

Office of Inspector General

City of New Orleans

Review of City of New Orleans Professional Services Contract With Disaster Recovery Consultants For Public Assistance

OIG-I&E-09003(B)

**E. R. Quatrevaux
Inspector General**

Final Report

July 30, 2010

*Review of City of New Orleans Professional Services Contract
With Disaster Recovery Consultants (DRC) for
Public Assistance*

OIG-I&E-09003(B)

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OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

May 28, 2010

Re: Review of City of New Orleans Contract with Disaster Recovery
Consultants, LLC: OIG-I&E-09-003(B)

I certify that the Inspector General staff assigned to this project are free of personal or external impairments to independence.

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

E.R. Quatrevaux
Inspector General

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an evaluation of a contract awarded by the City of New Orleans to Disaster Recovery Consultants, LLC (DRC). The purpose of the contract was to assist the City with Federal Emergency Management Agency (FEMA) claims for damages caused by Hurricanes Katrina and Rita. The City's initial contract with DRC, with an effective date of December 1, 2006, was for a one-year term, with a maximum compensation amount of \$600,000. This contract has since been amended eight times, extending the term through December 31, 2010, and increasing the maximum compensation to \$7,350,000. During the 40-month period from December 2006 through March 2010, DRC billed the City \$7,294,229 under this contract.

This evaluation identified problems with contract terms and contract management practices that eroded the City's ability to hold the contractor accountable and led to excessive costs. The findings and recommendations are summarized below.

FINDINGS

Finding 1. The City Repeatedly Extended the DRC Contract and Increased the Cost Without Assessing Whether the Arrangement is Cost Effective.

1a. The Contract was Based Entirely on Hourly Billings with No Schedule, Milestones, or Deliverables.

The terms do not provide incentives for efficiency or allow the City to hold DRC accountable for producing results that justify the cost of its services. Moreover, the contract contains no timetable for completion and the City has no system for tracking DRC's progress.

One City employee pointed to \$295 million in FEMA funds the City has received as evidence of the value of DRC's services, but our review determined that the amount of FEMA funding is not a useful gauge of the efficiency or effectiveness of DRC's work. Most of these funds were obligated and spent by 2007, while DRC has continued to bill by the hour in recent years with no meaningful indicators of progress.

1b. The City Could Not Assess the Reasonableness of DRC's Billing Rates Because the Qualifications and Responsibilities for DRC Personnel were Not Defined.

DRC and the City negotiated a schedule of hourly labor rates after DRC was chosen for the contract. Most of the work under the contract was performed by individuals with the title "public assistance consultant," at rates ranging from \$90 to \$110 per hour. The contract is

silent as to the qualifications required for this position or the nature of the work to be performed at these hourly rates.

We found that two City employees left the City's payroll after the DRC contract was awarded and immediately became public assistant consultants under the contract. DRC billed the City \$90 per hour for these former City employees, who had little prior background in handling FEMA reimbursement claims. Despite their lack of technical expertise, the City paid DRC the equivalent of \$157,000 per year for each of these individuals, more than double the cost of the salary and benefits the City had been paying for their services as City employees. Other DRC personnel billed as public assistance consultants also appeared to lack substantial technical expertise to justify the hourly rates for their work.

In addition to questions about the qualifications of DRC's public assistance consultants, some of the timesheets submitted to the City indicate that many of the tasks they performed were clerical rather than technical in nature. These tasks included scanning documents, gathering records, and entering data. The tasks were not always related to the FEMA program; for example, timesheets describe such tasks as preparing an inventory of the City's "take-home" cars. DRC billed for all of these tasks based on hourly rates for public assistance consultants, ranging from \$90 to \$110 per hour. The contract includes an hourly rate of \$30 for clerical services but DRC did not use this billing rate for any of the services provided to the City.

1c. The City Expanded the DRC Contract by Adding Services that are Unrelated to FEMA Public Assistance.

None of the eight amendments increasing the cost and duration of the contract contains any changes in the scope of work, but billing records show that DRC was asked to provide services that have nothing to do with the original purpose of the contract. Since February 2008, DRC employees have worked in the City's Finance Department performing such tasks as processing real estate tax bills, reconciling IRS tax deposits, and other accounting and audit functions outside the scope of the contract. From February 2008 through March 2010, DRC billed the City \$1,115,398 for services performed in the City's Finance Department that have little or no relationship to the FEMA reimbursement process.

The routine audit and accounting functions DRC provided are typically handled by City employees. In this evaluation, we determined that the cost to the City of contracting with DRC for this work was approximately double the cost of hiring City employees. For the period covered by this evaluation, from February 2008 through March 2010, the City paid \$558,035 more to obtain these services through the DRC contract instead of hiring Finance Department staff.

Finding 2. The City Ignored Contract Requirements Relating to Disadvantaged Business Enterprise Participation.

Under the contract, DRC was committed to giving 20% of the contract work to the DBE subcontractor it had chosen. DRC did not meet this commitment, nor did the firm file the contractually required quarterly reports on DBE participation with the City. The City made no effort to ensure compliance, even though the contract states that failure to meet DBE participation and reporting requirements is a material breach.

CONCLUSIONS AND RECOMMENDATIONS

The City failed to include contract terms to ensure accountability or to exercise effective oversight. The contract was extended and expanded multiple times over a period of four years with no assessment of DRC's progress and no timetable for completion. The City did not attempt to determine whether the services needed could be obtained more cost-effectively through another contract or by using City employees before extending the contract. This evaluation identified at least **\$1.7 million in waste** that could have been avoided through improved contracting practices and cost-consciousness decisions. To address the findings in this evaluation, the City should:

Recommendation 1. Include Contract Provisions that Provide Incentives for Efficiency and Controlling Contract Costs.

Recommendation 2. Institute an Annual Review for Every Professional Services Contract to Reassess the Need for the Services and Evaluate the Contractor's Performance.

Recommendation 3. End the Practice of Amending Professional Services Contracts by Adding Work that is Unrelated to the Original Scope of Services.

Recommendation 4. Compare the Costs and Benefits of Contracting for Services Versus Hiring City Employees.

Recommendation 5. Monitor Contracts to Ensure Compliance with DBE Program Requirements.

THE CITY'S OFFICIAL RESPONSE

After reviewing the internal draft of this report, the City indicated that it will take all recommended steps to improve the administration of DRC's contract, which it will extend through December 31, 2010. The City will undertake a new competitive procurement for the services with the goal of awarding a new contract to take effect on January 1, 2011.

