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DOI RELEASES REPORT ON PROGRESS OF NEW YORK CITY BUILD IT BACK PROGRAM

MARK G. PETERS, Commissioner of the New York City Department of Investigation ("DOI"), issued a Status Report today on DOI's monitoring of the Build it Back ("BIB") program that is facilitating the rehabilitation and rebuilding of homes damaged or lost during Hurricane Sandy. DOI initiated its monitorship in November 2013 to investigate and deter potential fraud, waste or abuse by City employees, contractors and beneficiaries. After major delays were identified, DOI worked with the Mayor's Office of Housing Recovery Operations ("HRO") to identify the cause of the delays and ensure remedial action and greater efficiency in the program. As part of that monitoring program, DOI found that a confusing, multi-layered application process, among other issues, have caused bottlenecks that delayed the application process and critical assistance from reaching homeowners. BIB's Single Family program, for persons residing in one- to four-unit structures, received more than 20,000 applications from homeowners in need of assistance, and as of early September, over 6,000 applications had been withdrawn or become unresponsive, and of the approximately 14,000 remaining applications, more than 90% have yet to receive any assistance. A copy of DOI's Report is attached to this release and can be found at the following link: <http://www.nyc.gov/html/doi/html/doireports/public.shtml>

DOI Commissioner Mark G. Peters said, "Build it Back is an essential program that has not lived up to its full mandate with thousands of eligible homeowners who were victims of Hurricane Sandy still waiting to get assistance. DOI's Report exposes bottlenecks and recommends some remedies to get the program working more efficiently."

DOI's Report identified a number of shortcomings in the program's initial launch and administration, including:

- a multi-layered and confusing application process
- poor communications with applicants
- inefficient processing of applications
- inadequate coordination among vendors and
- delays in executing construction agreements

DOI has made several recommendations that strengthen and improve the process, specifically:

- Streamlining processes, such as eliminating redundant environmental tests and reviewing required steps to make them more logical. For instance, homeowner-contributed funds are now required after the design consultation so homeowners know what repairs they will receive before they supply their own funds to the process.

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- Improving application processing and communications through HRO's increased daily presence at BIB recovery centers to ensure better performance.
- Accelerating execution of the tri-party agreements between the homeowner, contractor and BIB's designated design specialists by assigning responsibility of resolving disputes to a designated HRO Project Manager.

HRO has begun to implement these recommendations.

DOI will continue to monitor BIB's performance and whether there is potential fraud, waste, or abuse by City employees, contractors and program beneficiaries.

Commissioner Peters thanked Amy Peterson, Director of the Mayor's Office of Housing Recovery Operations, and members of her staff, for their ongoing assistance in DOI's monitorship of the program.

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City.

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DOI Monitorship of New York City Build it Back Program – Status Report

I. Executive Summary

On October 29, 2012, Hurricane Sandy made landfall in New York City, affecting tens of thousands of New Yorkers. In the immediate aftermath of the storm, the New York City Rapid Repairs Program provided critical assistance to more than 20,000 families, allowing those who had lost heat, hot water or electricity to return to their homes with those basic necessities restored. On June 3, 2013, the Build it Back (“BIB”) Program was launched to facilitate long term rebuilding and rehabilitation following the storm. BIB also offered a means for homeowners to recover certain out-of-pocket expenses incurred due to the storm.

BIB’s Single Family program received more than 20,000 applications from homeowners in need of assistance. The program, however, has been unable to provide relief to the majority of its applicants to date.¹ As of September 9, 2014, over 6,000 applicants have withdrawn or become unresponsive, leaving approximately 14,000 active applications in the Single Family program. Repair work has been scheduled to begin on 554 homes (including 446 homes in the Single Family program as well as 108 in the Multi-Family program) and 520 reimbursement checks have been issued to 520 applicants as of September 9.² More than 90% of active Single Family applicants have yet to receive BIB assistance.

The New York City Department of Investigation (“DOI”) has been monitoring BIB since November 2013, to investigate and deter potential fraud, waste or abuse by City employees, contractors and beneficiaries. DOI receives information regarding potential misconduct through its 24-hour Hurricane Sandy fraud hotline and its Integrity Monitor team deployed in the field. DOI’s investigators pursue leads obtained from these sources and elsewhere. DOI conducts private investigations, observes selected construction work, alerts BIB of any safety issues noted in the field, and audits selected billing records. Based on its observations, DOI recommends efficiency improvements, recoups financial losses and refers findings for criminal prosecution.

