



NEW YORK CITY COMPTROLLER  
**BRAD LANDER**

---

---

# Preventing Corruption in Procurement

BUREAU OF POLICY AND ORGANIZING  
& BUREAU OF CONTRACT ADMINISTRATION

**SEPTEMBER 2024**



# Contents

<b>Introduction .....</b>	<b>4</b>
<b>Strengthen Oversight &amp; Accountability of Subcontractors.....</b>	<b>6</b>
Recommendations.....	6
<b>Reduce Over-reliance on Emergency Procurement &amp; Mitigate Risks for Corruption in Non-Competitive Bids.....</b>	<b>8</b>
Recommendations.....	8
<b>Close Corruption Vulnerabilities in the City’s oversight and administration of not-for-profit human service contracts .....</b>	<b>9</b>
Recommendations.....	9
<b>Increase transparency and promote accountability, including the un-met promise of ContractStat .....</b>	<b>10</b>
Recommendations.....	10
<b>Conclusion.....</b>	<b>11</b>
<b>Acknowledgments.....</b>	<b>11</b>
<b>Appendix.....</b>	<b>12</b>

# Introduction

Contracting is a critical process through which City government meets its goals and provides services to New Yorkers. City agencies contract with vendors to provide meals to home-bound seniors, childcare and afterschool programs for kids, construction projects to build new schools, upgrade our parks, repair our roads, provide shelter for homeless families, and so much more.

With over 12,000 new procurement contracts registered annually, valued in fiscal year (FY) 2023 at over \$38 billion – more than budgets of 30 states – it is crucial for City government to have robust procedures in place to ensure integrity, safeguard City resources, and prevent corruption.<sup>1</sup> Yet procurement policy consistently falls to the bottom of municipal priority lists.

A lack of focus and commitment from the Adams Administration to reform the City's procurement processes has exacerbated both the registration and payment delays that create worsening challenges for the City's many honest contracting partners; and the risks of corruption, fraud, and abuse by dishonest ones. In both cases, the failure to reform procurement is eroding public trust in New York City government.

Since taking office in 2022, Comptroller Lander has strengthened the Office's role in reviewing and approving City contracts, identifying systemic challenges and proposing common-sense reforms to protect public integrity, while balancing the need for efficiency and flexibility.<sup>2</sup> Following the issuance of a November 2021 New York City Department of Investigation (DOI) report that culled insights from dozens of investigations conducted over the course of seven years,<sup>3</sup> Comptroller Lander urged the Procurement Policy Board ("PPB") to reconvene and implement DOI's recommendations to address corruption vulnerabilities in the City's oversight and administration of nonprofit human service contracts.<sup>4</sup> Unfortunately, the PPB has not acted in response.

Since then, the Comptroller's office has put forth detailed recommendations to strengthen subcontractor oversight, increase transparency and contractor accountability, and reduce the City's over-reliance on emergency procurement to prevent corruption. Unfortunately, the City has made close to zero progress toward implementing the systemic reforms needed to effectively root out corruption in procurement.

In the absence of systemic reforms, the Comptroller's Office has made a concerted effort to proactively detect and prevent corruption in the contracts that it reviews and registers. Since January 2022, the Comptroller's Bureau of Contract Administration has flagged, returned, or rejected numerous contracts which were submitted to the office for registration or prior approval, based on agencies' failures to comply with procedural requisites, many of which raised concerns about the integrity of the procurement process. A list of some of those contracts is provided as Appendix A.

Still, significant gaps in oversight and corruption vulnerabilities remain that demand systemic reforms. This report presents a comprehensive set of procurement reform recommendations to protect public integrity, prevent corruption, and ensure high-quality services are delivered to New Yorkers. The City must immediately:

- **Strengthen oversight and accountability of subcontractors.**
- **Reduce over-reliance on emergency procurement and mitigate risks for corruption in non-competitive procurement.**
- **Close corruption vulnerabilities in the City’s oversight of not-for-profit human service contracts (per the 2021 DOI report).**
- **Increase transparency to promote accountability, including the un-met promise of ContractStat.**

If implemented, these reforms will not only help to prevent corruption and abuse, but will support efforts to streamline the procurement process, increase meaningful M/WBE participation through broad and fair access to contracting opportunities rather than through pre-existing personal relationships, and ensure timely payments to the vast majority of City contractors who are providing high-quality services and make their best effort to administer public funds responsibly.

