



NEW YORK CITY COMPTROLLER  
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# Déjà Vu All Over Again: NYC's Over-Reliance on Extension Contracts

BUREAU OF CONTRACTS ADMINISTRATION

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# Executive Summary

Last February, the Comptroller's office released a [detailed analysis](#) into the City's inability to register contracts in a timely manner. Contract registration is the last step in the procurement process, allowing the City to pay vendors with whom it does business. However, procurement delays are rampant throughout the contracting pipeline, tying up even the process for soliciting new contracts. In its [Local Law 169 of 2023 report](#), published in October 2024, the Administration stated that the median amount of time for a human service contract in FY24 to be procured and advanced to registration was 355 days. 212 of these days were consumed during the pre-solicitation, solicitation, and proposal evaluation steps.<sup>1</sup>

It has always been clear that delays in the procurement cycle put enormous financial strain on City contractors, especially non-profits. Less obvious are the ways that the City's struggles, and the Administration's band-aid approach to addressing these concerns, have undermined fairness in the City's procurement process. One area of concern is the City's increased use of Negotiated Acquisition Extensions (NAEs) in recent years. NAEs are a procurement method authorized under the Procurement Policy Board (PPB) Rules, specifically Section 3-04, which allows the City to use a new agreement to extend the term of an underlying contract beyond the maximum time period originally agreed to by the agency and vendor (even after exhausting extension and renewal options afforded by the PPB Rules). With the express authorization of the Mayor's office, NAEs should only be used in rare cases where a project is taking longer than anticipated to complete, or when agencies have not been able to procure a replacement contract in a timely manner.

When the Administration, for any number of reasons, fails to timely release and approve new Requests for Proposals (RFPs), agencies are forced to turn to NAEs as their last resort for keeping vital goods and services flowing. However, overreliance on, or excessive use of, NAEs can cause real harm (particularly in the Human Services industry where NAEs are most concentrated). NAEs lock existing providers into contractual terms and pricing structures that may no longer fit the reality of their current costs or their programmatic needs.<sup>2</sup> NAEs also freeze opportunities for competition, preventing agencies from considering new providers and innovative approaches. Since NAEs tend to have shorter durations than typical contracts, they end up overtaxing the

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<sup>1</sup> Visit our Contract Primer for more information about these procurement steps: <https://comptroller.nyc.gov/reports/contract-primer/>

<sup>2</sup> Bamberger, C. (2025, January 31). NYC after-school providers warn programs could close without more funds. *New York Daily News*. <https://www.nydailynews.com/2025/01/30/nyc-after-school-providers-warn-programs-will-close-without-more-funds/>

limited capacity of vendors and agency staff by forcing them to process contract documents multiple times over a period of years instead of just once.<sup>3</sup>

## Key Findings

- Use of NAEs is particularly concentrated in the Human Services industry. Among Health and Human Service (HHS) agencies under the Mayor Eric Adams' (Adams) administration, this share is over 92%.
- Human Service industry contracts are also overwhelmingly registered late. The retroactivity rate for human service contracts in fiscal year (FY) 2024 was 90.72%.<sup>4</sup>
- Some agencies are leaning heavily on NAEs to keep vital services flowing. Since the start of the Adams Administration nearly **a quarter of Department of Social Services (DSS) contracts, and a fifth of Administration for Children's Services (ACS) and Department of Youth and Community Development (DYCD) contracts** were registered via NAE.
- NAEs are being used to extend contracts for many "generations" beyond the original contract. From FY2022 to FY2024, **nearly a quarter of NAEs (23.58%) extended their underlying contracts for at least the fifth time**. One NAE registered under the DSS extended its underlying contract for the 11<sup>th</sup> time.<sup>5</sup>

## Recommendations

1. **Increase funding for new solicitations:** The City must do a better job of factoring in changing costs when budgeting for critical Human Service programs. This is especially true when these programs are approaching the end of their planned contracting cycle. Concerns about higher costs for new competitively sourced contracts should not be an excuse for the City to extend years-old rate structures in perpetuity.
2. **Link the approvals of NAE and new solicitation more closely:** Barring extraordinary circumstances, it is the City's responsibility to reprocur contracts within the allotted time to encourage competition, reflect changing market costs, and assess current service needs. NAEs can be a necessary tool to help the City continue services until new contracts are procured, but their effectiveness is contingent on the timely approval of new

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<sup>3</sup> For more information about the lengthy process to advance City contracts through the procurement pipeline, visit our 2025 spotlight report: "NYC Contracts: Caught in the Slow Lane" <https://comptroller.nyc.gov/reports/nyc-contracts/#executive-summary>. The Comptroller's office has similarly reported on post-contract registration delays in the budgeting and invoice process. More information on this topic can be found here: <https://comptroller.nyc.gov/reports/nonprofit-nonpayment/#executive-summary>

<sup>4</sup> Even after excluding non-mayoral contracts and City Council Discretionary contracts, the latter of which are overwhelmingly retroactive, the FY24 lateness rate for human services contracts was 84%.

