporting Housing Recovery Specialists and overall program operations by resolving escalated issues and addressing general inquiries;</li> <li>• Quality Assurance Specialists monitoring and ensuring that the overall provision of services adheres to quality standards and learning gained throughout the process.</li> <li>• Customer Operations Supervisors will provide daily supervision and administrative oversight to the aforementioned three positions, and coordinate with the Project Management Team.</li> </ul>
SOLIX Inc.	<p style="text-align: center;"><b>Task II: Eligibility Review</b></p> <p>Solix is required to provide staff serving as:</p> <ul style="list-style-type: none"> <li>• Eligibility Specialists to conduct eligibility reviews that include documentation verification and duplication of benefits checks, among other responsibilities.</li> <li>• Eligibility Supervisors will provide daily supervision and administrative oversight to Eligibility Specialists and coordinate with Project Management Team.</li> </ul>
CNYCN	<p style="text-align: center;"><b>Task III: Counseling</b></p> <p>CNYCN is required to provide brief counseling services to applicants to help them weigh options available throughout the duration of their case.</p>

**Summary of the Basis for Solix's Determinations that Applications  
In Our Case Sample were Incomplete.**

	Incomplete Application	Criteria	# of Cases
1	Application was incomplete because the deed lists multiple homeowners but all of the required F-forms were not signed by all of the parties.	Proof of Ownership Job Aid as of 8/28/13 stated: "For deeds containing multiple owner names, the HRS must confirm that each person on the deed is present and listed in the application as either an applicant or co-applicant. The HRS then collects proof of identity, proof of citizenship, and proof of income from each individual listed on the deed and uploads all information to the CMS."	<b>22/29 applications with multiple homeowners listed on the deed (76%)</b>
2	After URS submitted the application, it was incomplete because the applicant failed to submit or had to resubmit at least one "F-form".	Per the <i>Documentation Required</i> Job Aid as of 9/11/13, certain forms will be required to complete each application. The HRS should determine when each form will be required and be able to explain these requirements to the applicant. If the applicant does not have these forms at the intake appointment, the HRS shall provide the forms to the applicant. The HRS will collect all required forms and upload them to the CMS for each application. F1-F4, F6 or F7, F8 (if applicable), F9 (if applicable), F10 (if applicable), F11 (if applicable), F12 (if applicable), F14 (if applicable), F15 (if applicable), and F16 (if applicable).	<b>42/47 applications (89%)</b>
4	Application was incomplete because the applicant failed to submit or had to resubmit proof of identity.	Per the <i>Documentation Required</i> Job Aid as of 9/11/13, The Program will verify the identity of applicant(s) listed on the application. The following type of government issued photo identification will be required: - Driver's License OR - State Issued Identification Card OR - Passport (current or expired) OR - Passport Card (current or expired) OR - Permanent Resident Card OR - Military ID OR - Other Official State or Federal Photo ID - Proof of Citizenship or Qualified Alien Status.	<b>13/47 applications (28%)</b>
5	Application was incomplete because the applicant failed to submit or had to resubmit proof of citizenship.	Per the <i>Documentation Required</i> Job Aid as of 9/11/13, Citizenship Verification: - US Passport (current or expired) OR - US Passport Card (current or expired) matching the name on the application OR - US Birth Certificate - Certificate of Naturalization - Certificate of Citizenship	<b>7/47 applications (15%)</b>

## APPENDIX IV

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	<b>Incomplete Application</b>	<b>Criteria</b>	<b># of Cases</b>
<b>6</b>	Application was incomplete because the applicant failed to submit or had to resubmit proof of ownership.	Ownership verification requires that the primary applicant listed on the application owned the property or had an ownership interest both at the time of the storm, October 28, 2012, and at the time of application. The following documents will be accepted to verify ownership: (1) <b>deed</b> : if the applicant has the deed to the property, HRS must confirm that the property address on the deed is consistent with the address of the property entered into the application; (2) <b>mortgage statement</b> : if the applicant has a mortgage statement but no deed, the mortgage statement can be used as proof of ownership.	<b>5/47 applications (11%)</b>
<b>7</b>	Application was incomplete because the applicant failed to submit or had to resubmit proof of household income.	Per the <i>Documentation Required</i> Job Aid as of 9/11/13, Income Verification: In addition to the below documents, Form F6 shall be completed by all applicants. <ul style="list-style-type: none"> <li>- A 2012 IRS 1040 long form for each member of the household on the deed must be provided. If two people are on the deed, two 1040 long forms will be required unless they filed jointly in 2012.</li> <li>- If the applicant filed a 2012 1040EZ form instead of a long form, the Program will accept the 1040EZ form as a substitute if the applicant also provides a signed certification of income for the entire household.</li> <li>- If the applicant claims to have zero income, they must complete an Affidavit of Zero Income and get it notarized.</li> </ul>	<b>19/47 applications (40%)</b>
<b>8</b>	Application was incomplete because the applicant failed to submit or had to resubmit proof of primary residence.	Per the <i>Documentation Required</i> job aid as of 9/11/13, Primary Residency or Year Round Tenancy Verification: Documentation must meet all the following criteria to be considered valid: <ul style="list-style-type: none"> <li>- The applicant's name(s) must appear on the documentation.</li> <li>- The documentation must be clearly dated within the date range provided below, and in the cases of ID, non-expired.</li> <li>- The address of the property listed on the application as being the damaged property address must appear on the documentation.</li> <li>- The applicant must provide a form of Government identification and a Government issued document. Acceptable documents are below. If the applicant is unable to provide a document from each list, the HRS can accept utility bills showing 12 months of utility usage consistent with primary residence, as judged by the Program's eligibility review team.</li> </ul>	<b>14/47 applications (30%)</b>

## APPENDIX IV

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	Incomplete Application	Criteria	# of Cases
9	Application was incomplete because the applicant failed to submit or had to resubmit proof of other assistance received.	Per the <i>Documentation Required</i> job aid as of 9/11/13, -FEMA (FEMA Award or Denial Letter). - Small Business Administration (SBA) (SBA Award Letter Correspondence. F5-SBA Release Form).	<b>5/47 applications (11%)</b>
10	Application was incomplete because the applicant failed to submit or had to resubmit F16/F7	Per the Documentation Required job aid as of 9/11/13, the F7 form will need to be completed if the applicant is a landlord with tenants. The applicant must provide documentation of total household income, for all persons in the house over 18 years of age. Landlords must also provide a self- certification of income form, signed and dated by at least 51% of all tenants, or 50% in a two-unit building. - F7 – Income Self Certification for Tenants: The HRS must collect this form if the applicant is a landlord, whether they also occupy the home or not. - F16 – Agreement to Maintain Tenant Contact Information: The HRS must collect this form from landlords whose tenant may be displaced, temporarily or permanently, as a result of the Build it Back program.	<b>21/47 applications (45%)</b>
11	Application was incomplete because the applicant failed to submit or had to resubmit National Flood Insurance Policy Information	Per the <i>Documentation Required</i> job aid as of 9/11/13, 2.2.6.3. Flood Insurance NFIP Identify whether applicant was carrying flood insurance at the time of the storm and whether or not there are any pending appeals or lawsuits related to the flood insurance. Obtain and scan, if available: - NFIP/Flood Insurance Declaration - Proof of Insurance Payout Have the applicant sign the following forms: - Form F4 – Insurance Consent and Release Form - Form F11– Affidavit of No Insurance if the applicant did not have insurance at the time of the storm.	<b>9/47 applications (19%)</b>

## CMS Business Requirement Releases

### **CMS Release 1.0 Updated Reporting Functionalities on July 10<sup>th</sup>, 2013**

• Documents that are Not Applicable
• Service Activity Report to view scheduled appointments
• Daily center report on appointments scheduled, appointments completed, no show (percent), intake complete, percent complete relative to applicants seen, and number of intake pending applicants
• Funding gaps reported to NYC Department of Finance (DOF)
• Applications with site specific environmental packages submitted to OMB and not approved
• Activities performed by users
• Customer Operations reporting