OBJECTIVES, SCOPE AND METHODOLOGY

The Office of the Inspector General for the City of New Orleans (OIG) conducted an evaluation of:

1. The procurement process used by the City to award a contract to help the City identify and document disaster-related damages to secure reimbursement from the FEMA Public Assistance program in the wake of Hurricanes Katrina and Rita;
2. The terms of the contract the City awarded to Disaster Recovery Consultants, LLC (DRC) for these services;
3. The City's oversight and management of the contract.

The objectives of this evaluation were to obtain information about the City's procurement and contract management practices and to evaluate compliance with applicable legal requirements, policies, and prudent procurement and management practices.

The OIG interviewed City officials responsible for overseeing the DRC contract, a DRC principal, state officials responsible for assisting the City with the FEMA Public Assistance program, and the owner of a business certified by the City's Disadvantaged Business Enterprise program. We also reviewed documents provided by the City in response to requests issued pursuant to Sections 2-1120(18) and (20) of the Code of the City of New Orleans and La. R.S. 33:9613, including a request for proposals, proposals submitted by various respondents, documents reflecting the evaluation of proposals, contract documents, contracting billing and payment records, and email communications relating to the contract. We also reviewed records provided by DRC in response to requests for information, including billing and payment records. In addition, we reviewed public reports detailing the status of relevant FEMA Project Worksheets.

This evaluation covers the time period from September 2005 through March 2010, during the administration of Mayor C. Ray Nagin. Mayor Mitchell J. Landrieu took office on May 3, 2010, and his administration reviewed the draft copy of this report and submitted the City's official response, which is attached as Appendix A.

This evaluation was performed in accordance with the Principles and Standards for Offices of Inspector General for Inspections, Evaluations, and Reviews.¹ The evaluation includes findings and recommendations regarding the contract terms, contract oversight, and contract management. These findings and recommendations are based on legal requirements and on best practices for improving accountability, effectiveness, efficiency, and fiscal control.

¹ 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).

INTRODUCTION

In the aftermath of Hurricanes Katrina and Rita in 2005, the City of New Orleans was called on to respond to a catastrophic public emergency while coping with a sudden and dramatic loss of revenue. The disaster produced a financial crisis that forced a layoff of approximately half of all City personnel. During this challenging period, the City needed to quickly develop a capacity to manage the complex process of identifying and documenting disaster-related expenses to secure funding from the Federal Emergency Management Agency (FEMA) Public Assistance (PA) Program.

To meet this urgent need for expertise and personnel, the City expanded the scope of an existing technology contract with Unisys Corporation to include assistance in securing FEMA funding. In October 2005, Unisys brought in a group of employees under a subcontract to work with City personnel on FEMA applications – known as Project Worksheets – in the Chief Administrative Officer’s (CAO) offices. In June 2006, the City issued a request for proposals (RFP) to award a new contract for these services. Through this RFP process, the City awarded a contract in December 2006 to Disaster Recovery Consultants, LLC (DRC), a limited liability company formed in June 2006 by individuals who were already working closely with City personnel under the subcontract with Unisys.

The City’s initial contract with DRC for FEMA assistance, with an effective date of December 1, 2006, was for a one-year term, with a maximum compensation amount of \$600,000. This contract has since been amended eight times, extending the term through December 31, 2010, and increasing the maximum compensation to \$7,350,000. During the 40-month period from December 2006 through March 2010, DRC billed the City \$7,294,229 under this contract.

When the scope of work for the DRC contract was developed in 2006, the City’s most immediate need was funding for emergency measures undertaken before, during, and after the disaster to protect against immediate threats to life, health, safety, or property. The FEMA program classifies this emergency work as Categories A and B, as discussed in Figure 1. DRC’s primary responsibility has been to manage FEMA reimbursements for emergency work, first for Hurricanes Katrina and Rita and later for Hurricane Gustav in 2008. DRC also handled Project Worksheets for replacement of City vehicles and other equipment destroyed in the 2005 storms.

The Category A and B work following Hurricanes Katrina and Rita included debris removal, storm drain cleaning, and costs for emergency response and public safety measures, such as overtime for police and other City personnel in the aftermath of the storms. The bulk of this emergency work was completed by 2006, but the process of finalizing Project Worksheets, including identifying and documenting eligible expenses, is still not complete more than four years after the disaster. As of April 30, 2010, not a single Project Worksheet for Katrina and Rita emergency work had been closed out.

Figure 1

The long delay in closing out emergency projects is cause for concern. The City will not have a final determination of the amount it will receive for costs incurred during and immediately after Hurricanes Katrina and Rita until these projects are closed out. As the City struggles to balance its current operating budget, it is critical to reach fiscal closure on these projects as soon as possible and to ensure that the City receives all the funding it is due.²

Although the eight amendments to DRC's contract do not contain any changes in the scope of work, billing records show that the scope has been expanded to include unrelated services. Since February 2008, DRC employees have worked in the City's Finance Department performing such tasks as processing real estate tax bills, reconciling IRS tax deposits, and other accounting and audit functions outside the scope of the contract. From February 2008 through March 2010, DRC billed the City \$1,115,398 for services performed in the City's Finance Department that have little or no relationship to the FEMA reimbursement process. Billing records also show that DRC has assisted City personnel with a variety of other tasks not covered by the contract, including work on an inventory of the City's take home vehicles, and assisting the Mayor's Office with a variety of public relations projects.

In addition to DRC, the City currently has at least three other contractors whose scope of work includes managing some aspect of the FEMA reimbursement process. The overlapping responsibilities among these contractors has led to duplications of effort and makes it difficult to hold any contractor accountable for the cost of or results produced by its services. The City has continued to extend the DRC contract (as well as other contracts for FEMA-related services) without evaluating DRC's efficiency, the City's changing needs for FEMA assistance, or the cost-effectiveness of using this contract as a vehicle to staff City departments performing non-FEMA related functions.

This report traces the history of the DRC contract as it grew from a maximum of \$600,000 to more than \$7.3 million. The findings in the next section document problems with

² For a description of fiscal close out, refer to Figure 1.

FEMA PUBLIC ASSISTANCE PROGRAM

Under the Public Assistance Program, FEMA awards grants to assist state and local governments with the response to and recovery from disasters. FEMA grants fund both **emergency work** to eliminate or reduce immediate threats, and **permanent work** to restore damaged facilities and infrastructure to pre-disaster design, function, and capacity. FEMA rules classify the types of eligible work according to the following categories:

Emergency Work

Category A - Debris Removal

Category B - Emergency Protective Measures

Permanent Work

Category C - Roads, Bridges, and Associated Facilities

Category D - Water Control Facilities

Category E - Buildings and Equipment

Category F - Utilities

Category G - Parks, Recreational, and Other

FEMA regulations establish time limits for requesting assistance and for completing work using Public Assistance grants. These regulations require emergency work, Categories A and B, to be completed within 6 months and permanent work within 18 months from the date the disaster is declared. Under extenuating circumstances, these deadlines may be extended.

