

Office of Inspector General

City of New Orleans

Review of the City's Procurement Documents, 2013-2014

**E. R. Quatrevaux
Inspector General**

Final Report

January 14, 2015

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

January 14, 2015

Re: Review of the City's Procurement Documents, 2013-2014

I certify that the inspector general personnel assigned to this project are free of personal or other external impairments to independence.

A handwritten signature in blue ink, appearing to read "E.R. Quatrevaux", positioned above the printed name.

E.R. Quatrevaux
Inspector General

Review of the City’s Procurement Documents, 2013-2014

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EXECUTIVE SUMMARY

The Office of Inspector General for the City of New Orleans (OIG) conducted a review of the procurement documents issued by the City to obtain goods or services from third-party contractors. The objectives of this review were to identify deficiencies, ambiguities, or other concerns that could have impeded fair and open competition for City contracts.

Information from the scope of services or specifications from City-issued solicitations are typically incorporated directly into contracts with third-party vendors. Attempting to negotiate key contract terms after a vendor has been selected is likely to result in less favorable terms for the City because the contractor faces no competitive pressure. Therefore, the City must ensure that it outlines the selected contractor's responsibilities, establishes performance expectations, and allocates risk *at the outset of the procurement process*.

Evaluators reviewed 128 solicitations representing more than \$112 million in estimated expenditures. Evaluators provided feedback from these reviews to the City's Procurement Office throughout 2013 to improve the quality of the City's procurement processes and documents and result in better value in City contracting and purchasing. In addition, evaluators performed ongoing monitoring of procurement documents issued in 2014 and reviewed selected solicitations to determine whether the City made improvements based on previous comments.

Evaluators made the following observations related to the City's professional service solicitations:

- The second phase of the City's process for selecting contractors via requests for qualifications (RFQs) was not conducted in accordance with Executive Order MJL 10-05 and the Home Rule Charter, which require selection committees to review and evaluate proposals and make selections in meetings noticed and open to the public.
- Many of the requests for proposals (RFPs) issued by the City did not include sufficient reporting requirements, did not specifically describe how the selected contractor's work would be evaluated, and did not include penalties/incentives for failing to meet or exceeding performance expectations.
- Some of the professional service solicitations issued by the City did not state clearly how cost proposals would be evaluated and/or did not identify the intended quantity and/or duration of the services being requested.

Generally, the solicitations issued for non-professional services included provisions to protect the City's interests (e.g., warranties or remedies for substandard work) in the event that selected contractors did not meet performance expectations.

Moving forward, evaluators suggest that the City take the following steps:

- Conduct all selection committee reviews and evaluations in meetings noticed and open to the public;
- Continue and expand the level of involvement of personnel from the Innovation Team and/or Office of Performance and Accountability in the strategic development of professional service solicitations;
- Provide training opportunities for personnel in the Procurement Office and contract monitors in City departments/agencies to ensure that performance standards and penalty/incentive mechanisms are incorporated into future professional service solicitations; and
- Ensure that information related to cost proposals and desired service levels/expectations is stated clearly in all RFPs.

Evaluators will continue to monitor the solicitations issued by the City in 2015 to provide technical assistance and feedback to improve the City's procurement processes.

I. OBJECTIVES, SCOPE, AND METHODS

The Office of Inspector General for the City of New Orleans (OIG) conducted a review of the procurement documents issued by the City to obtain goods or services from third-party vendors. The purpose of this review was to provide feedback to the Procurement Office and contract managers in all departments and agencies to improve the quality of the City's procurement processes and documents.

Evaluators reviewed solicitations issued by the City in 2013 to identify deficiencies, ambiguities, or other concerns that could impede fair and open competition for City contracts and to ensure that the City received the best possible value in its purchases. The scope of the review did not encompass all of the legal and fiscal requirements relating to City contracts, for which other City officials were responsible. In addition, this review did not assess management decisions relating to the services or goods being procured or other issues that were not apparent on the face of the procurement documents, such as potential conflicts of interest or ethical concerns.

