



City of New York

OFFICE OF THE COMPTROLLER

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COMPTROLLER



FINANCIAL AUDIT

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Deputy Comptroller for Audit

Audit Report on the Expenditures
Submitted by PURVIS Systems
Incorporated for Its Contracts with the
New York City Fire Department

FM13-054A

June 27, 2013

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
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June 27, 2013

To the Residents of the City of New York:

My office has audited the New York City Fire Department (FDNY) to determine whether PURVIS Systems Incorporated (PURVIS) accurately and properly billed the City in accordance with the terms of its City contracts and whether FDNY adequately monitored the bills submitted. We audit agencies such as FDNY as a means of ensuring that they properly utilize City resources and provide the necessary oversight of private concerns that contract services to the City.

The audit found that, due to deficiencies in FDNY's contract management, the auditors could not determine whether PURVIS accurately and properly billed the City. Specifically, FDNY did not require PURVIS to provide detailed information on its consultants' timesheets that would allow verification of work hours and work locations. FDNY also did not ensure that consultants were qualified for their respective work titles. FDNY also paid PURVIS for hardware purchases prior to the hardware being delivered to FDNY, and there was no pre-approval of the hardware purchases as required by the contract. In addition, we question whether FDNY obtained the best price for the City when three of the five contracts were negotiated. The three contracts reviewed were signed within a month of each other, yet the hourly rates varied from 16 percent to 51 percent for the same titles. If the three contracts were negotiated with the lowest hourly rates for each title, the City could have saved an estimated \$7.02 million over the terms of the two contracts with the higher hourly rate. Lastly, PURVIS had a significant mark-up for services that it obtained from subcontractors. These mark-ups ranged from 9 percent to 288 percent.

The audit recommends that FDNY should consider seeking reimbursement for the \$1.12 million in questionable payments; require its contractors to provide more detailed information on the timesheets; strengthen the controls on its payment approval process; and limit the mark-up a contractor can charge on services and materials in future contracts.

The results of the audit have been discussed with FDNY and PURVIS officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Expenditures Submitted by PURVIS Systems Incorporated for Its Contracts with the New York City Fire Department

FM13-054A

AUDIT REPORT IN BRIEF

PURVIS Systems Incorporated (PURVIS) specializes in providing technology and communications services and systems to the public sector. During our scope period (July 1, 2004, to October 2012), PURVIS had six multi-year contracts with the New York City Fire Department (FDNY). Five of these contracts were procured utilizing the New York State Office of General Services (OGS) Back-Drop contracts. Those five contracts, with a total contract amount of \$98.1 million, required PURVIS to provide services such as: maintain and repair the Starfire Computer Aided Dispatch (CAD) system; maintain and repair the Voice Alarm (VA) system; provide upgrades to the Emergency Reporting System (ERS) and Electro-Mechanical Alarm Display System (EMADS); design and install a new digital voice alarm system; and design and install an electronic Patient Tracking System (PTS).

Payment invoices were submitted on a monthly basis. The invoices, along with the supporting documents, are first reviewed and approved by FDNY project managers who were assigned to the project. They are then reviewed by FDNY Contract Unit staff who verifies that the hourly rates charged correspond to the contract and to ensure that the contract has not exceeded its not-to-exceed amounts. As of October 2012, FDNY paid PURVIS approximately \$93.5 million for these five contracts. Table I lists the project description and the total value of each of the five contracts.

Audit Findings and Conclusion

We could not determine whether PURVIS accurately and properly billed the City in accordance with the terms of five City contracts because of deficiencies in FDNY's contract management. Specifically, FDNY did not require PURVIS to provide detailed information on its consultants' timesheets that would allow verification of the work hours and work locations (which affected the rate paid) and did not include non-travel rates for certain titles within its contracts despite the fact that some consultants with these titles did not travel. FDNY also did not ensure that consultants were qualified for their respective work titles. These deficiencies resulted in FDNY approving payments without sufficient documentation. Based on the audit of the documentation available, we question \$1.12 million in payments made to PURVIS.

FDNY also paid PURVIS for hardware purchases prior to the hardware being delivered to FDNY, and there was no pre-approval of the hardware purchases as required by the contract. In addition, we question whether FDNY obtained the best price for the City when three of the five contracts were negotiated. The three contracts reviewed were signed within a month of each other, yet the hourly rates varied from 16 percent to 51 percent for the same OGS titles. If the three contracts were negotiated with the lowest hourly rates for each title, the City could have saved an estimated \$7.02 million over the terms of the two contracts with the higher hourly rate.

