

CITY OF NEW YORK
DEPARTMENT OF INVESTIGATION

TO: FILE

DATE: FEBRUARY 6, 2018

FROM: CHRISTINA MONTEAU
INVESTIGATIVE AUDITOR

RE: DOI #: 17-04650
IG CASE#: 17-112
CASE NAME: JACOBS
PROJECT MANAGEMENT
CO.

CLOSING MEMORANDUM

The following is only a summary of information pertaining to this investigation and does not contain each and every fact learned during the course of this investigation.

ORIGIN OF CASE AND NATURE OF ALLEGATIONS:

On May 1, 2017, the Office of the Inspector General ("OIG") for the New York City Housing Authority ("NYCHA") received a complaint from Exiger, LLC ("Exiger")¹. Exiger informed the OIG that it had performed a random audit of Jacobs Project Management Co. ("Jacobs")², in connection with work performed at NYCHA's Red Hook Senior Center ("Center") renovation project.

Specifically, Exiger conducted a review of the documentation related to Jacobs Task Order 18. Exiger reviewed two duplicate proposals for Task Order 18 – one from 9/12/2016 for \$89,767.20 and one from 4/5/2017 for \$512,444.72. Exiger observed that there was a significant difference in cost between these two proposals and referred the matter to the OIG to determine why the larger proposal was selected and if there was any evidence of multiple billing by Jacobs.

RESULTS OF INVESTIGATION:

On May 27, 2014, NYCHA entered into contract CM1402432 with Jacobs for project management services relating to the oversight of recovery and rehabilitation work on NYCHA developments affected by Hurricane Sandy. Article 1 – Section 3.1 of the contract indicates that Jacobs will be issued various task orders that set forth specific work and services to be performed and the costs associated with the service to be provided. Task Order 18 is an extension of the work being performed under Task Order 11, which provided construction management service staffing at the Center for the following projects: temporary boilers maintenance supervision, apartment rehabilitation through multiple contracts, crawl space rehabilitation, mechanical and electrical repairs

¹ Exiger, LLC ("Exiger") is an integrity monitor responsible for overseeing the NYCHA Hurricane Sandy Recovery Program on behalf of the New York City Department of Investigation.

² Jacobs is the construction management firm retained by NYCHA to provide project management services in connection with the restoration and rehabilitation of the Center.

and replacements, electrical feeder replacements, miscellaneous contracts.

The OIG reviewed all documentation pertaining to Task Order 18 including the corresponding breakdowns of fee costs (labor) and staff timesheets. According to both versions of the proposal and project information, the project was set to commence on July 1, 2016. The first proposal from Jacobs, dated June 9, 2016, had a duration of 15 weeks for \$89,767.20. The second proposal, also dated June 9, 2016, had a duration of 40 weeks for \$512,444.72.

The OIG reviewed NYCHA email correspondence between NYCHA employees Joy Sinderbrand and Michele Moore; Aptim³ (formerly CB&I) employees [REDACTED] and [REDACTED]; and [REDACTED] ([REDACTED] of CSI Group from April 2016 – April 2017. Two [REDACTED] emails, dated January 24, 2017, showed that the second proposal was an extension and updated version of the first proposal. After being notified that the Notice to Proceed and Justification memos for the revised Task Order 18 were saved in NYCHA's G-drive database, [REDACTED] directed [REDACTED] former Senior Project Manager of Jacobs, to combine the proposals for the Center. According to the email, the additional cost of thus extending Task Order 18 was approximately \$420,000. The cost of the first proposal (\$89,767.20) added to the cost of extending Task Order 18 resulted in the cost of the second proposal (\$512,444.72).

The OIG obtained and reviewed Jacobs' invoice package which contained timesheets and Jacobs' Labor/Expense Detail. The OIG then compared the hours worked in the timesheets to the hours in the Labor/Expense Detail to ensure that NYCHA was properly billed for Jacobs' services. The scope of the hours worked and billed was from July 1, 2016, to March 17, 2017. Additionally, a search of NYCHA's Oracle payment tracking system revealed only one payment to Jacobs from NYCHA regarding Task Order 18 for \$505,694.91.

The OIG reviewed Exiger's Red Hook Senior Center Activity Reports from July 2016 – April 2017, which contain observations Exiger made during their site visits to the Center. Exiger's report noted multiple issues pertaining to a new roof and the floors which were installed in the Center. On July 29, 2016, Exiger stated that due to multiple penetrations from the roof, water was leaking onto the ground floor through the roof. This began a series of issues with the roof of the Center. In addition, the former project manager told Exiger on October 4, 2016, that the floor of the Center was not reparable and would need to be ripped up. Also noted in the reports was that the tile work would not be able to start unless there was an approved solution with the floor.