<sup>5</sup> CT1-069-20258800362

solicitations. Accordingly, the Office of Management and Budget (OMB) and other key stakeholders involved in the City's solicitation planning should be made party to the NAE approval process. The process should ensure that the approval of an NAE comes with the City's full commitment to an agreed upon solicitation timeline.

3. **Set ambitious, achievable deadlines for procurement milestones besides Comptroller reviews:** The Comptroller's Office contract review is currently the only part of the procurement process with a charter-mandated time-limit: to register or return each contract within 30 calendar days of receipt, an obligation this Office has met consistently. MOCS should follow through with commitments it made in the Joint Task Force to Get Non-Profits Paid and the Capital Reform Task Force to impose ambitious and achievable timeframes and KPIs for other parts of the City's procurement process, including the consideration and approval of new solicitations. Putting a clock on the portions of the procurement pipeline that the Administration oversees will make the City a more reliable partner for both its vendors and the people who rely on the services.

# NAE Usage Findings

Pursuant to PPB Section 3-04, agencies can move to limit competition under the Negotiated Acquisition (NA) and NAE procurement method. While this report largely focuses on NAEs, both methods were established for the City's use when time or market constraints preclude agencies from utilizing a competitive procurement method. NAEs are typically used when:

1. Goods or services were needed for a longer time than originally anticipated under the base contract.
2. Or the managing City agency has not been able to procure a replacement contract in a timely manner.

NAEs can be a helpful band aid when the City needs more time to procure replacement contracts for ones that are expiring. However, agencies often face obstacles and unpredictability while seeking approval to release new procurements. Agencies that don't know when they will be approved to release new RFPs are forced to turn to NAEs just to keep important goods and services flowing.

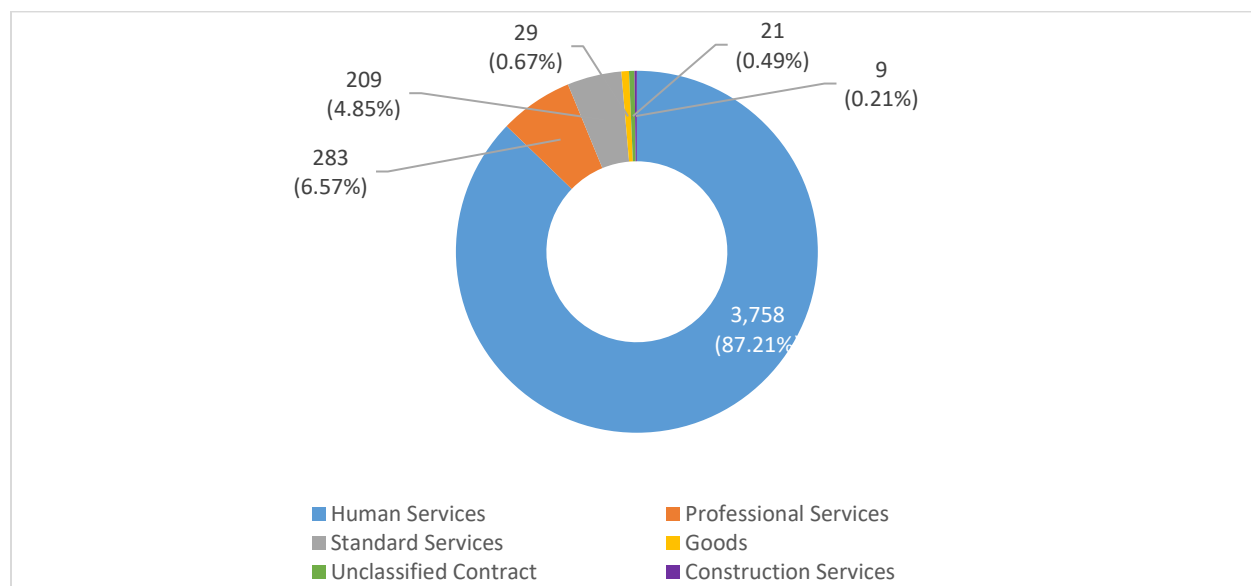
The City has registered 7,800 NAEs (extending over 4,000 unique contracts) since 2010. Notably, DYCD registered over a third of all NAEs during this period. DYCD, the Department for the Aging (DFTA), and ACS accounted for seven-in-ten NAEs registered since 2010. As of March 2025, the vast majority (265 of 275) of active NAE contracts worth over \$100K were operating under one of the City's HHS agencies.

