

Office of the Inspector General

City of New Orleans

Installation of Crime Surveillance Cameras

2003-2008

OIG-I&E 09001

Leonard C. Odom

Interim Inspector General

February 2009

CITY OF NEW ORLEANS
OFFICE OF INSPECTOR GENERAL
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February 27, 2009

Jim Letten, United States Attorney
Office of the U.S. Attorney for the
Eastern District of Louisiana
500 Poydras Street Suite B-210
New Orleans, LA 70130

Re: Report on City of New Orleans Surveillance Camera Project

Dear Mr. Letten:

Over the past several months, my Office has conducted a review of the City of New Orleans' efforts to deploy a city-wide network of police surveillance cameras. This review was undertaken as a result of issues raised by the Metropolitan Crime Commission and others regarding the management of this project.

As we have discussed, my Office's review has disclosed evidence, summarized in a confidential draft report previously provided to your office, of potential violations of federal law. Based on our discussions, our offices are in agreement that providing affected persons or entities with a copy of my Office's report in advance of reporting the findings would jeopardize a pending criminal investigation. I am therefore transmitting the final report to you for your consideration.

Sincerely,

Leonard C. Odom
Interim Inspector General

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Executive Summary

The City of New Orleans Office of Inspector General (OIG) conducted a review of a project to deploy a city-wide system of neighborhood surveillance cameras to help the police in their battle against crime. The project originated in 2003 when Mayor C. Ray Nagin announced a plan to install up to 1,000 video surveillance cameras as part of a crime fighting initiative. The OIG review determined that the Mayor's Office of Technology (MOT), which was charged with implementing the project, did not conduct an orderly planning process, comply with prudent procurement practices, or exercise effective contract oversight at any stage of the project.

The City's surveillance camera project was undertaken without a realistic budget or a funding plan. After conducting a flawed request for proposals process, the MOT awarded a contract for the deployment of 240 cameras to Southern Electronic Supply, Inc. (Southern) in 2004. With the project less than 25 percent complete after two years, the MOT abandoned Southern's contract. Over the following two years, the MOT went through a series of three more contractors before the project was completed on July 31, 2008 with 214 cameras deployed. The MOT's internal cost estimate for the 240 camera project was approximately \$2.6 million. After vendors submitted initial project proposals, it became apparent that the MOT had seriously underestimated the likely cost. The MOT also failed to control expenditures and allowed costs to mount to more than \$6.6 million, exceeding the amount appropriated for the project by a wide margin.

Despite its cost, the completed project is not designed or built to operate reliably and will be expensive to maintain. None of the four contractors on this project was held accountable for the quality of work or the performance of the camera system. When the final contractor deemed the project complete on July 31, 2008, it reported that 205 of the 214 cameras were operational, but an OIG inspection determined that only 114 of the cameras were working on September 18, 2008. The City blamed Hurricane Gustav, which struck on September 1, 2008, for most of the camera failures observed by the OIG. The high rate of failure may be partly attributable to the architecture of the communications network, in which the movement of a single antenna can disrupt the operation of an entire series of cameras. The OIG found that many installations were highly vulnerable to wind events, as camera equipment and plate antennas were often installed in a makeshift manner that would not meet the standards for a traditional public works project such as traffic signals or signage.

The findings in this report describe problems that contributed to the project's failure to meet the City's expectations. Major findings include the following:

- The organizational structure of the MOT, which relied on subcontractors to manage its operations, undermined accountability.
- The MOT lacked the expertise to successfully plan the surveillance camera project and relied on assistance from one vendor to the detriment of fair competition.

- The MOT's request for proposals process did not ensure that the City received the benefit of competitive prices for equipment and materials for the project.
- The contract with Southern did not hold the contractor accountable for system performance or provide a meaningful warranty for the work.
- The MOT failed to control expenditures and made \$286,423.85 in overpayments to Southern, based on records provided to the OIG.
- The MOT tacitly approved an improper lease agreement that allowed a subcontractor to profit from self-dealing.
- The City made payments totaling \$770,624.52 to Dell, Inc., without documentation to show what was purchased.
- The MOT failed to either maintain project records to document work performed or inspections done of contractors' work.
- In 2008, the MOT entered into a no-bid, open-ended agreement with Ciber Inc. to enhance the City's communications network without determining the likely cost.
- The MOT's agreement with Ciber provided no warranty or performance standards and the network Ciber built does not meet the MOT's expectations for reliability.
- The MOT incurred charges for the surveillance camera project that exceeded its budget for 2008 by \$2.5 million.

The management problems detailed in this report pre-date the tenure of the City's current Interim CTO, who began work in August 2008. In his first few months, the current Interim CTO has taken steps to address some of the problems identified in this report, but more changes are needed to guard against performance failures and cost overruns in future projects. The report concludes with the following recommendations for change:

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 adopt 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 a plan and budget before undertaking any future project.

I. Objective, Scope, and Methodology

The City of New Orleans Office of Inspector General (OIG) conducted a review of a project to deploy a system of neighborhood surveillance cameras throughout the City to help the police in their battle against crime. The OIG initiated this review in July of 2008 after receiving a request from the Metropolitan Crime Commission raising concerns about the management of this project. The objectives were to (1) obtain information about procurement and project management procedures and (2) evaluate compliance with applicable legal requirements, policies, and prudent management practices. The work was performed in accordance with Principals and Standards for Offices of Inspector General for Inspections, Evaluations, and Reviews.

The OIG requested records from the City of New Orleans and conducted interviews with the New Orleans Police Department (NOPD) liaison for the project, the City's Purchasing Administrator, a former Interim Chief Technology Officer, and the current Interim Chief Technology Officer. The Chief Administrative Officer and representatives from the City Law Department participated in some of these interviews and provided additional information. The OIG also conducted field inspections of completed camera installations in each of the eight police districts and viewed video images transmitted by neighborhood cameras to a police station monitor.

The OIG relied on information obtained in interviews and records provided by the City in response to a request for information, appended to this report as Exhibit A, issued pursuant to Chapter 2, sections 2-1120 (18) and (20) of the Code of the City of New Orleans and Chapter 44 of Title 33 of the Louisiana Revised Statutes, Section 9613. In some instances, records provided by the City to document transactions appeared to be incomplete. After a series of follow-up communications and meetings, the City Law Department assured the OIG that the City provided all records responsive to the OIG's information request, with the exception of certain vendor records that are subject to a protective order in a civil action that arose out of the surveillance camera project.

The civil action, titled *Active Solutions, LLC and Southern Electronic Supply, Inc. vs. Dell, Inc. et al.*, was filed in Orleans Parish Civil District Court by contractors who installed surveillance cameras and names the City, several City officials, and a number of the other contractors involved with the project as defendants. On or around June 4, 2008, the City and the other parties filed a joint motion for a protective order, asking the court to enjoin the disclosure of material produced in discovery and designated by the producing party as "confidential information." This joint request, which the court allowed on June 5, 2008, spread a shroud of secrecy over contractors' records of transactions with the City.

In the interest of conducting this review in a timely manner, the OIG proceeded to examine the records provided by the City but did not have access to vendor records subject to the court's protective order. The findings in this report are therefore based on the limited information available to the OIG.

II. Introduction

In 2003, Mayor C. Ray Nagin announced a plan to install up to 1,000 video surveillance cameras throughout the City of New Orleans as part of a crime fighting initiative. The Mayor's plan called for undertaking a substantial and technically challenging public works project. The successful implementation of such a project requires an orderly process that includes the following stages:

- Planning – Obtaining a comprehensive assessment to determine a realistic project budget and schedule.
- Funding – Identifying sources and securing approval of a funding plan.
- Design preparation – Developing project plans and specifications that can be used to solicit competitive bids for equipment, materials, and labor.
- Construction contracting – Issuing an invitation for bids that incorporates comprehensive contract terms that hold the contractor accountable for the quality of work performed.
- Contract oversight – Monitoring and documenting progress, maintaining a daily log, project meeting minutes, and inspection reports. All significant communications must be documented and all contractor payments tied to project milestones or performance measures.

The OIG review found that the Mayor's Office of Technology (MOT), which was charged with implementing the surveillance camera project, did not adhere to an orderly process or adopt sound project management practices with respect to any of these five stages. The findings in this report reveal a pervasive pattern of disregard for procurement rules, fiscal safeguards, and fundamental contract oversight procedures.

The problems caused by inadequate project management procedures were compounded by the organizational structure of the MOT, which undermined accountability. The MOT relied on subcontractors to manage its operations, blurring the duties owed to taxpayers and rendering the organization vulnerable to conflicts of interest. The citizens of New Orleans were ill-served by this arrangement.

The management failures that plagued this project offer important lessons for future undertakings. The report concludes with recommendations that can help the City of New Orleans achieve success in planning and implementing projects that meet the public's expectations for performance, schedule, and cost.

III. Project History and Findings

Background - Organizational Structure of the Mayor's Office of Technology (MOT)

In 2002, Mayor C. Ray Nagin created the Mayor's Office of Technology (MOT) with authority over the City's Department of Management Information Services (MIS). Under this organizational plan, the MOT was responsible for new technology initiatives while the MIS handled day-to-day operations including payroll services, help desk, and mainframe support. The Mayor named a businessman who served on his transition team to head the MOT as the City's first Chief Technology Officer (CTO). The CTO reported directly to the Mayor.

Finding 1. The MOT used subcontracts to evade open competition for professional service contracts.

The CTO set about staffing the MOT with individuals who had formerly worked with him in private sector companies. He accomplished this not by hiring these individuals as City employees, but by using the MIS department's information technology contracts with several companies, including ACS State and Local Solutions, Inc. (ACS) and Ciber, Inc. (Ciber), as subcontracting vehicles. The CTO arranged for ACS and Ciber to subcontract with Imagine Software, LLC (Imagine) and other related companies founded by the CTO's former private sector associates. The MOT's records show that Imagine and its related companies did not act as agents through which prime contractors ACS and Ciber performed their duties, as would be the case in a legitimate subcontract relationship. Instead, principals and employees of Imagine and its related companies reported directly to the CTO and held management positions at the MOT, including the position of project manager for the City's surveillance camera project. In essence, the subcontracts appeared to be little more than a mechanism for directing payments from the City to Imagine and its related companies.

The Home Rule Charter for the City of New Orleans (City Charter) requires contracts for professional services to be awarded on the basis of an advertised, competitive selection process established by executive order of the Mayor. According to City officials and records provided by the City, Imagine and its related companies were brought in to provide professional services, but were not selected through an advertised competition. The MOT essentially used the guise of subcontractor relationships with prime contractors such as ACS and Ciber to sidestep the City Charter requirement for competitive contractor selection.