A Project Worksheet is prepared for each project and, for all but the smallest of projects, FEMA obligates funds based on estimated costs. After work is completed, each project must be closed out. Project closeout involves reconciling costs incurred with the amounts obligated. Good project record keeping and documentation are critical to the closeout process. FEMA reviews all costs before making a final determination on funding and may reduce the amount obligated, even after the project is completed, if costs are not properly documented.

the compensation terms and with the City's contract management practices. The report concludes with recommendations to address the findings and to ensure more cost-effective contracting practices.

A. The Unisys Contract

On September 26, 2005, shortly after Hurricanes Katrina and Rita, the City entered into a contract with Unisys Corporation (Unisys) for equipment and services to support the City's emergency response team. The contract called for network engineers to install and configure equipment to support secure internet connectivity for 100 Dell PC's and 100 IP phones, along with automatic call distribution services for an emergency management operations command center. The contract had a one-year term and a cost of approximately \$2.7 million.

At this time, the City was in crisis following a catastrophic disaster. The City urgently needed both expertise and personnel to assist with obtaining FEMA funding for emergency work. To meet this need, the City expanded the scope of the Unisys contract to include assistance with gathering and compiling information to submit to the FEMA Public Assistance program. The City agreed to compensate Unisys for this work based on hourly rates for labor.

Unisys immediately subcontracted with another company, General Physics Corporation (General Physics), for personnel to perform the tasks involved in obtaining FEMA funding. Starting in October 2005, General Physics employees were assigned to work in the Chief Administrative Officer's (CAO) offices alongside City personnel to assemble information on FEMA-eligible expenses from all City departments. These General Physics employees worked closely with the CAO's budget staff and with the Equipment Maintenance Division (EMD) Director, who is responsible for managing the City's motor vehicle fleet.

From October 2005 through December 2006, Unisys, through its subcontractor, worked on a data repository for Project Worksheet requests and associated backup documentation for emergency work. Among other projects, the subcontracted employees assembled information to support expenses included in the critical Project Worksheet 11, which contained more than \$100 million in estimated expenses for emergency protective measures, such as overtime for police and other City personnel, in the aftermath of the storms. General Physics employees also worked with the EMD Director to identify and document the City's storm-damaged vehicles.

B. Procurement of the DRC Contract

In June 2006, managers in the CAO's office decided to issue a request for proposals (RFP) to award a new contract for the FEMA assistance services provided under the Unisys contract. According to a City official, the desire for a new contract was based on two considerations. First, the Unisys contract was managed by the City's Management Information Systems (MIS) division and CAO personnel wanted a contractor under their control because they were

responsible for FEMA claims for emergency work. Second, CAO managers believed that the City could obtain better rates than those charged under the Unisys contract.

The RFP was advertised on June 9, 2006, and the deadline for proposal submission was June 23, 2006. The City received proposals from six vendors. The proposals were evaluated by a selection panel and scored according to five criteria: specialized experience and technical competence; performance history; maintenance of an office, residence, or domicile in Orleans Parish; willingness to promote full and equal business opportunities through the City's DBE program; and cost. In accordance with procedures established through the Mayor's Executive Order, the three highest ranking proposals were submitted to the Mayor, who would make the final selection for the contract.

The two highest ranking proposals, which received nearly identical scores, were submitted by Unisys and by Disaster Recovery Consultants (DRC). The score sheet presented to the Mayor noted that DRC was the recommended choice of the selection panel. DRC was a new company, formed in June 2006 for the purpose of seeking this contract, by six employees working for subcontractors under the Unisys contract. In addition to receiving very similar scores – 91.66 and 91.65 out of a possible 100 points – Unisys and DRC proposed the same price: \$150 per hour for all services.

Although proposals were submitted on June 23, 2006, the evaluation was not completed until October 2006. The Mayor selected DRC's proposal, in accordance with the selection panel's recommendation. The City then negotiated a contract with DRC that contained the following scope of work:

Contractor shall provide public assistance to include, but not be limited to: assisting in determining eligibility requirements and required documentation, assisting with the development of projects, scopes of work and cost estimates, assisting in applying to FEMA for public assistance (Project Worksheet), ensuring that the project formulation process is in accordance with State, FEMA and Federal requirements, identifying and recommending insurance requirements, hazard mitigation project identification and application preparation, audit/close-out preparation, project management and any other related work as determined by the City.

DRC had proposed to charge \$150 per hour for all contract services, but after the selection process, the parties negotiated a schedule of lower rates, ranging from \$30 per hour for a "Clerical Assistant" to \$110 per hour for a "Senior Public Assistance Consultant."

After the City and DRC completed negotiations in the fall of 2006, there was a delay in executing the new contract. Unisys continued to provide FEMA assistance services through December 2006, but records show that the City was not keeping up with payments to Unisys under the contract. In an email dated December 21, 2006, a Unisys manager informed the

company's staff and subcontractors that Unisys intended to terminate its services to the City by the end of the month:

As you know, we had given the City of New Orleans up to 12/22 to make a partial payment for products and services owed us for 2006. Yesterday late afternoon, they informed us that no payment is forthcoming. Thus, we will be terminating our engagement with the City between now and 12/29.

In another email dated December 21, 2006, the Equipment Maintenance Division Director urged the Mayor's Executive Counsel and the Chief Administrative Officer to expedite the execution of the new contract with DRC:

Currently, the Chief Administrative Office has public assistance staff assigned by Unisys that work exclusively on FEMA related processes and issues. . . . Unisys has informed them that effective 12/29/06 they will no longer be employed. As a result, the Chief Administrative Office will have no public assistance staff.

The Chief Administrative Office has completed a request for proposal (RFP) for public assistance work. The same staff currently assigned to the Chief Administrative Office by Unisys participated in this RFP as Disaster Recovery Consultants. They were recommended by the RFP selection committee and selected by the Mayor. The contract has been prepared, approved by Law and is fully funded.

This contract was in the Mayor's Office last week for his signature. It was subsequently returned to the Chief Administrative Office, pending review by Dr. Blakely. However, due to Unisys' imminent cessation of services, it is imperative that we execute this contract immediately in order to maintain the continuity of public assistance services.

