

# ***Use of Integrity Monitors at the World Trade Center Site- Post Disaster and During Rebuilding***

***Presentation for the Auditor's Forum on  
Katrina Relief***

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# ***SEPTEMBER 11TH***

## Terrorist Attack Results:

- Twin Towers destroyed
- Five other buildings destroyed
- 16 acre debris field
- Approx. 1.6 million tons of debris
- Crime scene established
- Thousands of first responders and construction workers on site
- City executed four \$250 million time and material contracts with four construction managers
- Debris removal commenced immediately



**EXCLUSIVE**

**MAFIA  
LOOTS  
WTC  
RUINS**

**Grand jury hears  
secret evidence**



**ATTACK ON AMERICA** TWC 2

**MAFIA VULTURES  
LOOT WTC SCRAP**

By LARRY CELONA

A Manhattan grand jury is investigating the Mafia's theft of scrap metal from the World Trade Center rubble, law-enforcement sources told The Post.

More than 250 tons of crime-scene material mysteriously found its way into three scrap yards, and investigators blame organized crime, a source says.

Material taken from ground zero at the WTC site is supposed to be held at the Fresh Kills landfill on Staten Island, where authorities are sifting through debris and conducting the largest crime-scene investigation in U.S. history.

But law-enforcement sources said some of the scrap metal was stolen and held at three scrap yards.

NYPD organized-crime investigators are probing the case, along with the state Trade Waste Commission.

Investigators found 75 tons on Monday after searching Mid-Island Scrap Metal in Deer Park, L.I.

No one has been charged in the case, and sources said the yard's operators allowed cops to search it.

An office worker at Mid-Island Scrap said the yard's manager, whom she declined to identify, was "out," and he didn't return a call for comment.

Investigators later found a total of 180 tons at two New Jersey yards, which they declined to identify.

A law-enforcement source said it's believed that associates from some of the city's five crime families — long linked to corruption in the waste busi-



**HEAP OF TROUBLE:** Investigators searched this scrap-metal yard in Deer Park, L.I., looking for missing tons of debris from the World Trade Center terror attack.  
Veronique Louis

ness — are involved. At least 10 suspects are involved in the thefts, the source said.

While the diverted evidence was a staggering amount of metal, it was also easy to miss — more than 128,000 tons of debris has been hauled away from lower Manhattan since two hijacked planes brought down the gleaming towers.

Police sources said they believe the metal was taken directly to the yards by garbage trucks in the days immediately after the awful terror attack.

That was before the trucks were escorted to the dump or to floating garbage barges, and drivers were free to go wherever they wanted, one source said.

All of the scrap — with some single pieces weighing as much as 800 pounds — has since been

returned to Fresh Kills, one source said.

Sources said the heartless and unpatriotic crooks who pulled off the massive theft wouldn't have made a lot of money — they'd get \$1.60 per 100 pounds of scrap, or just over \$15,000 for all 255 tons.

The grand jury could charge the suspects with such crimes as tampering with evidence, obstruction of justice, theft and conspiracy, the source said. The Manhattan DA's office refused comment.

The incident isn't the first involving theft from the ground-zero area. Looters have ripped off some of the vacated stores in the area, and some passers-by have taken pieces of debris off garbage and flatbed trucks as they go by.

Meanwhile, police and federal officials denied a published re-

port that there was a nationwide search under way for a missing rented U-Haul truck.

"There's no A.P.B. out and we don't believe the truck has any bearing on the case at all," the fed said. "People don't return rental vehicles every day."

They also denied a report that city officials have specific intelligence information about a tractor-trailer full of explosives headed for New York.

"That's bull," a top police official said.

The federal official also didn't know about any such threat, and said the feds were "surprised" by the stop-and-searches being done on trucks in the city.

The police official said they're simply "being cautious."