### **CMS Release 2.0 Updated Reporting Functionalities on July 29<sup>th</sup>, 2013:**

• <b>Eligibility Statistics by Center and Priority</b> – Housing Recovery Center, Priority, New, Total In Review, Total Returned to HRS, Eligibility Reviews Completed Eligible, Eligibility Reviews Completed Ineligible
• <b>Fail Report by Center</b> – Housing Recovery Center, Application Priority, Applicant ID, Applicant Name, Eligibility Criteria Failed, HRS Reviewer, Eligibility Reviewer
• <b>Open/Closed Cases and Aging</b> – Total Counseling by Counseling Status, Average days since counseling referral date
• <b>Open Case detail</b> – Application ID, Name, Counselor, Counseling Type, Referral Category, Days Since Referral, Days Since Counseling form was created
• <b>Summary of Initial Inspection Status</b> – Number of Initial inspections ready for scheduling, number scheduled, total inspections completed
• <b>Transfer Amount Outstanding</b> – Application ID, Applicant Name, Priority, Transfer Amount >0, Timestamp (DOF transaction)

### **CMS Release 2.0 updated the following capabilities on July 29<sup>th</sup> 2013:**

• Added functionality for eligibility review process
• Counseling type, categories and Counseling tracking form
• Schedule Damage Assessments
• Create Damage Assessment Work Orders
• Collect work order information from damage assessment and environmental data collection
• Ability to begin coordination of benefits (Financial Review, Private Insurance Verification)
• Initiate notification to Department of Finance to create receivable
• Ability to capture and determine initial Renter eligibility
• Implement multifamily application

**CMS Release 6.5 Improved Intake Process (as of Sep 2013)**

<b>Step</b>	<b>Phase</b>	<b>Description</b>
1	Intake	HRS meets with the applicant to collect additional information and complete the application.
2	Intake	HRS opens the Document Checklist and compares the checklist to documents already on file or provided by the applicant during the meeting.
3	Intake	Using the document checklist, the HRS changes the document status to Required Received, Required Missing, or Not Applicable.
4	Intake	After reviewing all documents on file and provided by the applicant during the current meeting and updating the checklist, the HRS prints a report of all Required Missing documents.
5	Intake	The Required Missing documents report is handed to the applicant.
6	Intake	The applicant is offered the opportunity to book a follow up appointment to return the additional documentation.
7	Intake	If the applicant does not want to schedule a follow up appointment, they are given other options to return missing required documents e.g. drop-off at Recovery Center or mail documents.
8	Intake	If the application is missing required documents, the Status Reason is changed to Waiting for documentation. Otherwise, if no required documents are missing the Status Reason is changed to Complete (Ready for QC).
9	Intake	Applicant provides all required documents.
10	Intake	HRS opens the Document Checklist and identifies new documents received from the applicant.
11	Intake	When all required documents are received, the HRS changes the document status to Required Received
12	Intake	Intake is complete. HRS changes status reason to Intake – Complete (Ready for QC).

Amy Peterson  
*Director*

250 Broadway, 24<sup>th</sup> Fl  
New York, NY 10007  
tel: (212) 615-8329  
fax: (212) 615-8328

March 25, 2015

**BY EMAIL**

Ms. Marjorie Landa  
Deputy Comptroller for Audit  
Office of the Comptroller  
1 Centre Street, Room 1100  
New York, NY 10007  
[mlanda@comptroller.nyc.gov](mailto:mlanda@comptroller.nyc.gov)

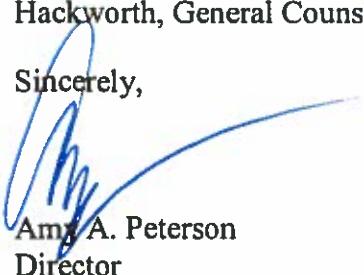
Re: Response to Audit Report on the Administration of the Build it Back Single Family Program by the Mayor's Office of Housing Recovery Operations  
FM14-115A

Dear Ms. Landa,

Attached please find a copy of the Mayor's Office of Housing Recovery Operations' response to the above-referenced Audit Report. We ask that you include this response with the Audit Report upon final publication.

If you have any questions regarding this response, please contact Mr. Thaddeus Hackworth, General Counsel, at (212) 615-8026.

Sincerely,



Amy A. Peterson  
Director

## **HRO RESPONSE TO AUDIT REPORT – EXECUTIVE SUMMARY**

The Office of the Comptroller's Financial Audit (the "Audit Report") of the Mayor's Office of Housing Recovery Operations (Housing Recovery Office, HRO) restates deficiencies related to the initial launch and management of the Build It Back program (the "Program") that were already identified by the Housing Recovery Office in our report last year, *One City Rebuilding Together*. The problems with the launch of Build It Back (BIB) in 2013 are why the administration immediately took measures to overhaul Build It Back upon taking office, and, since then, HRO has continued to make improvements to the Program – resulting in dramatic progress, with thousands of homeowners having now received relief compared to zero on January 1, 2014. The administration is committed to continuing to expedite relief until every eligible homeowner is served.

The report issued by the Mayor's Office in April 2014 stated:

*There were significant delays in establishing the program and getting funds to homeowners, a result of the program design and implementation. A city-managed construction process takes significantly longer to set up on the front end and provides no immediate financial relief to homeowners. [...] Changes in requirements for homeowners within the first months of program implementation, including new forms and redundant and unnecessary red tape, also resulted in delays. Inadequate early program design and implementation, requiring resubmission of forms and rescheduling of meetings, frustrated applicants. While direct involvement with community organizations could have helped residents navigate the process, no community organizations were included in the direct case management. The result is that no homeowners in the program saw financial relief or started design in 2013.*

The recommendations and findings in the Comptroller's Audit substantially mirror the report and the overhaul of the Program made by HRO. HRO has continued to make improvements to the Program since the end of the Audit period. In fact, HRO is already implementing or has implemented the 13 recommendations to HRO in the report.

Of the 13 audit recommendations, HRO began implementation of ten in 2014; six were completed in 2014, and the remaining seven are on-going. HRO's responses to the recommendations and findings show that:

- The City assumed direct management of the Centers and the case management vendors, eliminating the prime contractor role in June 2014.
- Beginning in April 2014, HRO renegotiated the case management vendor contracts. In September 2014, the City announced significant savings in negotiated fees for these contracts compared to the status of negotiations at the end of 2013. The City briefed the Comptroller's office on these contracts in September. Three of the five contract assignments have been submitted to the Comptroller's office for registration. One assignment has been registered by the Comptroller. Two of the five contract amendments have been submitted to the Comptroller for registration.

- HRO instituted regular training for field staff in July 2014. On July 14, 2014, HRO changed the hours of the Build It Back Centers to allow for staff training Mondays from 9am to 1pm.
- As part of contract negotiations from April to June 2014, City staff reviewed the qualifications and performance of all teams and key staff members to ensure appropriate staffing. This resulted in staffing changes at each center by the vendors. HRO shut down the poorly-performing Maryland based call center on August 8, 2014 and centralized all call center operations at the Housing Recovery Office, managed directly by City staff.
- In October 2014, HRO launched its case management performance measurement tool, RecoveryStat. HRO manages vendors to ensure timeliness through daily and monthly reporting on RecoveryStat. Under the pending contract amendments, the failure to meet contractual timeframes for processing applications is subject to financial consequences.
- HRO is conducting an outreach campaign to reach all applicants this spring, including withdrawn and inactive applicants, to ensure that benefits can be provided to all in need of assistance and to encourage increased participation among senior citizens and LMI populations.
- HRO has improved its invoice review process to ensure that invoices include adequate supporting documentation to support the request for payment. HRO will review previously-paid invoices to ensure that such documentation exists and will collect it where necessary.
- No vendor has received payments in excess of the total amount that they are owed to date. In fact, only \$17.25M has been paid to the vendors, one-third of their original contract value. Payments made for work in 2013 will be reviewed as future payments are made to ensure that no vendor receives duplicate payments and all future and past payments have required documentation. New comprehensive controls will ensure that no duplicate payments are made, and that any previous duplicative payments are recaptured.