The City finally executed the contract with DRC in January 2007, but made the agreement retroactive to December 1, 2006. One of DRC's principals stopped working under the Unisys contract on December 1, 2006, and began to bill the City under the new DRC contract, which had not yet been executed. During the month of December, both Unisys and DRC billed the City for FEMA assistance services. When Unisys withdrew from the City on December 29, 2006, other former Unisys subcontract employees moved over to the DRC contract and began to bill the City for their services as principals of DRC.

FINDINGS

FINDING 1. THE CITY HAS REPEATEDLY EXTENDED THE DRC CONTRACT AND INCREASED THE COST WITHOUT ASSESSING WHETHER THE CONTRACTING ARRANGEMENT IS COST-EFFECTIVE.

The DRC contract was initially for a one-year term, from December 1, 2006, through November 30, 2007. The contract was subsequently amended eight times, to extend the term to over four years, and the maximum compensation payable under the contract mushroomed from \$600,000 to more than \$7 million. The amendments increased the dollar amount and extended the term, but did not alter the scope of work. The eight contract amendments are summarized in Figure 2.

**Figure 2
Amendments to DRC Contract**

| Amendment Number | Effective Date | Maximum Compensation | Contract Term |
|-------------------------|-----------------------|-----------------------------|----------------------------|
| Original Contract | Dec. 1, 2006 | \$600,000 | Dec. 1, 2006–Nov. 30, 2007 |
| #1 | Apr. 5, 2007 | \$2,395,000 | Dec. 1, 2006–Nov. 30, 2007 |
| #2 | Nov. 15, 2007 | \$2,895,000 | Dec. 1, 2006–Dec. 31, 2007 |
| #3 | Jan. 1, 2008 | \$4,550,000 | Dec. 1, 2006–Dec. 31, 2008 |
| #4 | Jan. 15, 2008 | \$5,150,000 | Dec. 1, 2006–Dec. 31, 2008 |
| #5 | Aug. 15, 2008 | \$5,650,000 | Dec. 1, 2006–Dec. 31, 2008 |
| #6 | Jan. 1, 2009 | \$7,310,000 | Dec. 1, 2006–Dec. 31, 2009 |
| #7 | Nov. 1, 2009 | \$7,350,000 | Dec. 1, 2006–Dec. 31, 2009 |
| #8 | Jan. 1, 2010 | \$7,350,000 | Dec. 1, 2006–Dec. 31, 2010 |

The City initially contracted for FEMA Public Assistance services in the wake of a major disaster because the City had an immediate need for specialized help. Although the need for these services was temporary, the City did not establish a timetable for DRC's work and has not set a target date for ending the engagement. DRC was formed for the purpose of obtaining this contract and, with the exception of a temporary engagement with the State of Texas following Hurricane Ike, DRC has had no business other than its work for the City of New Orleans. DRC has little to no overhead expenses, as all employees work in office space in City Hall which is provided free of charge by the City. DRC therefore has no apparent motivation to close out completed projects, thereby ending its relationship with its only client.

One of DRC's responsibilities is to manage the FEMA reimbursement process for emergency work expenses incurred before, during, and shortly after Katrina and Rita. As explained earlier in this report, FEMA funds projects based on cost estimates, but fiscal closeout does not occur

until Project Worksheets have been reconciled and all expenditures have been documented. Although the emergency work was completed more than three years ago, none of the projects assigned to DRC has been closed out with FEMA. This long delay in closing out completed projects is cause for concern.

A. The Contract Has No Timetable for Completion and the City Has No Meaningful System for Tracking DRC's Progress.

The contract is based entirely on hourly billings with no schedule, milestones, or deliverables. The Equipment Maintenance Division Director told us that he considers DRC's contract highly cost effective, as evidenced by the total amount of FEMA funding the City has received for projects assigned to DRC. He provided a spreadsheet showing that the 630 Project Worksheets currently managed by DRC represent approximately \$364 million in FEMA obligations, of which the City has received approximately \$295 million in reimbursements. The EMD Director equates these FEMA reimbursements to a return on investment for the fees the City has paid to DRC. But the total amount of FEMA reimbursements is not a valid gauge of DRC's effectiveness, particularly given that most of these funds were obligated and spent years ago while DRC continues to bill by the hour with no meaningful indicators of progress. Moreover, DRC cannot legitimately be credited for all the work that went into obtaining FEMA funding for these projects.

The two largest Project Worksheets assigned to DRC are PW 11, for emergency measures in the storms' aftermath costing about \$102 million, and PW 3715, for storm drain cleaning at a cost of about \$34 million. Although the EMD Director attributes the entire \$136 million the City received from these two Project Worksheets to DRC's efforts, the evidence shows that DRC's involvement in these projects was limited. It is worth noting that FEMA has "deobligated" approximately \$4.4 million from PW 11 since the time that DRC started working on it, and the City may have to return that \$4.4 million because it cannot provide documentation for the funds that it has received.

FEMA obligated approximately \$102 million for PW 11 on September 7, 2005, more than a year before the City contracted with DRC. From October 2005 through December 2006, Unisys was working on Project Worksheets for all of the City's emergency work, including PW 11. DRC's June 2006 proposal to the City describes the activities of three of its principals, who were then working under subcontract to Unisys. According to DRC's proposal, Unisys did extensive work on PW 11, quantifying damages and assembling documentation for FEMA reimbursement, before the City contracted with DRC for this work.

The storm drain cleaning work contained in PW 3715 was completed in December 2005, also before DRC was involved. According to a memo sent by a DRC principal to the Director of the Department of Public Works (DPW), documentation supporting \$34 million in storm drain

**Figure 3
Hourly Rates in the DRC Contract**

| Position Title | Original Contract Rates | Contract Rates as Amended in April 2007 |
|-------------------------------------|--------------------------------|--|
| Senior Public Assistance Consultant | \$110 | \$110 |
| Public Assistance Consultant | \$100 | \$100 |
| Junior Public Assistance Consultant | \$90 | \$90 |
| Structural Engineer | \$90 | \$135 * |
| Civil Engineer | \$90 | \$135 * |
| Electrical Engineer | \$90 | \$135 * |
| Environmental Consultant/Engineer | \$90 | \$135 * |
| Senior Project Manager | \$80 | \$80 |
| Project Manager | \$65 | \$65 |
| Senior Auditor | \$90 | \$90 |
| Auditor | \$70 | \$70 |
| Grant Writer | \$70 | \$70 |
| Senior Mitigation Specialist | \$70 | \$70 |
| Mitigation Specialist | \$60 | \$60 |
| Governmental Liaison | \$60 | \$60 |
| Field Assistant | \$40 | \$40 |
| Clerical Assistant | \$30 | \$30 |
| Technical Data Entry Specialist | | \$90 * |
| Information Technology Technician | | \$90 * |
| Construction Inspector/Estimator | | \$110 * |

*Hourly rate modified or added by Contract Amendment No. 1

The Equipment Maintenance Division Director told us that the DRC contract is a good deal for the City because the hourly rates are lower than the rates paid to Unisys under the previous contract. This statement is not accurate. We obtained billing information from Unisys and determined that the Unisys hourly rates were substantially lower than DRC's rates for the same individuals. Unisys billed the City at rates ranging from \$54 to \$78 per hour for four individuals who became DRC principals. As DRC principals, these individuals charged the City from \$100 to \$110 per hour for their services. We compared the total amount DRC billed the City for the services of these individuals with the amount the City would have paid under the Unisys contract for the same number of hours. For these four individuals alone, the DRC contract cost

the City \$672,149 more than the cost for the same services at Unisys rates, as shown in Figure 4.