To perform this review, evaluators served as either a primary or a secondary procurement reviewer on a monthly basis and reviewed the procurement documents sent to the OIG by the City's Procurement Office. Evaluators used a checklist developed by the OIG to review the solicitations and provide comments.¹ The questions on the checklist were based on standard criteria for sound public procurement practices. A "Yes" comment indicated that the relevant provision satisfied the criterion, while a "No" indicated that the provision should be modified or clarified, or that the information was absent.² The OIG provided feedback to the Procurement Office on a quarterly basis throughout 2013 so that evaluators' comments and suggestions could be incorporated into future procurement documents.

The information contained in this report meets the standards outlined in Principles and Standards for Offices of Inspector General for Inspections, Evaluations, and Reviews.³

¹ To ensure consistent application of evaluation standards, evaluators reviewed all incoming procurement solicitations during November and December 2012. Results were discussed during weekly meetings until all team members yielded consistent results on the evaluation forms. In the event the procurement reviewer and secondary reviewer had a subjective difference of opinion regarding an item on the checklist, they worked to resolve the issue and reach agreement.

² A "Not Applicable" comment indicated that the criterion did not apply to the solicitation being reviewed.

³ "Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspector General," *Principles and Standards for Offices of Inspector General* (Association of Inspectors General, 2004).

II. BACKGROUND

The City's procurement practices related to professional services have undergone significant changes since 2010. Prior to these reforms, selection of professional service contractors was done behind closed doors, and previous Mayors had significant discretion to award professional service contracts directly. However, in 2010 the Mayor issued executive orders that improved the transparency and method by which contractors are selected.⁴ These changes were later codified in the Home Rule Charter by the City's voters and incorporated into subsequent policy memoranda issued by the Chief Administrative Officer (CAO).⁵

In addition to changing the professional service selection process, the City created a Procurement Office in the Department of Finance. Led by the Chief Procurement Officer (CPO), the Procurement Office serves as the central authority for all City departments' and agencies' purchasing needs. For example, the Procurement Office provides templates for solicitations and technical assistance related to the procurement process. However, contract managers in the City's departments and agencies develop the information in the procurement documents that describes the scope of services or goods being sought. According to the CPO, the Procurement Office has the ability to reject an inadequate procurement document, but the solicitations are usually approved.

Information from the scope of services or specifications from a City-issued solicitation is typically incorporated directly into the language of the contract with the selected third-party vendor. However, not including a sufficiently detailed and explicit scope of services or specifications may place the City in a weak negotiating position; attempting to negotiate key contract terms after a vendor has been selected is likely to result in less favorable terms for the City because the contractor faces no competitive pressure. Therefore, the City must ensure that it outlines the selected contractor's responsibilities, establishes performance expectations, and allocates risk *at the outset of the procurement process*.

Since 2010 evaluators have provided ongoing review of the City's procurement documents and contractor selection process. The Procurement Office sent solicitations to the OIG at the beginning of each procurement action and notified the OIG of upcoming selection committee meetings. This approach allowed evaluators to review the solicitations and identify deficiencies, ambiguities, or other concerns that could impede fair and open competition for City contracts and to ensure that the City received the best possible value in its purchases.

⁴ Executive Orders MJL 10-04 and MJL 10-05.

⁵ City Charter, Sec. 6-308 and CAO Policy Memorandum 8(R).

Evaluators reviewed these solicitations using checklists that were developed in accordance with procurement best practices and provided comments and feedback to the City's Procurement Office so that improvements could be incorporated into future solicitations.

III. REVIEW OF THE CITY'S PROCUREMENT DOCUMENTS, 2013-2014

A fair and open procurement process promotes vigorous competition by qualified vendors and motivates suppliers to provide the best value at their best price, ensuring that the City receives the highest possible value for limited taxpayer dollars. In a fair and open procurement process, prospective vendors can be confident that they will be subject to the same terms, conditions, and requirements as any other bidder. For this process to function properly, it is essential that the solicitation documents issued by the City provide a detailed and accurate description of the service to be performed or good to be provided. High quality procurement documents provide all prospective vendors with access to the information needed to develop a quality proposal or bid. In addition, well-written procurement documents reduce the likelihood of delays caused by legal challenges or disputes during contract negotiations. These delays can inhibit the City's ability to obtain critical services or goods required for its operations.