Since the beginning of 2014, HRO has focused on improving the Build It Back program while accelerating benefits to homeowners. HRO has focused on:

- expanding eligibility and benefits for homeowners;
- creating much-needed flexibility and streamlining processes for homeowners, improving customer service, and expanding access to services within the community;
- assuming full responsibility for and management of all operations through direct City management of centers and customer service operations; and
- renegotiating contracts to ensure efficiencies by focusing on performance measurements, compliance with regulations, and clear and enforceable contract terms.

As the Audit Report indicates, there was no progress in the Program through the end of 2013. On December 31, 2013, only 451 homeowners had been offered a Program option and no projects were in design or construction.

**To be clear: no homeowners had received any relief from the Build It Back program as of the end of 2013.**

The progress since the Mayor's overhaul has been dramatic and the City continues to add resources to further expedite relief to homeowners. The selection of a benefit option by a homeowner is a strong indicator of progress for this program. Virtually no homeowners had selected an option in 2013, despite over six months of an active program. Homeowners repeatedly heard "no" when trying to move through the process and find the right option for their unique situation.

In the first four months of 2014, the City aggressively pushed to provide homeowners with options and by April 17, 2014, 935 homeowners had selected options. The pace for homeowners selecting their options doubled when the City implemented the recommendations from the April 17, 2014 report and took over direct management of the Program.

For single family applicants, to date, almost 9,000 applicants – nearly all active applicants -- have been offered a benefit option by Build It Back, compared to only 451 at the end of 2013. Over 6,200 have selected their options. As of March 24, 2015, 2,913 single family homeowners received reimbursement checks, 965 homes have started construction, and 506 have completed construction.

Since January 2014, the City announced and put into effect major changes and expanded eligibility for homeowners. These changes were in response to issues identified by the de Blasio administration early in 2014, many of which were highlighted at a City Council hearing on March 31, 2014 and explained in detail in the *One City Rebuilding Together* report issued on April 17, 2014. These changes are as follows:

- Expanding eligibility and benefits for homeowners:
  - Securing additional funding from HUD and reallocating funding to eliminate priority levels, so that every homeowner – regardless of income – is able to move forward.
  - Providing direct financial relief to homeowners, including through property tax relief, relief from Department of Buildings (DOB) fees, and water bill relief.
  - Adding new benefits for homeowners, specifically temporary rental assistance for homeowners during Build It Back construction.
  - And pending HUD approval, introducing a direct grant for homeowners in the repair pathway.
- Creating much-needed flexibility and streamlining processes for homeowners, improving customer service, and expanding access to services within the community:
  - Hiring three Borough Directors focused on customer service, community outreach, moving applicants through the process, and coordinating with

- community partners, civic groups, and elected officials to reach applicants in the community.
- Increasing community outreach by partnering with local elected officials to provide services in their offices.
  - Improving communications with homeowners by: launching a new web portal that allows homeowners to track their status in real time, including by submitting paperwork online; releasing clear, comprehensive materials, such as a user-friendly guidebook and a revamped website at nyc.gov/builditback; and hiring bilingual staff that speak Spanish, Russian, and Cantonese.
  - Improving the functionality of Build It Back centers and creating a one-stop-shop for homeowners by bringing in technical experts (including engineers and construction managers), financial and legal counseling, DOB representatives, Disaster Case Managers, and NY Rising representatives.
  - Partnering with Disaster Case Managers through joint trainings and data sharing to better serve homeowners.
  - Providing free mortgage counseling for applicants facing foreclosure and allowing homeowners to move forward in the Build It Back process even while in foreclosure proceedings.
  - Partnering with elected officials, civic associations, and community based organizations, HRO is conducting an outreach campaign to reach all applicants this spring, including withdrawn and inactive applicants, to ensure that benefits can be provided to all in need of assistance and to encourage increased participation among senior citizens and low- to moderate-income (LMI) populations.
  - Creating new neighborhood-based construction management contracts allowing the City to quadruple design and construction capacity.
- Assuming full responsibility for and management of all operations through direct City management of centers and customer service operations:
    - Appointing a Deputy Director for Homeowner Services to oversee Program services and hiring three Center Directors. The homeowner services team now consists of 17 City staff-members.
    - Taking over direct management of the Build It Back centers and the case management process, so that they are run by City employees rather than vendors. This includes assigning homeowners a single application coordinator, case manager, and financial or legal counselor to provide single points of contact as homeowners move through the application process.
  - Renegotiating contracts to ensure efficiencies by focusing on performance measurements, compliance with regulations, and clear and enforceable contract terms:
    - Renegotiating case management contracts, securing significant savings (which can be returned to Build It Back's work providing relief) while expanding

capacity. The renegotiated contracts were brought down from the prior administration's negotiated value of \$138 million to a new value of \$84.2 million.

- Replacing poorly-performing staff and operational units, including the Maryland based Call Center.

The Housing Recovery Office continues to expedite its work with homeowners to move them through the process, help them to qualify for and make the best selection for their individual situation (reimbursement, repairs, elevation, rebuild, or acquisition), and provide them additional relief, such as temporary rental assistance, where needed. As a result of the Mayor's overhaul, the Housing Recovery Office has focused on improving the Program while continuing to move relief dollars out the door, expanding eligibility, and ensuring compliance with Federal, State, and City requirements.

The Audit Report also contained Recommendations to the Mayor's Office to Prepare for Future City-Wide Disaster Recovery Operations. The following is in response to those recommendations.

Emergencies in major urban environments, such as New York City, are by nature multi-faceted and complex. They often require significant resources and innovative approaches to preparedness, response, and recovery efforts. When responding to such emergencies, the City seeks to fully leverage its world-class resources while simultaneously maintaining access to the valuable expertise provided by outside vendors. Through this balance, the City has developed best-in-class programs and services that serve as models for the country.

New York City Emergency Management Department, the largest city emergency management department in the country, collaborates with city agencies and key external stakeholders to establish citywide emergency response plans and procedures, applying best practices from across the emergency management field. The Housing Recovery Office (HRO) coordinates with homeowners, contractors, and government to help New Yorkers rebuild their homes from the destruction of Hurricane Sandy. A collection of other agencies and offices, such as the Office of Management and Budget (OMB) and Office of Recovery and Resiliency (ORR), manage and execute the other unique recovery and resiliency programs of the City. Recognizing we can always do better, the City continues to explore new opportunities to enhance our emergency preparedness, response and recovery efforts, leveraging the experiences and the lessons learned from past events.

## **COMMENTS TO AUDIT SCOPE**

### Audit Scope

While the Office of the Comptroller's Financial Audit included a 14 month audit period<sup>1</sup>, the findings overwhelmingly focus on the first seven months of the Program's operations in 2013. The remaining seven months of the audit period beginning in 2014 mark the start of the Program's transition, during and after which the vast majority of the Program's enhanced policies and procedures were implemented.<sup>2</sup> Nearly all of the audit recommendations made in the Audit Report had already been addressed and implemented by the Program prior to the publication of the draft Audit Report. These actions were shared with the audit team throughout the course of the audit. The direction and progress made by the Housing Recovery Office since the beginning of 2014 are well reflected in the Audit Report's recommendations.

### Sample of Applications

HRO has identified issues with the sample used in this audit.

**Sample Size Too Small.** The Audit Report places heavy reliance on a sample of 70 applications from a total of nearly 20,000 active and inactive applications, a sampling rate of 0.35%. Of particular concern is the size of the sample when highlighting work completed by HRO in 2014. On page 17 of the audit, the Comptroller states that in 2014, 67% of "applications submitted by URS were deemed incomplete." This is from a sample size of three applications.