Lastly, PURVIS had a significant mark-up for services that it obtained from subcontractors. These “mark-ups” ranged from 9 percent to 288 percent. Our research found that several municipalities impose limits on the amount of these markups, ranging from 0 percent to 10 percent. Had FDNY imposed a maximum of a 10 percent subcontractor “mark-up” on these contracts, the City could have saved an estimated \$4.6 million.

Audit Recommendations

FDNY should:

- Consider seeking reimbursement for the \$1,119,516 (\$870,719 for non-travel staffing billed at travel rate + \$248,797 for staff who did not qualify for the titles billed).
- Ensure that all future contracts:
 - Include non-travel rate titles that correspond to travel rate titles when applicable.
 - Require its contractors to provide more detailed information on the timesheets, including but not limited to:
 - A more detailed description by project on the work they performed.
 - Work location for each specific project.
- Consider that all future contracts include a clause:
 - To ensure that the City is getting the best pricing from its contractors and that any cost savings are being passed along to the City.
 - That limits the mark-up a contractor can charge on services or materials to ensure the City is getting the best pricing from its vendors.
- Strengthen the control on its payment approval process by:
 - Ensuring that the consultants worked the hours that FDNY is billed for.
 - Verifying the work location of consultants to ensure that the correct hourly rate is being used to bill the City.
 - Ensuring consultants qualify for the title they are using to bill the City.

- Ensuring that hardware purchased by the contractor is necessary and only used on a FDNY project. FDNY should pre-approve all hardware purchases in writing, especially items sent to a non-FDNY site.
 - Ensuring that contractor payments on hardware purchases are being made in accordance with the contract terms.
 - Requiring supervisory signature by its vendor prior to the submission of subcontractor timesheets.
- Ensure that contractors awarded multiple contracts for similar services are providing the best price on those contracts.

Agency Response

FDNY officials disagreed with the audit's findings and conclusions and disagreed with most aspects of the recommendations. In their response, PURVIS officials believe they were fully compliant with all contract requirements. We disagree with FDNY's and PURVIS's positions. We encourage FDNY officials to revisit their position as we believe that implementation of the recommendations would improve FDNY's contract negotiation and payment processes.

INTRODUCTION

Background

PURVIS specializes in providing technology and communications services and systems to the public sector. During our scope period (July 1, 2004, to October 2012), PURVIS had six multi-year contracts with the FDNY. Five of these contracts were procured utilizing the New York State OGS Back-Drop contracts.^{1,2} Those five contracts, with a total contract amount of \$98.1 million, required PURVIS to provide services such as: maintain and repair the Starfire CAD system; maintain and repair the VA system; provide upgrades to the ERS and EMADS; design and install a new digital voice alarm system; and design and install an electronic PTS.

Payment invoices were submitted on a monthly basis. The invoices, along with the supporting documents, are first reviewed and approved by FDNY project managers who were assigned to the project. They are then reviewed by FDNY Contract Unit staff who verifies that the hourly rates charged correspond to the contract and to ensure that the contract has not exceeded its not-to-exceed amounts. As of October 2012, FDNY paid to PURVIS approximately \$93.5 million for these five contracts. Table I lists the project description and the total value of each of the five contracts.

Table I

List of PURVIS Contracts

Project Descriptions	Contract Amount (in millions)	Amount Paid as of October 2012 (in millions)	Contract Start Date	Contract End Date
Maintain and Repair Starfire CAD System	\$22.1	\$22.1	03/07/2005	03/06/2012
Modernization of the Emergency Reporting System and the Electro-Mechanical Alarm Display System	\$41.1	\$39.9	04/18/2005*	10/16/2012
Design, Fabrication, and Installation Services for the Modernization of the Voice Alarm System	\$12.2	\$12.0	03/14/2005	09/13/2011
Maintain and Repair of the Voice Alarm System	\$17.2	\$17.2	11/07/2005	05/06/2012
Design, Implement, and Deliver an Electronic Patient Tracking System	\$5.5	\$2.3	02/05/2007	02/21/2013
Total	\$98.1	\$93.5		

*This project began in 2001 and suspended in 2003. The project was subsequently re-registered under a new registration process initiated by the City in 2005. The scope of services and contract amount were increased with the same 2001 pricing structure.

