



Office of Inspector General

City of New Orleans

Follow Up Report: Crime Surveillance Cameras

OIG-I&E-10-010

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Installation of Crime Surveillance Cameras 2003-2008
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FOLLOW UP: *INSTALLATION OF CRIME SURVEILLANCE CAMERAS*

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SUMMARY

As a follow up to the Office of Inspector General's 2009 report titled "Installation of Crime Surveillance Cameras: 2003-2008," the OIG reviewed a contract awarded in September 2009 for preventive repair and maintenance of the crime surveillance camera system. The follow-up review found that the City did not implement recommendations made in the 2009 report relating to contract management and fiscal oversight of contracts. The repair and maintenance contract did not hold the contractor accountable for the quality of its work and the surveillance camera system continued to experience frequent performance failures through the term of the contract. On the day the OIG staff inspected the cameras, only 41 out of the 211 cameras currently installed were working.

In total, the contractor billed the City \$616,808.47 for repairs and maintenance from April 2009 to April 2010. This amount includes a \$189,565.75 bill for equipment for which the City paid but never received. The contractor also billed the City for approximately \$200,000.00 in work that had not been authorized by purchase order.

The follow-up review highlights deficiencies in the City's contracting systems that render the City vulnerable to waste, fraud, and abuse. Although the activities described in this review took place in the months before the current Mayor took office, the lessons to be learned from these missteps should be heeded by the new administration. The City must implement fundamental reforms in its procurement and contract management systems to ensure that future contracts deliver high quality at a reasonable cost.

I. INTRODUCTION

In February 2009, the Office of Inspector General (OIG) issued a report on the City of New Orleans' installation of crime surveillance cameras, hereafter referred to as the "2009 Report." That report reviewed the implementation of a 2003 plan to install a network of 1,000 cameras throughout the City of New Orleans to help the police in their battle against crime. The project began in 2003 and ended in July 2008, after a network of 214 cameras had been installed.¹

The 2009 Report had twenty-seven findings which revealed a pattern of disregard for procurement rules, fiscal safeguards, and fundamental contract oversight procedures in the award and management of contracts for the camera system installation. As a result of the City's failure to adequately plan or manage the project, the cost escalated from the initial \$2.6 million estimate to more than \$6.6 million and took five years to install a fraction of the cameras initially proposed. The project was not designed or built to operate reliably, and the network experienced frequent failures throughout the five-year installation period. Based on these findings, the 2009 Report included recommendations designed to protect the integrity of the City budget and hold contractors accountable for the quality of their work on future City contracts.

After the 2009 Report was issued, the City awarded a contract to Technology Consortium Group, LLC (TCG) for preventive maintenance and repair to keep the camera system operational. This is a follow-up report to determine whether the City implemented the recommendations made in the 2009 Report in the award and management of the repair and maintenance contract.

The activities covered in this follow-up report occurred from May 2009 through April 2010. The head of the Management Information Services (MIS) Division under the prior City administration, who had primary responsibility for the TCG contract, left his City post in May 2010 when the current Mayor took office. Another MIS Division employee who played a key role in contract administration was on medical leave when this follow up was conducted. We were therefore unable to interview the individuals most responsible for the management and oversight of this contract. The current Chief Information Officer (CIO) has assumed responsibility for MIS Division contracts and provided information to the OIG for this report.

¹ When the OIG made an inspection of the cameras in July 2010, there were only 211 cameras.

II. THE SURVEILLANCE CAMERA REPAIR AND MAINTENANCE CONTRACT

In May 2009, the MIS Division advertised an Invitation for Bids (IFB) for “non-professional services” for software and hardware maintenance and repairs on the surveillance camera system. The City asked for prices for the labor portion of the contract and received three bids ranging from \$90.00 per hour per worker to \$320.00 per hour for a two-man crew. The IFB provided hardware and software specifications in the form of “sample installation equipment and parts” and “sample wireless network equipment” and required the contractor to furnish all parts and materials at “MSRP” (manufacturer’s suggested retail price). The City chose Technology Consortium Group, LLC (TCG) as the low bidder with the price of \$90.00 per hour for labor and signed a one-year contract in September 2009.² TCG performed work under this contract from September 2009 through April 2010.

The contract required TCG to perform all maintenance activities to keep the crime surveillance system operational on a 24/7 schedule. The contractor was responsible for responding to service calls, including “emergency” calls, and for routine preventive maintenance work to ensure that all equipment, including software, servers, wireless network nodes, antennae, repeaters, cameras and other network components, was operating in accordance with manufacturer’s specifications.

