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The Integrity Monitor Program: The Role of the Private Sector in City Contract Oversight

New York City Department of Investigation (DOI)

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The Integrity Monitor Program

The Role of the Private Sector in City Contract Oversight

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New York City's Department of Investigation (DOI) is responsible for overseeing thousands of contracts between the City and private firms, worth more than \$14 billion annually. To fulfil this mandate, DOI vets every City contract and conducts regular audits and investigations to detect and address potential instances of waste, fraud, abuse, or corruption.

Certain City contracts may require extra oversight due to their nature, scale, or exigency or concerns about a contractor's past record of performance. In such cases, DOI might require contractors to comply with a regime of closer scrutiny and more regimented oversight to deter misconduct and detect potential issues early.

For this purpose, DOI created the Integrity Monitoring program in 1996. Also known as the Independent Private Sector Inspector General (IPSIG) Program, the Integrity Monitoring program establishes a method by which the City may require contractors to agree to be monitored by an outside, independent watchdog who reports to DOI. Under the program, DOI may also advise the City that a contract can be awarded or extended if the vendor agrees to be monitored for the duration of the contract by an independent monitor firm selected by and reporting directly to DOI.

DOI maintains a list of firms that have applied to serve as monitors and solicits proposals from such entities when a vendor requires an independent monitor. Since the Integrity Monitoring program began, such monitors have been assigned in more than 50 instances, and there are currently roughly 18 active Integrity Monitorships in place overseeing City projects.

Who are the Integrity Monitors?

Integrity monitors are individuals or entities with legal, auditing, investigative, and other capacities, designated by DOI to help monitor the activity of specified City vendors. Any firm can apply to be on DOI's list of integrity monitors; most eligible entities are law firms, accounting firms, and investigative firms with staff members with law enforcement experience.

To choose an integrity monitor to assign to a specific contractor, DOI matches the job requirements to applicants' expertise to determine which eligible monitors are qualified. A computerized, randomized selection process is then used to choose five finalists from the pool of qualified monitors. DOI then chooses the final candidate from the list. This rigorous process helps prevent creating unfair advantages for any particular vendors or monitors.

Once chosen, a monitor meets with DOI to determine a monitoring plan and enter a monitoring agreement, which includes details about compliance oversight and evaluation. Typically, the monitoring period lasts about three years. Although the monitor reports to DOI, the overseen vendor generally covers the cost of the monitorship.

Author:

This brief was prepared by the [New York City Department of Investigation](#) (DOI). DOI serves the City's Inspector General. Formed in 1873 in response to scandals involving the corrupt William "Boss" Tweed it is the oldest Inspector General in the country.

What do Integrity Monitors do?

Monitors are given full access to vendor records and personnel. They also make site visits and take other actions necessary to monitor the vendor's compliance with contract provisions and laws—all steps that DOI itself would be permitted to do. In other words, the monitor acts as the eyes and ears of DOI and the City.

The work of the monitors is varied. Monitors may analyse the billings for a large infrastructure project with many subcontractors to ensure that the City is not being overcharged. They might ensure that prevailing wages are paid on a construction site and that safety protocols are followed. They may investigate personnel connected with the vendor and subcontractors to look for hidden criminal records or ties to organized crime. They also ensure implementation of any recommendations and compliance. Perhaps most importantly, monitors proactively help the vendor reform its business practices so the vendor may continue with a contract in progress and be considered for future City contracts.

Overall, Integrity Monitors work to create a culture of legal compliance and accountability, through training, adoption of practical integrity controls and compliance audits. Operationally, integrity monitors may provide risk assessments of existing operations to identify gaps; complete audits of internal processes and procedures; complete forensic accounting or engineering reviews; provide counsel and assessment of contracts and procurement; in an investigative capacity, complete employee and witness interviews and perform site visits to ensure compliance; and complete evaluations and audits of existing internal processes for susceptibility to fraud, corruption, and cost-abuse, among other areas of focus.

Program Benefits

The integrity monitor program goal is to reduce and ultimately prevent fraud, waste and abuse—particularly on large-scale projects most vulnerable to corruption. When fraud does occur, we have the investigative tools and records in place to effectively refer cases for prosecution. For example, DOI's [criminal investigation of the CityTime program](#) exposed a wide-ranging fraud scheme involving the implementation of a payroll modernization project. The CityTime criminal investigation resulted in eight convictions and the return of a half-billion dollars to the City of New York. In its review of this scandal, DOI uncovered administrative failures and gaps in oversight that contributed to the problem, including inadequate executive oversight of the project by City officials, a failure to properly vet contractors and subcontractors for conflicts of interest, and a failure to control the expansion of the scope and cost of the project.

After the CityTime scandal, DOI recommended that the City assign an integrity monitor selected by DOI to all large-scale information technology projects. The integrity monitor would oversee spending, perform regular audits of the time worked by consultants, and ensure that consultants are hired only as needed.