Finding 2. The City failed to observe fundamental rules for accountability and transparency in its dealings with subcontractors.

Despite the active roles played by principals and employees of Imagine and its related companies in the management and operation of the MOT, these individuals were not City employees and therefore not accountable for devoting their full-time efforts to the City's interests. It was incumbent on the City to ensure that these subcontractors worked under

written agreements that included conflict of interest and other ethics rules similar to the following provision, which is included in the City's contracts for professional services:

In the interest of ensuring that efforts of the Contractor do not conflict with the interests of the City, and in recognition of the Contractor's responsibility to the City, the Contractor agrees to decline any offer of employment if its independent work on behalf of the City is likely to be adversely affected by the acceptance of such employment.

But City officials told the OIG that they did not obtain copies of subcontracts and typically did not know the terms of the agreements under which Imagine and its related companies were employed. The City's practice of using subcontractors to manage MOT operations created potential conflicts of interest and opportunities for self-dealing as detailed in Finding 17 and Finding 18.

The City appeared to exercise little control over the activities of Imagine and its related companies. In general, the City did not require or receive time sheets, work statements or other documentation to support payments to these subcontractors. The only records the City provided in response to the OIG request for documentation were records the City prepared to substantiate requests to FEMA for reimbursement. The City apparently did not obtain documentation to support payments to Imagine and its related companies unless required to do so as a condition of reimbursement.

August 2003 through June 2006 - Contract with Southern Electronic Supply, Inc.

In 2003, the Mayor publicly declared his intention to deploy a network of neighborhood surveillance cameras throughout the City. The MOT was in charge of the project and individuals who played key roles in planning and implementation were principals or employees of Imagine and its related companies. In August 2003, the CTO appointed an Imagine employee working at the MOT under a subcontract as the project manager for the surveillance camera project. The project manager worked with a local vendor to conduct a small-scale pilot project.

Finding 3. The MOT lacked the expertise to successfully plan the surveillance camera project and chose not to retain the services of a professional consultant.

Documents provided to the OIG by the City indicate that the MOT staff did not have experience in developing video surveillance networks. At the time, the implementation of such a system involved emerging technology and posed daunting technical challenges. Given these challenges, it would have been prudent to procure the services of a consultant with specialized expertise to prepare a project design that could be used to solicit competitive bids for the equipment and construction work. The MOT chose not to retain an independent consultant, but instead relied on vendors for advice and assistance in implementing a pilot project.

In an email dated October 23, 2003, to the City's Law Department, the MOT project manager described the steps he had taken to plan the project:

I was asked by [the CTO] to be Project Manager for the camera project around 8/13/2003. I proceeded to do research on the subject by reading reviews, case studies and other government and law enforcement sources on the subject. I also met with our local resource, [a police department detective] of NOPD, and educated myself on the practical implications of video surveillance. By late August, I had made contact with several vendors in the space.
...

We were offered the services of True Broadband to assist with writing the RFP. By early September they had produced some initial documents although they had no formal working relationship with us as yet, and had not been offered any payment at that time. In the first week of September they made the decision that the project was one they would like to bid on and so we immediately stopped taking input from them on the RFP process and told them we would let them know when the RFP came out through the normal process. We have had minimal contact with them since that time – status updates and a few questions about some of their proposed solutions.

At this time, the RFP has been written internally at Mayor's Office of Technology (MOT) by me with the assistance of many other people. . . . I have minimal contact with potential vendors and make sure to provide each of them with the same information.

We are currently testing several cameras that we bought from Dell off state contract. We are planning on conducting a pilot test bed project through the MOT in the next few weeks to give us a platform to test the technology. We will, as much as possible, use vendors who will not be bidding and that we have existing relationships with. We cannot do the pilot without outside help, so we will be using some vendors.

The problems encountered on this project over the following five years would prove that the MOT gravely underestimated the technical challenges it faced and overestimated the project management skills of its own staff. The MOT needed independent, professional expertise, but instead relied entirely on inexperienced staff and vendors to design and implement the project.

Finding 4. The MOT relied on one vendor for assistance in implementing a pilot project to the detriment of fair competition.

Despite the project manager's concerns about skewing competition by allowing a vendor to influence the RFP process, Southern Electronic Supply, Inc. (Southern) played a very active role in selecting the camera and data devices and in the planning and implementation of the pilot project. Southern was the local distributor for Sony cameras. In the fall of 2003, Southern oversaw the installation and testing of six Sony cameras in the Iberville Project, a public housing project in the first police district. The cameras sent wireless signals to a network that terminated in the first district police station, where the video images could be viewed on a monitor. The pilot project demonstrated many of the pitfalls of the then-current wireless technology and the difficulty of establishing a reliable wireless network. According to the NOPD liaison for the project, the system Southern devised for the pilot experienced connectivity problems and frequent failures. These technical challenges were not resolved during the pilot project.

Finding 5. The MOT issued an open-ended Request for Proposals (RFP), which invited vendors to propose different equipment and technology and gave an unfair advantage to one vendor.

After the pilot project ended, the MOT prepared a professional services request for proposals (RFP) for a city-wide network with 240 surveillance cameras to be installed over a period of three years at locations to be determined by the City after the contract was awarded. There was no detailed project plan or schedule. The system was described in functional terms as a combination wired and wireless network capable of sending video images from cameras throughout the City to monitoring and digital recording equipment in each of the eight NOPD district stations and other City offices. Cameras would be controlled remotely to pan; tilt, and zoom and video footage would be recorded and stored for 72 hours.

While the RFP specified functional requirements for the system, it was deliberately open-ended, inviting vendors to propose differing technical approaches. It also invited vendors to suggest different features:

While there are many requirements that are needed in this solution, and while those requirements are explicitly stated in this RFP, the City encourages the vendors bidding on this RFP to offer additional detail for features that we have not yet identified, but that the vendor feels may be of benefit to the City.

The RFP was advertised in December 2003. The MOT received 12 proposals and, not surprisingly, the proposals varied substantially with respect to the proposed equipment and technical approach.¹ Proposal prices also differed widely, ranging from about \$3.4 million to about \$11.5 million, but the differences in equipment and approach rendered any meaningful comparison of these prices impossible. The proposal submitted by Southern, based on the technical model developed by Southern and the MOT in the pilot project, was selected as the best proposal at a cost of \$5,474,514.00. The evaluation committee's explanation for selecting the proposal suggests that Southern gained an advantage in the competition by participating in the pilot project. The report includes the following reasons for choosing Southern:

The committee's analysis determined that Southern's proposal was the strongest for a number of reasons:

- *Strongest technical proposal*
- *Responded to entire RFP with no exceptions to equipment, technology or performance...*
- *Demonstrated competence and commitment to the City's success in the pilot project...*

These reasons suggest that Southern's inside information about the MOT's preferred technical approach and the relationship that developed during the pilot project influenced the selection process.

¹ The OIG requested copies of all 12 proposals. The City produced a copy of the proposal submitted by Southern Electronics Supply, Inc., but could not produce any of the competing proposals received. The OIG therefore could not review the proposals and bases its assessment solely on the evaluation committee's report.

Finding 6. The Request for Proposals (RFP) process did not ensure that the City received the benefit of competitive prices for equipment and materials.

In addition to appearing to give one vendor an unfair advantage, the MOT's RFP process obscured the consideration of whether prices offered for equipment, including video cameras, computers, software, data devices, and servers, were competitive. Many of these were off-the-shelf components, available from many sources at competitive prices. The cost comparison performed by the evaluation committee, however, was based on overall project cost rather than prices for specific components. The complexity of analyzing equipment prices under this RFP approach is illustrated in an email memo written by the MOT project manager to the CTO explaining the cost for a camera under the contract:

The Mayor awarded the contract to the second least expensive respondent to the RFP and, in the selection committee's judgment, the best overall solution. The contract was for 240 cameras at an estimated cost of \$5.5 million. That equates to a cost of \$22,917 per camera if you include everything in the project such as the cutting edge wireless network, the software, computers, installation, training and maintenance for the full three years of the contract. . . . The "per camera" cost is difficult to pin down since, for simplicity, we bundle a lot into the cost of a camera. I will try to break out for you the true cost of a camera. . . . The camera in the spreadsheet would show up on the invoice summary sheet as a[t] \$16,321.45 camera. However, if you look at the detail spreadsheet on it, you see that actually the camera, including the 22 Caliber bullet resistant dome is less than \$6000. The rest of the money is for time and materials for building that segment of our multi-use WiFi Network, installing a "hot zone" for NOPD use, and other components of the "system". The cost of the software, maintenance for three years, training, tech support (24X7X365), computers and back office equipment necessary for this camera is all built into that \$16,321.45 price whereas the "camera" itself is \$5,485 plus the \$281.25 for the addition of the upgraded 22 caliber bullet resistant dome.

Far from producing simplicity, the bundling of equipment and other project costs confused the task of price comparison. Although the MOT chose the Southern proposal as the best solution, MOT staff later determined that some of Southern's pricing was higher than market prices, as discussed later in Finding 9.

Finding 7. The City should have used an Invitation for Bids (IFB) rather than a request for proposals to procure a contract that was primarily for equipment, materials, and non-professional labor.

Under a state bidding statute and the City Charter, purchases of equipment, materials, or supplies must be procured using an Invitation for Bids (IFB) process that requires detailed specifications and contract award to the lowest responsive and responsible bidder. State bidding law and the City Charter also require the use of the IFB process for public work contracts, which are defined as contracts for the erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used, or leased by a public entity, and for non-professional services. The IFB process is designed to produce genuine price competition and guard against favoritism. An IFB was the appropriate process for implementing the surveillance camera project because most of the cost was for equipment and materials and labor for construction-type work, including crews in bucket trucks

mounting camera units to utility poles, connecting equipment to electric power supplies, and erecting communications devices.

The Request for Proposals (RFP) process is inherently more subjective than an IFB because it calls for qualitative judgments on criteria other than price. Under the City Charter an RFP is used for contracts for professional services. This allows evaluators to compare qualifications and non-quantitative criteria in addition to price when selecting professional consultants. The RFP process may not be used for supplies, equipment, or non-professional services. "Professional service" was defined in the City's procurement rules as "work rendered by an independent contractor who has a professed knowledge of some department of learning or science used by its practical application to the affairs of others or in the practice of an art founded on it. . . . The word 'professional' implies professed attainments in special knowledge as distinguished from mere skill."

While the contract awarded to Southern included an element of system design that would properly be considered a "professional service", the bulk of the cost was for equipment and work that could and should have been bid under an IFB. The City would have been better served if it had used an RFP to procure an independent consultant to design the project and then used an IFB to procure equipment and labor.