## Not by Chance, Human Services Make Up the Lion's share of NAEs:

NAEs are used most often in the Human Service Industry, which account for 87% of all NAE contracts registered since 2010. In stark contrast, Professional Services account for only 6.57% of the NAE portfolio, followed by Standard Services at a mere 4.85%. If NAEs were a necessary release valve to address broader problems with the City's procurement system, one would expect agencies to use them more evenly across industries. Instead, human services are the victims of their own importance. Since any service interruption may be devastating to the New Yorkers that rely on these programs, the City prioritizes their continuity in the near-term above all else (even when longer-term sustainability is undermined in the process).

Chart 1 provides a detailed breakdown of NAE distribution across industries, with the remaining three sectors collectively representing a negligible 1.37% of the total.

## Chart 1: NAE Breakdown across Industries Since 2010



Source: New York City Financial Management System

## It is (Appropriately) Uncommon for NAEs to Extend Contracts in Perpetuity

To trace the evolution of contracts that become NAEs, we conducted a historical analysis of recent contracts using their predecessor contract IDs.<sup>6</sup> For analytical clarity, contracts were categorized into three distinct groups: “Original Contracts” (first generation), “Subsequent Generations” (incrementally numbered renewals or replacements), and “Chain Contracts” (contract records stuck in between their original and most recent generations).

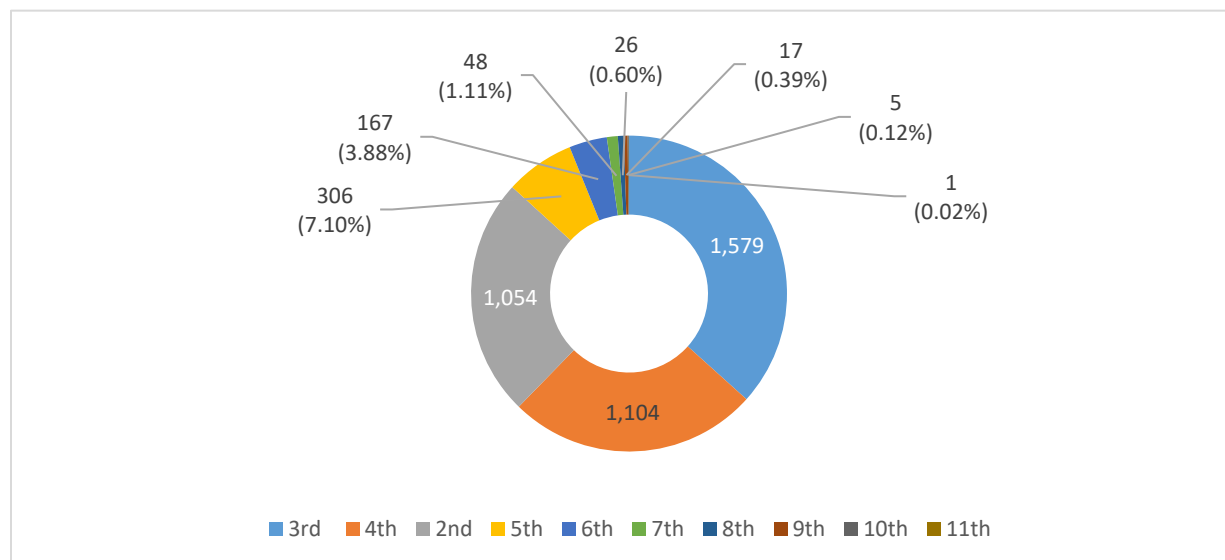
Chart 2 illustrates the distribution of NAE contracts by generation since 2010. Only about 14% of NAEs were found to extend the underlying contract into a fifth generation or beyond. While some contracts are extended via NAE by their second generation, it is common for contracts to be extended for their first few generations by amendments and renewals. However, amendment and renewal options are often exhausted by the fourth generation. By the fifth generation (and beyond), the City must process NAE after NAE to keep the underlying services flowing.