**Issues with Sample.** The Audit Report identifies a number of applications where the audit team identified follow-up communications by the City as "untimely." However, upon review of the applications cited by the auditors, HRO found that 22 out of the 70 applications (31%) reviewed were recorded as "unresponsive" during the audit period, indicating that the homeowner was not responding to the City. For example, one application was marked "unresponsive" in CMS on October 16, 2013, November 8, 2013, and again on December 20, 2013. The Audit Report suggests that all of these applicants were waiting to hear from the Program, when in fact in many cases it was the Program that was waiting to hear back from applicants.

**Findings are Incorrect:** HRO found inaccurate statements in the Audit Report concerning applicant files. For example, the Audit Report states:

- "[I]nformation in the file suggests that the applicant may not be eligible to receive BIB Single Family Program benefits." A review of this file (as identified by the audit team) by HRO indicates that the applicant has cleared all eligibility requirements.

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<sup>1</sup> The Comptroller's audit period began on June 3, 2013 and ended on August 1, 2014.

<sup>2</sup> While the Audit Report claims that "numerous critical service problems persisted up to and through [the] audit period," (although none were specifically identified) it bears mentioning that the audit period ended approximately 8 months ago. HRO has made significant improvements since the beginning of 2014 and continues to look for opportunities to improve the customer experience.

- “However, we found that information in CMS was not always accurate or complete. For example, our sample found that CMS listed some documents as received when, in fact, these documents had not been submitted.” In response to HRO’s request, the Comptroller’s Office identified three applications to support this statement. A review of these three failed to identify any required documents that had been listed as received in CMS, when in fact those documents had not been submitted.

**Auditors Misunderstood or Misconstrued Program Requirements.** For example, the Audit Report states that emails sent by HRO requesting income documentation were “unclear . . . because they did not explicitly request income documentation for co-applicants.” However, the Program’s income certification form specifically states that one form should be completed to document the income for the entire household (all those living in the home)—the Program does not require additional income documentation for co-applicants, thus there was no reason to request this information from co-applicants.

**Applicant Survey Findings are Incomplete.** The auditors attempted to survey the 70 applicants in the sample and were able to contact 51. Of these, 15 reported that they had to resubmit documents and met with different Housing Recovery Specialists when they attended scheduled meetings. There is no mention of the feedback from the other 36 applicants contacted. HRO’s own Program surveys show that of the 51 applicants the auditors contacted, six had previously completed a customer satisfaction survey for Built it Back, and all six (100%) reported that their overall experience was “good” or “very good.”

## **RESPONSES TO RECOMMENDATIONS & FINDINGS**

The Audit Report restates previously-identified deficiencies related to the initial launch and management of the Build It Back program in 2013. As a result of these problems, the City overhauled the Build It Back program in 2014. The recommendations in the Comptroller's Audit Report mirror the 2014 *One City Rebuilding Together* report and subsequent announcements and Program changes made by the Housing Recovery Office through the end of the audit period on August 1, 2014, and beyond. The Housing Recovery Office is implementing or has implemented the 13 recommendations to HRO in the report. In fact, of the 13 audit recommendations, HRO began implementation of ten in 2014; six were completed in 2014, and the remaining seven are on-going.

While the Audit Report covers the period from June 2013 to August 2014, the overwhelming majority of the Findings relate to the first seven months of the Program in 2013. The City is generally in agreement with the Findings related to delays, applicant frustration, and the start-up of the Program. As set forth below, throughout the last year, HRO has worked to remedy these issues.

### **Comptroller Recommendation 1:**

*HRO should not solely or primarily delegate responsibility for the oversight and implementation of the BIB program to private consultant companies. City staff should be actively involved in all aspects of the program to directly monitor services provided to applicants and to ensure the program is carried out appropriately.*

### **HRO Response:**

## **IMPLEMENTED BY HRO – JUNE 2014**

- This recommendation was implemented well before the end of the audit period. The City assumed direct management of the Centers and the case management vendors, eliminating the prime contractor role in June 2014.
- HRO appointed a Deputy Director for Homeowner Services to oversee Program services and hired three Center Directors. The homeowner services team now consists of 17 City staff-members.
- HRO hired three Borough Directors focused on customer service, community outreach, moving applicants through the process, and coordinating with community partners, civic groups, and elected officials to reach applicants in the community.
- HRO shut down the poorly-performing Maryland based call center on August 8, 2014 and centralized all call center operations at the Housing Recovery Office, managed directly by City staff.

**Comptroller Recommendation 2:**

*HRO should finalize contract assignments with those consultants that previously operated as subcontractors to PFM and promptly register those contracts with the Comptroller's Office.*

**HRO Response:**

**IMPLEMENTATION ON-GOING; IMPLEMENTATION STARTED BY HRO – APRIL 2014**

- Beginning in April 2014, HRO renegotiated the case management vendor contracts focusing on:
  - The City taking over direct management of operations;
  - Ensuring vendors were not overpaid for inefficiencies occurring during Program start up in 2013;
  - Evaluating all milestones, deliverables, and performance requirements to ensure efficiencies and performance could be achieved, while maintaining compliance with HUD regulations;
  - Replacing poorly performing staff and operational units, including the Maryland based Call Center; and
  - Keeping operations running smoothly while making necessary changes.
- In June 2014, the City reached agreement with Solix, URS, and the other vendors to take over direct management of the Centers by having all vendors report directly to the City in lieu of a prime contractor, previously anticipated to be URS.
- In September 2014, the City announced significant savings in negotiated fees for these contracts compared to the status of negotiations at the end of 2013.
- On September 16, 2014, the City, including the Housing Recovery Office, the Mayor's Office of Contract Services (MOCS), the Office of Management and Budget (OMB), the Law Department, and the NYC Human Resources Administration (HRA), met with the Comptroller's office to brief the Comptroller's staff on the renegotiated contracts and discuss the strategy for processing the assignments from PFM to the new vendors and the new contract amendments.
- On or about September 25, 2014, the City submitted the deregistration of funds from the original PFM contract to the Comptroller's office. The funds were deregistered on October 20, 2014.
- The assignments for the five vendors were executed by PFM and the vendors from July 2014 to January 2015.
- The assignment for Solix was submitted to the Comptroller's office for registration on November 18, 2014. Due to the complexity of these contracts caused by the changes in scope that date back to 2013 and payments made to date, the Housing Recovery Office agreed with the Comptroller's recommendation to withdraw the registration of the assignment until the amendment for each contract could also be submitted.

- Three of the five contract assignments have been submitted to the Comptroller's office for registration. One assignment has been registered by the Comptroller. Two of the five contract amendments have been submitted to the Comptroller for registration.

HRO takes the negotiation, management, and completion of these contracts seriously and has worked with all oversight agencies (MOCS, Law, OMB) and the Comptroller's office to move these contracts forward while ensuring compliance with federal, State, and City regulations, and protecting the interests of the taxpayers. In 2013, the main vendor was removed from the contract, URS was placed as the lead vendor, and the City negotiated changes with each of the vendors, but did not see significant improvements in performance. Since early 2014, HRO has taken steps to renegotiate these contracts and improve performance, all while ensuring on-going operations. The vendors have all made the requested changes, continued to work while awaiting the completion of the negotiated amendments, and improved performance. For example, the median time from feasibility report to signed option selection agreement and final QA review declined from over six months in April to an average of one month since January. Candidates for reimbursement are receiving checks in half the time as a result of a new streamlined process that was introduced in October 2014.