THE CITY PAID TCG \$189,565.75 FOR EQUIPMENT IT DID NOT RECEIVE

On October 15, 2009, TCG submitted an invoice for an extensive list of computer hardware, software, cameras and other network-related equipment totaling \$189,565.75. Although the contract required TCG to provide supporting documentation with equipment billings, the City has no documentation to support this invoice and it is not clear that TCG provided any documentation. An MIS Division employee submitted the invoice to the Purchasing Bureau for payment without verifying receipt of the equipment. The Purchasing Bureau promptly approved the invoice and the City paid TCG for the equipment on October 20, 2009.

After the City paid TCG \$189,565.75, another MIS Division employee questioned whether TCG had actually provided the equipment to the City. That employee told the OIG that she challenged TCG on the charges and eventually succeeded in getting the contractor to issue a credit memo to the City for the entire \$189,565.75. Incredibly, even after it became apparent that the City had paid for equipment it did not receive, the City did not ask TCG to return the money.

² City records show that TCG had performed work on the surveillance camera system prior to the award of this contract. In 2008, TCG installed some of the surveillance cameras as a subcontractor for one or more of the City’s former contractors. In April 2009, the City hired TCG for 40 hours of work on the system at a cost of \$3,600. While the IFB for the twelve-month contract was pending in May 2009, the City solicited informal price quotations for about 100 hours of work to be performed as soon as possible. TCG won a contract for this work and was paid \$11,332.50 for work performed in June 2009.

THE CONTRACT LACKED A MEANINGFUL WARRANTY

The only warranty in the contract was a 90-day guarantee for new equipment installed by TCG.³ The contract also specified that “the vendor cannot charge the City twice for parts and repairs during [the] ninety (90) day warranty.” Aside from these terms, the contract provided no warranty for TCG’s work, and entitled the contractor to payment for all hours worked regardless of whether the cameras were operational after the work was done.

THE CITY DID NOT REQUIRE TCG TO COMPLY WITH CONTRACT TERMS THAT WOULD ALLOW THE CITY TO MONITOR ITS WORK

The contract contained several requirements intended to allow the City to monitor TCG’s work and verify that billings for labor and equipment were substantiated. Under the contract, TCG was required to:

- Utilize the City’s established work order tracking system and provide an updated completion ticket to the City’s tracking system;
- Provide the City with reports of preventive maintenance inspections by the 5th of each month;
- Connect with the network software systems monthly to evaluate system parameters, correct system errors, and provide the City with a report of these activities within one week of each inspection;
- Submit detailed monthly invoices that included the camera location, repairs performed, parts replaced, documentation of manufacturer’s suggested retail price for replacement parts, and hours of labor by employee for each repair;
- Submit supporting documentation for every invoice, including time sheets signed by workers and their supervisors, and documentation of pricing for parts.

Our review determined that TCG did not comply with any of the contract requirements listed above. TCG submitted three invoices totaling \$199,617.00⁴ for work performed between September 11, 2009 and December 24, 2009. Almost all of these charges were for labor, but the invoices provided no information about the location of the work, the repairs performed, or even the date the work was done. The invoices consisted of nothing more than weekly hours worked with no supporting timesheets. The City paid these invoices despite the contractor’s failure to comply with contract billing requirements.

TCG continued to bill the City for work performed from January through April 2010. The 2010 billings provided a little more information about the work performed, but still fell far short of

³ The contract contained no mention of manufacturers’ warranties for new equipment, which may have extended beyond the 90-day contract warranty and should have inhaled to the benefit of the City as the actual purchaser of the equipment.

⁴ The \$199,617 included \$3,552 for equipment installed and \$196,065 for labor charges.

meeting the contract requirements for billing detail. The 2010 invoices were still based on total weekly hours worked but now included daily logs written by employees. The logs briefly summarized the day's activities, but did not show time spent on specific repairs. TCG did not utilize the City's work order tracking system or submit signed timesheets as required by the contract for any of its billings.

THE CITY DID NOT ADHERE TO FISCAL CONTROLS TO KEEP THE CONTRACT WITHIN BUDGET

The City budgeted \$400,000.00 for repair and maintenance of the camera system for a twelve-month period from August 1, 2009 to August 1, 2010. The Purchasing Bureau issued a purchase order that authorized TCG to bill the City up to \$400,000.00 under the contract. Billing and payment records show that TCG began work on September 11, 2009 and that by December 24, 2009, less than five months into the contract, TCG had been paid \$389,182.75, nearly the entire amount budgeted for twelve months.