These reforms must be implemented by City Hall, the Mayor’s Office of Contract Services, and the PPB (the majority of whose members and whose chair are appointed by the Mayor). The City Council can explore taking action after addressing any considerations regarding City Charter curtailment of the roles of the Mayor, the Mayor’s Office of Contract Services, and the PPB, and therefore potentially require a referendum by the voters – the process which the Mayor recently blocked for legislation strengthening oversight of mayoral appointments..<sup>5</sup>

Amidst federal investigations reportedly looking into City procurement, and three years after a DOI report that called for prompt action, this is a critical moment for systemic procurement reform.

# Strengthen Oversight & Accountability of Subcontractors

Subcontractors play a crucial role in delivering high-quality services to New Yorkers and are central to meeting the City’s M/WBE procurement goals. Unfortunately, the City’s subcontracting procurement process is failing to ensure compliance with mandated reviews and disclosures and to provide oversight to effectively prevent corruption, fraud, and abuse. While City procurement rules specify that each subcontractor must be approved by the contracting agency before starting the work, the reality is that those reviews, approvals and disclosures rarely happen. Subcontract data pulled by this office in January 2023 revealed that, across a three FY lookback period, 17 agencies recorded no approved subcontractors in the City’s Payee Information Portal (PIP), as required.<sup>6</sup>

This basic lack of transparency has created significant risks for corruption and nepotism. Many of the following recommendations were made by the DOI in November 2021, and reiterated in a letter from the Comptroller’s Office urging to reconvene the PPB to improve oversight of subcontractors. While the City has made some progress toward digitizing the subcontractor approval and disclosure process as recommended in the Comptroller’s Office February 2023 M/WBE report (although implementation has not yet taken place, and the implementation date has been continuously delayed),<sup>7</sup> none of the remaining recommendations that would tighten controls and improve oversight have been adopted.

## Recommendations

- Prohibit payments to vendors for subcontracted work performed by unauthorized subcontractors.
- Incorporate restrictions on third-party contractors and subcontractors so that they cannot be owned or controlled by related parties or relatives.
- Strengthen anti-nepotism provisions to foster competitive contracting opportunities and protect against favoritism.
- Develop enhanced reviews for subcontractors:
  - Take measures to enforce the requirement that subcontractor requests, approvals and denials along with payment information is entered into the City’s Payee Information Portal (or into PASSPort, pending a clear and effective transition with clear rules and procedures) and that required PASSPort vendor and principal background disclosures are filed in PASSPort;

- Conduct a basic integrity review of subcontractors, including research of the entity and its principals for potential fraud;
- Perform consistent detailed review to determine if significant subcontracting and vendor transactions are with related parties and if so, whether the related parties are being compensated excessively;
- Review bidding documents to ensure that the provider selected the most cost-effective subcontractors available, from among the qualified and responsible bidders.

# Reduce Over-reliance on Emergency Procurement & Mitigate Risks for Corruption in Non-Competitive Bids

Emergency procurement and non-competitive procurement methods are critical to ensuring government can deliver the goods and services that New Yorkers need efficiently. In emergency situations in particular, like a building collapse or rapid spread of Mpox, New Yorkers rely on the City to act as quickly as possible to avoid or mitigate an unforeseen danger to life, safety, property, or a necessary service. However, emergency procurements are exempt from certain transparency and accountability procedures that exist for other contracting methods, creating risks for corruption, fraud, and abuse.

