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## **BGR MEDIA RELEASE**

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### **BGR Delves into City Contracts**

The Bureau of Governmental Research today releases *Inside Outsourcing: A Year in the Life of City Contracting*. Building from an analysis of hundreds of City contracts in effect during 2009, BGR provides a broad overview of City contracting and discusses key problem areas that require the attention of the current administration and City Council. The report is the fourth installment in a series of BGR reports focusing on the City's financial situation. It is available on BGR's website, [www.bgr.org](http://www.bgr.org).

Previous investigations by government agencies have focused on specific contracts or types of contracts. However, BGR's 822-contract review takes a broader look at contracting issues. Among BGR's key findings:

- The City evaded its competitive selection process through excessive expansions of some contracts. Examples included technology and financial advisory contract amendments that led to significant growth in scope from the original contracts.
- The City misclassified certain nonprofessional services as professional services, improperly placing them in a selection process with greater discretion in choosing the winning proposal. One example was a contract to operate the City's ill-fated 311 call center.
- The City contracted heavily for basic functions that it could have handled more efficiently in-house. The City essentially outsourced

its technology department and some of its most basic accounting activities.

- Utility regulation contracting has strikingly high costs compared to those for regulating the rest of Louisiana.
- The City wasted taxpayer money on contracts that failed to deliver the promised results. The City spent tens of millions of dollars on information technology services, yet its systems continue to suffer from a lack of integration and functionality.
- The City wasted money on contracts for projects that never came to fruition, such as contracts to design buildings that the City won't build and to create a website that the public can't access.
- The City spent taxpayer money on legal and technical contracts that would have been unnecessary if the City had managed its public records responsibly. In a series of public records disputes, the City incurred costs totaling approximately \$330,000.
- Despite its crushing fiscal situation, the City directed flexible CDBG funds to privately owned developments when it could have used the money to cover unmet public sector needs in low- and moderate-income neighborhoods. Specifically, the City spent \$3.5 million to buy property for two private projects.
- The City failed to impose reasonable caps on contracts to provide federally-funded home elevation grants, leading to absurdly disproportionate grant awards. The largest grants to elevate homes exceeded, by large amounts in some cases, the appraised value of the properties as recorded on the 2010 tax rolls. The awards also exceeded the pre-Katrina values of those properties. One property, valued at just above \$200,000 in 2010, received a grant award of more than \$600,000.

The report concludes with recommendations to the new administration and City Council to improve contracting procedures. It also makes specific recommendations with regard to contracts related to energy regulation, CDBG funds and elevation grants.

“While the current administration is not to blame for these problem areas in contracting, the time is ripe for the City to take steps to ensure these problems remain things of the past,” said BGR

Chairman Hans B. Jonassen. “We hope that this report will help policymakers to identify weaknesses in contracting and address them accordingly.”

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information call 525-4152 or visit BGR’s website, [www.bgr.org](http://www.bgr.org).

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