In 2013 evaluators reviewed 128 solicitations representing more than \$112 million in estimated expenditures and provided feedback in quarterly reports sent to the CAO and the Procurement Office.⁶ In 2014 evaluators performed ongoing monitoring of procurement documents and reviewed selected solicitations to determine whether the City made improvements based on previous OIG recommendations. The results of these reviews are presented in the following sections of this report.

Solicitations for Professional Services

All professional service contracts in excess of \$15,000 must be procured through a competitive selection process and initiated by the issuance of a request for proposals (RFP) or request for qualifications (RFQ).⁷ Professional service contracts valued at less than \$15,000 may be procured without a competitive selection process.

An RFP is a competitive selection process for professional services in which proposals are evaluated both on quality and cost to achieve the best value. An RFQ is a two-step solicitation process for professional services that allows the solicitor to identify vendors with the

⁶ These expenditures represent minimum estimates; numerous procurement documents were submitted to OIG without budgeted expenditures. Some of these omissions were the result of contingency fee structures and others were submitted by satellite agencies such as the French Market Corporation and the New Orleans Aviation Board.

⁷ As defined by Executive Order MJL 10-05, professional services are those that include work rendered by an independent contractor who has a professed knowledge of some department of learning or science used by its practical application to the affairs of others or in the practice of an art founded on it. A profession is a vocation founded on prolonged and specialized intellectual training which enables a particular service to be rendered. The word "professional" implies professed attainments in special knowledge as distinguished from mere skill.

appropriate experience, ability, and capacity to undertake a project before issuing an RFP to the firms qualified through the RFQ process.

Evaluators reviewed each RFP/RFQ using a checklist consisting of the following questions:

1. Is “professional services” the appropriate classification for the proposed work?
2. Are all pertinent template elements present and current (e.g., instructions for proposers, explanation of selection criteria and weights, instructions for selection committee, DBE requirements)?
3. Does the solicitation specify one or more compensation structures for cost submissions (e.g., hourly rates, flat fee, per task fee)?
4. Does the solicitation identify how cost submissions will be tabulated and compared?
5. Does the solicitation set appropriate minimum qualifications for prospective firms and/or personnel?
6. Is the description of needed services clear and detailed?
7. Does the solicitation identify the intended quantity and/or duration of work?
8. Is the description of needed services written in a manner that is not overly restrictive and does not unduly reduce competition?
9. Does the solicitation define work products or deliverables for all services to be provided?
10. Does the solicitation include reporting requirements, milestones, and oversight mechanisms and describe how the work will be evaluated?
11. Does the solicitation define penalties or incentives based on performance?

Evaluators developed these questions in accordance with generally accepted procurement best practices and provided the CPO with an opportunity to provide comments in response to the quarterly reviews. Evaluators identified several recurring issues based on the review of RFPs and RFQs issued in 2013 and 2014; this summary report focuses on three issues to prioritize the City’s efforts to improve procurement documents, make procurement processes more transparent, and result in the best value for public dollars.

Performance expectations and penalties/incentives: Whenever possible, the City should state clearly what it expects of contractors at the outset of each procurement, establish useful reporting requirements, and include reasonable penalties for failing to meet or incentives for exceeding those expectations. This information should be included in the RFP since it typically forms the basis of the contract and allows interested contractors to develop better informed proposals. If reporting requirements and performance standards are not specifically outlined in the RFP, it is unlikely that contractors will allow new standards and/or penalties to be added

during the negotiation phase. Clearly stated performance expectations combined with active contract management encourage better contractor performance and provide better value for public dollars.

Evaluators found that many RFPs did not include sufficient reporting requirements, did not specifically describe how the selected contractor's work would be evaluated, and did not include penalties/incentives for failing to meet or exceeding performance expectations. For example, the City requested proposals from contractors to provide a time card management software system to improve on its current module and comply with FEMA/CDBG regulations. However, the RFP did not specify requirements for system uptime or timely technical assistance; it also did not outline financial penalties for failing to meet performance expectations.