Finding 8. The MOT failed to establish a realistic budget for the project or to ensure that adequate funds were available.

After selecting the Southern proposal, the City engaged in extensive contract negotiations with Southern over the next several months and executed a contract on or about July 19, 2004, for a system of 240 cameras.

Internal cost estimates show that the MOT underestimated the cost of the camera project by a substantial amount. An email dated November 26, 2003, from the MOT project manager to the CTO contained the following estimated costs for constructing a system of 240 cameras over a three-year period:

Year 1	Year 2	Year 3	Total
120 Cameras	60 Cameras	60 Cameras	240 Cameras
\$953,200.00	\$779,800.00	\$882,400.00	\$2,615,400.00

Table No. 1: Project Cost Estimate Prior to Soliciting Proposals

The MOT learned in November 2003 that the City had been approved for a grant from the federal Department of Homeland Security in the amount of \$1 million. Based on preliminary cost estimates, this grant was expected to cover the first year cost of the project and no other funds were allocated to the project for 2004.

After proposals were opened and evaluated, it became apparent that the project would cost far more than MOT’s estimate. The total three-year price of Southern’s proposal was \$5,496,104.08, more than twice the MOT’s cost estimate. An email dated June 10, 2004, written by the MOT project manager, set out the following schedule for the project cost based on the contract with Southern:

Year 1	Year 2	Year 3	Total
120 Cameras	60 Cameras	60 Cameras	240 Cameras
\$2,413,500.24	\$1,459,883.12	\$1,622,720.72	\$5,496,104.08

Table No. 2: Project Cost Projection Based on Southern Contract

After learning that the first-year contract cost – approximately \$2.4 million – vastly exceeded the \$1 million grant, the City nonetheless proceeded to execute the contract with Southern, ignoring the budget shortfall. City officials told the OIG that the contract documents identify the total contract amount as \$1,000,000.00 because no additional funds had been appropriated for the project. The contract documents were approved and signed by the CTO, the City’s Chief Administrative Officer, and representatives of the City’s finance and law departments to indicate that the signers had reviewed the contract for compliance in the various areas of responsibility. The actions of all these City officials in approving a contract for which funds were not available were inconsistent with sound fiscal practices and with the following provision in the City Charter:

²

Section 6-308 (2) Prior to signature, contracts involving financial obligations by the City shall be approved also by the Department of Finance as to the availability of funds in the amounts and for the purposes set forth therein.

This lax adherence to budget controls was a pervasive problem throughout this project, as detailed in Finding 20 and Finding 26.

Finding 9: After awarding the contract to Southern, the MOT complained that contract prices were inflated.

Internal email communications indicate that the CTO was dissatisfied with the Southern contract in the early stages of the project. Although the CTO had overseen the procurement and negotiation of the contract signed with Southern in July 2004, he attempted to challenge the contract terms four months later. An email from the CTO to the project manager dated November 17, 2004, with references to Southern’s president and Bellwether Technology Corporation, a subcontractor to Southern, complained about the contract prices for materials and equipment:

² It is permissible, under municipal finance rules, to enter into a multi-year contract, where obligations for subsequent years are contingent on availability of future funds. Even for such a multi-year contract, however, funding for the current year’s obligation must be appropriated or otherwise available before the contract may be executed.

Subject: Looks like Southern is probably raping us Confidentially, the bellweather [sic] guy as [sic] overheard [Southern's president] and co saying roughly [sic] the following:

- 1) *Wire circuit markup is about 100%. This is about 40 bucks a month and will be devastating*
- 2) *Cameras markup is at least 50%*
- 3) *Aerial fiber marked up 100%*
- 4) *Software is marked up over 100%*

Too [sic] mention a few.

On November 19, 2004, the CTO sent an email to Southern, Bellwether, and several MOT staff, stating his intention to start purchasing equipment that Southern was otherwise supposed to provide under the contract from other sources:

- 1) *Though overall quality of the project components remains good, the pace and strategy of the rollout has not been adequate to what is required to accomplish what we need on this.*
- 2) *In my internal audits of some parts and strategies, and due to ongoing budgetary requirements, I have found some equipment in this solution that I am able to purchase less expensively. Since my duty is obviously tied to what [is] best for the city and its citizens, I intend to purchase whatever equipment where I can at a somewhat lower price. We will purchase where we can through WISCA [a state cooperative purchasing agreement] and other instruments (same as city's other hardware purchasers) to eliminate the slow ups due to internal credit limits on the vendor group.*

Despite the CTO's apparent dissatisfaction with the contract, the City continued to order cameras and equipment under the Southern contract until mid-2006. Throughout the project, however, the MOT continued to question the reasonableness of the contract terms they had negotiated with Southern. As late as January 2007, the then-current CTO³ sent the following email, complaining about Southern's pricing:

Your invoices tack on an additional 37%: for Project and Construction Management (15%), Technical and Professional Services (17%), and Corporate Overhead and Profit (5%). While all should be allowable under this contract, and I appreciate the attempt to make your invoices as transparent as possible the issues I have are:

- a. *You already list labor as part of you invoices therefore what is the additional 17% for technical and professional services?*
- b. *Project and construction management is included for even basic purchases (software, hardware, etc.).*
- c. *If corporate overhead and profit is included as a line item, then I have to assume that all hardware, software, labor and materials are being provided at cost? If this is the case, the prices of these materials must have changed since the inception of this contract and those price changes must be passed on to the City (for better or worse).*

³ The City's first CTO resigned in July of 2006 and was replaced by a former Imagine principal who served as CTO until February of 2007.

It was certainly appropriate for MOT to question the reasonableness of marking up all contract costs, including equipment purchases, by 37%. In effect, this term renders the Southern pricing scheme a cost plus percentage-of-cost contract that gives the vendor a perverse incentive to maximize equipment and material costs. The MOT, however, did not question these terms during contract negotiations and allowed them to be incorporated in the contract. The MOT's inattention to the details during contract negotiations is also apparent in the terms relating to inspection and acceptance of the contractor's work, detailed in Finding 10.

Finding 10: The contract did not hold Southern accountable for system performance or provide a meaningful warranty for Southern's work.

The Southern contract called for the MOT's project manager to select camera installation sites and the equipment and connection to be installed at each. The project manager would then submit an order for the selected sites to Southern, who would detail a total cost for the installation for the City's approval. If the City approved the cost information and paid an advance deposit of 50%, Southern would begin installation at the selected sites. After Southern notified the City that an installation was complete, the City was required to inspect the work within 2 business days to determine whether cameras were installed to specifications, reliably connected through the network to the designated district police station, and ready to be powered, operated, and used for surveillance from the monitoring location. The following contract terms governed inspection and acceptance:

The City's acceptance will transfer the installation ownership from the Contractor to the City. . . The City will have accepted any installation it has not inspected and accepted or rejected within two business days after receiving the Contractor's notice to inspect.

These terms put the onus on the City to inspect and accept or reject installations immediately. The contract did not allow a reasonable time period for determining whether a camera would perform reliably or provide a meaningful warranty for Southern's work after the City accepted the cameras. The MOT should have anticipated problems with reliability of the network, based on its experience in the pilot project. Pilot project cameras had sometimes performed initially then dropped out of service within days or weeks as a result of connectivity problems. But the warranty the MOT negotiated with Southern was extremely limited:

Contractor warrants that the System will be Suited for Operation when installed. Any equipment in the System which does not meet the warranty set forth in this Section shall at the Contractor's option either be replaced by Contractor, or Contractor shall issue a credit for any such equipment in the amount of the original invoice price upon return of the equipment by City to Contractor. Such obligation shall be conditioned upon receipt by Contractor of written notice of any alleged material non-conformance to specifications within 5 days of the City's acceptance. THE FOREGOING WARRANTY IS EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED . . .

The NOPD liaison for the camera project told the OIG that six of the 25 cameras Southern installed in the 6th police district had persistent connectivity problems, dropping out of

service repeatedly after the City had accepted them. According to the NOPD liaison, the MOT would ask Southern to send a technician to reboot the camera, restoring service temporarily until another signal interruption caused the camera to drop out again. This approach did not solve the underlying problem, which required the installation of better repeaters to improve the signal strength. The limited warranty did not require Southern to solve this technical problem, which has persisted for years.

Finding 11. The MOT failed to maintain project records to document inspections or identify performance problems.

Southern began installing cameras in locations designated by the MOT in the 6th police district in September 2004. Between September 2004 and February 2005, Southern installed a total of 25 cameras in the 6th police district, but records provided to the OIG contain signed inspection reports for only nine of the 25 cameras that the City accepted. The OIG therefore cannot determine whether or not the City inspected the other 16 cameras before approving payment. The NOPD liaison for the project told the OIG that the 6th district cameras experienced frequent service disruptions, as described in Finding 10, yet the MOT provided no records documenting these problems.

Southern installed 13 surveillance cameras in the 3rd police district and 11 in the 2nd police district in 2005 and 2006. Records provided to the OIG by the MOT were incomplete and did not document inspections for most of the cameras Southern installed in the 3rd and 2nd districts. The NOPD liaison noted that some of these installations also experienced persistent service disruptions due to connectivity problems. The MOT provided no records to document any performance issues.

Finding 12: The MOT failed to control expenditures under the Southern contract, which exceeded the contract price by 50 percent.

The OIG found no evidence that the MOT kept a project log, project meeting minutes, progress reports or any other records to track progress or measure expenditures against project milestones or percentage of work completed. The lack of any semblance of project records casts serious doubt as to whether the MOT exercised any effective contract oversight for the project. The MOT does not appear to have made a consistent effort to keep the project on budget. In the 6th, 3rd, and 2nd police districts, Southern installed a total of 49 cameras at a cost to the City of approximately \$1,500,400. At this rate, completion of the first 120 cameras called for in the contract would have cost \$3,674,448, approximately 50 percent more than the contract price of \$2,413,500. The OIG found no evidence that MOT scrutinized invoices, asked for documentation for equipment or labor costs, or made other efforts to determine whether charges were accurate or justified. In fact, the MOT appears to have been lax in reviewing invoices and approving payments, as detailed in Finding 14.

Finding 13. The MOT gave additional, no-bid work to Southern for a City Hall surveillance project that was not included in the contract.

In March of 2005, the City directed Southern to install a system of cameras and related equipment for a City Hall surveillance project. This work was not specified in the RFP, Southern's proposal, or the contract, but was simply handed to Southern on a no-bid basis. The only project records provided to the OIG by the MOT were Southern invoices with no description of the scope of work and no supporting documentation to justify the amount of the invoices, which totaled \$224,718.11. The OIG was not able to determine from the City's records what was purchased or how the pricing was determined.

Finding 14. The City's records show that the City overpaid Southern by \$286,423.85.