*Comptroller Recommendation 3:*

*Contract terms should be modified where experience, circumstances and program requirements indicate modifications are warranted. In making such modifications, HRO should follow Procurement Policy Board Rules and other applicable City and State laws, rules and regulations.*

**HRO Response:**

**IMPLEMENTATION ON-GOING; IMPLEMENTATION STARTED BY HRO – APRIL 2014**

- HRO fully agrees that contract modifications were needed, and this is one of the reasons contract assignments could not be performed immediately; new, stronger contract terms required significant negotiation with vendors.
- Contract terms have already been renegotiated to reflect lessons learned and to increase vendor accountability.
- Contrary to the suggestion of the recommendation, there is nothing in the Audit Report to suggest that HRO is out of compliance with PPB rules, or any other City, State, or Federal law, rule or regulation. HRO works closely with all oversight agencies to ensure compliance.

**Findings Related to Recommendations 1-3**

*Comptroller Finding: HRO Failed to Ensure Adequate Program Oversight By Enforcing Existing Contracts or By Entering Into Contract Amendments and New Contracts*

**HRO's Response:**

**Overview:**

- Three of the five contract assignments have been submitted to the Comptroller's office for registration. One assignment has been registered by the Comptroller. Two of the five contract amendments have been submitted to the Comptroller for registration.
- New contract amendments have resulted in savings compared to those negotiated by the prior administration.
- New contracts include added vendor performance measures.
- Vendor performance has significantly improved.

Following the change in administration and the appointment of a new Director to the office, HRO quickly took steps to improve operations at the Centers and evaluate the vendors' performance and the contract structure. Specifically, the case management contracts were renegotiated starting in April 2014 so that the City could take over direct management of the Build It Back program in the Centers.

Not surprisingly, it is a difficult task to change the direction and structure of the Program while keeping it operational, and continuing to provide services for Program applicants. By June 2014, the City had made decisions on how to modify the contract structure to directly manage the Centers taking overall project management responsibility from vendors. The Program announced contract changes in late summer, which were shared with the Comptroller's office at that time.

Due to the highly complex nature of assigning and amending an on-going contract to multiple subcontractors, HRO and the NYC Human Resources Administration (HRA) have worked with the City's Office of Management and Budget (OMB), the Law Department, and the Mayor's Office of Contract Services (MOCS), and kept the Comptroller's Office informed through the process. The City made a presentation to the Comptroller's Office on September 16, 2014 detailing the new contract structure and summarizing the negotiations with the vendors. The City submitted the first assignment for registration in 2014 but was asked by the Comptroller's office to resubmit the contract assignments along with completed amendments. Three of the five contract assignments have been submitted to the Comptroller's office for registration. One assignment has been registered by the Comptroller. Two of the five contract amendments have been submitted to the Comptroller for registration. At no point was the City unable to fully manage these vendors. Indeed, the improved performance of the vendors shown through new performance metrics is a clear measure of the City's success over the course of the last nine months.

**Proof that Key Topics Were Discussed With Applicants at Intake Meetings**

The Audit Report focuses on HRO's failure in 2013 to collect "signed checklists confirming that [HRSs] had discussed certain key topics with applicants." The Audit Report indicates that HRO, in 2013, approved program changes including a new process which eliminated this required paperwork in favor of a required script to be followed during intake, covering key topics. It is not clear in retrospect or in the Audit Report which of these methods for structuring intake meetings had or would have had a better result.

**Comptroller Recommendation 4:**

*If and when HRO institutes or changes any BIB program procedures, it should ensure that all staff are adequately trained on the new procedures; that they are reflected in all necessary program documents including applicable procedures (SOPs); that the BIB program's data storage case management system, CMS, is modified as necessary to reflect these changes; and that the implementation and effects of the changes are monitored and assessed.*

**HRO Response:**

**IMPLEMENTED BY HRO – JULY 2014**

- HRO instituted regular training for field staff in July 2014. On July 14, 2014, HRO changed the hours of the Build It Back Centers to allow for staff training Mondays from 9am to 1pm. HRO has held more than 20 training sessions covering topics such as reimbursements, damage assessments, appeals, flood insurance, as well as other critical topics related to Program participants.
- HRO has improved its formal process for the distribution of applicant-facing documents and Program materials, such as Policy Bulletins, mass communications, FAQs, and changes to the Applicant Guidebook, application forms, and CMS. Specific changes are developed in direct consultation with all relevant Program-leads and staff, so that operational build-out, including revisions to standard operational procedures and public-facing materials and changes to CMS, will be effective simultaneous with the launching of a new process. Moreover, to ensure consistency across programs, all of these documents are shared with relevant partner agencies. HRO has also developed a robust, regular training program to ensure that Center staff and vendors are trained on new procedures or receive refresher training on current procedures. HRO staff continually monitor and meet on a regular basis to discuss and develop necessary policy adjustments to streamline its operations and the efficient delivery of applicant services.
- A roster of required CMS changes is reviewed on a production call led by HRO with case management vendors twice a week, and CMS release information is distributed centrally by email to all active CMS users.

**Findings Related to Recommendation 4**

*Comptroller Finding: HRO Continually Changed BIB Program Procedures and Requirements, Creating Delays and Applicant Frustration*

**HRO Response:**

- Many Program policy and process changes resulted from:
  - Extremely complex federal regulatory requirements; and
  - Program initiatives to improve and streamline the homeowner experience that are now in place and working.
- Communication with homeowners has greatly improved in regularity and quality.

The report issued by HRO in April 2014, *One City Rebuilding Together*, acknowledges the Program changes and delays that frustrated applicants.

*There were significant delays in establishing the program and getting funds to homeowners, a result of the program design and implementation. ... Changes in requirements for homeowners within the first months of program implementation, including new forms and redundant and unnecessary red tape, also resulted in delays. Inadequate early program design and implementation, requiring resubmission of forms and rescheduling of meetings, frustrated applicants.*

*One City Rebuilding Together* also acknowledges the complexities of this program including income verification, SBA loans, duplication of benefits, and environmental review.

*The city is required to comply with federal guidelines. The city's development of the program to comply with these guidelines has further complicated the process — introducing new forms, additional steps, prioritization levels, and confusing requirements.*

Since 2014 HRO has focused on (1) changes to streamline processes and *improve* the customer experience, and (2) changes that were required as a result of new and/or refined guidance from the U.S. Department of Housing and Urban Development (“HUD”), HRO’s federal regulator.

The federal laws and regulations that directly impact the design and implementation of the Build It Back program total many thousands of pages, not to mention the myriad of state and local laws with which the Program must also comply. HRO has an internal unit specifically dedicated to ensuring the Program’s compliance with the many relevant HUD (and other federal) regulations.

Additional guidance and clarification from HUD concerning its requirements have frequently required significant changes to Program operations. For example, on July 25, 2013, after the Program had already started operations, HUD provided guidance on the duplication of benefits requirements that related to SBA loans that had been declined by applicants, an issue that faced, and continues to face, hundreds of applicants. On September 17, 2013, the Program finalized a policy bulletin describing the Program’s

first proposed implementation of this guidance, a simple, one-page worksheet to be completed by applicants. After receiving further feedback from HUD, the Program was required to abandon this system and to instead implement a complex underwriting process evaluating the financial status of applicants who declined SBA loans. HRO continues to work with HUD to simplify this issue for impacted homeowners.

The Program's "priority" system contributed to delays and applicant confusion. At the inception of the Program, the total amount of funding available was unknown, and because of HUD's requirement that at least 50% of the CDBG-DR funds expended benefit low-to-moderate income (LMI) households, the City prioritized LMI applicants in order to ensure compliance with the requirement. In 2014, the City was able to secure additional funding from HUD to eliminate priority levels and ensure that all applicants could be served.

*Single Point of Contact for Applicants*

The Audit Report notes that the Build It Back program did not implement a system in which all applicants had a single point of contact in the Program throughout the application process.

Since the beginning of 2014, the Build It Back program has taken many steps to increase its capacity to manage applicant cases and improve the responsiveness of its staff. This includes assigning homeowners a single application coordinator, case manager, and financial or legal counselor to provide single points of contact as they move through the application process.