Additional reporting by Kieran Crowley, Murray Weiss, Maggie Haberman and Dareh Gregorian

# ***Independent Private Sector Inspector General: IPSIG***

Integrity Monitor, otherwise known as an “IPSIIG”

An independent organization with legal, auditing, investigative, and loss prevention skills (and others if required)

Employed by an organization (voluntarily or by compulsory process)

To ensure compliance with relevant laws, regulations and contracts

To deter, prevent, uncover and report unethical or illegal conduct by, with or against the organization

Originated with the New York State Organized Crime Task Force (OCTF)-Construction Industry Report published in 1989



# *Who Utilizes IPSIGs?*

New York City School  
Construction Authority  
(SCA)

New York City  
Department of  
Investigation (DOI)

New York City Business  
Integrity Commission  
(BIC)

Port Authority of NY & NJ-  
Office of Inspector General

Metropolitan Transportation  
Authority (MTA)

Lower Manhattan  
Development Corp (LMDC)

Northern Ireland



# *When Does An IPSIG Get Appointed?*

## During the Procurement Process

- Contractors with integrity issues who are proposed for award by a government agency
- Contractors who develop integrity issues during the performance of a contract

## Licensing

- Licensing and disciplining of construction trades (e.g., NYC Dept. of Buildings, NYC Business Integrity Commission)
  - Plumbers, electricians, riggers, carters, etc. with integrity issues
  - Performance or integrity issues arise while licensed that call for action short of license revocation



# *When Is An IPSIG Used?*

When its in the best interest of the government agency

- Responsible contractor, but nature of the work or the terms of the contract present risks to the agency
  - Disaster Response
  - Rebuilding
- When agency resources are inadequate to handle response
  - Insufficient number
  - Inadequate type



# *Who Selects and Pays for the IPSIG?*

## Who selects the IPSIG?

- Government agency
- Will consider those proposed by the company

## Who pays for the IPSIG?

- Contractor
  - When there are integrity issues with the contractor
- Government
  - When it's done as a preventative measure

## How is the IPSIG paid?

- Detailed bills are sent to the government for review and approval
- IPSIG sends the company a summary bill for payment



# *How Is An IPSIG Chosen?*

## Considerations

- Staffing (Legal, Audit, Investigative)
- Staff/Firm Experience
- Plan
- Price
- Special experience/expertise
- Resources
- Other pending assignments



# *Who and What Regulates the IPSIG?*

## Government Agency

- An IPSIG is an extension of the agency and acts as the agency's eyes and ears in the company
- The agency must closely supervise the IPSIG

## The Monitoring Agreement

- Sets forth the reason for the Agreement
- The length
  - Term of a specific contract
  - Set period of time
  - Until a criminal proceeding is resolved
  - Can be extended if there is a pending investigation/audit that the IPSIG must complete



# *Who and What Regulates the IPSIG?*

## *(cont.)*

- Contractor's Representations
  - Limitation on what certain individuals can do in company
  - Elimination of certain individuals from company
- Contractor's Responsibilities
  - Obey the law
  - No organized crime connections
  - Report potential wrongdoing/law enforcement contacts
  - Cooperate with the government agency and the IPSIG



# *Who and What Regulates the IPSIG?*

## *(cont.)*

- IPSIG's Rights and Responsibilities
  - Access to all books and records
  - Conducts audits and investigations
  - Interviews staff
  - Conducts background checks on employees, sub-contractors and others
  - Establishes Code of Business Ethics
  - Conducts Ethics Training for staff
  - Reviews company's business practices, accounting systems and recommends changes to reduce/rectify integrity hazards



# ***What Are the Reporting Obligations of the IPSIG?***

The IPSIG reports directly to the government agency

The agency will dictate when, and the frequency, of written reports

There should be frequent contact (phone or in person) between the agency and IPSIG

Any negative information uncovered should be reported to the agency ASAP



# *9/11 Fraud Prevention Response*

Within one week following the disaster steel from the World Trade Center site was stolen

New York City Mayor directed the use of IPSIGs for the following reasons:

- To prevent future theft and fraud
- Time and Material payment basis of job
- Historical presence of Organized Crime in the construction industry in New York City

Monitors commenced worked on October 4<sup>th</sup>



# *Use of IPSIGs During Ground Zero Cleanup*

## Coordination and Oversight by Government Agency

- Four IPSIGs used, one for each quadrant/construction manager
- Reported to the NYC Department of Investigation (DOI)
- Coordinated efforts among all four IPSIGs
- Coordinated efforts among all interested law enforcement/prosecutorial agencies
- Coordinated with NYC and FEMA