DOI is also working collaboratively with the Mayor’s Office of Housing Recovery Operations (“HRO”) to identify inefficiencies that have created bottlenecks, slowed the pace of delivery of benefits to applicants, and potentially caused a waste of BIB funds. In particular, DOI has been observing BIB’s pre-construction operations (such as BIB’s processing of applications) while construction work is slowly ramping up. Through its ongoing dialogue with HRO, DOI has recommended numerous improvements to the efficiency of these operations, and will continue to do so.

¹ BIB’s Single Family program, which has received over 95% of BIB’s total applications, provides repair and reimbursement assistance to persons residing in one- to four-unit structures. BIB’s Multi-Family program, which is managed by the City’s Department of Housing Preservation and Development, provides repair and reimbursement assistance to applicants residing in structures containing five or more units. DOI is monitoring both programs for fraud, waste and abuse. This report, however, is focused on the Single Family program, and the figures cited herein relate to that program only. These figures thus differ from figures published by the Mayor’s Office of Housing Recovery Operations that include the Multi-Family program, particularly the figures for the month of August 2014, in which the Multi-Family program reported its first construction starts.

² An additional 35 reimbursement checks had been processed by HRO and were awaiting final approval from the Financial Information Services Agency (FISA) as of September 9, 2014.

This report describes both BIB’s shortcomings and remedial measures taken by HRO to overcome these weaknesses. Key bottlenecks observed by DOI include a multi-layered and confusing application process, poor communications with applicants, inefficient processing of applications, inadequate coordination among vendors, and delays in executing construction agreements. Key remedial measures (some of which were produced by the collaboration between DOI and HRO) include streamlining key processes, increasing the presence of City personnel at vendor-operated Recovery Centers, and implementing a “12 Day Scope Turnaround” to accelerate the execution of construction agreements.³

This report also includes an evaluation of HRO’s progress in advancing applicants through BIB and providing benefits based on four key metrics: (1) benefit agreements⁴ signed, (2) construction starts scheduled, (3) construction completions, and (4) reimbursement checks issued. These metrics show that, although BIB’s performance has improved over the past five months, the majority of applicants have not yet received benefits more than one year after the launch of the program.

II. Observed Bottlenecks and Inefficiencies

DOI has observed that BIB’s slow pace in providing benefits has been caused in part by its efforts to comply with legal requirements, including those imposed by the federal Department of Housing and Urban Development (“HUD”). BIB’s progress is also challenged by technical circumstances beyond its control, such as the particular challenges of performing repairs in New York City’s unique urban landscape.

These challenges notwithstanding, DOI has also observed that other sources of delay could have been avoided through better initial design or execution of the program. These sources of delay include the following:

- 1) *Multi-Layered and Confusing Process.* The initial design of BIB resulted in a multi-layered process that has made it extremely difficult for applicants to progress through the program. Applicants must participate in multiple meetings (including meetings at the BIB Recovery Centers and meetings at the applicants’ homes) before any repair work can begin. Additional meetings are frequently required if the documentation originally provided by the applicant is incomplete or if a structural engineering evaluation is necessary. The number of required meetings makes for a highly drawn out, confusing process.
 - o For example, DOI reviewed an application in which, over the course of one year, the homeowner participated in four in-person meetings, received four separate phone calls from BIB regarding missing documentation to which they believed had already been submitted and called BIB 15 times for a status update before receiving any benefits from BIB.

³ HRO is also seeking additional prime contractors to work on BIB. Once implemented, this may enable the program to provide more construction services to assistance applicants.

⁴ For the purposes of this report, a “benefit agreement” is defined as an executed Option Selection Agreement or Reimbursement Worksheet.