Figure 4
Cost Differential Between Unisys Contract and DRC Contract

| | Total Cost under Unisys Contract | Total Cost under DRC Contract | Difference |
|------------|----------------------------------|-------------------------------|------------------|
| Employee A | \$321,435 | \$595,300 | \$273,815 |
| Employee B | \$420,030 | \$592,350 | \$172,320 |
| Employee C | \$335,688 | \$472,800 | \$137,112 |
| Employee D | \$315,198 | \$404,100 | \$88,902 |
| | | TOTAL | \$672,149 |

Our review also raised questions about whether the DRC rates for a substantial portion of the contract work were justified by the level of expertise or skill of the personnel or by the type of work they performed. The position titles “Junior Public Assistance Consultant,” “Public Assistance Consultant,” and “Senior Public Assistance Consultant” present a particular concern because they are not defined, either in terms of the qualifications required or the nature of the work. The titles and the hourly rates – ranging from \$90 to \$110 – suggest that the positions require extensive training or specialized experience with the FEMA Public Assistance program, but not all DRC personnel in these positions appear to have these qualifications. For example, two City employees who left their City positions to work for DRC as a Public Assistance Consultant and a Junior Public Assistance Consultant had no background in FEMA-related work prior to Hurricane Katrina. Additionally, two DRC employees who worked for the City under Unisys were billed at low level “Clerical” and “Administrative Assistant” positions, but under DRC they became “PA Consultants.”

The City’s Fleet Services Manager, who worked directly under the EMD Director, retired from City employment on December 23, 2006, at the inception of the DRC contract. A DRC principal requested an advisory opinion from the Louisiana Board of Ethics as to whether this former City employee could accept employment with DRC under the City contract.⁴ According to the Board’s advisory letter, the Fleet Services Manager’s duties for the City had included directing the operations of a garage engaged in repair and maintenance of motor vehicles and equipment, checking vehicles in the field, and inspecting repair work in progress. The letter also noted that during the months that followed Hurricane Katrina, he assisted the EMD with administrative duties required for the processing of FEMA Public Assistance Grants. Although his FEMA Public Assistance background consisted only of assisting with administrative duties for several months, the former Fleet Services Manager became a “Public Assistance Consultant”

⁴ The Board’s advisory opinion concluded that the state’s Code of Governmental Ethics would not prohibit the former City Fleet Manager from accepting employment with DRC, as long as he did not render any services in connection with processing FEMA claims for the EMD.

upon being hired by DRC, and DRC began to bill the City in February 2007 at the rate of \$100 per hour for his services. Starting in July 2007, DRC changed his position title to “Junior Public Assistance Consultant” and reduced his billing rate to \$90 per hour.

DRC also hired another City employee who lacked a substantial background in FEMA-related work. This employee worked for the Mayor’s Office, handling media relations and international affairs until July 2007, when she was hired by DRC as a “Junior Public Assistance Consultant.” DRC billed the City \$90 per hour for her services.

Based on the backgrounds of these two former City employees, it does not appear that the “Junior Public Assistance Consultant” position requires specialized qualifications. Indeed, it seems likely that many functions performed under this position could be done by City employees at a much lower cost to the City. To determine the cost to the City for contracting these functions, we compared the annual cost of salaries and benefits for the individuals when they left City employment with the cost of their services under the DRC contract, based on working 35 hours per week, 50 weeks per year. This comparison shows that the cost of contracting was more than double the cost to the City of paying these individuals as employees, as shown in Figure 4.

Figure 5
Annual Cost Differential Between City Employees and DRC Contractors

| | Annual Cost of Salary and Benefits as City Employee | Cost of Services Under DRC Contract at \$90.00/hour * | Annual Difference |
|--------------|---|---|------------------------------|
| Employee # 1 | \$67,581 | \$157,000 | \$89,919 |
| Employee # 2 | \$70,786 | \$157,000 | \$86,714 |
| TOTAL | \$138,367 | \$314,000 | \$176,633⁵ |

* Annual Cost is Based on a 35-Hour Work Week and 50 Work Weeks per Year

In addition to these former City employees, the qualifications of DRC principals who title themselves “Public Assistance Consultants” are also undefined. As noted earlier, the company was formed in 2006 by individuals working for General Physics under a subcontract with Unisys. Based on the position titles General Physics used to describe these individuals’ roles, it does not appear that they all had substantial technical expertise. For example, the position of one of the DRC principals was described in General Physics’ billings as “Clerical”, and his services were billed to Unisys in December 2006 at an hourly rate of \$35.78. This same individual, upon becoming a DRC principal, assumed the title of “Public Assistance Consultant,” and his services were billed to the City at \$100 per hour starting in January 2007. Another DRC principal worked for General Physics as an “Administrative Assistant” with a billing rate of \$47.21 per hour. This individual also became a \$100 per hour “Public Assistance Consultant” under the DRC contract.

⁵ The total cost differential over the period covered by this evaluation was \$515,981.

In addition to questions about the qualifications of DRC's public assistance consultants, some of the timesheets submitted to the City indicate that many of the tasks they performed were clerical rather than technical in nature. These tasks included scanning documents, gathering records, and entering data. The tasks were not always related to the FEMA program; for example, timesheets describe such tasks as preparing an inventory of the City's "take-home" cars for the EMD Director. DRC billed for all of these tasks based on hourly rates for public assistance consultants, ranging from \$90 to \$110 per hour. In total, DRC charged the City \$4,242,428 for public assistance consultant services. Although the contract includes an hourly rate of \$30 for clerical services, DRC did not apply this rate to any services provided to the City.