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<sup>6</sup> The City’s Financial Management System typically captures the identification number of the base contract that the City is extending via an NAE or contract renewal. By tracing these referenced ID numbers, we were able to trace most NAEs back to their original contracts.



## Chart 2: Breakdown of NAEs by Generation – Since 2010



Source: New York City Financial Management System

While NAEs are a useful tool for covering unexpected overages, or as a short-term bridge to the next solicitation for contracts, they should not be used to extend contracts multiple times beyond what was planned in the original contract. However, the share of NAE contracts in their fifth generation or higher has increased from 14% to nearly 24% since FY2022. These providers are often locked into pricing models from their base contract, which may no longer reflect real costs.

## Recent Overuse of NAEs at HHS Agencies

In an effort to examine more recent trends, this report conducted an analysis of HHS agency contracts registered since January 1, 2022, and exceeded \$100K in value. Table 1 compares the share of NAE contracts an agency registered relative to their overall contract portfolio. Across this period, DSS exhibits the highest NAE utilization, accounting for nearly a quarter of its contracts registered during this period. ACS and DYCD follow with comparable rates, registering approximately one-fifth of their contracts via NAEs since the start of the Adams administration.

**Table 1: Top Agency NAE Utilization from 1/1/22 (Human Service Agencies Over 100K)**

Agency	Total Contracts Registered	NAEs Registered	NAE Utility Rate
DSS	913	218	23.88%
ACS	652	126	19.33%
DYCD	2,051	387	18.87%
SBS	250	27	10.80%
DHS	506	49	9.68%
DOC	120	8	6.67%

Source: New York City Financial Management System

# Case Study – DYCD Compass Afterschool Contracts

DYCD’s extensive registration of Human Service contracts makes them particularly well-suited for an analysis into the City’s reliance on NAEs. Chart 3 illustrates DYCDs portfolio of Comprehensive After-School System (COMPASS) contracts from 2015-2024.<sup>7</sup> DYCD registered hundreds of COMPASS contracts via RFP between 2012-2015. Upon the expiration of their initial three-year terms, DYCD elected to extend most of them using renewal options that were included in the base COMPASS contracts. A replacement RFP planned for release in FY2018 was cancelled, forcing the agency to turn to the NAE method to keep services flowing in 2021 after the base contract’s renewal options expired.

The pandemic, and then the mayoral transition, may have reasonably led the City to further delay the release of a new RFP for afterschool services but these delays continued to persist well into the Adams administration. DYCD was unable to execute a plan to release a new RFP in FY2024. The Administration’s latest plan, released in April, aims to launch new afterschool contracts in FY2027. In the meantime, the City has continued to use these moving goal posts to justify additional extensions of decade-old after-school contracts via the NA<sup>8</sup>, and NAE methods. In recent months the Administration and DYCD submitted approximately 400 NAE contracts to keep these afterschool services going in FY2026, but under antiquated terms.

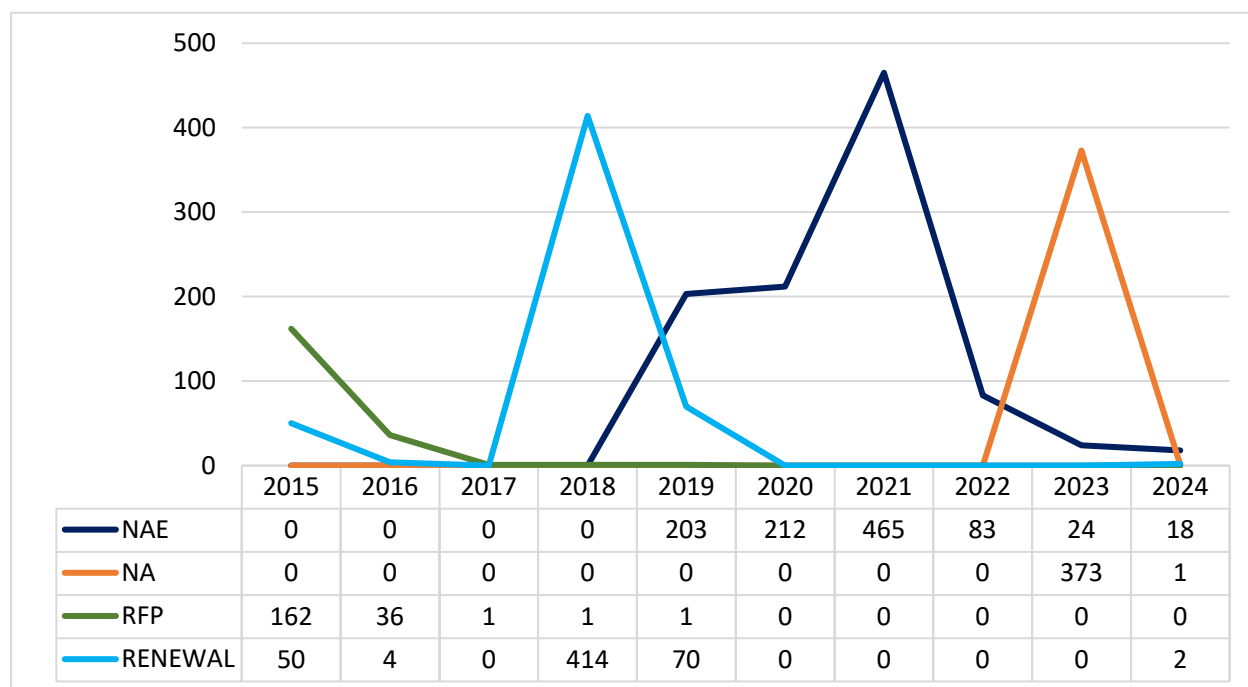
If new competitively procured COMPASS contracts actually begin as planned in 2027, it will be the first time in over 12 years that most DYCD afterschool providers will be operating under new payment terms.