Invoices and payment records provided by the City indicate that Southern was overpaid by several hundred thousand dollars for the 2nd police district camera work. Specifically, records show that the City initially submitted an order on March 29, 2005, for 21 designated camera locations. Southern's total price for these 21 cameras was \$548,631.50. For reasons that are not apparent from the records, the order was delayed and Southern did not begin work on these installations until more than six months later. Southern sent the City an invoice dated November 21, 2005, for an advance deposit in the amount of \$274,315.75, representing 50% of the total cost of the March order. The March order was revised on November 25, 2005 to lower the cost for the 21 cameras from \$548,631.50 to \$374,964.77. Southern sent the City two revised invoices dated December 6, 2005 totaling \$187,482.40, or 50% of the revised cost for the 21 cameras.

Based on a review of these billing records, the OIG concluded that the City should not have paid the initial invoice for \$274,315.75 because it had been superseded by the two invoices dated December 6, 2005, with reduced prices for the same camera installations. However, the payment records show that the City paid both the \$274,315.75 invoice and the two revised invoices, thereby paying an advance 50% deposit on the same 21 cameras twice.

The problem of duplicative deposit payments is compounded by records indicating that Southern actually installed only eleven of the 21 cameras in the 2nd district. The City paid Southern at least an additional \$142,397.35 for installations in the 2nd district, bringing the total amount paid for the eleven cameras to \$604,195.50. These invoices and payment records show that the City overpaid Southern by \$274,315.75.

In addition to the overpayment described above, the OIG review discovered a Southern invoice dated July 22, 2005, in the amount of \$12,108.10 for installing a repeater on the Danzinger Bridge, which the City paid twice. This apparent double payment brings the total overpayment amount to \$286,423.85. The OIG presented this finding to City officials at a meeting on October 14, 2008. The City officials had no explanation for the apparent overpayments, but indicated that they would investigate the matter and determine whether

to seek reimbursement from Southern. In a subsequent meeting on November 18, 2008, City officials indicated that they had not investigated the matter.

July 2006 through January 2007 - Procurement of cameras from Dell, Inc.

After Hurricane Katrina, the City located communications equipment used for some of the surveillance cameras and for other City emergency networks on the roof of One Shell Square in downtown New Orleans. At that time, Veracent (an Imagine-related company) provided professional services to the MIS Department under a subcontractor. The Veracent founder and principal was working under the subcontract as a member of the MOT staff

In total, the MOT authorized Southern to install only 53 of the cameras called for in the contract. Internal emails show that by the end of 2005 the MOT was dissatisfied with the Southern contract and searching for alternatives for completing the project. In February of 2006, the MOT internally prepared another RFP to award a new contract for the project, but abandoned the effort before advertising it. The MOT project manager sent an email dated February 21, 2006, to the City Attorney's office seeking a legal opinion as to whether the Southern contract could be assigned to another contractor. The legal opinion indicated that an assignment was possible, but this idea was also abandoned.

In July 2006, without terminating the contract with Southern, the MOT began to purchase cameras for the project from Dell, Inc., using a cooperative purchasing agreement set up by the Louisiana Office of State Purchasing⁴ for use by state agencies and local government purchasing microcomputers and peripherals. The MOT made this change based on its determination that the state cooperative purchasing agreement offered lower prices than the Southern contract.

The Resignation of the City's First CTO

A news story that appeared in the Times-Picayune on July 18, 2006, reported that the City's first CTO had resigned and quoted the Mayor as saying that the administration was "now challenged with the task of recruiting a qualified individual to fill his shoes as we continue to rebuild our city." The City did not, however, undertake a recruitment process. Instead, the CTO position was transferred immediately to a former Imagine co-owner who was working at the MOT as a subcontractor.

⁴ The Office of State Purchasing participated in a consortium of state governments that solicited bids for microcomputers and peripherals and awarded blanket contracts to Dell and other vendors. The law permits local governments to purchase items specifically covered by the purchasing agreements directly from vendors in lieu of issuing invitations for bids.

Finding 15. The city made payments totaling \$770,624.52 to Dell, Inc., without documentation to show what was purchased.

City officials told the OIG that between July 2006 and February 2007, the City purchased 53 video cameras for the project through a Dell state contract. However, the only records the City provided to document the purchases were two Dell invoices totaling \$770,624.52 and evidence that the City paid this amount to Dell. The Dell invoices, copies of which are included in Exhibit B, do not list video cameras among the items purchased. The invoices appear to describe routers, but the OIG was not able to match the product information on the invoices with any Dell products or otherwise identify the specified equipment. The City provided the OIG with no documents to support any price quotations from or purchase orders to Dell relating to these purchases.

Without any specifications, it is impossible to determine a reasonable market price for whatever equipment the City purchased from Dell. Based on prices under the City's contract with Southern, it is apparent that the \$770,624.52 paid to Dell was much higher than the market price for 53 video cameras, but City officials interviewed by the OIG were unable to identify any other equipment included in the purchase. City officials offered no explanation for how the invoices were approved for payment without an approved purchase order and apparently without substantiating what the City received from Dell.

Finding 16. The MOT arranged a no-bid deal for deployment of cameras purchased from Dell.

The City provided no documents relating to any contract or subcontract for the deployment of the cameras or other equipment purchased from Dell. From records and interviews, the OIG determined that 25 cameras were installed in the 4th police district and an undetermined number of "hot spot" cameras in the 5th, 6th and 1st police districts between January and March of 2007. In an email to the City Law Department dated January 9, 2007, the CTO offered the following description of the method he used to procure labor needed to deploy the camera equipment purchased from Dell:

I am about to send the vendor, Southern Electronics, a list of the problems that I have with their current contract. ... Also, a few weeks ago I asked them to tell me what it would cost to have them hang cameras that were purchased off state contract (as opposed to through them). They responded that they were afraid that by hanging those cameras they would be accepting a material change in their contract, so he wanted to wait until he heard back from his lawyers. I told him that I needed an answer by Jan 1st, he responded on Jan 2nd that it would require something from the City. ... Since he didn't respond on the 1st, I already had people start hanging the cameras using GSA as the vehicle to pay them.

In this email, the CTO is informing the law department that the MOT is paying for labor on the surveillance camera project through a federal cooperative purchasing agreement for information technology services. The term "GSA" refers to agreements entered into by the General Services Agency (GSA), which procures contracts for use by federal agencies and by state and local governments. The City's MIS department uses GSA contracts for professional

services such as programming, systems design, and network services project management. These agreements are essentially fee schedules that list hourly rates charged for the services of various categories of information technology professionals. The GSA schedules do not include rates for the construction-type labor the CTO described in this email (i.e. mounting video cameras and data devices to utility poles and connecting them to power sources). State bidding laws and the City Charter require the use of an IFB to contract for this type of construction-related work and using a GSA contract would be inconsistent with these bidding requirements. The MOT not only circumvented bidding laws, but it also failed to maintain any statements of work, billing or payment records, inspection reports, or other documentation for the work performed in the deployment of camera equipment purchased from Dell.

Records provided by the City show that camera installation work was performed by Veracent, an Imagine-related company whose owner worked at the MOT under a subcontract. In a document submitted to the City on March 5, 2007, Veracent represented that it was instrumental in the deployment of 25 cameras in the 4th police district and had implemented the network that deployed the “hot spot” cameras. According to the NOPD liaison for the project, this work was carried out by two Veracent employees, who utilized a bucket truck and City employees to install cameras⁵.

Finding 17. The MOT named a Veracent employee as the project manager responsible for overseeing Veracent’s work on the project.

The MOT’s records show that the original project manager was replaced by a Veracent employee in 2006. In this role, the Veracent employee was responsible for contract oversight and for inspecting and approving work performed by Southern and by other contractors. The MOT compromised project oversight when it allowed the project manager’s employer, Veracent, to perform the work. If the MOT followed the inspection protocol called for in the Southern contract for Veracent’s work, the project manager would have been in the untenable position of inspecting and approving or rejecting his employer’s work. In fact, the City provided no records of any inspections of Veracent’s work.

⁵ After Veracent had installed 53 cameras, the MOT did not make any further surveillance camera equipment purchases from Dell after January 2007. A factor in this decision may have been a memorandum issued by the Director of the Office of State Purchasing on November 21, 2006, clarifying the limitations of the state contract for microcomputers and peripherals. The memorandum informed public purchasing entities that only microcomputers and hardware connected to computers, such as keyboards, monitors, and printers could be purchased under this contract. The Office of State Purchasing further clarified the contract limits in a March 8, 2007 memorandum instructing vendors to cease the sale of networking equipment and equipment used to configure wireless surveillance camera systems, as these items were not within the scope of the state contract. It was clear that the MOT could no longer purchase surveillance camera equipment through the Dell state contract.

Finding 18. The MOT tacitly approved an improper lease deal that allowed a subcontractor to profit from self-dealing.

Despite its subcontract relationship with the City, Veracent entered into an agreement on April 1, 2006, with Metropolitan Life Insurance Company, the owner of One Shell Square, to acquire the rights to the antenna site used by the City. Under the terms of the five-year agreement with Metropolitan Life, Veracent controlled the use of the site, for which it paid a monthly fee of \$1,500.00 with 5 percent annual increases. According to court documents subsequently filed by Veracent, the City entered into an oral agreement to sublet the site from Veracent for \$3,150.00 per month. A draft of a proposed written agreement indicates that Veracent offered to enter into a written agreement for the City to pay Veracent \$6,500.00 per month, increasing to \$7,100.00 per month in 2009, but it does not appear that the City accepted this proposal. The City's records show that the City paid \$4,165.88 per month for the site in 2008. The City's lease payments were not made to Veracent directly, but were paid through an unrelated contract with another company so that the City had no records of payments to Veracent, further eroding accountability and transparency.

In September of 2007, Veracent sent an email to the City's Chief Administrative Officer complaining that the City had not made lease payments for six months and threatening to remove the City's equipment from the rooftop site. This action would have shut down much of the City's Public Safety Network, including many surveillance cameras and telephone, fax, and internet connections for police and fire stations. The City of New Orleans filed a civil action, seeking an injunction to prevent Veracent from removing the communications equipment. Court records show that the City subsequently entered into an agreement to pay a settlement to resolve Veracent's claim, thereby averting a shutoff.

The Louisiana Code of Governmental Ethics prohibits public employees from engaging in financial dealings with the public agency that employs them. Louisiana courts have interpreted this law to apply to individuals working under contracts with public agencies as well as to public employees. Veracent was technically a subcontractor and therefore had no contract with the City, hence it is not clear whether Veracent's actions in this case violated the state ethics law. Regardless of whether this self-dealing was illegal, Veracent's actions and the MOT's tacit approval created an appearance of impropriety and resulted in the City paying more than it should have for the lease.

