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Contract wasted \$1.7 million, IG says

He blasts consultant spending in recovery

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Former New Orleans Mayor Ray Nagin's administration wasted \$1.7 million by repeatedly extending a contract with Disaster Recovery Consultants LLC without assessing its cost-effectiveness, Inspector General Ed Quatrevaux's office said in a report issued Friday.

DRC was hired to assist the city with making claims to FEMA for money to pay for damage to city facilities caused by Hurricane Katrina.

The city's initial contract with DRC, starting Dec. 1, 2006, was for one year, with a maximum compensation of \$600,000. It has since been amended eight times, through Dec. 31, 2010, and the maximum compensation has risen to \$7,350,000. Through March 2010, DRC had billed the city \$7,294,229 under the contract.

The inspector general's report says the contract's 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."

The state legislative auditor's office also criticized the DRC contract in a May report, saying that while the contract called for the consultant to secure federal reimbursements for Katrina-related projects, it "did not provide specific areas or recovery projects" and "did not justify the \$600,000 contract amount."

After taking office in May, Mayor Mitch Landrieu's administration decided to extend the DRC contract through Dec. 31 "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," Chief Administrative Officer Andy Kopplin told Quatrevaux in a July 19 letter.

He promised the city will conduct such a competitive selection in time to have a new contract in place by Jan. 1.

Although "one city employee pointed to \$295 million in FEMA funds the city has received as evidence of the value of DRC's services," the inspector general's report says, "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."

The report says that when the city replaced an earlier contractor, Unisys Corp., with DRC, four Unisys employees who had been making \$54 to \$78 an hour became DRC principals making \$110 an hour. This cost the city \$672,000, the report says.

Two employees left the city payroll when the DRC contract was awarded and immediately joined DRC as "public assistance consultants," even though they lacked technical expertise, the report says. The city paid them more than twice what they had been making as employees, with the difference amounting to \$176,633 a year.

The report says the city began using DRC employees to perform accounting functions in the Finance Department in 2008 without amending the scope of the contract. The city paid \$558,000 more to DRC than if it had used city employees to do accounting.

"The mismanagement of this contract wasted money that could have been used for recovery projects or NORD playgrounds or to avoid furloughs," Quatrevaux said in releasing the report.

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Go to the inspector general's web site, www.nolaoig.org, to read the report.

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