*Duplicate Document Submission*

"Duplicate" documentation submission often resulted from improperly filled out or signed forms, errors in CMS uploading, and the quality of documents provided. The Build It Back Program has addressed this with CMS enhancements, additional training of staff, and revising applicant-facing materials to more clearly describe requirements. The Program has worked to minimize and simplify requirements where possible, while still remaining in compliance with the applicable regulations.

*Comptroller Recommendation 5:*

*HRO should dedicate sufficient staff to perform contract management tasks and diligent accounting oversight in connection with invoice approvals in order to ensure that these oversight functions are diligently performed.*

**HRO Response:**

**IMPLEMENTATION ON-GOING; IMPLEMENTATION STARTED BY HRO – JUNE 2014**

- HRO Homeowner Services manages the day-to-day activities of the case management vendors. Vendors participate in a twice weekly production call with Homeowner Services managers to discuss the production pipeline and review new policies, procedures and practices. HRO reviews the latest version of RecoveryStat, a performance

management tool that is used to hold vendors accountable for reaching measurable targets. These targets are aggregated on a quarterly basis and were included in the contract amendments. Performance penalties and bonuses are tied to several RecoveryStat indicators.

- In addition to Homeowner Services, the Program Controls Unit and the Audit Unit have increased staffing and responsibility for overseeing contract management and accounting oversight.
- A program-wide SOP is currently being implemented to meet invoice review best practices, in anticipation of the registration of the case management contract amendments. This improved process contains multiple checks and balances and will be used to audit the previous payments for compliance and will recapture funds where applicable. This process is designed with safeguards in place to ensure that duplicative payments are not made. Where duplicative payments have been made, HRO will withhold future payment where applicable.
  - Among other improvements, the new process includes certification that all invoices submitted to the Program are properly and consistently reviewed and contain all contractually-required documentation. Invoices submitted are subject to both a program eligibility review to ensure deliverables have been completed and a financial review to verify the correctness of billing rates and mathematical accuracy. Invoices are reviewed utilizing checklists developed specifically for each vendor and require multiple levels of approval.
- Build It Back expanded its monitoring functions, including regulatory monitoring and audit functions. OMB provides another level of monitoring and reviews invoices for HUD compliance before seeking reimbursement from the federal government.

**Comptroller Recommendation 6:**

*HRO should review the qualifications of any future hires made by URS and other consultants who work on the BIB program to ensure that candidates meet the educational and experience requirements mandated by their contracts.*

**HRO Response:**

**IMPLEMENTED BY HRO – JUNE 2014**

- As part of contract negotiations from April to June 2014, City staff reviewed the qualifications and performance of all teams and key staff members to ensure appropriate staffing. This resulted in staffing changes at each center by the vendors. This is an ongoing process as vendor performance and quality is regularly monitored and reviewed.
- URS utilizes a tracker to measure the performance of Application Coordinators and incorporates the results in its employee evaluations. HRO on-site Center Directors monitor the performance of URS managers, supervisors and Application Coordinators. Center Directors hold meetings with vendor staff to discuss performance issues when they arise.

- New contracts have stronger staffing provisions, requiring adequate staffing and supervisory ratios. The contract requires a Customer Operations Supervisor to provide daily supervision and oversight to Application Coordinators. The Supervisor is required to offer training and support to Application Coordinators and ensure that Application Coordinators are meeting production goals and providing a high quality customer service. The contract amendment requires case management vendors to have HRO-approved quality assurance procedures for monitoring customer satisfaction, implementing changes in operating procedures and minimizing staff turnover.

**Comptroller Recommendation 7:**

*HRO should ensure that URS personnel perform a thorough quality control check on any application before sending it to Solix for an eligibility review.*

**HRO Response:**

**IMPLEMENTATION ON-GOING; IMPLEMENTATION STARTED BY HRO – APRIL 2014**

- HRO agrees that quality control is necessary at every step of the case management process. The Standard Operating Procedure for intake requires the URS quality control supervisor in the Build It Back Center to review intake documentation at the time of submission. A more thorough quality control check is completed by Solix eligibility reviewers as part of the eligibility review. Solix provides a more in-depth and independent review of the materials provided by the applicant and verified by administrative data.

**Findings Related to Recommendations 5-7**

*Comptroller Finding: HRO Failed to Implement Proper Controls, to Enforce Critical Contract Requirements, and to Ensure that the Build It Back Program was appropriately managed and staffed*

*Comptroller Finding: URS Submitted Incomplete Applications for Eligibility Reviews*

**HRO Response:**

The Audit Report recognizes that, at the beginning of the Program, there was significant back and forth after applications were submitted for eligibility review when intake was completed. The Program took steps last spring to address the inefficiencies of this process. Had the audit team reviewed more than three applicants from 2014 they would have seen significant improvement in this area.

HRO disagrees with the implicit statement that these applicants should have been left to stagnate at the intake phase of the Program. The Audit Report states that applications that were “incomplete” after the initial intake meeting were prematurely passed to the Program’s eligibility experts for eligibility reviews. Due to the complex nature of the process, the City chose to move applications that were not yet fully complete forward to eligibility review. This allowed trained reviewers to determine which specific

documentation was still required and to contact both URS and the applicant for submission of the necessary documentation. These trained eligibility reviewers are only paid once for the application eligibility review and there are no additional costs to the City. Contrary to the Audit Report’s unstated implications, this extra level of review actually helped to move more applicants forward in the process, bringing them closer to the disaster relief to which they are entitled.<sup>3</sup>

The Audit Report also fails to acknowledge the complexity of the federal documentation requirements and the reasons why requests for additional documentation may have been necessary once an application passed intake and was under eligibility review. A careful review of the applications reviewed by the auditors and cited as “incomplete” show that many had ownership and income discrepancies in the documents submitted. These are issues that intake staff would not have been able to identify in the front office—which is the reason the Program hired back office eligibility experts. In the audit sample cases, there were examples where the deed and application address did not match, a second owner was discovered through a search of government records, there was a mismatch between the Program’s income certification form and the backup documentation provided by the application, unreported household member income was detected, and other discrepancies which prevented the eligibility reviewer from making a final eligibility determination without additional documentation. For many of these issues, it could not be reasonably expected that they would be discovered at the time of intake.

The Audit Report’s conclusion evinces an overly simplistic view of the case management process. Complex federal eligibility requirements necessarily result in the need for all manner of applicant follow up activities. HRO did not think it was the right policy to immediately deem an applicant ineligible due to insufficient applicant-provided documentation. Instead, HRO chose to work with applicants to collect the additional information as needed, and to help them demonstrate their eligibility for assistance.

*Comptroller Finding: Staff Hired to Deal Directly With the Applicants Did Not Meet Contractually Mandated Educational and Work Experience Requirements*

**HRO Response:**

In April 2014, when the City made major changes to the management of the Centers, the City worked with the vendors to ensure that all staff were being regularly reviewed for performance and to keep and promote high-level performers.

The case management contract sets forth six key skills recommended for Housing Recovery Specialists hired to work at the Centers; these skills related not only to a combination of education and work experience, but also to being experienced working in government programs, possessing strong communication skills, having the ability to

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<sup>3</sup> Notably, the audit sample in the Audit Report consisted of 47 cases submitted during the audit period, only three of which were processed in 2014. The auditors found that two of the three 2014 applications submitted were “incomplete,” both of which were processed in January 2014. In April 2014, new process improvements were implemented to minimize the feedback loop between URS and Solix, two of the case management subcontractors, on incomplete applications.

focus and work independently, having respect for client confidentiality, and having a positive and professional demeanor. It is not disputed that at the beginning of the Program, arising from the need to quickly ramp-up staffing to support the Program's launch, not every Housing Recovery Specialist met the contract's recommended qualification related to education. That said, the Audit Report's description of the contractual requirement is misleading. By the contract's own terms, staff are not required to strictly meet the educational parameters set forth therein, but rather "should have" the education and experience requirements or a combination of education and experience requirements, similar to, for example, the City's own employees. The Audit Report's focus on educational levels ignores the contractual flexibility that was specifically included into the language of the agreement relating to non-educational experience, undeniably a key measure of success for such a position.