¹ A sixth contract was procured utilizing the services of the U.S. General Services Administration. This contract started in December 2011 and was not included in this audit because it was in the very early stages at the time our audit began.

² OGS establishes backdrop contracts that prequalify vendors for provision of services. These contracts establish standard terms and conditions, set maximum not-to-exceed prices, and satisfy many legal requirements associated with procurements.

Objectives

The objectives of this audit were to determine whether PURVIS accurately and properly billed the City in accordance with the terms of its City contracts and whether FDNY adequately monitored the bills submitted by PURVIS.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit was July 1, 2004, to October 2012. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with both FDNY and PURVIS officials during and at the conclusion of this audit. A preliminary draft report was sent to both FDNY and PURVIS officials and discussed at exit conferences held on April 25, 2013 (FDNY) and April 26, 2013 (PURVIS). On May 3, 2013, we submitted a draft report to FDNY and PURVIS officials with a request for comments. We received written responses from both FDNY and PURVIS on May 17, 2013.

FDNY officials disagreed with the audit's findings and conclusions and disagreed with most aspects of the recommendations. FDNY officials attempted to detract from and diminish the audit's primary finding, internal control weaknesses in FDNY's contract negotiating and payment approval processes. Throughout their response, FDNY officials attempted to bolster the appearance of the effectiveness of their project management and contract administration over the PURVIS agreements. Unfortunately, FDNY fails to grasp the ramifications of the identified weaknesses in internal controls. These weaknesses leave the agency vulnerable to waste and abuse and may result in excessive costs related to time- and material-based contracts.

In their response, PURVIS officials stated, "We are committed to performing high-quality; accurate work for the New York City Fire Department, as evidence by the fact that less than 2% of the \$93.5 million in work that was reviewed was in question. We intend to continue to be fully compliant with all contract requirements governing existing and future work for the FDNY..."

We disagree with FDNY's and PURVIS's positions. Further, we encourage FDNY officials to revisit their position as we believe that implementation of the recommendations would improve FDNY's contract negotiation and payment processes and save the City needed resources. With regard to PURVIS's response, PURVIS officials are disingenuous in characterizing the amounts cited in this audit as being minimal and not agreeing to reimburse the City.

The full text of the responses received from FDNY and PURVIS are included as addenda to this report. Our detailed comments concerning the FDNY and PURVIS responses are discussed on page 23 of this report.

FINDINGS AND RECOMMENDATIONS

We could not determine whether PURVIS accurately and properly billed the City in accordance with the terms of five City contracts because of deficiencies in FDNY's contract management. Specifically, FDNY did not require PURVIS to provide detailed information on its consultants' timesheets that would allow verification of the work hours and work locations (which affected the rate paid) and did not include non-travel rates for certain titles within its contracts despite the fact that some consultants with these titles did not travel. FDNY also did not ensure that consultants were qualified for their respective work titles. These deficiencies resulted in FDNY approving payments without sufficient documentation. Based on the audit of the documentation available, we question \$1.12 million in payments made to PURVIS.

FDNY also paid PURVIS for hardware purchases prior to the hardware being delivered to FDNY, and there was no pre-approval of the hardware purchases as required by the contract. In addition, we question whether FDNY obtained the best price for the City when three of the five contracts were signed.³ The three contracts reviewed were signed within a month of each other, yet the hourly rates varied from 16 percent to 51 percent for the same OGS titles. If the three contracts were negotiated with the lowest hourly rates for each title, the City could have saved an estimated \$7.02 million over the terms of the two contracts with the higher hourly rate.

Lastly, PURVIS had a significant mark-up for services that it obtained from subcontractors. These "mark-ups" ranged from 9 percent to 288 percent. Our research found that several municipalities impose limits on the amount of these markups, ranging from 0 percent to 10 percent. Had FDNY imposed a maximum of a 10 percent subcontractor "mark-up" on these contracts, the City could have saved an estimated \$4.6 million.

Internal Control Weakness in FDNY's Contract Negotiating and Payment Approval Processes

FDNY's system of internal controls for its contract negotiating and payment approval processes has significant deficiencies that prevent FDNY from determining whether PURVIS accurately and properly billed the City. Although the contracts require that "The Contractor shall submit any and all documentation and justification in support of expenditures or fees under this Agreement," the supporting documentation required by FDNY is insufficient to justify whether PURVIS's billings were reasonable and appropriate. Specifically, FDNY did not require consultant timesheets to include:

- a detailed description of the work performed,
- the work location (which affected the rate paid),
- actual daily start and end time worked on each task/project, and
- a FDNY project manager signature indicating oversight of the work performed.

