

EXECUTIVE SUMMARY

The Office of Inspector General for the City of New Orleans (OIG) conducted an evaluation of the procurement and management of a contract awarded by the City to Washington D.C.-based Telecommunications Development Corporation (TDC) in October 2009. The purpose of the contract was to provide staffing to two City agencies, the management information systems (MIS) division, and the Project Delivery Unit, which manages a program of repair and rehabilitation of City buildings and facilities.

Our evaluation found that the contract was awarded through a flawed procurement process that did not promote fair competition. The City passed over a higher-ranked proposal to choose TDC despite its lower scores for experience and competency and its higher proposed hourly rates. The City negotiated a reduction in TDC's proposed hourly rates for the contract, but later agreed to pay TDC dramatically higher rates for staff in the Project Delivery Unit through a questionable contract amendment.

The City failed to budget adequate funds to cover the anticipated cost of the contract for 2010. The initial contract, for a three-month term, had a maximum value of \$450,000. During the next six months, the contract was amended three times to increase the maximum value to more than \$5 million. In the eight-month period from October 2009 through May 2010, TDC billed the City approximately \$3.7 million.

We found that by contracting with TDC for staffing services, the City wasted more than \$750,000 in an eight-month period. Our analysis showed that paying TDC to staff the MIS division would cost the City approximately \$960,000 more on an annual basis than would hiring City employees to perform these regular City operations. The City unnecessarily increased the cost of FEMA reimbursement assistance to the Project Delivery Unit by about \$275,000 by procuring the services through the TDC contract. The City also incurred \$52,000 in excessive costs by transferring clerical and administrative staff from a competitively bid contract to the TDC contract.

According to the City's response to this report, which is included as Appendix D, a number of steps have been taken to reduce the cost of the TDC contract and to avoid repeating the wasteful practices described in the report. The OIG made three recommendations to help the City obtain the benefit of market competition and avoid excessive costs in future City contracts:

Recommendation 1: Ensure that professional services contract awards are based on advertised criteria that are applied fairly and uniformly to all proposals.

Recommendation 2: Limit the amount by which maximum compensation can be increased through contract amendments.

Recommendation 3: In reviewing City contracts, compare the costs of alternative methods of delivering City services and determine the most cost-effective approach.