- 90% of applicants have not received reimbursement or completed construction design but rather are stalled in earlier stages of the program.
- 2) *Tiered System and Quality Control Reviews.* BIB instituted an unnecessarily redundant tiered system of analytical processes to determine whether an applicant is eligible for benefits and what type of benefits BIB can offer to the applicant. These analytical processes are then followed by multiple quality control reviews to check whether they were performed correctly. The result is a program with numerous potential points of failure and delay at which applications frequently get stalled.
- As of September 9, 2014, 2,982 Single Family homeowners had agreed to accept construction benefits offered to them by BIB. Approximately 21% of them, however, were undergoing quality control reviews before they could advance to the next stage of the program. These reviews are performed by BIB vendors to verify that supporting documentation is complete and accurate and that the applicant is eligible under BIB's rules to receive the offered benefits.
 - For example, DOI has reviewed an application in which the applicant agreed in April 2014 to have repairs performed on his home. Three months passed, however, before BIB completed its subsequent quality control review in late July 2014. Under BIB's rules, only after the quality control review was completed could the applicant schedule a Design Consultation to begin construction design. The Design Consultation has not occurred and, as of September 9, 2014, the applicant's home has yet to receive any repairs.
- 3) *Inefficient Application Processing.* The BIB personnel responsible for interfacing with applicants have often failed to ensure that the forms submitted by applicants are completed correctly. Applicants' information has also been improperly entered into the BIB database, causing further delays in application processing. The Recovery Centers have a quality control process in place, but it has failed to consistently ensure that applications are complete before they advance in the program.
- For example, homeowners have been asked to resubmit documents that BIB later informed them were already on file, or documents that BIB acknowledged that it had received but lost. One homeowner informed DOI that he had to return to a BIB Recovery Center multiple times to resubmit his birth certificate. Despite multiple trips to the Recovery Centers in July and September of 2013, the applicant's paperwork was not deemed complete until July 2014.
 - The BIB vendor responsible for a key compliance review of all eligibility criteria for each application has reported that over 10% of the applications which have passed an initial quality control review have failed to pass further quality control reviews because required documentation was in fact missing or incomplete.

- 4) *Poor Communications with Applicants.* The inability of BIB personnel to communicate effectively with applicants has caused confusion and undermined applicants' confidence in BIB, as BIB personnel are often unable to explain to homeowners why their applications are insufficient.
- Although over 20,000 applicants registered for BIB, over 6,000 of them—approximately 30%—have withdrawn or become unresponsive. Based on DOI's observations and reports from HRO, a portion of the applicants who have withdrawn have done so because of frustration with BIB rather than because they no longer require repair services or reimbursement.⁵
 - *Inadequate Coordination among Vendors.* BIB has delegated operational responsibility for numerous processes to different vendors. DOI has received reports that some of these vendors have at times been reluctant to share information with each other. These reports are significant because vendors depend on each other to perform their functions. For example, the vendor responsible for calculating the benefits an applicant may receive depends on another vendor to accurately collect the data. Shortcomings in vendor collaboration, therefore, undermine BIB's ability to efficiently make benefit determinations.
- 5) *Delay in the Execution of Tri-Party Agreements.* The "Tri-Party Agreement" ("TPA") is the contract between the homeowner, the contractor and BIB's designated "Design Specialist" that governs the scope of work to be performed as well as other key terms and conditions of construction.⁶ As of September 9, 2014, 833 applicants had completed all necessary pre-construction processes, yet only 435 applicants had signed TPAs and scheduled a construction start. The remainder were largely stalled for numerous reasons, including—but not limited to—the following:
- Non-unit price items ("NUPIs"): The TPA cannot be executed until the price of all repair items is agreed upon by HRO and the contractor. Although the unit prices for over 800 items have been established in a unit price list, NUPIs continue to arise (particularly NUPIs related to environmental remediation), and they often delay the signing of the TPA.
 - Design Specialists: Design Specialists have had difficulty in determining a final scope of work during Design Consultations, necessitating further reviews before the TPA can be completed. For example, TPAs have been delayed due to uncertainty surrounding the classification of basements and cellars. (Basements and cellars are differentiated by the City's Housing Maintenance Code and basements generally are eligible for more repairs than cellars under BIB's rules.) This uncertainty has occurred despite extensive training provided by HRO on the subject.

⁵ The precise number of these withdrawals cannot be determined based on the available data.