In an email dated January 2, 2007, to the City Law Department, the CTO recommended issuing an invitation for bids to procure a new contract:

Ultimately what I want to do, is to either get Southern's prices to around market prices (I think around \$350k for 25 cameras), or to bid this work out. So this brings me to my next question, can I do a bid (not RFP) for something that partially includes professional services. I want to bid this for a few reasons:

- 1) Most of the cost is hardware, software (off the shelf, not customized) and we can fully specify the hardware and software to be used*
- 2) The locations for the cameras are well defined by NOPD*

- 3) *Cost is going to be the most important factor moving forward*
- 4) *I don't want anyone to think that I am "picking the vendor", one of the vendors that will probably bid on this will be a company that I used to work for – even if I don't participate in the RFP process I think people will think I had a hand [in] it. I really just want to not even be in the room when the vendor is selected, and have the lowest price win.*

The Resignation of the City's Second CTO

On February 12, 2007, the City's second CTO resigned after serving in that position for only seven months. In his resignation letter, the CTO informed the Mayor and the Chief Administrative Officer that he had transitioned his responsibilities to the MIS Enterprise Director to make sure there were no gaps in continuity. After resigning, the CTO sought an opinion from the Louisiana Board of Ethics concerning the propriety of his accepting a position with Ciber. The Board of Ethics opined on May 11, 2007, that he was not prohibited from accepting a position so long as his employment with Ciber did not involve Ciber's contract with the City of New Orleans and he did not represent Ciber in dealings with the Office of Technology. The second CTO stepped down in February 2007 and the MIS Enterprise Director took over as Interim Chief Technology Officer, a position he held until July 31, 2008.

After Veracent installed 53 cameras purchased from Dell, the MOT decided to solicit bids for a new contract to complete the remainder of the camera project. The City Law Department approved an IFB prepared by the MOT and the City advertised for bids on or about February 9, 2007. The IFB sought bids for a wireless surveillance camera system consisting of eight-camera modules mounted to City-owned light poles with a wireless communication system capable of connecting to video monitoring, control, and recording equipment. The MOT determined that using an eight-camera module would allow vendors to configure the network in a cost-effective manner. The IFB had technical specifications for the cameras, camera-enclosures, and networking equipment, but no standards or specifications for the installation and wiring work included in the contract. As with other contracts for construction work, the IFB required each bidder to provide a bid bond and required the winning bidder to provide performance and payment bonds and proof of insurance. As required by state law for every public works contract for \$50,000 or more, each bidder had to be licensed under the State Contractor's License Act.

The MOT planned to have the contractor deploy about 100 cameras under this contract to meet its goal of having a total of 200 cameras operating by the end of 2007. Notwithstanding the MOT's project goal, the IFB sought bids for a "requirements" contract, meaning that the City would not commit to buying any stated quantity and reserved the right to buy no camera modules or an unlimited number. Vendors were asked to bid a fixed unit price for a single eight-camera module with contract award to the responsive and responsible bidder submitting the lowest price.

On March 20, 2007, the MOT received eight bids, ranging from \$38,466.00 to \$99,621.65 for a single eight-camera module. After rejecting the two lowest bids as non-responsive, the City identified LSI Research, Inc. (LSI) with a bid of \$64,359.25, as the winning bidder. The Interim CTO compared the cost of LSI's bid with the cost of procuring cameras through the state contract with Dell:

After thoroughly reviewing each crime camera bid package; LSI Research Inc. has the lowest responsive bid. The proposed bid total is \$64,359 for a group of eight cameras. The LSI Research Inc. bid average cost per camera is \$8,045, a savings of \$6,632 per camera from our current State contract (\$14,677). This will save the citizens of New Orleans a total of \$663,200 for the remaining 100 cameras that is [sic] scheduled to be deployed and operable by the end of the year.

After LSI was identified as the lowest responsible and responsive bidder, the City received a bid protest from Veracent, who had submitted a competing bid for the contract. In its protest letter, Veracent asserted that LSI was not licensed as a Louisiana state contractor and therefore not eligible for the contract. The City investigated the allegation and determined that LSI, an Alabama company, held an Alabama contractor's license, not a Louisiana license.

The City's Bureau of Purchasing was then informed by the Office of the State Fire Marshall that the contract was subject to an additional licensing requirement applicable to closed circuit television systems. State law required contractors bidding on this project to have a Life Safety and Property Protection license issued by the State Fire Marshall. This requirement had not been included in the IFB and therefore none of the bidders had submitted evidence of holding such a license. On or about July 24, 2007, LSI and the other bidders were informed that all bids had been rejected as non-responsive.

After rejecting the first round of bids, the City issued a second IFB on July 31, 2007. The second IFB contained the same specifications and contract requirements as the previous solicitation, but added a requirement that each bid include documentation of the vendor's Life Safety and Property Protection License issued by the State Fire Marshall. Only four vendors responded to this solicitation, submitting bids ranging from \$49,900 to \$107,179 for an eight-camera module.

The City determined that LSI was the only bidder responding to the second IFB who met the bid submission requirements. LSI was also the low bidder at \$49,900.00. On or about September 12, 2007, the City executed a contract with LSI.

February 2007 through December 2007 - Contract with LSI, Inc.

Finding 19. The City circumvented the state contractor's license requirement by treating LSI's price bid as the total contract amount.

Included with LSI's bid was a letter from the Office of the State Fire Marshall dated August 21, 2007 – the date of the bid opening – stating that LSI had met the licensing requirements for a Life Safety and Property Protection License. The letter indicated that the licensure was provisional and that a license number would be issued upon implementation of a new computer system. The City apparently found that this letter satisfied the State Fire Marshall's requirements, but LSI was still not licensed as a Louisiana state contractor and again submitted an Alabama contractor's license.

The City determined that LSI did not need a Louisiana state contractor's license because its bid was below the \$50,000 statutory threshold. The City's notion that LSI's unit price of \$49,900 represented the total value of the contract made little sense and ignored the rationale behind the licensing requirement, which is to establish a qualification standard for contractors responsible for larger projects. The plan and purpose for the contract was to complete the deployment of approximately 100 cameras, hence the anticipated contract cost was more than \$600,000, and the actual cost turned out to be more than \$1 million. This was a substantial public works project that called for a qualified contractor.

Finding 20. The City ignored fiscal safeguards when it approved LSI's contract without determining the availability of funds.

The City Charter requires the Finance Department to attest as to the availability of funds in the amount and for the purposes set forth in a contract as a condition for contract approval. This safeguard is intended to ensure that the City does not incur obligations in excess of available funds. As noted in Finding 19, the MOT expected to spend approximately \$600,000 to complete the project under the LSI contract. However, the contract documents executed by the Interim CTO, the Chief Administrative Officer, the Finance Department, and the Law Department inexplicably stated that the contract amount was only \$24,950, which was the amount of the performance and payment bond provided by LSI.⁶

A representative from the City Law Department explained to the OIG that the Finance Department did not need to determine whether funds were available to complete the project before approving the contract with LSI because the contract was structured as a "requirements" contract with no estimated quantities or minimum obligation. Requirements contracts, which consist simply of agreed-upon prices for equipment or supplies, do not

⁶ The contract document provided to the OIG by the City incorporated a bid submitted by one of the unsuccessful competitors for the contract rather than LSI's bid. Because of this error, the City apparently did not have a document that accurately represented the actual terms of the contract awarded to LSI.

commit the City to making any expenditure. Rather, they allow City departments to make purchases on an as-needed basis in accordance with their departmental budgetary allowances. The purpose and intent of the LSI contract, however, was to complete a planned project estimated to cost at least \$600,000. The City's failure to require the Finance Department to attest that funds were available and to set aside adequate funding for the planned work compromised its ability to maintain the integrity of the budget.

Finding 21. The MOT undermined fair competition by allowing LSI to change its bid and failed to control the cost of the LSI contract.

LSI won the contract based on its low bid of \$49,900 for an eight-camera module. The specifications included in LSI's bid were for a particular model of video camera manufactured by Axis. Shortly after the contract was awarded, LSI switched to a camera manufactured by Sony and billed the City \$68,000 for each eight-camera module rather than \$49,900. The MOT accepted and the City paid for 80 Sony cameras at the higher unit price. Allowing the vendor to change the specified product and the price under a competitively bid contract violated bidding law and undermined fair competition.

The City's rationale for allowing LSI to change its bid after the fact was that the Axis cameras called for under the contract were not available. The OIG also learned from the NOPD liaison for the project that the Axis cameras were not well suited for surveillance because they lacked the capability that the Sony cameras had to perform a slow pan. Because of this deficiency, the Axis cameras failed to capture about 80% of the video image when panning, making the recordings far less useful to the police. While this may have been a good reason for choosing the Sony camera, the IFB should have specified that this capability was required. Regardless of the reason for the change in LSI's bid, the MOT's decision to simply disregard the competitive bidding process was improper.

In addition to undermining its own competitive bid process, the MOT failed to keep contract costs under control. The switch to a higher-priced camera alone increased the contract cost by \$181,000. In addition, records show that LSI billed the City for installing 136 cameras, substantially more than the 100 or so that the MOT indicated it had planned to purchase. The increase in the price and number of cameras resulted in LSI billings totaling \$1,084,320 in 2007.

Finding 22. The MOT failed to maintain project records to document work performed and inspections done under the LSI contract.

As was the case with the Southern contract and the Veracent work, the MOT did not maintain a daily log, progress reports, project meeting minutes or other records to document progress made and problems encountered under the LSI contract. The contract called for payments to be made after testing and signoff by the City. The testing procedure included viewing all eight-camera modules from a workstation at a police station or other designated location and from a remote field location, with uninterrupted camera system operation for

seven days. The City provided the OIG with no documentation to show that any of the camera deployments were tested by the City, but payment records indicate that the City paid LSI for deploying 17 eight-camera modules (136 cameras) from October through December of 2007.⁷ While the MOT did not document the problems with these installations, it is apparent from the subsequent history of the project that a substantial number of them were not operational when the City paid for them, as discussed in Finding No. 23, and could not have passed the required test.

Finding 23. Many of the cameras installed by LSI were not operational because the MOT failed to obtain an assessment of the scope of work required to extend the surveillance camera network into all areas of the City.

By the end of December of 2007, LSI finished mounting the additional cameras, bringing the total installations to approximately 214 cameras. Although the MOT met its goal of having 200 cameras installed by the end of the year, many were not operational. The NOPD liaison for the project told the OIG that many of LSI's installations could not immediately be tested because of power or connectivity problems. Installations in some areas that had been without street lighting since Hurricane Katrina could not be made operational until the end of 2007 when the City began to restore electric power to light poles. A much more difficult problem than restoring power, however, was connecting new installations to the City's wireless communications network, as LSI and the MOT discovered that parts of the City, particularly in the 7th district, were out of range of the existing infrastructure.