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<sup>7</sup> COMPASS and another afterschool program, Schools Out New York City (SONYC), comprise over 820 programs through the City’s five boroughs. COMPASS and SONYC provide elementary and middle school students with educational support, recreation, enrichment, and cultural activities during after school hours (including summer and holidays).

<sup>8</sup> In cases where there was no reference identification number, linkages between Compass RFPs and both NAEs (2021) and NAs (2023) were established by matching vendor names, contract purposes, and contract terms to track the progression of COMPASS contracts overtime.

### Chart 3: DYCD Compass Contract Focus

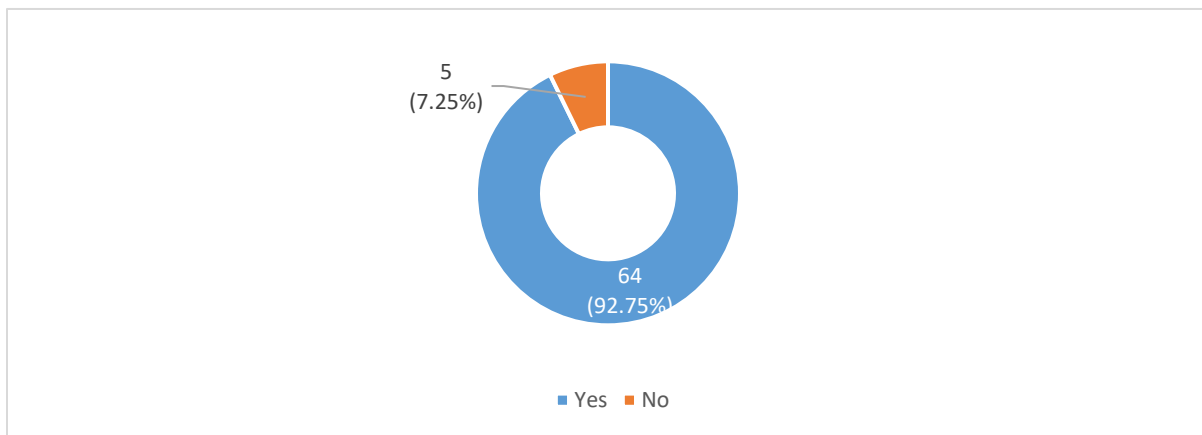


Source: New York City Financial Management System

## Tracing COMPASS Vendors from RFP to NA

Unlike NAEs, standard NAs do not always have a reference ID number that can be used to trace a contract back to its original version. In the case study above, DYCD elected to extend its COMPASS contracts via NAE first and then used a standard NA to continue them further. To ensure these NAs were still captured as a continuation of the original COMPASS RFP contracts, we analyzed vendor awards in two distinct scenarios. Our initial in-depth study focused on the RFP surge of 2015 and the subsequent NA peak in 2023. Filtering the data yielded 69 unique vendors awarded DYCD Compass contracts. Notably, 64 of these vendors (93%) initially awarded contracts through RFPs in 2015 were later awarded Compass contracts via Negotiated Acquisitions in 2023. Chart 4 illustrates this vendor retention across different award methods for the same contract purpose.