³ The three contracts were for Maintenance and Repair of the Starfire System, Modernization of the ERS/EMADS, and the Design, Fabrication, and Installation Services for the Modernization of the Voice Alarm System.

Further, FDNY did not require a PURVIS official to sign subcontractors' timesheets, which would indicate to FDNY that a PURVIS supervisor was certifying the work performed by subcontractors.

When we spoke to FDNY officials regarding how FDNY verifies the reasonableness and appropriateness of PURVIS payment invoices, FDNY officials informed us that because PURVIS contracts are not-to-exceed fixed cap deliverable contracts, PURVIS bills hours as the project progress. FDNY's view is that as long as PURVIS completes the work without exceeding the contract cap amount, PURVIS met its contractual obligation. FDNY's treatment of these contracts as fixed price rather than as time and material could result in the projects being completed at a higher cost than necessary.

Under time and material contracts, FDNY project managers need the necessary information to closely monitor contractor performance by verifying labor hours to specific labor categories. FDNY's contracts should have required PURVIS to submit timesheets with more detailed descriptions of work performed, hours per project, and work locations so that FDNY could verify the hours being billed for each consultant and that correct hourly rates were being used. If the consultants' timesheets had more detail, FDNY would have been able to more closely monitor the contract expenses by comparing timesheets to invoices and possibly reducing the cost to the City.

FDNY's payment approval process also did not require that hardware purchases have FDNY written pre-approval nor did it require FDNY's sign-off indicating acceptance of the hardware prior to reimbursing PURVIS for the hardware purchased as required in the contract. These deficiencies prevented us from determining whether consultants are being paid the correct hourly rate and payments are made only for services and materials that are required and actually provided.

Insufficient Details on Consultants' Timesheets

FDNY did not require PURVIS to provide detailed information on consultants' timesheets to allow verification of the work hours and work location. (See Appendix I and Appendix II for a sample of a PURVIS employee timesheet and a subcontractor timesheet.) The contracts required that "The Contractor shall submit any and all documentation and justification in support of expenditures or fees under this Agreement..." Four of the contracts required that expenses be billed on a time and material basis.⁴ Three of the five contracts reviewed allow two different rates for the same title, one rate for work performed at FDNY facilities (travel rate) and a separate rate for a PURVIS location (off site).⁵ For example, a Project Analyst Level II title had a regular hourly rate for work performed at a PURVIS facility of \$100 and a more expensive hourly rate (travel rate) of \$141 for work performed at FDNY facilities (on site).

The timesheets used by PURVIS employees and subcontractor consultants do not provide any detailed description of the work performed, the location where the work was performed, or the daily actual start and end times worked on each task/project. For example, during August and September 2010, FDNY paid PURVIS a total of \$1,396,678 for services performed under the five contracts. Approximately 47 percent or \$649,797 was for labor charges. Although the

⁴ The fifth contract for the Maintenance and Repair Services of the Voice Alarm System is a Firm Fixed Price contract that does not require the review of consultants' hours or timesheets.

⁵ The three contracts are the Maintenance and Repair of the Starfire System, Modernization of the Emergency Reporting System and the Electro-Mechanical Alarm Display System, and Design, Fabrication, and Installation Services for the Modernization of the Voice Alarm System.

hours billed matched the number of hours stated on the consultants' timesheets, the timesheets only captured the number of hours the consultants charged on each task. As shown in Appendix I and Appendix II, the consultant's timesheet does not document any detail of the work performed, the location where the work was performed, or the actual start and end times worked on each task/project. This was true of all the timesheets during our scope period. As a result, we were unable to determine whether the \$649,797 paid to PURVIS during August and September 2010 was billed at the correct hourly rate and for the correct number of hours worked by each consultant.

In addition, the subcontractors' timesheets do not require any supervisory sign-off (see Appendix II). Without independent verification by PURVIS or FDNY, these timesheets as submitted lacked adequate information to ensure that payment was for appropriate services rendered and that consultants actually worked on FDNY-related projects.