The OIG could not determine from the records provided the exact number of LSI installations that could not communicate with the City's network. The extent of the problem, however, is suggested by an email written on January 5, 2008 by the NOPD liaison to the Interim CTO, stating that only 46 out of a total of 218 cameras were working. Not all of the failures were due to connectivity issues – the email noted that 15 of the nonworking cameras had recently lost service due to a malfunctioning server – but network problems were pervasive. Because it had not obtained an assessment, the MOT did not foresee the technical difficulties inherent in expanding the surveillance camera system into areas of the City farther away from its wireless communications infrastructure. As a result of its failure to conduct the necessary planning before moving forward with implementation, the MOT wasted time and money mounting cameras that did not work.

⁷ Records provided to the OIG contain no documentation of the number or location of camera installations performed by LSI. LSI invoiced the City and the City paid for 136 installations, but records provided by the City contain conflicting information about the actual number of new cameras LSI installed. A report prepared by Ciber in February of 2008 noted that LSI had installed 120 cameras.

The Lawsuit Against the City

In October of 2007, Southern and its subcontractor Active Solutions, LLC named the City of New Orleans and several City officials as defendants in a lawsuit stemming out of the surveillance camera project. The lawsuit alleged that the City had breached its contract with Southern and that certain City employees, together with Imagine and its related companies, had conspired with Dell to misappropriate the plaintiffs' proprietary technology in order to go into the business of marketing surveillance camera systems to other municipalities. The City denied the allegations and is expending resources to defend the case, which was still pending as of November 2008.

January 2008 through July 2008 - Contract with Ciber, Inc.

In January of 2008, after it became apparent to the MOT that the cameras installed by LSI could not operate effectively without significant enhancements to the City's communications network, the Interim CTO turned to Ciber for assistance. While LSI was installing surveillance cameras, Ciber was providing services under an unrelated contract with the MIS department. When LSI completed its work, the Interim CTO asked Ciber to take over project implementation to solve the connectivity problems. In a report prepared at the request of the City, Ciber presented the following history of its involvement with the surveillance camera project:

In 2007 LSI/TCG⁸ were contracted to mount and install 120 Cameras around the City. These cameras were mounted by December 2007; however there was no network connectivity or no power provided. In January 2008, the Interim CIO requested that CIBER assist LSI/TCG with the implementation of the Crime Surveillance network. CIBER technical resources reviewed the current situation and recommended that CIBER not get involved. . . . CIBER felt that there were too many unknowns, no documentation, no site surveys and no clear picture of the scale of the project. It is important to remember that 2 - 3 previous vendors had deployed surveillance solutions at the City and there was no documentation, no maps and no plan to follow. Moreover there was a mixture of technologies that complicated the design and resulted in an unreliable system. On February 11, CIBER submitted an assessment proposal to the City, that proposal was rejected. CIBER again declined.

Ciber's description of the project status in February 2008 reflects the MOT's haphazard approach to implementing the camera system. From the outset, the MOT failed to invest in the expertise needed to plan a successful project. The MOT had not obtained the necessary surveys and assessments to prepare a realistic scope of work or budget, did not develop written plans, and did not maintain the necessary documentation to keep the project on track. Four years into the project, having not learned from its past mistakes, the MOT refused to follow Ciber's recommendation to obtain an assessment before moving forward with

⁸ Technology Consortium Group (TCG) was a subcontractor to LSI

additional work. According to the report Ciber submitted to the City, Ciber agreed to assist with the deployment of the camera system despite its reservations after the City indicated that cost was not a concern:

It was proposed that CIBER would participate, if this project was billed on a time and materials basis and each month an SOW [statement of work] submitted. The City agreed and CIBER engaged with LSI/TCG to manage the project. . . . The City stated that this system must be fully operational at all costs.

Finding 24. In 2008, the MOT entered into a no-bid, open-ended agreement for a major project to enhance its communications network without determining the likely cost.

According to Ciber, the MOT authorized Ciber to do whatever was necessary to make the system operational without any estimate of how much it would cost. In February of 2008, Ciber submitted a proposed scope of work for the month to the Interim CTO, with estimated hours of work and material costs. The Interim CTO signed the proposal and Ciber proceeded with the first phase of its work, which was to troubleshoot the existing surveillance network. Ciber expected the City to prepay for proposed services each month and indicated that work would be stopped if payments were not made.

The Interim CTO authorized Ciber to implement the surveillance camera project as a continuation of a contract awarded three years earlier, in June of 2005, for professional services to migrate the City's business applications from an IBM mainframe environment to a Microsoft browser-based environment.⁹ The surveillance camera work bore no resemblance to the services Ciber was contracted to provide, but the MOT was able to circumvent the requirement for a competitive procurement by treating the project as a continuation of services under the old contract. In reality, the new agreement with Ciber was a no-bid contract that included an entirely new scope of professional services and implementation of a public works project.

Prudent project management practices and the City's procurement rules called for the MOT to issue a professional services RFP for a consultant to troubleshoot and design the solution to networking infrastructure problems and then prepare an IFB to obtain a competitive, fixed price for the equipment and labor needed to implement the design. By side-stepping these procedures, the MOT not only violated state bidding law, City Charter and Code requirements, and the Mayor's Executive Order, but effectively handed Ciber a blank check in the form of a time and materials contract with no maximum cost. The no-bid arrangement with Ciber included no requirements for payment or performance bonds, no provisions for inspecting work, and no standards or performance guaranty to hold Ciber accountable for the quality or outcome of the project.

⁹ The 2005 contract had a one-year term and a \$5.5 million maximum, but was subsequently amended to extend the length and dollar amount.

Each month, from February through July of 2008, Ciber submitted invoices for estimated time and materials based on Ciber's proposed scope of work. Ciber began with site surveys and assessments needed to prepare a design then proceeded to purchase and install equipment. Much of the labor was subcontracted to LSI, TSG and other unidentified subcontractors. According to a report submitted to the City by Ciber, the City's aggressive timeline contributed to higher costs and by June 2008, more than 15 workers were deployed in the field with 8 bucket trucks involved in installation. According to Ciber's report to the City, the project was complete on July 31, 2008, when 205 out of 214 cameras were functional. The total amount billed by Ciber in monthly cost estimates was \$2,527,540.53.

As was the case with the Southern, Veracent, and LSI work, the MOT did not maintain records to document the work performed by Ciber and its subcontractors. City officials told the OIG that Ciber did not provide a report of actual hours of labor on the project that could be reconciled with Ciber's billings, which were based on estimated hours.

Finding 25. The communications network Ciber built does not meet the MOT's expectations for reliability.

Because the MOT handled the agreement with Ciber so informally, there was little documentation to reflect the parties' understanding of the scope of work. However, Ciber submitted a written proposal to the Interim CTO that described a plan to upgrade the City's communication system to a wireless mesh network rather than a point-to-point system. In a point-to-point system, there is only one possible link between a camera and a central access point, so that if one link in a series is missing, the entire series of connected cameras will cease to function. The mesh network architecture offers greater reliability because every wireless unit can select from multiple available paths and the mesh will reroute traffic if one link is blocked.

The surveillance camera system that had been built prior to Ciber's involvement had proven to be unreliable, in part because it relied primarily on a point-to-point network design. The mesh network described in the Ciber proposal appeared to offer a solution to the reliability problems. According to the current Interim CTO, who was appointed in August of 2008, the infrastructure system that Ciber actually built has some mesh components, but still relies on a point-to-point system in many areas. Because it is not the mesh network system the MOT expected Ciber to build, it is not likely to improve reliability as much as the MOT had hoped.

The vulnerability of the point-to-point network to interruption is magnified by the methods used to attach equipment to poles, as discussed in Finding 27. The cable ties used to attach equipment may allow a shift in the position of an antenna, resulting in the failure of an entire series of cameras.

Finding 26. City officials ignored fiscal controls and allowed the MOT to overspend its 2008 budget.

In its haste to finish the project, the MOT ignored issues of cost and funding in authorizing Ciber's work. Budget detail from the City Council Fiscal Office shows no funding allotted to the surveillance camera system for 2008. The City Charter requires contracts involving financial obligations to be approved for fund availability by the Department of Finance. However, the Interim CTO in charge of the project until July 31, 2008, avoided this safeguard by authorizing Ciber to proceed under an existing contract for unrelated work. This informal arrangement resulted in more than \$2.5 million in Ciber billings on a project for which no funds had been appropriated.

Other fiscal safeguards also failed to protect the City from overspending its budget for the project. Ciber's monthly invoices with charges for "Camera Project for City of New Orleans" should have put the City's Finance Department on notice that the work was not covered under Ciber's contract and the costs should have been questioned. But the Finance Department allowed the City to pay Ciber \$977,195.93 for the camera project even though these expenditures were not included in the MIS budget. According to the current Interim CTO, who was hired after the surveillance camera project was completed, the Finance Department eventually stopped paying Ciber billings in July of 2008. This was because the MIS Department's so-called "burn rate", or rate of spending on professional services contracts, exceeded the rate that could be sustained without exhausting the MIS budget before the end of the fiscal year.

Finding 27. The MOT failed to include adequate standards or specifications in any of its contracts for camera installations.

Over the course of the project the MOT conducted competitive solicitations in 2003 and 2007 and work was performed under four different contracts or agreements. The 2003 RFP and the 2007 IFB had specifications for equipment and for outdoor camera housings but none of the solicitations or contracts incorporated standards or specifications for how installations would be configured. An early, internal draft of the 2003 RFP called for proposers to:

...include a design for the entire camera apparatus, including the housing, poles, mounts, and a facilities connection box.

This requirement was deleted before the RFP was issued and details about the configuration and how camera housings and accessories would be attached to the pole were not addressed. The solicitations and contracts also failed to address the issue of permits and the need for installation work to comply with all applicable electric and building codes. The internal draft RFP included a provision relating to this issue:

The facilities connection box should include at a minimum all appropriate electrical code devices for connecting a sensitive electronic device to the power grid and it must pass inspection by electrical code inspectors, utility inspectors and any other such inspectors as are appropriate to the installation locations.

This provision was also deleted before the RFP was issued and replaced with vague language in the final RFP that required installation to be NEC [National Electrical Code] compliant. The 2007 IFB made no mention of electrical code requirements.