In sum, most of the labor performed under the DRC contract is designated as public assistance consultant services, which includes a variety of administrative and clerical tasks. Some of these tasks did not require specialized expertise, yet DRC billed for all of the work at rates ranging from \$90 to \$110 per hour. The contract is silent as to the qualifications of personnel or the tasks performed under these undefined position titles. The City therefore had no way to ensure that it was paying an appropriate or reasonable rate for the services provided. The City has extended this contract several times without performing an assessment to determine whether some of the work could be performed at a lower cost by another contractor or by City employees.

C. The City Expanded the DRC Contract by Adding Services that are Unrelated to FEMA Public Assistance.

According to email communications between City officials and DRC, the City's Finance Department determined in January 2008 that it needed additional accountants or auditors to work through June 2008 to assist in completing the City's annual financial statement audit. The email communications show that DRC offered to advertise for and hire accountants or auditors to provide these services to the Finance Department under the contract for FEMA Public Assistance services. The City's Equipment Maintenance Division Director, in a January 24, 2008, email to DRC and to the Finance Department, raised a concern that these services were not within the scope of the FEMA Public Assistance contract:

This [sic] responsibilities and duties . . . do not coincide with the scope of work in the original contract; even when loosely interpreted. I believe we need to either change the proposed responsibilities and duties to concur with the scope on [sic] the contract, or amend the scope of work in the contract.

This concern was not heeded. Although the contract scope was not amended, DRC began billing the City in February 2008 for auditors and accountants performing routine functions for the Finance Department. Timesheets show that these contract employees performed such routine Finance Department functions as reconciling lockbox collection accounts, processing real estate

tax payments, and reconciling the City’s payroll and IRS tax payments. These services are unrelated to FEMA assistance.

As with all other services under the contract, the City paid DRC for Finance Department services based on hourly rates. DRC billed the City \$90 per hour for a “Senior Auditor” and \$70 per hour for an “Auditor.” The contract is silent as to the qualifications required or the type of services performed under either of these position titles. The initial intent may have been to contract for these services on a temporary basis for the City’s annual audit, but the arrangement has continued for more than two years and the contracted employees have become integral to regular functions of the Finance Department. From February 2008 through March 2010, DRC billed the City \$1,115,398 for work done by auditor/accountants in the Finance Department.

To compare the cost of hiring City employees for these regular Finance Department functions with the cost of contracting with DRC, we obtained salary and benefit information for a Senior Accountant/Auditor position in the City’s Civil Service. As shown in Figure 5, the cost to the City of contracting with DRC for this work is approximately double the cost of hiring City employees.

Figure 6
Cost Comparison of DRC Accountant/Auditors and City Employees

| | Cost Under DRC Contract | Cost for Salaried City Employees | Difference |
|--|-------------------------|----------------------------------|------------------|
| Annual Cost for One Full-Time Accountant/Auditor | \$132,178* | \$66,037** | \$66,141 |
| Total Cost for Accountant/Auditor Services from February 2008 through March 2010 | \$1,115,398*** | \$557,363**** | \$558,035 |

*Based on DRC average billing rate for a 35-hour week and 50 weeks per year

**Based on annual Civil Service salary of \$47,471 for Principal Auditor/Accountant plus benefit costs

***Based on 14,768.5 hours billed by DRC

****Based on 14,768.5 hours of work if performed by City employees

This cost comparison shows that if the Finance Department continues to require personnel for its regular functions, hiring additional staff would be more cost-effective than continuing this contracting arrangement. The Director of the Finance Department told us in 2009 that the City was unable to attract qualified candidates for accounting positions through the Civil Service System.⁶ It is not in the City’s interest, however, to avoid dealing with its staff recruitment problems by resorting to contractors to provide routine City services.

⁶ In this instance, the inability to attract staff does not appear to be primarily attributable to the Civil Service pay scale. We researched online salary data to establish local compensation rates for similar work and found that, depending on the level of experience, accountant salaries range from \$40,866 to \$63,123. Based on this data, a Civil Service starting salary of \$47,471, considering benefits offered to City employees, appears adequate. See Robert Half Salary Calculator at www.roberthalffinance.com/salarycenter.

Aside from the issue of cost, the decision to address a need for Finance Department personnel by simply adding services unrelated to the original scope to the DRC contract was imprudent. The sensible approach to obtaining temporary accounting or audit services is to issue a request for proposals seeking the specific services needed from a qualified firm.⁷ Competing proposals can be evaluated based on the firm's track record, the qualifications of proposed contract staff, and cost. DRC is not an accounting firm and none of its principals is a licensed Certified Public Accountant. The firm has no track record in providing audit or accounting services and does not supervise the contract personnel. There was no reasonable rationale for choosing DRC, which acts simply as a conduit for payments to individuals employed in the Finance Department, to fulfill this function.

FINDING 2. THE CITY IGNORED THE CONTRACT REQUIREMENTS RELATING TO DISADVANTAGED BUSINESS ENTERPRISE PARTICIPATION.

The request for proposals included a provision, required by City policy for all professional services contracts, relating to the City's Disadvantaged Business Enterprise (DBE) Program:⁸

The requirements of the City's DBE Program apply to this contract. It is the policy of the City of New Orleans to practice nondiscrimination based on social and economic disadvantage, race, color, sex, gender, disability or national origin. All firms qualifying under this solicitation are encouraged to submit proposals/bids. Award of this contract shall be conditioned upon satisfying the requirements of the DBE Program. A DBE contract goal of 35 percent has been established for this contract. The offeror/bidder shall agree to use its best efforts, as determined by the DBE Compliance Officer in accordance with the factors set forth in the DBE Program, to meet the contract goal for DBE participation in the performance of this contract.

DRC's proposal included the following statement, which was required for all proposals:

The Bidder agrees to use its Best Efforts to fully comply with the DBE Program, including all reporting requirements and any specific contract goals for DBE participation.

⁷ The City Charter requires contracts for professional services, such as auditing and accounting, to be awarded through a competitive process established by Executive Order. The City illegally circumvented this requirement by adding these services to DRC's contract rather than undertaking a new procurement.

⁸ The City policy was set forth in CAO Policy Memorandum 24R, issued by the Chief Administrative Officer. The City's DBE Program is intended to promote opportunities for businesses owned by socially and economically disadvantaged individuals by requiring contractors receiving City contracts to use their best efforts to subcontract for a portion of the work with one or more DBEs. The program is race and gender neutral. To qualify as a DBE, a business must submit an application and be approved by a certification panel established by the City, the Sewerage and Water Board, and the New Orleans Aviation Board.