⁶ A homeowner may only enter into a TPA after the homeowner has entered into a general agreement to accept repair or elevation services from BIB rather than pursue other options offered by BIB to some applicants, such as having their home acquired by New York State, having their home rebuilt entirely, or receiving reimbursement only.

- Lack of clear authority: DOI has observed that many of the delays in the TPA process were caused by a lack of a clear authority in charge of overseeing it. The TPA requires three parties to come to terms and therefore needs someone who can coordinate all parties and bring the process to a close. DOI recommended to HRO that it assign BIB personnel this responsibility, as discussed in Section III, below.

These issues, as well as others observed by DOI,⁷ appear to be responsible for delaying progress. HRO's efforts to address these issues are described in the following section.

III. HRO's Remedial Measures

Through regular meetings and ongoing communications, DOI has worked collaboratively with HRO and other relevant City agencies to identify bottlenecks and recommend improvements to BIB. Key remedial measures undertaken by HRO this year—including many measures recommended by DOI—include:

- *Streamlining Processes* (Relevant to the first two inefficiencies noted above). DOI observed that in many instances environmental subcontractors were performing redundant asbestos tests in residences. HRO concluded that it could eliminate the first test, saving costs and streamlining the process. BIB also initially required applicants to pay any required "Transfer Amount" before they could proceed to the Design Consultation.⁸ This forced homeowners to commit their own funds before they knew exactly what repairs they would receive, which many homeowners were hesitant to do. BIB has now modified its procedures to allow applicants to pay the Transfer Amount after the Design Consultation.
- *Measures to Improve Application Processing and Communications* (Relevant to the third and fourth inefficiencies noted above). Among other initiatives, HRO has increased its daily presence at each of the BIB Housing Recovery Centers to ensure better performance by BIB's vendors and improve application processing efficiency. In addition, HRO is modifying its case management approach to ensure that the same representative responsible for processing the applicants will also be responsible for follow-up communications with those applicants. Previously, these roles were handled by multiple people.
- *Measures to Accelerate Execution of TPAs* (Relevant to the final inefficiency noted above). HRO has recently developed a "12 Day Scope Turnaround" protocol intended to ensure that a TPA will be executed within 12 days of the Design Consultation. As recommended by DOI, the new protocol assigns

⁷ Other causes of delay observed by DOI include, but are not limited to, BIB's policy of not providing benefits until homeowners have closed out any open permits not related to BIB; appeals by applicants contesting BIB's benefit calculation; and disputes related to the impact of applicants' Small Business Administration loans on eligibility and benefit determinations. As of September 9, 2014, 694 applicants had open permits that needed to be resolved before they could proceed, and 658 applicants were appealing BIB's benefit calculation.

⁸ BIB requires applicants to contribute to the program any funds that they received from other sources for Sandy-related damages but did not spend on activities related to storm recovery. This contribution is referred to as the "Transfer Amount." BIB requires applicants to contribute any Transfer Amount in order to comply with the federal law prohibiting the provision of "duplicative benefits."

responsibility for resolving TPA disputes to a designated HRO Project Manager. HRO has also accelerated the TPA process through the use of electronic signatures, which eliminates the need for an additional meeting with applicants to obtain their signatures. In addition, where necessary, HRO may now decrease the processing time for the asbestos review—which must be completed prior to the TPA being signed—from ten days to five days.

In its efforts to accelerate the delivery of benefits, HRO has also modified BIB in other ways, including eliminating prioritization classifications⁹, adding additional contract management support, staff to support the City's Project Managers, reassigning homes from one contractor to another when impasses arise, and amending the contracts with subcontractors to streamline the intake process.¹⁰ While these are all important steps, based on the inefficiencies noted in Section II above, additional measures are necessary in order to provide services to all applicants in a reasonable timeframe. DOI's observations regarding BIB's progress in delivering benefits are described in the next section.

