

The CityTime project was meant to replace a largely manual, paper-based payroll system for the city of New York (NYC). The goal was to provide a tool that would help city administrators manage a workforce of over 100,000 employees spread across 63 departments. It was also intended to simplify the employee time-reporting process, which was complicated by numerous union timekeeping rules, and to identify employees who tried to fraudulently inflate their paychecks. The project was initiated in 1998 when the city awarded the contract to a subsidiary of MCI, a telecommunications company that later ran into financial scandals and, ultimately, filed for bankruptcy.

In 2001, the CityTime contract was reassigned to Science International Applications Incorporated (SAIC), a defense company. In an unusual move, the handoff to SAIC occurred without the contract going through the normal competitive bidding process required for contracts of this size. Around the same time, Spherion Atlantic Enterprises was hired as a subcontractor to provide quality assurance on the CityTime project, with an initial contract of \$3.4 million. The city's contract with Spherion was eventually revised 11 times, with a resulting cost of \$48 million.

Richard Valcich, the NYC payroll office executive director during the initial years of the project, accused SAIC of dragging its feet on the project and was skeptical of the company's ability to deliver a quality product. However, Valcich retired in 2004 and was replaced by Joel Bondy, a staunch advocate of the project. In this role, Bondy was responsible for overseeing and re-awarding Spherion's contract. It was later discovered that Bondy worked for Spherion for two years prior to joining the city.

In another questionable move, the CityTime contract was switched from a fixed-price contract to a "time and materials" contract, and the project costs spiraled out of control—from \$224 million in 2006 to \$628 million by 2009. This switch in the terms of the contract plus lack of project oversight made it even easier for those involved with the project to commit fraud.

At a city hearing in December 2010, Bondy revealed that Spherion employees were billing the city at a rate of \$236.25 per hour and that a number of former city employees had become Spherion employees. Mr. Bondy resigned shortly after this meeting.

That same month, federal prosecutors charged several consultants for the CityTime project with a multimillion dollar fraud scheme, which allegedly started in 2005. The consultants were accused of manipulating the city into paying for contracts to businesses that the consultants controlled, and then redirecting part of the money to enrich themselves personally.

In May 2011, federal investigators arrested Gerald Denault, the senior project manager at SAIC, for allegedly receiving over \$5 million in kickbacks and for committing wire fraud and money laundering. Denault had convinced his employer to hire TechnoDyne LLC as the main subcontractor for the project. TechnoDyne eventually received \$450 million out of the \$600 million paid to SAIC and siphoned off millions to a bogus India-based consulting firm owned by Denault. The two owners of TechnoDyne are now fugitives and their whereabouts are unknown. Six other defendants are scheduled to go to trial in 2013.

In March 2012, SAIC agreed to pay \$500 million to avoid prosecution for its role in the CityTime scandal; most of that money was to go back to the city of New York. By this time, it was estimated that

NYC had paid out \$652 million—with an outstanding bill of \$41 million—owed on the project, which was originally estimated to cost \$63 million and to be completed in 2003.