On November 16, 2017, the OIG interviewed [REDACTED] who is a Deputy Program Manager of CSI Group, to discuss Task Order 18. [REDACTED] stated the scope of the first proposal contained what Jacobs originally believed the length of the renovation would be. However, once the roofing and the floor slab issues were identified and had to be redone, [REDACTED] and his team asked Jacobs to bring more technical individuals to help resolve these issues. [REDACTED] stated that this was the reason why more individuals were added to staffing breakdown in the second proposal, to help guide the multiple contractors on site. This led to the scope being expanded from 15 weeks (first proposal) to 40 weeks (second proposal). [REDACTED] stated that he and his team were heavily involved with the renovation of the Center and due to the immense amount of focus on this project from Mayor De Blasio, it was

³ CSI Group is a sub-consultant to Aptim (formerly CB&I). Aptim is a consulting program manager for the NYCHA FEMA Hurricane Sandy Recovery Program.

██████████ and his group who stated that the scope should be expanded. ██████████ indicated that there was another extension made to Task Order 18 which was later issued. ██████████ subsequently provided the supplemental Task Order 18 titled "CMA Staffing Contract #CM1402432, Supplemental to Task Order 18 for Red Hook Senior Center." of \$379,434.30 for CM services at the Center from March 18 - October 31, 2017.

Additionally, a review of Jacobs' invoices revealed that an individual named ██████████ (██████████), Project Manager, was listed in Jacobs' Labor/Expense Detail but not listed in a staffing breakdown in its updated task order. As per Section II – Subsection 15.1.14 of the contract, requests for a change in key personnel and senior management staffing during the term of the agreement must be approved in writing in advance by NYCHA. When the OIG inquired whether someone from Jacobs informed NYCHA regarding this staffing addition, ██████████ indicated that for a CM firm to replace or add an employee, a request should be sent to the Project Manager ("PM"), in this case Aptim consultant ██████████ (██████████). In turn, ██████████ provided DOI with documentation that ██████████'s addition to the job was not timely submitted in advance; ██████████ further could not confirm whether he had duly signed to approve the staffing change⁴. ██████████ stated that the approval should have been received earlier. He also indicated that this situation "was a little unusual". He and Jacobs Senior PM ██████████ discussed having ██████████ supervise a concrete pour since he had worked as a special inspector for concrete testing.

CONCLUSION AND RECOMMENDATION:

The OIG's investigation did not substantiate the allegation that Jacobs billed NYCHA multiple times for Task Order 18. A review of the Task Order 18 documentation and email correspondence found that the first proposed Task Order 18 was meant to be completed within a 15-week scope and was subsequently extended to a 40-week scope in the second proposal. However, a search of Oracle verified that there was only one payment made to Task Order 18. Based on Exiger's Red Hook Senior Center Activity Reports and the OIG's interview with ██████████ the OIG was able to verify that the purpose of updating and extending Task Order 18 was due to unforeseen events throughout the renovation, specifically related to the roofing and floors of the Center.

During the course of this investigation, however, the OIG did discover that an employee by the name of ██████████ Project Manager, was subsequently added to Task Order 18 without going through the proper contractual approval process. Rather than Jacobs requesting permission from Project Manager ██████████ to utilize his services in advance (as stated in Section II – Subsection 15.1.14 of Jacobs Contract #CM14021432), Jacobs instead requested permission before NYCHA was billed for services. In addition, ██████████ was unable to provide evidence of his approval of this request.

Therefore, it is recommended that this case be closed and the findings concerning Aptim's failure to comply with Section II – Subsection 15.1.14 of Contract #CM14021432, requiring that new staff requests are being made prior to the staff working on site, be referred to NYCHA's Capital Projects Division.

⁴ Jacobs' request letter, dated April 3, 2017, titled "CMA Staffing Contract #CM1402432 Red Hook Senior Center". The request was provided after the initial scope period for Task Order 18 which was July 1, 2016 – March 17, 2017.

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Based upon the above findings, the OIG recommends that this matter be closed. No further investigative action is warranted.

Submitted by: Christina Monteau Date: 2/9/18
Christina Monteau
Investigative Auditor

Recommended Approval by: [Signature] Date: 2/9/18
Cynthia Irizarry
Assistant Counsel

Recommended Approval by: [Signature] Date: 2/9/18
Pamela Sah
First Deputy Inspector General

Approved by: [Signature] Date: 2/9/18
Ralph M. Iannuzzi
Inspector General