IV. BIB's Progress to Date

DOI, in collaboration with HRO, is observing whether the remedial measures implemented by HRO are leading to meaningful improvements. DOI has been especially focused on four key metrics (based on data from HRO's electronic application files) which illustrate BIB's progress in the Single Family program over time:

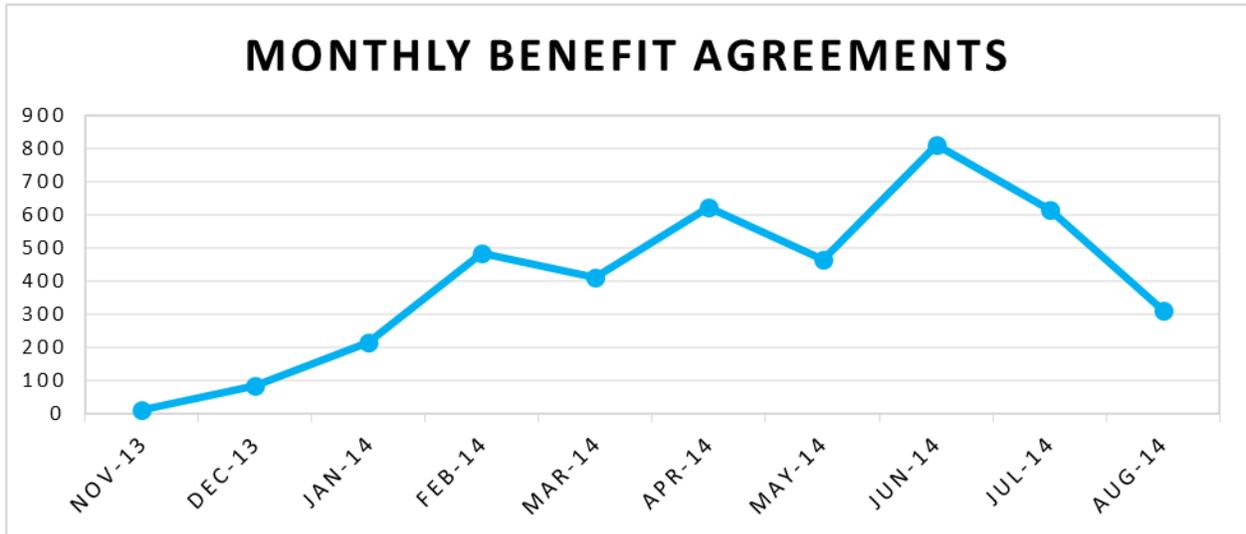
- The number of agreements to accept benefits (reimbursement or construction) that are signed;
- The number of homes in which construction has started or been scheduled to start;
- The number of homes in which construction has been completed; and
- The number of applicants who have received reimbursement checks.¹¹

The number of agreements signed is a meaningful benchmark of BIB's progress because it generally reflects the number of applicants who have passed through BIB's multilayered review processes. BIB first evaluates applicants' eligibility to receive construction or reimbursement assistance and then presents them with a preliminary benefit offer. The applicant must sign the agreement before BIB proceeds to final quality control reviews and either construction design or reimbursement. The following chart reflects the number of agreements signed in each month since November 2013.

⁹ BIB initially classified applicants into prioritization categories based on their income and the amount of storm damage their home suffered. These categories determined the order in which applicants were eligible to receive assistance. Homeowners reported to DOI that they had not received any assistance for months because they were not deemed to be of sufficiently high priority. BIB has discarded the priority system to allow applicants to advance in the program regardless of their priority category. BIB has done so, in part, because it has received additional federal funding. This additional funding has mitigated the original concern that BIB had to prioritize applications because it might not have sufficient funds to provide benefits for all eligible applicants.