# *Use of IPSIGs During Ground Zero Cleanup (cont.)*

DOI met with 4 IPSIGs weekly as a group to share information and coordinate joint efforts

DOI met with each of the 4 IPSIGs individually, on a weekly basis, to review individual investigations and audits

## Staffing of Monitoring Teams

- Legal
- Investigative
- Forensic Audit
- Engineering
- Environmental/Safety
- On-site presence 24x7



# *Use of IPSIGs During Ground Zero Cleanup (cont.)*

## Major Monitoring Activities

- Background Checks on all contractors
- Established Hotline
- Developed project integrity controls, policies and procedures to minimize fraud, waste and abuse
- On-site field monitoring
  - Observed employee sign-in/sign-out procedures
  - Interviewed workers on-site (prevailing wage and other issues)
  - Equipment presence and status
  - Surveillance of trucks (Global Positioning Satellite ["GPS"] receivers were placed on all trucks)
  - Material deliveries



# *Use of IPSIGs During Ground Zero Cleanup (cont.)*

- Environmental/Safety Monitoring
  - Evaluate compliance with plans
  - Verify qualifications of experts
  - Verify compliance with testing requirements
- Investigative
  - Prevailing Wage
  - Theft of equipment/supplies
  - Follow-up on audit findings
- Forensic Auditing

(Detailed reviews of the requisitions for payment (desk audits and field audits) checking for:

  - Computational errors
  - Appropriate markups



# *Use of IPSIGs During Ground Zero Cleanup (cont.)*

## ➤ Labor

- ✓ Payroll records vs. payroll checks
- ✓ Payroll records vs. proper union wages and benefits
- ✓ Payroll records vs. daily sign-in/sign out logs
- ✓ Verify proper treatment of FICA, FUI, SUI

## ➤ Material

- ✓ Verify that materials were ordered/delivered
- ✓ Verify that costs of materials weren't inflated
- ✓ Verify that materials are job related

## ➤ Equipment

- ✓ Obtain inventory of equipment and note whether it was owned or rented
- ✓ If owned, confirm that it appears on company balance sheet
- ✓ If rented, from whom and at what rates
- ✓ Compare use status to observations and how billed for



# *Monitor Findings*

The Monitors made in excess of \$40 million in recommended savings.

Examples:

- Interlocking corporate ownership and improper markups
- Double billing of same truck/driver at same time in two different quadrants (Debris removal trucks and water trucks)
- Billing for trucks/drivers at times when they were not on site (use of E-ZPass)
- Invoices having no relationship to WTC site or date (pre-9/11)
- No Backup for invoices



# *Monitor Findings (cont.)*

- Failure to pay prevailing wages
- Billing for taxes that weren't due
- Billing in excess of Blue Book rate for equipment
- Inflated rental rates
- Billing for personal vehicles
- Billing for material that was no longer on site



# *Monitor Impact*

Visible presence served as a deterrent to fraud, waste and abuse

Established a strong anti-fraud message to contractors and others

Provided additional resources to identifying over/improper billing

Resulted in a coordinated response among law enforcement agencies

Provided real time advice and counsel to City officials and contractors on fraud prevention and other critical decisions



# LESSONS LEARNED

## Plan ahead

- Establish list of IPSIGs
  - Available expertise
  - Available quantity of staff
- Establish lists of emergency contractors who have been pre-screened
- Establish compliance and integrity procedures for contractors and incorporate into their contracts
- Coordinate with other stakeholders and law enforcement agencies
  - Meet frequently
  - Open exchange of information and ideas
  - Conduct joint investigations
- Devise computerized sign-in/sign-out procedures
- Establish site identification badges and access control process



# ***World Trade Center Rebuilding Fraud Prevention Program***

Fraud Prevention Program consists of the following six components:

- Lower Manhattan Construction Integrity Team
- Fraud Prevention Hotline
- Fraud Awareness Training
- Vetting of Contractors
- Contractor Employee Screening and Access
- Integrity Monitors