DRC's proposal did not identify a DBE subcontractor that it intended to use, nor did it specify the percentage of contract work it would award to a DBE. Based solely on DRC's statement that it would use its best efforts to comply with program requirements, the selection panel gave the DRC proposal a score of 4.33 out of a possible 5 points on the evaluation criterion titled "willingness to promote full and equal business opportunities in accordance with the City's DBE Program."

As discussed earlier in this report, DRC's proposal was rated as one of the three highest scoring proposals. Under the procedures spelled out in the request for proposals, the three firms were required to submit the following information to the City's DBE Compliance Officer before their proposals were submitted to the Mayor for his selection:

- i. The names and addresses of all DBE firms that will participate in the contract;*
- ii. The dollar amount commitment of the participation of each DBE firm participating in the contract;*
- iii. Written confirmation from the named DBE(s), verifying their participation in the contract as provided in the commitments made under (i) and (ii) above; and*
- iv. If the contract goal is not met, evidence of best efforts.*

A DBE Program Compliance report was prepared, showing that DRC had chosen Condall Consulting Group, LLC, as the DBE participant to perform 20% of the contract work. The other two high-ranking proposers selected other firms to satisfy the DBE component and agreed to the 35% DBE participation called for in the request for proposals. In a memorandum to the Chief Administrative Officer, a City attorney reported that all three proposers fell short of the City's DBE goal. DRC selected a certified DBE firm but proposed only 20% rather than 35% participation, while the firms identified by the other two proposers were not properly certified DBEs.

After the Mayor chose DRC for the contract award, the parties executed a contract that contained the following standard language relating to the DBE requirement:

DBE Program Compliance. Contractor agrees to use its best efforts to fully and completely carry out the applicable requirements of the City's DBE Program in the award and administration of this Agreement, including, without limitation, all reporting requirements and specific DBE participation goals. Contractor's failure to carry out these requirements, as determined in good faith by the DBE Compliance Officer, shall be deemed a material breach of this Agreement, which may result in the termination of this Agreement or such other remedy as set forth in the City's Policy Memorandum for the DBE Program.

DBE Compliance Reporting. Contractor agrees to provide quarterly written reports to the DBE Compliance Officer on all expenditures made to achieve compliance with the DBE participation goals for this Agreement. The report shall, at a minimum, include the following:

- i. The name and business address of each DBE involved in the contract;
- ii. A description of the work performed and/or the product or service supplied by each DBE;
- iii. The date and amount of each expenditure made to a DBE; and
- iv. Such other information as may assist the DBE Compliance Officer in determining Contractor's compliance with the DBE Program and the status of any DBE performing any portion of the contract.

The DRC principal told us that he selected Condall Consulting from a list of certified DBEs to satisfy the City's requirement. According to the DRC principal, he telephoned Condall Consulting prior to submitting the proposal to secure an oral commitment for subcontract work. He said that he had no knowledge of the firm's work and did not know whether the firm had the skills or experience required for this contract.

Although the DBE Program Compliance report prepared by the City showed that a written letter of confirmation from Condall Consulting was received prior to the contract award, neither the City nor DRC was able to locate a copy of that written confirmation. We contacted the owner of Condall Consulting, who did not recall being contacted about this contract and knew nothing about the written confirmation.

City personnel in the CAO's office responsible for overseeing DRC's work told us in interviews that they had never heard of Condall Consulting and were not aware of the company performing any work under the contract. The DRC principal we interviewed told us that DRC did not give Condall Consulting any work. We requested copies of the quarterly reports submitted by DRC to the DBE Compliance Officer and were told that no reports could be located.⁹

The conflicting information about the existence of Condall Consulting's written confirmation suggests that the City may not have verified the DBE commitment before awarding the contract. Regardless of whether this written commitment was submitted, it is clear that DRC did not comply with the contract requirements for DBE participation or for quarterly reporting and that the City made no effort to enforce those requirements. The contract required DRC to submit quarterly reports describing work performed by and payment to DBE subcontractors. Although DRC's failure to submit these reports was grounds for terminating the contract, the City took no action to obtain the information. In short, the City ignored this contract requirement.

⁹ The City currently has only one employee charged with administering the DBE Program. This employee told us in an interview that he has not been able to enforce quarterly reporting or other program requirements with respect to the City's contractors because he lacks adequate staff and resources.

CONCLUSION

The City's original rationale for contracting for FEMA Public Assistance expertise, which was needed on a temporary basis, was sound. However, the City did not include contract terms designed to ensure accountability and did not exercise effective contract oversight. As a result, contract costs quickly spiraled out of control, with maximum compensation growing from \$600,000 to \$7.3 million. The City should have expected these post-disaster services to scale down and to be concluded within a reasonable period of time. But the City added unrelated work and extended the contract multiple times with no timetable for completion, instead of assessing DRC's progress after the end of the initial one-year term and setting time limits for completing work.

The billing records indicated that DRC personnel performed a variety of functions, including some that had no relationship to the FEMA Public Assistance Program. Some City officials apparently viewed the contract as a convenient vehicle for supplementing staff. The findings in this report show that this practice was not cost-effective for the City.

The City lacked an internal review mechanism to determine on an annual basis whether professional services contracts should be renewed for another year or allowed to expire. Contracts were renewed without a review of contractor performance or the City's changing needs and priorities. In this case, the City should have questioned the pace of work completed and the appropriateness of using a contractor to staff City departments for functions unrelated to the purpose of the contract.

The City's current budget crisis makes it imperative to closely examine the DRC contract, as well as other professional services contracts, to determine whether they contain appropriate incentives and are cost-effective. The City's practice, which is not limited to the DRC contract, of extending contracts indefinitely with no cost-benefit analysis should be ended. To the extent that the City resorts to contracting for routine functions because it has difficulty recruiting qualified employees, the underlying problems with the City's personnel systems should be explored and corrected.

RECOMMENDATION 1: INCLUDE CONTRACT PROVISIONS THAT CONTROL COSTS AND PROVIDE INCENTIVES FOR EFFICIENCY.

The City's contract with DRC bases the compensation entirely on hourly rates. This compensation structure provided a disincentive for efficiency and put the City at risk for excessive costs. Whenever possible, compensation should be linked to work products or outcomes and the contractor should be responsible for completing work on time and within budget. Contract provisions that ensure contractor accountability include:

- A contract schedule and milestones or deliverables
- A detailed scope of work including task descriptions
- Clearly defined qualifications and roles for contract personnel

RECOMMENDATION 2: INSTITUTE AN ANNUAL REVIEW FOR EVERY PROFESSIONAL SERVICES CONTRACT.

Contracts should be written to allow the City to reassess the need for the services and to evaluate the contractor's performance annually. The City can then make an informed decision to extend or terminate the contract.