The CIO told us that at the end of December 2009, an MIS division employee refused to seek another purchase order to increase the contract maximum to more than \$400,000.00 because she was dissatisfied with TCG's performance and billing practices. The contract required TCG to receive an authorized purchase order from the Purchasing Bureau prior to beginning any work. Nonetheless, TCG continued to work from January through April 2010, billing the City an additional \$204,555.72, far in excess of the maximum authorized by the initial purchase order. The CIO told us that MIS Division staff believe that an unidentified City official instructed TCG to perform this work.

City records show that on April 13, 2010, a new purchase order in the amount of \$200,070.00 was entered into the City's online purchasing system for TCG, with a note describing it as "2010 Encumbrance (sic)." This purchase order was apparently intended to retroactively authorize payment to TCG for work that had already been done without a valid purchase order. According to the CIO, TCG did no further work after April and the City has not paid any of the \$204,555.72 billed for work from January through April 2010.

The CIO told us that TCG has demanded payment for these outstanding invoices, apparently without acknowledging that it was overpaid by \$189,565.75 in 2009 and owed the City a "credit" toward future work. According to the CIO, TCG has employed such tactics as withholding documentation for the camera system to press its demand for payment. These actions call into question TCG's intention to honor the credit.

THE SURVEILLANCE CAMERA SYSTEM REMAINS HIGHLY UNRELIABLE AND SYSTEM PERFORMANCE DID NOT IMPROVE UNDER THE PREVENTIVE MAINTENANCE AND REPAIR CONTRACT

According to the CIO, TCG's repair and maintenance work did not improve the overall performance of the surveillance camera system and it is not apparent that the City has received any benefit from the money spent on this contract. Cameras malfunction frequently, often going out of service due to weather conditions.

We also interviewed the New Orleans Police Department detective who has acted as the departmental liaison with the MIS Division in the implementation of the surveillance camera system and is familiar with its day-to-day operation. The detective told us that the system continues to be highly unreliable, with many cameras frequently out of service. On the day of our interview, only 41 out of the 211 cameras currently installed were working. He also reported that the City's expenditures under the repair and maintenance contract resulted in no noticeable improvement in the system's functioning.

In total, TCG billed the City \$616,808.47 under this contract. Although TCG did not provide and the City did not demand enough information to know what repairs were made to the system, records show that very little new equipment was installed. During the eight months from September 2009 through April 2010, TCG appears to have installed only one base station, six cameras, and 10 software licenses at a total cost of \$14,405.22.

CONCLUSION

Based on problems that arose in the planning, procurement, and management of contracts for the installation of the surveillance cameras, the 2009 Report made the following five recommendations to the City:

1. The City should reduce its excessive reliance on contractors for information technology services.
2. The City should procure all services using a competitive process based on a clearly defined scope of work and a maximum contract cost.
3. The City should develop contract terms and contract oversight procedures that hold contractors accountable for the quality of their work.
4. The City should correct weaknesses in its fiscal oversight procedures that threaten the integrity of its budget.
5. The City should develop and plan and budget before undertaking any future project.

There are indications that the City has taken some steps to adopt Recommendation No. 1. by reducing excessive reliance on contractors for information technology services. At the time of the 2009 Report, the vast majority of the staff within the MIS Division were contractors, not City employees. The 2009 Report found that the City lacked in-house capacity to manage its contractors and relied on contractors or subcontractors to manage the surveillance camera installation project. This follow-up report found that City employees, not contractors, were responsible for managing the contract with TCG. The City's current CIO told us that he has begun to reduce the ratio of contract workers to City employees in the MIS Division.

The problems observed in this follow-up report, however, show that the City did not adequately implement Recommendations 2, 3, 4, or 5 from the 2009 Report, and that weaknesses in contract terms, contract oversight, fiscal oversight and budget control resulted in a contract that did not deliver a good value for the money spent. The actions reviewed in this follow-up report occurred under a prior City administration and the City's current CIO told us that he has terminated the City's relationship with the contractor. Nonetheless, the problems we encountered in the management of this contract reflect serious weaknesses in the City's fiscal controls and contract management systems that must be addressed to protect the City's interests.

Examples of deficiencies in the current system include the City's payment to TCG of \$189,565.75 for equipment that was never delivered and TCG's billings to the City totaling about \$200,000.00 for work that had not been authorized by purchase order. These examples show that the City needs to institute procedures across all City departments to reduce the risk of error and fraud in their purchasing programs.

The current administration has announced plans to create a Chief Procurement Officer (CPO) organization to centralize and professionalize key aspects of the contracting process. The CPO

organization can and should play a vital role in implementing an efficient, accountable purchasing system with effective controls. To serve this function, the CPO organization must be given adequate authority and resources to develop purchasing and contract management procedures for all departments and to ensure compliance with those procedures.