Likewise, notwithstanding the claim of the Comptroller's Office that "HRO officials were unable to identify any measures that HRO had taken to verify or even inquire about the Housing Recovery Specialist's qualifications," HRO twice provided the Comptroller's office with memoranda exchanged between HRO and URS showing HRO's inquiries in May and June of 2014 into the skill set and experience of Housing Recovery Specialists, Quality Assurance Specialists, Customer Service Representatives, and Customer Operations Supervisors retained by URS. Although these memos were provided to the Comptroller's audit team, they are ignored in this Audit Report. These memos demonstrate both HRO's oversight of this aspect of the contract and describe the reasoning behind the vendor's choice to focus more on the non-educational recommended key skills. Specifically, the vendor found that knowledge of New York City neighborhoods, strong communication skills, and the ability to be flexible and understanding in a rapidly changing environment were far better indicators of success as an HRS than educational and experience levels. In this context, the decision to quickly staff positions focusing on candidates that could deliver the greatest number of key skills was reasonable.

Comptroller Recommendation 8:

*HRO should implement necessary contract amendments and/or SOPs to require URS and Solix to contact applicants within a set time frame after the most recent prior contact and specify whether applicants should be contacted by phone, email, text, or USPS mail, and detail specific measures to ensure that adequate contact efforts are made.*

HRO Response:

**IMPLEMENTED BY HRO – October 2014**

- HRO agrees that measuring timeliness is critical to managing these contracts.
- In October 2014, HRO launched its case management performance measurement tool, RecoveryStat. HRO manages vendors to ensure timeliness through daily and monthly reporting on RecoveryStat. Under the pending contract amendments, the failure to meet contractual timeframes for processing applications is subject to financial consequences.

- HRO staff run exception reports from CMS to identify applications that have aged beyond appropriate limits and require special attention. These reports are reviewed with the vendors on the standing Production call, held every Tuesday and Thursday.

*Comptroller Recommendation 9:*

*HRO should require consultants' staff to review application statuses in CMS as part of the Quality Control (QC) checks they perform on each application.*

**HRO Response:**

**IMPLEMENTATION ON-GOING**

- HRO agrees and requires vendors to conduct quality checks to ensure that documents are complete and that CMS records, including status reasons and application phases are accurate. In addition, a feature called the Application Header was implemented on March 2, 2015. The Application Header is a CMS “dashboard” that consolidates key statuses in one section providing a central location where users can determine an application’s processing status within the CMS system at a glance.
- Both Solix and URS have their own vendor-level QA/QC procedures that include a review of the information entered into CMS to ensure that it is complete and accurate.
- The renegotiated contracts with the case management vendors strengthen the contractual requirements for continuous quality improvement.

*Comptroller Recommendation 10:*

*HRO should ensure that data contained in CMS is accurate, including that each applicant's status designation is correct and up to date.*

**HRO Response:**

**IMPLEMENTED BY HRO – JANUARY 2014**

- HRO ensures the accuracy of the data within CMS through a robust monitoring and auditing process. Since the beginning of 2014, a dedicated internal audit team within HRO has been focused solely on ensuring the accuracy and integrity of applicant files within the CMS system. This team regularly issues monitoring reports identifying compliance issues and, where necessary, requires corrective action to be taken by the case management vendors.
- In addition, as set forth above, the Program’s RecoveryStat performance management tool and regularly-generated exception reports help identify applications that may have an incorrect status, isolating them for further review.
- Finally, daily case management reports are generated which track the progress of applications through the case management pipeline, allowing for daily visibility into potential issues regarding application status.

**Findings Related to Recommendation 10**

*Comptroller Finding: The CMS Database was Incomplete and Inefficient on the BIB Launch Date*

**HRO's Response:**

- While the CMS system was not fully complete at the time of Program launch, the Program's IT implementation has been refined and enhanced to accommodate a higher-quality homeowner experience.

Although, at the time of its launch, full CMS functionality was not yet available given the complexity of the system, basic and immediate data management needs were met by the system at launch. Even in its early days, CMS was a system with high availability, meeting industry standards for data security. Since 2013, significant enhancements have been made. The City made a strategic decision to utilize a commercial, off-the-shelf, cloud-hosted, web-based, customer relationship management (CRM) software product that could be customized to meet the specific and unique needs of the City for this particular Program.

While complete functionality was admittedly not available at the time of Program launch, the functionality that was available at Program launch was designed to meet minimum needs for the intake process occurring at that time, with phased future developments timed to meet additional needs. The Program worked with its case management vendors to develop approved, temporary offline processes to verify application eligibility in the interim. The offline data was entered into the system as soon as full functionality for eligibility reviews within CMS was released in the system in fall of 2013.

Indeed, with subsequent releases and updates, data management and data integrity have been enhanced. The system is continually updated and has proved flexible enough to accommodate process improvement, program and workflow changes, and to allow integration of new information as it becomes available. In September 2014 HRO implemented a standardized folder structure for documentation within an applicant's CMS file, and directed vendors to begin using standardized file naming conventions to better enable CMS users to locate and access applicant documentation, which also reduced the potential to inadvertently request duplicate documentation from applicants. Moreover, the data feeds from FEMA, SBA, Department of Finance and other external sources, for example, have not only made things easier in terms of the applicant facing process, but have provided the City with better data for the future and will help us prepare for future emergencies.

**Comptroller Recommendation 11:**

*HRO should review each application to identify which are inactive, withdrawn, and/or ineligible and expeditiously take appropriate action.*

**HRO Response:**

**IMPLEMENTED BY HRO – APRIL 2014**

- HRO began sending ineligible letters to applicants in April 2014 based on HUD eligibility requirements including compliance with the National Flood Insurance Program, primary residency, and residency at the time of the storm.
- HRO does not disposition applications as inactive, withdrawn, or ineligible until it is assured that the applicant is not interested in the Program. “Ineligibility” can often mean that the applicant has not yet provided everything needed to prove eligibility – the Program works with applicants to help them demonstrate eligibility.
- HRO is conducting an outreach campaign to reach all applicants this spring, including withdrawn and inactive applicants, to ensure that benefits can be provided to all in need of assistance and to encourage increased participation among senior citizens and LMI populations. The goal of the outreach is to ensure HRO reaches everyone who needs help. It's clear that the initial problems with the Program led to frustration. The Program has already successfully reengaged applicants, and will ensure that everyone that still needs help can get the help they need. The outreach includes:
  - Build It Back reengagement sessions in Sandy-affected neighborhoods.
  - Correspondence from local elected officials and civic associations.
  - A door-knocking campaign deploying NYCEM's Community Emergency Response Team volunteers and NYC Service volunteers. In an event on March 22, 2015, teams knocked on 86 doors in Sheepshead Bay.
  - Phone-banking by NYC Service volunteers.

**Findings Related to Recommendations 8-11**

*Comptroller Finding: Communication with Applicants was Not Timely, Accurate or Effective*

**HRO Response:**

The Program recognizes that to avoid confusion and frustration among applicants, Program personnel must be able to communicate effectively. To that end, the Program has made major improvements to its public engagement and customer service operations. HRO has significantly increased its presence in impacted communities by partnering with local elected officials and co-locating with City Council members and other elected officials throughout the impacted neighborhoods.

Moreover, in the past year, the City has taken significant steps to remove structural obstacles that prevented applications from moving ahead in the process. The City eliminated income-based priority levels, increased capacity to conduct damage

assessments, and removed roadblocks to serving homeowners with special circumstances such as foreclosure filings and tenant-occupied properties that require rehabilitation. The overwhelming majority of the applications cited in the Report as having gaps in communication of 30 or more days had one or more of these issues.