Similarly, non-competitive procurement processes, which are made available to provide agencies with the flexibility and streamlined processes they need to expedite high-priority projects and comply with M/WBE goals, come with less rigorous oversight measures creating risks for corruption, fraud, waste, and abuse. The Comptroller's Office's recent denial of prior approval for the NYPD's procurement with MDB Development, a construction company facing criminal indictment,<sup>8</sup> provides a high-profile example of where agencies' freedom to deploy non-competitive procurement methods have raised serious public integrity concerns. To prevent corruption, agencies should have clear policies for how they select vendors to ensure broad and fair access to contracting opportunities rather than through pre-existing relationships, even for noncompetitive procurement processes that help agencies achieve meaningful M/WBE participation. Reducing the City's overreliance on emergency procurement and limiting contracting opportunities to traditional procurement methods for vendors facing criminal charges are critical steps the City must take to safeguard public funds and prevent future abuses.

## Recommendations

- Prohibit non-competitive procurement, including small purchases and emergency procurement methods, for any entity undergoing federal investigation for corruption or fraud.
- Integrate risk assessments and data driven forecasting tools into procurement planning.
- Transition goods and services provided under emergency contracts to a competitively sourced contract whenever possible.
- Strengthen accountability for vendor integrity and performance evaluation reviews.
- Reform emergency procurement rules and procedures to achieve more accountability.

# Close Corruption Vulnerabilities in the City's oversight and administration of not-for-profit human service contracts

While the vast majority of human service nonprofits are dedicated to providing high-quality services and make best efforts to administer public funds responsibly, the 2021 DOI report revealed significant gaps in oversight that have increased corruption vulnerabilities. In one notable example, the state Attorney General reached an \$800,000 settlement with a Bronx nonprofit that had diverted funds from services for the elderly to its real estate holdings.<sup>9</sup>

With over 40% of the City's contracting portfolio and \$12 billion in public funds dedicated to not-for-profit human services,<sup>10</sup> the City must close corruption vulnerabilities in this sector to protect public integrity and restore trust in the non-profit institutions that effectively deliver high-quality services to New Yorkers.

## Recommendations

- Require human service contractors to complete a standard disclosure and certification form to identify potential conflicts of interest and noncompliance with the City's competitive bidding requirement.
- Direct and train agency budget review staff to implement standard operating procedures similar to review occupancy costs, including leases with allocation plans, verification that expenses are reasonable, and verification that expenses are necessary to fulfill the contract.
- Collect additional disclosures from human service providers when they report that goods or services were procured with a related entity to identify potential conflicts of interest and their impact.
- Require disclosure of costs being allocated in the indirect rates and review that information to ensure expenses are allowable and have not been double-billed.

# Increase transparency and promote accountability, including the un-met promise of ContractStat

Increasing transparency and disclosures in procurement are simple steps the City can take to have a dramatic impact on preventing corruption, fraud, and abuse. Before taking office, Comptroller Lander partnered with Mayor Adams on *A Better Contract for New York: A Joint Task Force to Get Nonprofits Paid On Time*, which made recommendations to not just speed up contract registration and payments, but increase transparency and mitigate risks for corruption. A key recommendation was the development of ContractStat, a system of performance management to shed light on where delays are occurring and direct agency and oversight efforts to clear backlogs and delays.<sup>11</sup>

This administration's ongoing failure to meaningfully launch ContractStat and share information is extremely concerning. Without access to ContractStat, agencies continue to struggle with timely contract registrations, and vendors and oversight entities are left in the dark on the source and rationale for procurement delays. This lack of progress on addressing registration and payment delays incentivizes agencies to pursue noncompetitive procurement methods with fewer safeguards – and the vendors mired in delay have no choice but to rely on communications with City agencies to troubleshoot and request support to expedite, exacerbating risks for corruption. ContractStat alongside the additional disclosures of executive pay and recent history of campaign contributions would significantly strengthen transparency across all contract types to protect public integrity and prevent corruption and abuse.

## Recommendations

- Fulfill the Adams Administration's un-met 2022 commitment to launch "ContractStat," a system of performance management to shed light on where delays are occurring and direct agencies and oversight efforts to clear backlogs and delays.
- Require executives and principals of vendors to disclose campaign contributions for the previous five years along with every contract submitted for registration.
- Expand and enforce existing requirements to disclose the current compensation of executive staff and how the compensation is allocated to cover every contract submitted for registration.