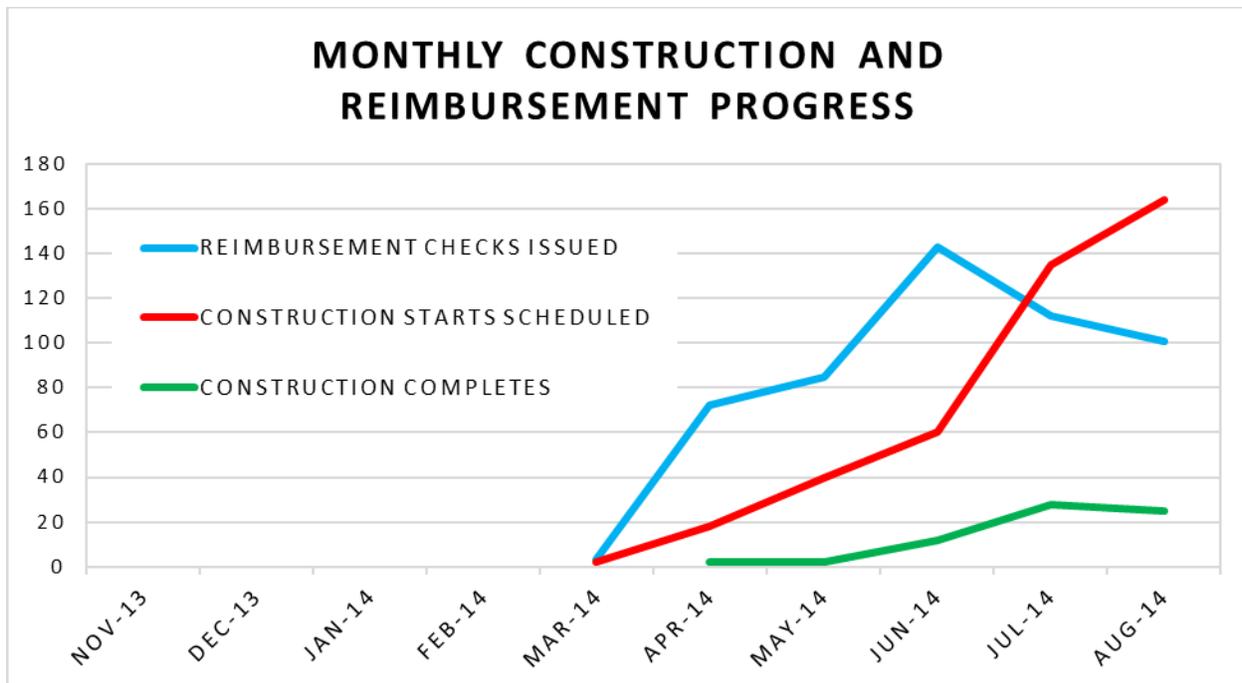
¹⁰ In addition, as stated above, HRO is seeking additional prime contractors to work on BIB. Once implemented, this may enable the program to provide more construction services to assistance applicants.

¹¹ These four metrics relate to BIB's progress in the Single Family program only. *See* footnote 1.



The chart demonstrates that BIB has increased the pace of benefit agreement signings since its earliest stages. However, the monthly number of benefit agreements signed has declined from a peak of 813 in June 2014 to 314 in August 2014. Approximately 67% of this decline is attributable to a decrease in the number of reimbursement agreements signed in this period, which was caused in part by a dispute between the federal government and the City regarding the manner in which the damages suffered by applicants are being assessed. This issue has been resolved and the signing of reimbursement agreements has picked up. If BIB were to return to the peak rate of 813 benefit agreement signings, it would complete the processing of all applicants in approximately one year.

In order to evaluate the number of New Yorkers who have received tangible benefits from BIB, as opposed to those who have only advanced through its initial stages, DOI considers the number of homes in which a construction start date has been established, the number of homes in which construction has been completed, and the number of applicants who have received reimbursement checks. The following chart shows the monthly data for these three categories since March 2014. In BIB's first eight months of operations, it did not begin any construction or provide any reimbursement.



As reflected in the chart, the number of construction starts scheduled has increased each month since March 2014, and the rate of construction completions and reimbursement checks issued has also generally increased. Despite this, however, the absolute numbers—446 single-family construction starts scheduled, 71 construction completions, and 520 reimbursement checks issued to applicants as of September 9th—remain low in comparison to the approximately 14,000 active applicants in BIB. Although BIB reached its Labor Day goal of a minimum of 500 construction starts (including construction starts in the Multi-Family program) and 500 reimbursement checks issued, at this rate, it could potentially take several years to complete the work.

Many New Yorkers are awaiting support from BIB as they continue to suffer from the devastating effects of Hurricane Sandy. In particular, approximately 10,000 active applicants to the Single Family program remain mired in BIB’s early stages and have yet to sign a benefit agreement. DOI will continue to monitor BIB’s performance and will work collaboratively with HRO to improve the delivery of benefits to New Yorkers. DOI will also continue to monitor any potential fraud, waste, or abuse by City employees, contractors, and program beneficiaries.