Many of the RFPs issued by the City included a section titled "Performance" with the following boilerplate language:

The individual or firm contracted will be subject to monitoring by the contract monitor. If it is determined that the individual or firm has misrepresented themselves and is not competent to perform the task, this will result in the termination of the contract. Termination may also be for serious misconduct, habitual neglect of duty or incompetence, conduct incompatible with the technician's duties or prejudicial to the region's business, or willful disobedience of the employer's orders.

Evaluators found these provisions to be inadequate as a performance-based management tool and penalty/incentive mechanism due to lack of specificity. In addition, simply terminating a contract and securing a new contractor may not always be feasible due to potential service disruptions, time constraints, and other factors.

The Procurement Office refined its RFP template to incorporate a standardized performance expectation into professional service solicitations. Many of the RFPs issued by the City in 2014 included a provision to require timely responses from outside contractors and establish financial penalties for failure to meet mutually agreed upon deadlines:

The selected vendor will be expected to return the City's phone calls and/or email communication within forty-eight (48) hours. The City and vendor will develop mutually agreed upon deadlines and penalties for specific deliverables or technical assistance as appropriate. Vendor's failure to meet mutually agreed upon task-

specific deadlines may result in a five percent (5%) penalty discount on the subsequent invoice.⁸

Evaluators acknowledge the Procurement Office's effort to incorporate this requirement into the RFP template as a minimum requirement; however, it should not be used as a one-size-fits-all approach. Whenever possible, specific performance standards and penalties/incentives should be tailored to each RFP to protect the City's interests in the event that adequate services are not provided by contractors.

Some RFPs issued by the City went beyond the baseline performance requirements described above. For example, the City's RFP for Emergency Medical Service (EMS) Billing and Collection services included several well-conceived provisions that required the selected contractor to process insurance claim information within five days, absorb any penalties for late submissions, and submit reports with relevant data on a recurring basis. In addition, the RFP stated that the City reserved the right to move receivables to another collections agency after 12 months of non-collection. These provisions established baseline expectations, incentivized contractor performance, and provided the City with a recourse (other than termination) if the contractor failed to provide services in a satisfactory manner.

When asked why the Procurement Office did not incorporate similar criteria into all of the RFPs issued by the City, the CPO stated that the Office did not have the capacity in terms of personnel and expertise to customize each solicitation. As currently structured, the Procurement Office assists City departments and agencies with the procurement process, but the responsibility to develop effective performance standards falls upon the individual City department/agency issuing the solicitation.

The Finance Director noted that in some instances, personnel from the City's Innovation Team work closely with department personnel to develop performance standards and penalty/incentive mechanisms; however, this was usually done on a case-by-case basis with an emphasis on higher cost/risk procurements.⁹ Evaluators suggest that the City expand this approach to include lower cost/risk procurements and/or obtain professional procurement training for departmental personnel.¹⁰

⁸ In March 2014 the OIG issued an RFP including this language. It should be noted that the OIG's RFP was for technical assistance on a limited basis without any deliverable work products. The nature of the project emphasized vendor responsiveness/timeliness, which was emphasized in the RFP.

⁹ Specifically, the Finance Director mentioned RFPs for Curbside Management and Enforcement and NOPD Early Warning System.

¹⁰ In addition, personnel from the City's Office of Performance and Accountability could be used in a similar manner.

Evaluators recognize that incorporating performance expectations and penalties/incentives into RFPs represents a first step in performance-driven professional service contracting. Ultimately, the responsibility falls upon the personnel within the City's departments and agencies to monitor contractor performance and enforce the provisions once service delivery begins.

RFQs and "mini-RFP" Process: Evaluators reviewed eight RFQs issued by the City in 2013. The City issued these RFQs to identify qualified firms to provide technical assistance, legal services, and architectural services.

Executive Order MJL 10-05 authorizes the use of RFQs to identify a group of qualified firms *before issuing an RFP*. This two-step approach—RFQ, then RFP—enables the department/agency to develop a short-list of qualified service providers before requesting a more detailed proposal from the qualified firms (either immediately or when projects arise). Generally, the selection committee performs a significant amount of contractor screening and evaluation on the front-end (RFQ phase) so that the time spent comparing proposals (RFP phase) can be streamlined.