The four different contractors who installed cameras used a variety of methods for securing the various types of cameras and accessories to poles. In some cases, camera housings and plate antennas are strapped to poles with plastic or stainless steel cable ties, as shown in Figures 2 and 3 of Exhibit C. This method allowed the contractor to mount the equipment quickly, but did not provide adequate stability for a permanent installation. Even slight movement of plate antennas in a wind storm will disrupt network communication and cause cameras to fail. After a few storm events and subsequent antenna realignments, the cable ties may become fatigued and prone to break. Other installations involve mounting antennas to sections of pipe strapped to the tops of existing poles using cable ties, as shown in Figure 1 of Exhibit C. This method is highly unstable, as demonstrated by the displacement of the antenna in Figure 3, which likely disrupted the operation of the camera. As discussed in Finding 25, the effect of any shift in antenna position is greatly magnified by the point-to-point network configuration that results in the failure of multiple cameras from a single point of disruption.

The methods used for connecting the camera equipment to power sources also varied from one installation to another. In some cases, the electrical connection was made by breaking into a junction box on the light pole and running wires along the outside of the pole to the camera equipment. The OIG inspected one installation where the plate covering a junction box at the base of a pole had been removed to make an electrical connection, leaving exposed wires at the ground level. The City provided no records to show that any of the installations had been inspected for compliance with electrical codes. Had the MOT followed accepted protocol for a public works project, the methods for attaching equipment and connecting power sources would have been specified and the work would have been inspected for code compliance and safety.

The Appointment of a New Interim CTO

Ciber completed its work in July of 2008. The Interim CTO, who authorized the Ciber work, was replaced in August of 2008 and his successor has begun the difficult task of trying to regain control over the MIS budget. The current Interim CTO is disputing the amount owed to Ciber and has halted payment of approximately \$1.5 million in surveillance camera billings pending a closer examination of the billings.

IV. Conclusions and Recommendations

The surveillance camera project was declared complete by Ciber at the end of July 2008 approximately five years after the Mayor announced plans to install 1,000 cameras city-wide. Although the City does not have documentation to show that the cameras were inspected or tested, Ciber reported that 205 of the 214 installed cameras were operational upon project completion.¹⁰ An independent assessment of the system by the OIG determined that only 114 of the cameras were working seven weeks after project completion and that network design and makeshift installation work will likely affect reliability of operation in the future. The City has been billed more than \$6.6 million for this system, but the current Interim CTO is reviewing the final \$1.5 million in Ciber billings to determine whether all the charges can be justified.

Because the MOT did not develop a realistic cost estimate at the beginning of the project, the taxpayers of New Orleans did not have an opportunity to decide whether undertaking the project was worth the cost. Faced with substantial continuing expenses to maintain the system, there remain unanswered questions as to its effectiveness as a crime fighting tool.¹¹ Police officers do not continuously monitor the video, so the likelihood of observing a crime in progress is low. The primary purpose of the system is to obtain surveillance footage that can be used in crime investigations and prosecutions. The NOPD liaison for the project could not provide the OIG with data on the number of investigations or prosecutions that have been aided by video surveillance, but indicated that it has been a useful tool at times. Many of the cameras have not worked consistently in the past and the City has not maintained records to document these failures, making it particularly difficult to assess the potential effectiveness of a system that performed reliably.

The management problems detailed in this report pre-date the tenure of the City's current Interim CTO, who began work in August 2008. In his first few months, the current Interim CTO has taken steps to address some of the problems identified in this report by halting payments under the Ciber contract pending an audit and by reducing the number of contract employees in the MIS department. He has also reportedly sought rate reductions from the City's information technology service providers. These are positive first steps, but more changes are needed to make the City's contracting practices cost-effective and accountable. Adopting the following recommendations can help the City gain control over its contractors, protect the integrity of departmental budgets, and ensure that future projects meet the public's expectations for quality and cost.

¹⁰ The Ciber report does not indicate what problems existed for the 9 non-functioning cameras.

¹¹ Assessing effectiveness of video surveillance systems in crime prevention or detection has proven to be a daunting task, as described in two comprehensive reports. A 2006 report issued by the U.S. Department of Justice Office of Community Oriented Policing Services reviewed the results of studies conducted in several cities and, noting that evidence of effectiveness is difficult to confirm, cautiously concluded that a good quality system can aid police investigations. A 2003 report issued by the U.S. General Accounting Office surveyed reports from several U.S. cities and noted that most had not attempted to statistically measure effectiveness but perceived some benefits in aiding investigations.

1. The City should reduce its excessive reliance on contractors for information technology services.

The findings in the report show that the City needs to develop an in-house capacity to manage its relationships with contractors. The City's practice of using subcontractors to oversee its MIS contracts undermined accountability and led to conflicts of interest.

Since Hurricane Katrina, many of the City's MIS operations have been privatized and the City relies largely on contractors. Effective contract oversight requires skilled project management staff whose sole focus is protecting the City's interests. The City should ensure that all contracts are administered by City employees with adequate training in project management procedures.

2. The City should procure all services using a competitive process based on a clearly defined scope of work and a maximum contract cost.

The MOT's imprudent practice of adding unrelated work to an existing contract undermined its ability to control spending in the final phase of this project. In 2005, Ciber was awarded a one-year contract with a maximum obligation of \$5.5 million to perform a specific project involving changing the City's business applications to a Microsoft system. Since 2005, the City has extended the contract term each year without seeking competitive proposals. Through this series of no-bid extensions, the contract has ballooned to more than \$36 million and has been used as a vehicle to pay Ciber for services that have nothing to do with the 2005 project, including installation work on the surveillance camera project. Adding this work to Ciber's contract amounted to a no-bid deal that did not protect the City's interests in the cost or quality of the work. The City should end the practice of amending contracts by adding work outside of the original scope.

3. The City should develop contract terms and contract oversight procedures that hold contractors accountable for the quality of their work.

The City engaged four different contractors at different stages of this project. None of these contractors was held accountable for the serious performance failures that have plagued this project. The City failed to include adequate specifications, performance standards, and warranties in their contracts to make contractors responsible for providing a stable, reliable communications network.

In addition to strengthening contract requirements, the City must implement a system for documenting all project activities and communications to protect the City's ability to enforce its contractual rights. City employees with contract administration responsibilities should be trained to maintain records of progress made, problems encountered, and results of inspections or tests. Contract payments should be tied to appropriate milestones, performance measures, or deliverables whenever possible to keep the project within budget and ensure that project objectives are met.

4. The City should correct weaknesses in its fiscal oversight procedures that threaten the integrity of its budget.

The OIG found the following examples of fiscal oversight failures:

- City officials approved a contract with Southern involving a proposed expenditure of more than \$2.4 million in the first contract year, when the only funding available for the contract was a \$1 million grant;
- City officials made overpayments to Southern totaling \$286,423.85;
- City officials made payments to Dell without supporting documentation;
- City officials approved a contract with LSI based on a total contract obligation of \$24,950, but made payments totaling more than \$1 million under the contract;
- City officials approved payments to LSI of \$68,000 per camera module, even though the contract price was \$49,900 per module;
- City officials paid \$977,195.93 to Ciber for camera project work, even though this work was not included in the City's contract with Ciber.

The cost of this project exceeded the funds allocated to it, in part because of these failures to control expenditures. The City Charter Sec. 6-308(2) and Sec. 70-433 of the Code for the City of New Orleans both require an attestation from the director of the department of finance as to the availability of funds in the amounts and for the purposes set forth in contracts awarded by the City. In addition to enforcing this requirement, the City should put in place payment approval procedures to ensure that payments are made only for expenditures specifically authorized by valid contracts, based on contract prices.

5. The City should develop a plan and budget before undertaking any future project.

This project was undertaken without adequate preliminary planning to assess feasibility and develop a realistic cost estimate. The failure to obtain a technical assessment at the outset of this project meant that neither the Mayor nor City Council members had the information they needed to determine whether and in what amount to fund the project. A lack of professional expertise led the MOT to gravely underestimate the technical challenges posed by the project as well as its likely cost. The MOT's lack of attention to upfront planning contributed to its inability to implement a reliable surveillance camera system or control the costs. As technology evolved throughout the duration of the project, the MOT was unable to adopt and provide clear direction to the project. The cost of a proposed project is critical to an informed public debate over the City's spending priorities. The City should ensure that future projects begin with a planning process that provides the information needed for sound decision making.

Exhibit A - Request for Documents

CITY OF NEW ORLEANS
OFFICE OF INSPECTOR GENERAL
525 St. Charles Avenue
New Orleans, La 70130-3409
504-681-3200



July 10, 2008

Brenda Hatfield, Chief Administrative Office
New Orleans City Hall
1300 Perdido Street
New Orleans, LA 70112

Re: Procurement of Police Surveillance Cameras

Dear Dr. Hatfield:

I am writing to request your cooperation and assistance, pursuant to Article XIII of Chapter 2, Sections 18 and 20, of the Code of the City of New Orleans and Chapter 44 of Title 33 of the Louisiana Revised Statutes, Section 9613, in providing this Office with documents and information in the possession, custody, or control of the City of New Orleans or any department, agency, board, commission or public benefit corporation thereof. Please provide the following:

All documents and information pertaining to the period from January 1, 2003 to the present referring or relating to the procurement of police surveillance cameras and/or services related to the installation or maintenance of police surveillance cameras including but not limited to:

1. All notes, memoranda, correspondence, written communications, minutes of meetings and written records of oral communications, both formal and informal;
2. All studies, reports, assessments, cost estimates, and analyses, both formal and informal, relating to the use of surveillance cameras in the prevention, detection, investigation, and/or prosecution of crime or violations of law;
3. All advertisements and solicitations seeking bids or proposals;
4. All invitations for bids and/or requests for proposals, including all plans, specifications, technical requirements, scopes of work, schedules, contractor qualifications, requirements for submitting bids or proposals, evaluation criteria, contract terms, and procedures for contractor selection and contract award;

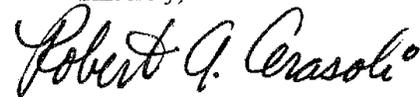
Brenda Hatfield, CAO
July 10, 2008
Page 2

5. All inquiries, comments, expressions of interest, and responses received from prospective bidders or proposers including all questions and requests for information or clarification;
6. All bids and/or proposals received, including all plans, specifications, technical submissions, scopes of services, contractor qualifications, and contract prices;
7. All documents relating to the evaluation of bids and/or proposals;
8. All contracts awarded, including all amendments, modifications, and change orders;
9. All progress reports, inspections of work in progress, verifications of quantity and quality of work completed, contractor evaluation reports and tests of equipment function;
10. All bills, invoices, statements, and other requests for payments submitted;
11. All records of payments made or approved.