Traditionally, integrity monitors have been associated with vendors who have had past integrity issues. But in some cases, DOI monitors are appointed proactively and paid for by the City, due to the complexities of a project and the need to monitor it on a daily basis to prevent cost overruns, potential abuses, and other issues. Such cases may cost the City more on the front end, but are generally cost-effective in the long run.

Proactive monitors help to detect and resolve issues early, and help vendors move towards rehabilitation while being able to continue to provide services to the City. Since the integrity monitors are usually paid for by the vendor, the program is not normally a financial burden for the City. (DOI monitors bill by the monitor to ensure the monitor does not over-charge the affected vendor).

For example, integrity monitors were deployed successfully in the clean-up of the World Trade Center site in the aftermath of the attacks of September 11, 2001. The City implemented proactive integrity monitorships because the nature of the clean-up required work to be done rapidly on a large scale involving many complex contracts that were difficult to oversee simultaneously. Integrity monitors conducted physical surveillance, audited contractors' bills, recommended cost-saving measures, and helped foster a culture of accountability and legal compliance.

Further Examples

Twenty years after it began, the Integrity Monitoring Program is still in use in several City projects.

For example, NYCHA Bond-B is the city's latest capital project bond issuance to fund repairs at NYCHA public housing developments across the city. The bond issuance has generated approximately \$732 million—the largest bond proceeds ever raised for public housing authority capital funds. Of that amount, \$476 million in bond proceeds will fund repairs to deteriorating building exteriors and systems at 24 public housing developments with approximately 32,000 residents. The proactive integrity monitor appointed for the NYCHA Bond-B program assists NYCHA and the City in managing this large scale project to ensure any red flags are raised early and any potential corruption vulnerabilities are caught sooner rather than later.

Another example of a project utilizing integrity monitors is the Emergency Communications Transformation Program (ECTP). The ECTP is a project launched in 2005 to centralize outdated call-and-dispatch operations for police, fire and emergency medical services into a single, state-of-the art computerized operation, complete with a newly constructed backup call center in the Bronx. When the project fell years behind schedule and more than \$1 billion over budget, a DOI investigation revealed that the ECTP struggled with vague lines of authority and ineffective governance, and suffered from a lack of advanced planning with respect to specifications and project objectives. As a result, DOI recommended that the City should engage an integrity monitor to oversee implementation, audit project costs, and identify potential risks of fraud, corruption, waste, and mismanagement. Following DOI's recommendation, the City implemented an integrity monitorship. DOI's investigation into this matter culminated in a comprehensive report. For a more thorough understanding of our work on the case, [our public report can be found here](#).

Finally, NYC Build it Back is the City program to assist homeowners, landlords and tenants in the five boroughs whose primary homes were damaged by Hurricane Sandy. Funded by the "Federal Community Development Block Grant – Disaster Recovery" bill passed by Congress, NYC Build it Back was intended to address housing needs in the wake of the hurricane. Based on a status report of DOI's monitoring of the Build it Back program, there were many shortcomings in the initiative's launch and administration, including a multi-layered and confusing application process; poor communications with applicants; inadequate coordination among vendors; and delays in executing construction agreements. DOI's monitorship of the program has already helped to streamline the application process and assign a Project Manager to resolve disputes and accelerate execution of the agreements between homeowners, contractors and Build it Back's design specialists.

Lessons Learned

DOI's experience confirmed that maintaining a current, ready list of highly qualified private-sector monitors was essential to being able to select the best-equipped monitor via a transparent process for each engagement. In addition, having DOI select and oversee the monitor is critical to maintaining independent oversight of a vendor and ensuring that if integrity problems arise DOI can effectively and quickly respond. City contracts have proceeded smoothly and successfully under these arrangements.

Though integrity monitoring is seen as a new concept overall, it does have a decades' long history in New York City. The good news is that it is steadily growing in other parts of the country and internationally as more private sector companies and municipal governments are seeing the benefits that monitoring can produce, including increased integrity and compliance, and protection of government and company finances and operations, all while lessening opportunities for fraud and unethical conduct.

Integrity Monitors have also proven to have great impact on employees by establishing a visible presence at work sites, which serves as a strong deterrent to committing fraud. Engaging an Integrity Monitor also sends a strong anti-fraud message to employees on both sides of a contract, and also provide advice and counsel to companies and governments on how to best to engage and carry out the work of a given contract.

Since DOI's jurisdiction is broad, it also has sufficient staff to accommodate such investigatory demands; however, smaller jurisdictions can also develop a monitoring program by tailoring their oversight to the specific scope of their needs, including considering an approach that goes beyond the investigative work and combines it with more proactive methods to minimize the impact of integrity issues.

For more information on DOI and its Integrity Monitor Program, please visit:
<http://www1.nyc.gov/site/doi/about/integrity-monitor-program.page>

Integrity in Brief
Series



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