It is critical that RFQs are not used as a standalone procurement process. Executive Order MJL 10-05 provides for a public RFQ process in addition to, not instead of, a public RFP process. Prior to the procurement reforms initiated in 2010 by the current administration, the City used RFQs to develop a pool of qualified firms for projects but did not follow through with a corresponding RFP. This practice was vulnerable to abuse and allowed contracts to be awarded in an arbitrary manner without any documentation or a rationale for why a particular contractor was chosen.

The City's Procurement Office attempted to increase transparency without holding public meetings by creating a "mini-RFP" process by which a department or agency solicited proposals from the firms pre-qualified by the RFQ. According to the CPO, the "mini-RFP" process required personnel in a City department/agency to issue an RFP directly to the pre-qualified firms and evaluate proposals before selecting a contractor. However, this approach did not meet policy requirements for open selection committee meetings, publicly advertised RFPs, and CPO oversight (as required by Executive Order MJL 10-05). In addition, this process failed to meet the standard recently enshrined in the Home Rule Charter that requires selection committees to "review and evaluate proposals and make selections in meetings noticed and open to the public."¹¹

¹¹ City Charter, Sec. 6-308(5)(b). The changes to the Home Rule Charter take effect on January 1, 2015.

The removal of open selection committee meetings as a requirement for the final selection of vendors created opportunities for favoritism and the arbitrary allocation of work. Even if there were no abuses of the system and the selection was conducted in accordance with the competitive principles outlined in Executive Order MJL 10-05 and Home Rule Charter, the lack of transparency provided no assurance that contract awards would be made based on merit or provide the best value for limited public funds.

The City continued to issue RFQs throughout 2014 that used the “mini-RFP” process to select contractors without public selection committee meetings and without adequate documentation. However, the City’s RFQ for redevelopment of 2 Canal Street included an RFP phase with open selection committee meetings, publicly issued RFPs to pre-qualified firms, and CPO oversight. Evaluators advise the City to use a similar two-step process for its future RFQs, as it provides greater transparency than the “mini-RFP” process and meets legal requirements.

Cost proposals and quantity/duration of services: Evaluators found that some RFPs did not identify clearly how cost submissions would be tabulated and compared. For example, the City issued an RFP for Ad Valorem Tax Sale and Related Legal Services (“Ad Valorem RFP”) and encouraged respondents to submit varying compensation frameworks using “standard assumptions of likely activity” but did not provide any specific details about the activity itself. By omitting details about the activity and encouraging varying types of compensation structures, the City increased the likelihood that it would receive a wide range of proposals that made comparison difficult.

Clearly stating how proposals will be evaluated on the basis of cost is critical to ensure that the City will receive price proposals in a uniform format that allows for meaningful comparison of vendors. For instance, if the City intends to award a contract for services on an hourly basis, it should clearly state its intention in the RFP to ensure that interested respondents do not submit their proposals using a flat-fee structure. Furthermore, the RFP should state clearly whether certain components of the pricing structure are weighted in terms of importance.

Evaluators also found that some of the RFPs did not clearly identify the intended quantity and/or duration of the services being requested. For example, the Ad Valorem RFP did not include sufficient details about the quantity of work. To maintain a level field between new and incumbent proposers, the RFP should have included historical information about number of delinquent bills processed, payment rates at various points in the process, volume of properties included in tax sales, and volume of legal filings, etc.

The failure to identify expected service levels likely made it difficult for potential contractors to develop a clear understanding of the resources required to provide the services sought by the City. Whenever possible, the City should include relevant historical information to serve as a guide for firms or individuals who may not be familiar with the City's programs.

The deficiencies described above increased the likelihood that contractors submitted uninformed/unresponsive proposals or declined to submit a proposal altogether, thereby decreasing the level of competition among potential vendors. In addition, ambiguities could have provided an unfair advantage to incumbent vendors who had a working knowledge of the City's desired cost structure and/or the quantity/duration of the services being requested.