This request encompasses all books, records, writings, accounts, letters, maps, drawings, photographs, tapes, recordings, memoranda, papers and other documentary materials, regardless of physical form including information in electronic form. The request encompasses both formal and informal notes and communications, including email communications, instant messages, text messages and handwritten notes. Please regard this as a continuing request for information that creates an ongoing duty to update and supplement your response as this Office's review proceeds.

I have requested that Janet Werkman, First Assistant Inspector General for Legal Affairs, contact you to coordinate the transmittal of documents and information pursuant to this request. Thank you in advance for your cooperation and assistance.

Sincerely,



Robert A. Cerasoli
Inspector General

cc: The Honorable C. Ray Nagin, Mayor
Anthony Jones, Interim Chief Technology Officer

Exhibit B - Dell Invoices



This is your INVOICE

Page 1 of 1

FID Number: 74-2E16805
 Sales Rep: AJMEE JOHNSON
 For Sales: (800) 981-3355
 Sales Fax: (800) 433-9527
 Customer Service: (800) 981-3355
 Technical Support: (800) 981-3355
 Dell Online: <http://www.dell.com>

Customer Number: 23606585
 Purchase Order: NORLEANS0609
 Order Number: 331512924
 Order Date: 10/12/06

Invoice Number: **R63510B30**
 Invoice Date: 11/01/06
 Payment Terms: NET DUE 30 DAYS
 Due Date: 12/01/2006
 Shipped Via: OTHER
 Waybill Number:

64 01 0 01 00 N

SOLD TO:
 GREG MEFFERT
 CITY OF NEW ORLEANS
 **MAUREEN GILBERT IS THE ONLY
 CITY HALL RM 3E05
 1300 PERDIDO ST
 NEW ORLEANS, LA 70112

SHIP TO:
 MAUREEN
 CITY OF NEW ORLEANS
 CITY HALL RM 3E05
 1300 PERDIDO ST
 NEW ORLEANS, LA 70112

001902

PLEASE SEE IMPORTANT TERMS & CONDITIONS ON THE REVERSE SIDE OF THIS INVOICE

Order	Shipped	Item Number	Description	Unit	Unit Price	Amount
1	1	365-0257	CFI,Router,SKU	EA	0.00	0.00
1	1	362-0514	CFI,Information,Validator Customer Kit	EA	0.00	0.00
1	1	365-1107	CFI,Integration Fee, Customer Kit	EA	10.00	10.00
3	3	372-1581	CFI,Router,802-11,Node	EA	5,567.75	44,542.00
25	25	372-1581	CFI,Router,Surveillance,Carrier	EA	10,789.00	269,675.00
3	3	372-1602	CFI,Router,Wireless Wide Area Network,120DEG,Carrier	EA	14,299.00	42,897.00
6	6	372-1615	CFI,Router,802-11,CPE	EA	1,120.00	6,960.00

FOR SHIPMENTS TO CALIFORNIA, A STATE ENVIRONMENTAL FEE OF UP TO \$10 PER ITEM WILL BE ADDED TO INVOICES FOR ALL ORDERS CONTAINING A DISPLAY GREATER THAN 4 INCHES. PLEASE KEEP ORIGINAL BOX FOR ALL RETURNS. COMPREHENSIVE, ONLINE CUSTOMER CARE INFORMATION AND ASSISTANCE IS A CLICK AWAY AT WWW.DELL.COM/PUBLIC-CARE TO ANSWER A VARIETY OF QUESTIONS REGARDING YOUR DELL ORDER.

Ship. &/or Handling	\$	0.00
Subtotal	\$	366,384.00
Taxable:	Tax:	
\$ 0.00	\$	0.00
ENVIRONMENTAL FEE	\$	0.00
Invoice Total	\$	366,384.00



DETACH AT LINE AND RETURN WITH PAYMENT

Invoice Number: R63510B30
 Customer Name: CITY OF NEW ORLEANS
 Customer Number: 23606585
 Purchase Order: NORLEANS0609
 Order Number: 331512924

MAKE CHECK PAYABLE/REMIT TO:

DELL MARKETING L.P.
 C/O DELL USA L.P.
 P.O. BOX 134118

ATLANTA GA 30352-4118

Ship. &/or Handling	\$	0.00
Subtotal	\$	366,384.00
Taxable:	Tax:	
\$ 0.00	\$	0.00
ENVIRONMENTAL FEE	\$	0.00
Invoice Total	\$	366,384.00
	\$	
	\$	
Balance Due	\$	366,384.00
Amount Enclosed	\$	



FID Number: 74-2616805
Sales Rep: BARRETT D ELKINS
For Sales:
Sales Fax:
Customer Service:
Technical Support:
Dell Online: <http://www.dell.com>

Customer Number: 75856448
Purchase Order:
Order Date: 01/11/07

Invoice Number: 475212166P
Invoice Date: 01/11/07
Payment Terms: PREPAID - CHECK
Shipped Via: LTL 5 DAY OR LE
Waybill Number: PENDING SHIPMENT

84 01 O 01 02 N P

SOLD TO:
 CITY OF NEW ORLEANS
 PAYABLE ACCOUNTS
 1300 PERDIDO ST
 CITY HALL RM 3E05
 NEW ORLEANS LA 70112

SHIP TO:
 CITY OF NEW ORLEANS
 PAYABLE ACCOUNTS
 1300 PERDIDO ST
 CITY HALL RM 3E05
 NEW ORLEANS LA 70112

002907

QTY	Shipped	Item Number	Description	Unit	Unit Price	Amount
1		365-0257	CFI,ROUTING SKU	EA	0.00	0.00
1		362-0514	CFI,INFO,VAL,CUST	EA	0.00	0.00
1		365-1107	CFIW,INTG FEE,CUS	EA	10.00	10.00
0		372-1591	CFI,RTER,802.11,N	EA	5,672.36	56,723.60
0		372-1581	CFI,RTER,SRVL,CAR	EA	305,925.64	305,925.64
2		372-1602	CFI,RTR,VWAN,120D	EA	14,598.94	29,197.88
0		372-1615	CFI,RTER,802.11,C	EA	1,138.34	11,383.40

IS YOUR PROFORMA INVOICE ONLY. YOU WILL RECEIVE AN ORIGINAL INVOICE
 UPON COMPLETION AND SHIPMENT OF YOUR ORDER.
 CABLE ENVIRO FEES ARE NOT INCLUDED.



DO NOT REMIT PAYMENT

Invoice Number: 475212166P
Customer Number: 75856448
Purchase Order: 0
Order Number: 475212166P

Ship. &/or Handling	\$0.00
Subtotal	\$404,240.52
TAX	\$0.00
ENVIRO FEE	\$0.00
Invoice Total	\$404,240.52

Ship. &/or Handling	\$0.00
Subtotal	\$404,240.52
Taxable	\$0.00
ENVIRO FEE	\$0.00
Invoice Total	\$404,240.52

Exhibit C - Photographs

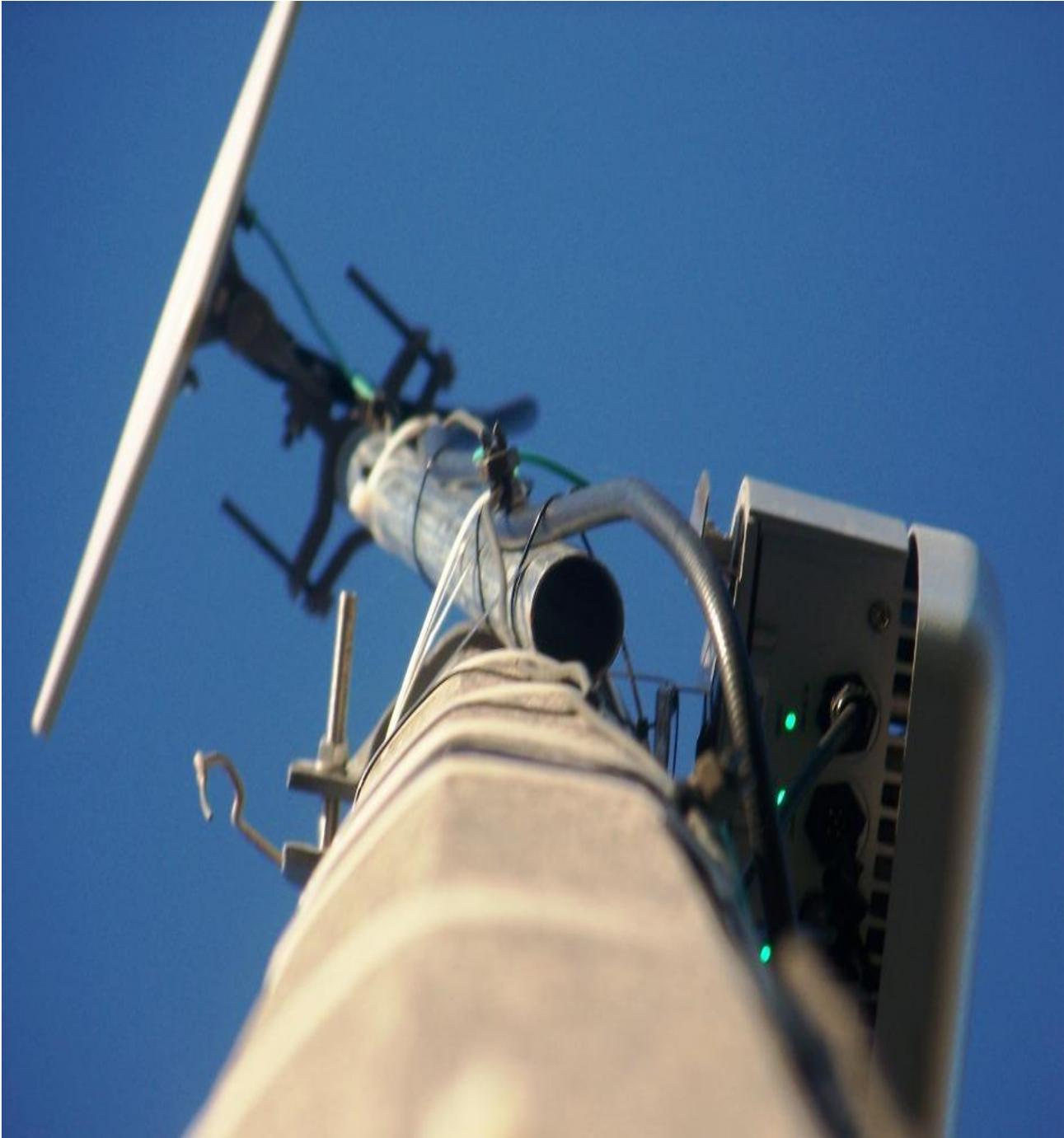


Figure 1



Figure 2



Figure 3