The City has buttressed these improvements with better management in Build It Back Centers and numerous process improvements. Since April 2014, the Program increased the presence of City staff at the Housing Recovery Centers to provide direct oversight and monitoring, improve communication with applicants, provide expert advice and identify ways to help applicants move through the process and explain next steps. The Program has also translated all required documentation in multiple languages and hired additional foreign language-speaking staff to help homeowners understand the Program requirements and homeowners' needs.<sup>4</sup>

In addition, there is a significant technical flaw in the sample with regard to this finding. HRO reviewed the applications cited in the Report by the auditors as having received "untimely" communications and found that 22 out of the 70 applications reviewed were recorded as "unresponsive" during the audit period. For example, an application number was marked "unresponsive" in CMS on October 16, 2013, November 8, 2013, and again on December 20, 2013. It is clear that this applicant, and others deemed unresponsive, chose not to communicate with the Program. Had applications such as this one been rejected from the Program due to the lack of a response, they would not have been present in the audit sample. Instead, HRO made a decision to keep the applicants active in the system, and to outreach to unresponsive applicants before making their applications inactive. This effort has meant that applicants who had previously been considered as "withdrawn" have returned to the Build It Back program in the past few months. Additional outreach efforts will be completed this spring.

Finally, the "missing document" communications with applicants were intended to inform applicants as to the reasons they had not heard from the Program, specifically regarding the documentation that was needed to continue processing their applications. Early on in the Program's history, it used a system-generated communication that admittedly was not sufficiently tailored to individual applications. The Program recognized there was room for improvement on this front, and in spring of 2014 revamped the process, enabling eligibility reviewers and others to directly communicate with applicants by email and phone with information specifically tailored to each individual applicant.

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<sup>4</sup> The Program translated required forms and documents to the following languages: Chinese, Creole, Haitian, Russian and Spanish.

**Comptroller Recommendation 12:**

*For any work that is to be paid on a time and materials basis, prior to approving payment, HRO should require the consultants to submit timesheets specifying the hours worked and tasks performed, and to submit any other reasonable supporting documentation.*

**HRO Response:**

**IMPLEMENTATION ON-GOING**

- HRO has improved its invoice review process to ensure that invoices include adequate supporting documentation to support the request for payment.
- HRO will review previously-paid invoices to ensure that such documentation exists and will collect it where necessary.
- HRO requires vendors to submit timesheets in weekly increments specifying the hours worked and the tasks performed, as required by the relevant contracts.

**Comptroller Recommendation 13:**

*HRO should thoroughly review invoices to ensure that HRO does not make duplicate payments to consultants. In any instances where HRO determines that it has made duplicate payments, HRO should seek to recover overpayments to the consultants immediately.*

**HRO Response:**

**IMPLEMENTATION ON-GOING**

- HRO's improved invoice review process has been designed and is currently being implemented in anticipation of the registration of the newly-amended case management contracts. See HRO Response to Recommendation 5.
- HRO will use its improved process to review previous payments for compliance and recapture funds where necessary from future payments.

**Findings Related to Recommendations 12-13**

*Comptroller Finding: HRO Improperly Approved Payments to Subcontractors Despite Non-Compliance with Contractual Obligations*

- *HRO Authorized \$3.5 Million in Payments Prior to Obtaining Proof That Key Topics Were Discussed With Applicants Contrary to Contract Requirements*
- *HRO Authorized \$3.3 million in Payments for Incomplete Applications That Were Prematurely Submitted for Eligibility Reviews*
- *Inadequate Oversight Resulted in \$1.48 Million in Payments for Double Billing and Insufficiently Supported Invoices*

**HRO Response:**

- No vendor has received payments in excess of the total amount that they are owed to date. In fact, only \$17.25M has been paid to the vendors, one-third of their original contract value.
- Payments made for work in 2013 will be reviewed as future payments are made to ensure that no vendor receives duplicate payments and all future and past payments have required documentation.
- The case management vendors have only been paid one-third of their total contract value to date. The total value of the original case management contracts is currently \$50.2M and the vendors have thus far only been paid approximately \$17.25M to date.
- New comprehensive controls will ensure that no duplicate payments are made, and that any previous duplicative payments are recaptured.

Put simply, the vendors involved in the case management process have not been paid more money than they are owed. In fact, only \$17.25M has been paid to the vendors, one-third of their original contract value. As these additional invoices are reviewed and analyzed, the City will ensure that payments made for work done in 2013 are verified prior to processing additional payments, and will deduct money from future payments if necessary to reconcile previous payments. HRO takes project and financial controls very seriously and continues to work to develop best-practices controls. Among these improvements, HRO has organized a team of auditors that is specifically tasked with testing compliance with vendor contracts, including invoicing requirements, and ensuring that all invoice payment processes meet best practices.

**Payments for Incomplete Applications Submitted for Eligibility Reviews**

The City moved applications to eligibility review to expedite processing and ensure all available resources were being used to gather complete application documentation. During the upcoming invoice reconciliation process, HRO will be ensuring that all payments made are for complete eligibility reviews.

Fixed unit price contracts, like the contracts negotiated with the case management vendors, are designed to provide incentive for the vendor to control costs and perform effectively. HRO originally designed the contracts on a performance-based fixed unit price basis specifically to address production efficiency. The City only pays the vendors for satisfactory delivery of a predetermined deliverable. Vendors bear considerable risk if they do not process cases efficiently.

This type of fixed-price, performance-based contract structure is commonly used to encourage vendor performance and has been cited favorably by HUD.

**“Double Billing” and Insufficiently Supported Invoices**

HRO is reconciling all past payments and will recoup any overpayments, as necessary.

HRO will ensure that necessary supporting documentation has been provided to support payment for each vendor invoice.

**Recommendations to the Mayor's Office to Prepare for Future City-Wide Disaster Recovery Operations**

**Comptroller Recommendation 14:**

*Based on the experience of the City with the Build It Back program and responses undertaken by the City to recent emergencies, the Mayor's Office should assess the best ways for the City to prepare to address future emergencies and implement any necessary rule changes related to procurement and contract oversight to ensure that contracts for necessary goods and services are in place, that the City gets the best possible prices, and that those contracts are fully enforced.*

**HRO Response:**

**IMPLEMENTATION ON-GOING**

- The City has and continues to focus the necessary critical resources on emergency preparedness. NYC Emergency Management Department, the largest city emergency management department in the country, coordinates emergency planning and preparedness activities for the City. Their planners work with agencies and key external stakeholders to establish plans and just-in-time procedures for citywide emergency response operations, leveraging best practices from across the emergency management profession.
- The City agrees that following an emergency, access to essential goods and services at a fair and reasonable price is paramount. Indeed, City agencies, in coordination with NYC Emergency Management Department, continually assess the need for emergency goods and service contracts, and then work with OMB and MOCS to help ensure delivery.

**Comptroller Recommendation 15:**

*The City should explore ways to develop emergency relief capacity to maximize the use of City resources rather than outside consultants for potential City-wide disasters such as Hurricane Sandy.*

**HRO Response:**

**IMPLEMENTATION ON-GOING**

- Leveraging city resources, while simultaneously accessing the benefits from outside expertise, is critical when responding to a large-scale emergency in a complex urban environment. The City works to maximize its personnel, equipment, facilities, and

technology when designing emergency response operations while remaining flexible to develop new emergency-specific programs and services.

- The City will continue to explore opportunities to further enhance future recovery efforts utilizing the experience and the lessons learned from past events.

**Comptroller Recommendation 16:**

*Future contracts with consultants to assist in the provision of emergency disaster relief services should state specific deliverables that the consultants are required to provide within specified timeframes. The consultants should be held accountable for meeting those deliverables*

**HRO Response:**

**IMPLEMENTATION ON-GOING**

- The City agrees that vendors providing emergency disaster relief services should be managed appropriately, with focus on clear deliverables and realistic timeframes for their delivery, and will be mindful of and enforce this objective.