Solicitations for Goods and Non-Professional Services

An invitation to bid (ITB) is a competitive selection process for procuring goods or non-professional services in which bids are evaluated against pre-established specifications and must be awarded to the lowest responsive and responsible bidder.¹²

Evaluators reviewed each ITB using a checklist consisting of the following questions:

1. Was the procurement approved by the CAO?
2. Is an ITB the correct procurement method for the specified goods/services?
3. Does the ITB provide vendors with adequate information about the process, including instructions and deadlines for submitting questions and for receiving and acknowledging any addenda?
4. Does the ITB instruct vendors to submit all questions in writing to a designated purchasing official by a specified time?
5. Does the ITB prohibit prospective bidders from contacting City employees or officials, other than the designated purchasing official, about the procurement prior to the deadline for submitting bids?
6. Are the specifications and scope of work sufficiently clear and detailed to enable vendors to submit responsive bids?
7. Are the specifications written in a manner that it is not overly restrictive and does not unduly reduce competition?
8. Does the ITB define work products, deliverables, or milestones for all services to be provided?
9. Does the ITB include a payment schedule for all services to be provided?

¹² Procurement of goods or non-professional services in excess of \$30,000 are governed by the Louisiana Public Bid Law. See La. R.S. 38:2212.1.

10. If the contract contains special provisions (i.e., options, City-furnished equipment), does the ITB provide adequate information about the provisions?
11. Does the ITB include concise instructions for submitting pricing information that enables the City to compare prices meaningfully?
12. Does the ITB clearly state the basis for award?
13. Does the ITB include provisions for inspections and require appropriate warranties?
14. Does the ITB include remedies for substandard work?
15. Does the ITB provide incentives to contain costs and complete work on time?
16. Does the ITB include the City's right to audit contractor records and require the contractor to provide records and information to the Office of Inspector General?

Generally, the ITBs did not include as many areas of concern as the professional service solicitations. Evaluators found that many of the ITBs included provisions to protect the City's interests (e.g., warranties, remedies for substandard work) in the event selected contractors did not meet performance expectations. In addition, some of the ITBs included performance incentives for contractors who completed work ahead of schedule.

IV. CONCLUSION

The City's process for selecting professional service contractors has improved significantly since 2010. The policy changes initiated by Executive Order MJL 10-05 require selection committees to review and evaluate proposals and make selections in meetings noticed and open to the public. In addition, the creation of a Procurement Office provided additional oversight and uniformity in terms of how the City solicits proposals from third-party contractors/vendors.

However, evaluators found that the City's professional service solicitations require improvement. Many solicitations issued by the City did not include performance standards and did not include reasonable penalties for failing to meet or incentives for exceeding those expectations. Evaluators suggest that the City improve its solicitations through clearly stated performance expectations combined with active contract management to encourage better contractor performance and provide better value for public dollars.

Although the process was used infrequently, evaluators concluded that the City's "mini-RFP" process did not meet the public meeting requirements of the Home Rule Charter and Executive Order MJL 10-05. The City effectively avoided its own reforms by allowing selection committees to evaluate proposals and select contractors behind closed doors. Evaluators suggest that the City select all professional service contractors in accordance with the law and administration policy.

Evaluators will continue to monitor the solicitations issued by the City in 2015 to provide technical assistance and feedback to improve the City's procurement processes.

V. OFFICIAL COMMENTS FROM CITY OF NEW ORLEANS

An Internal Review Copy of this report was distributed on December 31, 2014 to the entities who were the subject of the review and gave them an opportunity to comment on the report prior to the public release of this Final Report. Comments were received from the CAO's Office; these comments are attached to this section of the report.

The OIG would like to clarify the following points:

In its response, the City described the second step of the RFQ process as one where “the relevant Department assigns work to the previously qualified firms once a specific need is identified.”

Executive Order MJL 10-05 states clearly that City departments/agencies may use an RFQ “to determine a group of qualified firms *before issuing an RFP*” [emphasis added]. The purpose of the RFP phase is to foster competition and identify best value by soliciting proposals from the pre-qualified firms and *evaluating those proposals in a public meeting prior to making a selection* (as required by the Home Rule Charter).

Announcing the assignment of work in a public meeting does not meet the requirement of “issuing an RFP” and “evaluating those proposals in a public meeting prior to making a selection.”

Moreover, a small number of RFQs may have a large financial impact: an RFQ may qualify a number of contractors in a broad category (e.g., architects and engineers), and the City may award to those contractors numerous contracts that could total significant sums of public dollars.