# ***“LMCIT” – Lower Manhattan Construction Integrity Team***

1. Lower Manhattan Construction Command Center
2. Lower Manhattan Development Corporation
3. Port Authority of NY & NJ Office of the Inspector General
4. New York City Department of Investigation
5. New York State Office of the Inspector General
6. Metropolitan Transportation Authority Office of the Inspector General
7. U.S. Department of Transportation Office of the Inspector General
8. U.S. Department of Housing and Urban Development Office of the Inspector General
9. U.S. Department of Labor Office of the Inspector General
10. NYC Business Integrity Commission
11. Metropolitan Transportation Authority Office of the Chief Compliance Officer
12. DASNY Internal Affairs Office



# ***Fraud Hotline***

- 1-800-FRAUDLESS
- 24/7 Hotline Service
- Posters
- Letters to employees with paychecks
- Advertisement in local newspapers and on website
- Calls are directed to appropriate IG



# Fraud Hotline Poster



**LOWER MANHATTAN**  
**CONSTRUCTION**  
**FRAUD PREVENTION**  
**HOTLINE**

TO PREVENT FRAUD PLEASE  
REPORT ALL SUSPICIONS OF:

- FRAUDULENT ACTIVITY
- THEFT
- SAFETY HAZARDS
- SECURITY BREACHES
- BRIBES OR KICKBACKS
- ALCOHOL OR DRUG ABUSE
- PREVAILING WAGE VIOLATIONS
- UNETHICAL OR ILLEGAL CONDUCT

CALL TOLL FREE – 24 HOURS A DAY

**1-877-FRAUDLESS**  
(1-877-372-8353)

Or File a Report at  
**[www.lowermanhattan.info/preventfraud](http://www.lowermanhattan.info/preventfraud)**

**ALL REPORTS WILL BE KEPT CONFIDENTIAL**

• Lower Manhattan Construction Command Center • Lower Manhattan Development Corporation • Port Authority of NY & NJ Office of the Inspector General • New York City Department of Investigation • New York State Office of the Inspector General • Metropolitan Transportation Authority Office of the Inspector General • United States Department of Transportation Office of the Inspector General • United States Department of Housing and Urban Development Office of the Inspector General • New York City Business Integrity Commission • United States Department of Labor Office of the Inspector General • Metropolitan Transportation Authority Office of the Chief Compliance Officer •



# *Integrity Awareness Training*

- Target Audience – Contracting Community
- All Company Officials/Supervisory Staff Working on Project
- Educated on prohibited conduct
- Instructed on who to contact with information on misconduct



# *Vendor Integrity Checks of Contractors*

- Standardization of checks
- Sharing of information by LMCIT group
- Completed checks thus far:
  - 750 businesses
  - 1675 individuals
- Results
  - Recommended against awarding contracts to 13 contractors
  - Recommended enhanced integrity/safety monitoring



# ***Contractor Employee Screening and Access Control***

- Development of program
  - List of Disqualifying Crimes
  - Screening steps (Terrorist Watch List, Verification of SSN, and Criminal Background Check)
  - Three-tiered level of approval/access linked to access control at site
- Buy-In by unions
- Implementation of program
  - 2,500 employees screened to date
  - 1% failure rate



# ***WTC Rebuilding Projects Using Monitors***

- New PATH Transportation HUB
- Freedom Tower
- September 11<sup>th</sup> Memorial/Museum
- 130 Liberty Street (Deutsche Bank)
- MTA Fulton Street Transportation Center
- South Street Ferry



# *Scope of Work for Monitors*

## Reporting to the Office of Inspector General

- Evaluate existing internal controls
- Recommend best practices to minimize corruption/fraud risks
- Conduct forensic financial reviews looking for false/over billing
  - **Payment applications and backup documents**
  - **Equipment/Material/Supplies**
- On-Site Investigative Presence
  - Prevailing Wage/Benefit Compliance
  - Labor Racketeering
  - MBE/WBE Compliance
  - Organized Crime Infiltration



## ***Scope of Work for Monitors (Cont.)***

- Environmental/Safety Compliance Inspections
- Product Substitution
- Bid Collusion
- Coordinate with Port Authority Audit Department
- Coordinate with Other Monitors