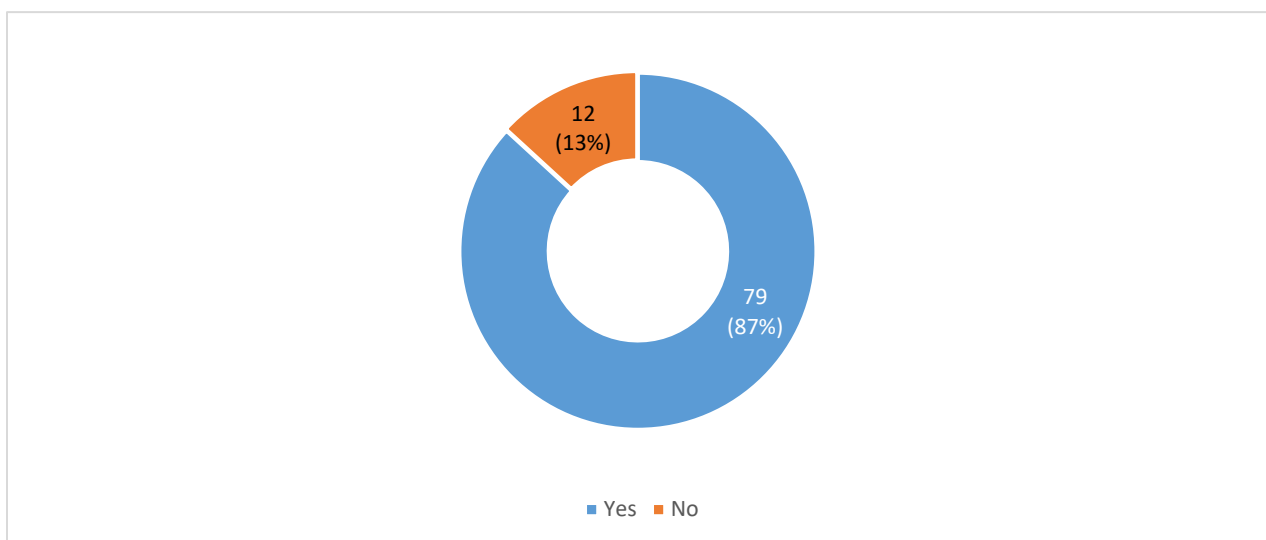
## Chart 4: Share of Vendors Awarded NA Compass Contracts in 2023



Source: New York City Financial Management System

Expanding our analysis to encompass all DYCD COMPASS Contracts awarded via RFP since 2010, we identified 91 unique vendors. Vendor code comparisons revealed that 79 of these vendors (86.81%) were subsequently awarded similar COMPASS contracts through NAs. While this broader analysis shows a slightly lower percentage, it along with our prior study strongly suggests a trend of agencies utilizing the NA award method to acquire services prior to the expiration of existing contracts. This practice effectively limits opportunities for new vendors to compete for similar contracts typically procured through competitive methods like RFPs. Refer to Chart 5 for the distribution of vendors awarded Compass contracts through the NA award method.

## Chart 5: Share of Vendors Awarded NA Compass Contracts Since 2010



Source: New York City Financial Management System

# Methodology

This analysis examined the City contracts using data extracted from the City's Financial Management System (FMS) for the period of January 1, 2005, through December 31, 2024. We also incorporated registered modifications from January 1, 2010, through December 31, 2024, including key fields such as 'Revised End Date' and 'Revised Contract Amount'. The broader timeframe for Parent Contract data (2005-2024) was necessary to accommodate the backtracking process for NAEs registered since 2010, as some predecessor contract IDs predated 2010. This additional five-year buffer aimed at minimizing unmappable contracts.

To trace the evolution of contracts leading to current NAEs, we backtracked the lineage of the most recent modified contracts using their 'Replaced Award IDs'. For each 'Replaced Award ID', we identified its award method and its own 'Replaced Award ID', if applicable. In this backtracked file, a 'Replaced Award ID' without a further 'Replaced Award ID' was designated 'Original' (first Generation), with subsequent contracts in its lineage labeled second, third Generation, and so forth. This generational data was then organized linearly, and any contract IDs falling between the 'Original' and the most recent contract were categorized as 'Chain' contracts. Finally, these generation labels were integrated back into the original NAE dataset.

For our analysis, the compiled data was further filtered for Human Service agencies registering contracts valued at \$100K and higher where their generation was not categorized as 'Chain'.

# Acknowledgements

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