# Conclusion

The City's procurement system encompasses tens of thousands of transactions each year.<sup>12</sup> The supplies, services, and construction purchased by the City and the revenue agreements it enters into enable the City to serve the public, address critical challenges, and encourage growth. By implementing the recommendations in this report, we can build a stronger City that ensures the best possible use of public resources, provides high quality services, expand opportunities, close corruption loopholes, and strengthen trust in City government.

# Acknowledgments

This report was prepared by Annie Levers, Deputy Comptroller for Policy, with support from Charlette Hamamgian, Deputy Comptroller for Contracts and Procurement, Michael D'Ambrosio, Assistant Comptroller for Contracts and Procurement, and Daphnie Agami, Senior Advisor & Counsel to the Deputy Comptroller, Contracts.

# Appendix

## Rejected Contracts

CON_TRANS_CODE	CON_NO	CON_OCA_NO	Vendor	Agency	Article Links
CT1	20258800595	1015782393	DERIVE TECHNOLOGIES LLC	ACS	
CT1	20241408131	1014857302	FORT ORANGE PRESS INC	BOE	
CT1	20248804557	1015070738	KEEFE GROUP LLC	DOC	<a href="#">Read more</a>
CT1	20241411027	1015023965	SECURUS TECHNOLOGIES LLC	DOC	<a href="#">Read more</a>
CT1	20248806087	1015553923	STASI INDUSTRIES INC	DOC	<a href="#">Read more</a>
CT1	20249456205	1014894550	INFINITY SYSTEMS INC	DOE	
CT1	20248801671	1014522089	RAPID RELIABLE TESTING NY LLC	HPD	<a href="#">Read more</a>
CTR	20211416338	1015581985	CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES IN	MOCJ	
CT1	20228804812	1012284799	EXODUS TRANSITIONAL COMMUNITY INC	MOCJ	<a href="#">Read more</a>
CTR	20228806475	N/A	MDB DEVELOPMENT CORPORATION	NYPD	<a href="#">Read more</a>
CT1	20248800031	1014252216	AETNA LIFE INSURANCE CO	OLR	
CT1	20228803869	1012218444	ANTHEM INSURANCE COMPANIES INC	OLR	<a href="#">Read more</a> <a href="#">Read more</a>

# Endnotes

---

- <sup>1</sup> [Annual Summary Contracts Report for the City of New York: Office of the New York City Comptroller Brad Lander \(nyc.gov\)](#)
- <sup>2</sup> [What NYC’s helpers need and deserve: Incoming Mayor Adams and Comptroller Lander announce a new push to pay nonprofits that help the needy – New York Daily News \(nydailynews.com\)](#)
- <sup>3</sup> [23NFPRRelease.Rpt.11.10.2021.pdf \(nyc.gov\)](#)
- <sup>4</sup> [Comptroller Lander Proposes Procurement Reforms to Fight Corruption, Improve Transparency, and Support MWBEs: Office of the New York City Comptroller Brad Lander \(nyc.gov\)](#)
- <sup>5</sup> <https://council.nyc.gov/press/2024/07/23/2673/>
- <sup>6</sup> [Annual Report on M/WBE Procurement: FY22 Findings and Recommendations \(nyc.gov\)](#)
- <sup>7</sup> [Annual Report on M/WBE Procurement: FY22 Findings and Recommendations \(nyc.gov\)](#)
- <sup>8</sup> <https://www.nydailynews.com/2024/09/03/nyc-comptroller-brad-lander-blocks-5-million-nypd-contract-construction-firm-indicted/>
- <sup>9</sup> <https://ag.ny.gov/press-release/2015/ag-schneiderman-announces-800000-settlement-bronx-nonprofit-diverted-money>
- <sup>10</sup> <https://comptroller.nyc.gov/reports/a-better-contract-for-new-york/>
- <sup>11</sup> [Better Contract for New York](#)
- <sup>12</sup> <https://comptroller.nyc.gov/reports/annual-contracts-report/>





NEW YORK CITY COMPTROLLER  
**BRAD LANDER**

---

1 Centre Street, New York, NY 10007

[www.comptroller.nyc.gov](http://www.comptroller.nyc.gov)

 @NYCComptroller

(212) 669-3916