RECOMMENDATION 3: END THE PRACTICE OF AMENDING PROFESSIONAL SERVICES CONTRACTS BY ADDING WORK THAT IS UNRELATED TO THE ORIGINAL SCOPE OF SERVICES.

This practice circumvented the Charter requirement for procuring professional services through a competitive process. It was also imprudent because it failed to protect the City's interest in obtaining services from qualified contractors at competitive prices.

RECOMMENDATION 4: COMPARE THE COSTS AND BENEFITS OF CONTRACTING FOR SERVICES VERSUS HIRING CITY EMPLOYEES.

As a general rule, when a service requires highly specialized expertise or when the need for the service is temporary, contracting makes good financial sense. For services that the City routinely requires, such as accounting, it is often more cost-effective to rely on City employees, as the examples in this report demonstrate. In addition to providing lower costs, establishing a competent professional workforce also allows the City to build capacity. The City of New Orleans, like every local government, needs employees with skill and knowledge to make management decisions, oversee the work of City contractors, and ensure that policies and practices promote the interests of its citizens. The Civil Service system is intended to help build a workforce based on merit. If changes are required to make this system function effectively, the City should make changes rather than circumventing the system by contracting.

RECOMMENDATION 5: MONITOR CONTRACTS TO ENSURE COMPLIANCE WITH DBE PROGRAM REQUIREMENTS.

Current contracts require quarterly reports of DBE participation, but the City has not instituted an effective system to monitor these reports or to ensure that contract requirements are met.

APPENDIX A

CHIEF ADMINISTRATIVE OFFICE
CITY OF NEW ORLEANS

MITCHELL J. LANDRIEU
MAYOR

ANDREW D. KOPPLIN
FIRST DEPUTY MAYOR & CAO

July 19, 2010

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

Dear Mr. Quatrevaux:

This letter is in response to Case OIG-I&E-09003(B), which evaluated the procurement process used to award the Disaster Recovery Consultants LLC contract to identify and document disaster-related damages to secure reimbursement from FEMA Public Assistance (FEMA PA), the terms of the contract, and the City's oversight and management of the contract. The City requests that the Final Report state the dates of your audit period so that the records reflect the Landrieu administration assumed management of the DRC contract from the prior administration on May 3, 2010.

As a result of the performance audit, the Office of the Inspector General (OIG) found that:

- 1) The City repeatedly extended the DRC contract and increased the cost without assessing whether the contracting arrangement is cost-effective.
 - a. The contract has no timetable for completion and the City had no meaningful system for tracking DRC's progress.
 - b. The City could not determine whether DRC's hourly rates were reasonable because the qualifications and responsibilities for the position titles were not defined.
 - c. The City extended the CRD contract by adding services that were unrelated to FEMA Public Assistance
- 2) The City ignored the contract requirements relating to disadvantaged business enterprise participation.

We appreciate your office's report recommendations to improve the management and results of DRC's contract and thank you for your recommendations. The OIG recommendations were as follows:

- 1) Include contract provisions that control costs and provide incentives for efficiency.



- 2) Institute an annual review for every professional services contract.
- 3) End the practice of amending professional services contracts by adding work that is unrelated to the original scope of services.
- 4) Compare the costs and benefits of contracting for services versus hiring City employees.
- 5) Monitor contracts to ensure compliance with DBE program requirements.

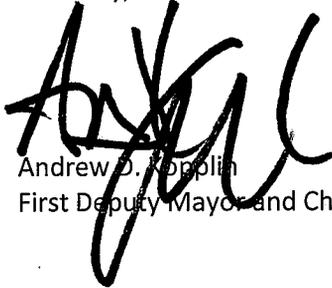
The Landrieu administration will take all steps you have recommended to improve execution and administration of DRC's contract with the City, which we are choosing to extend by another six months due to the ongoing and urgent work associated with securing reimbursement from FEMA of the City's expenses as a result of Hurricanes Katrina and Gustav, and because the prior administration had not undertaken a new competitive procurement as would have been advisable. Please be assured that we will incorporate your thoughtful recommendations into this amendment. My office will also share these improved practices with the interim Chief Procurement Officer for distribution to other departments. We will also undertake a new competitive selection process so that on January 1, 2011, we will have under contract a firm chosen for this work under the provisions of MJL 10-05. Below are a summary of actions being taken by the Chief Administrative Office, Capital Projects Administration, and Department of Public Works, as overseen by the Project Delivery Unit:

- It has been standard practice for the City to issue contract amendments to professional service agreements for up to five years following the first one-year contract. While the City believes this practice to be standard and necessary, the Landrieu administration intends to state the expected term and budget for new professional services procurements so that all interested firms may submit proposals and the City can maximize open and fair competition. As stated above, the City is extending DRC's contract with the City until December 31, 2010 while it issues a new procurement for FEMA PA services. This new DRC Amendment includes provisions which require that the contract be administered through discrete Task Orders. Task Orders will be specific to the managing departments and will describe in detail the services to be performed by Contractor: including a task description, a maximum compensation amount, and a proposed schedule for delivery of Services. All Task Orders must be approved and signed by both Parties and will not exceed to total Amendment budget and service period (addresses Recommendation 1).
- DRC will be required to submit monthly progress reports based on the Services outlined in Task Orders and will be evaluated by managing departments for meetings the deliverables and schedules (addresses Recommendation 2).
- The City will not permit DRC to perform or invoice for services which were not outlined in the original professional services procurement (addresses Recommendation 3).
- The City has evaluated the annual costs, by position, for the services that DRC performs and has determined the billing rates to be satisfactorily comparable to City employee loaded rates. This evaluation takes into account the temporary nature of FEMA PA grant support functions and the management and human resources support time necessary that would have been required to create and hire equivalent City unclassified staff at this time (addresses Recommendation 4).
- DRC will be required to submit to all managing departments and the DBE compliance officer quarterly reports documenting their successes and challenges in their efforts to achieve the City's DBE goals. The City has scheduled a kick-off meeting with DRC and the City DBE

compliance officer to set attainable DBE participation goals for the final term of the contract. The DBE compliance officer will be available to hold assistance meetings as necessary with DRC to ensure their compliance and success in cultivating DBE participation (addresses Recommendation 5).

Once again, thank you for your work to improve the efficiency and effectiveness of City government. Please do not hesitate to contact me if you have any additional suggestions for improving administration of the DRC contract, or any other mechanisms that will improve City contract management for professional services.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew D. Hopplin". The signature is stylized and somewhat cursive, with a large loop at the end.

Andrew D. Hopplin
First Deputy Mayor and Chief Administrative Officer