CHIEF ADMINISTRATIVE OFFICE
CITY OF NEW ORLEANS

MITCHELL J. LANDRIEU
MAYOR

ANDREW D. KOPPLIN
FIRST DEPUTY MAYOR & CAO

January 7, 2015

Mr. Edouard Quatrevaux
Inspector General
City of New Orleans
525 St. Charles Avenue
New Orleans, LA 70130

RE: Review of the City Procurement Documents, 2013-2014

Dear Mr. Quatrevaux:

Thank you for your report reviewing the City's procurement of professional services for 2013. This report will help the City further refine and improve an already dramatically improved process and we appreciate your office's continued support and assistance.

As you know, Mayor Landrieu took immediate action upon taking office with the issuance of Executive Order MJL 10-05 to reform the way the City solicits, reviews and awards these important professional services contracts. This transformational reform has been reviewed over the past few years by your office and many external stakeholder groups such as BGR, and all observers have concluded that these long-overdue reforms have added transparency, professionalism, and public oversight to this important work, leading citizens to have increased confidence in how the City conducts its business. Based on the success of these reforms, Mayor Landrieu proposed and the voters of New Orleans approved an amendment to the City Charter last November which institutionalizes these reforms.

Your most recent report on our procurement efforts notes that not all RFPs include reporting requirements and penalties or incentives. The City agrees that vendor reporting and performance incentives/penalties are important components of an overall framework to ensure that taxpayer dollars are spent wisely. That is why in the last few years we have included these kinds of features in a wide range of contracts, most notably the over \$500 million dollar Construction Management At Risk contract for the new airport terminal at Louis Armstrong International Airport, as well as the City's sanitation contracts, the recently awarded on-street parking management contract, the new EMS collections contract, and the emergency debris removal contract. We intentionally prioritized adding these features to the most important, most expensive contracts and the returns have been remarkable. As an example of our success, the new EMS collections vendor has increased

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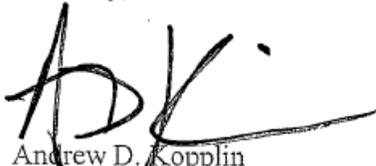
collections by approximately 50% leading to an increase in revenues for the City of nearly \$5 million because of this good work. We agree with your recommendation to add additional training both within departments and in the Bureau of Purchasing to ensure that every appropriate opportunity is taken to include reporting requirements and incentive mechanisms in RFPs going forward. However, just as the OIG had to scale back its prior review of all of the City's RFPs because of resource constraints, the City also has resource constraints that require us to prioritize adding these performance requirements for the most important procurements first, which is what we have done.

In a very small number of procurements of professional services, the City requires a number of vendors to meet the full breadth of the city's needs, such as when we issue Requests for Qualifications (RFQ) to procure architects for construction projects, hearing officers for parking tickets or blight violations, or law firms to handle litigation and other specialized legal work. The report recommends that whenever the city utilizes a procurement process that begins with an initial RFQ to select firms and a second step in which the relevant Department assigns work to the previously qualified firms once a specific need is identified (such as a court case being filed against the City and a hearing being imminently scheduled), the City should also conduct that second step in a public meeting. The report cites the New Orleans Building Corporation's RFQ for 2 Canal Place as an example of best practices in this regard for RFQs. The City agrees that the NOBC's RFQ process reaches the highest standard and we agree with your recommendation in this area. Going forward, we will ensure that in future RFQ's issued by the City, both the selection of qualified vendors and the assignment of work among those selected will both occur in public meetings.

The review notes that in some cases, an RFP was not specific enough in terms of how the cost of proposals would be evaluated, or did not quantify well enough the amount of service proposed would be utilized under the contract. While it is not always possible to give specific needs in advance (e.g. some contracts relate to disaster recovery activities that can vary greatly in scope based on the disaster), consistent with your recommendations the City will strengthen the review process for these sections of RFPs and hold sessions with Departments to give guidance on how to better prepare RFPs for cost and quantity.

Thank you again for undertaking this review and for your support for these transformational reforms of procurement processes in the City of New Orleans.

Sincerely,



Andrew D. Kopplin
First Deputy Mayor and Chief Administrative Officer
City of New Orleans