Moreover, most consultants worked at PURVIS's Rhode Island, Queens Village, and Port Jefferson locations (off site). Of the \$649,797 in labor charges during August and September 2010, \$507,221 (78 percent) was billed at the higher hourly travel rate. Due to the lack of information on the timesheets, we could not determine whether the high percentage of labor charges using the travel rates was justified. For example, for both Thursday and Friday during the week ending April 22, 2007, a consultant recorded that he worked on the ERS Modernization Contract for four hours and worked another four hours on the Voice Alarm Modernization contract. On the consultant's timesheet (see Appendix II), this work was described as "project documentation." For both of these days, PURVIS billed four hours at the regular rate and four hours at the travel rate. Because the timesheet did not specify work locations, there is nothing to support charging the higher travel rate for these eight hours. In addition, the task description does not give enough information to determine if the hours charged were justified.

Consultant timesheets clearly lack critical information to support the hours and the rates being charged by PURVIS and the location where the work was performed. During negotiation with FDNY, PURVIS negotiated certain titles with a travel rate and non-travel rate. It also negotiated certain titles with only travel rate, indicating that all consultants using those titles will be working at FDNY facilities. It then negotiated other titles only as non-travel. For the audit scope period, PURVIS billed nine consultants at the travel rate yet informed us that these nine consultants only worked at off-site locations. Their timesheets did not indicate any information to contradict PURVIS's assertion that the nine individuals did not travel and, therefore, the hours billed for those consultants should be billed at the regular rate. The contracts, however, do not always contain both the regular hourly rate and travel rate for every title. Some contracts only have a travel rate despite the fact that some of the consultants in those titles do not travel. Only four of those nine consultants' titles contain both a regular and travel rate in their contracts. This inconsistency could indicate that the FDNY might have overpaid up to an estimated \$870,719 to PURVIS for services incorrectly billed at the travel rates for these nine consultants.⁶

FDNY is unable to verify the hours charged by consultants or the location where the work was performed when they reviewed PURVIS invoices because this information is not included on the timesheets. Timesheets are only used to verify that the title and the hourly rate charged correspond to the terms of the contract. According to FDNY officials, "The pricing for work for

⁶ For four consultants' titles that contain both regular and travel rates, we used the difference between the two rates and multiplied the total number of hours billed to come up with the overpaid amount of \$493,672. For the remaining five consultants who only had a travel rate, we calculated the average difference between those consultant titles that contained both travel and non-travel rates. Then we multiplied that difference by the number of hours worked by the five consultants for the audit scope period and estimated an overpayment of \$377,047.

each of these contracts are Fixed Cap Deliverables. Each deliverable is supported by the projected number of labor hours to complete the work. The vendor must complete all work and cannot exceed the fixed price cap of the contract.” On the contrary, the five contracts that we reviewed all have a not-to-exceed contract amount. It appears that FDNY’s main concern is that the hours billed by PURVIS do not exceed the budgeted hours. However, FDNY is not ensuring that the hours billed and hourly rates charged are justified. FDNY effectively has eliminated any possibility of paying less than the maximum (not-to-exceed) amount allowable under the contracts.

Questionable PURVIS Titles Billed

PURVIS incorrectly billed the City for seven consultants who did not qualify to be billed as a Programmer Analysts. Our review of the in-office titles and associated job descriptions provided by PURVIS found that these seven consultants did not qualify for the Programmer/Analyst rates PURVIS billed the City (see Appendix III for the job description of the in-office titles). For our audit scope period, PURVIS billed 2,864 hours, totaling \$248,797, for these seven consultants. Without the proper qualifications or experience, we question how these consultants performed writing application software, programming, and software conversions. Table II shows the in-office administrative titles and the contract titles PURVIS billed for its consultants.

Table II

Questionable Titles Billed

PURVIS Employee	PURVIS Administrative Title	Title Billed*	Cumulative Cost
# 1	Administrative Assistant	PA I	\$15,091
# 2	Administrative Assistant/Graphic Artist	PA I	\$28,661
# 3	Purchasing Clerk	PA I	\$139,567
# 4	Contracts / Financial Analyst	PA II	\$32,854
# 5	Contracts / Financial Analyst	PA II	\$28,750
# 6	Contracts / Financial Analyst	PA II	\$3,473
# 7	Contracts Manager	PA II	\$401
*PA – Program Analyst		Total Cost	\$248,797

Inadequate Oversight on Hardware Purchases

FDNY has inadequate control over hardware purchases made by PURVIS. This raises the question of whether the hardware purchased was needed and was used solely on FDNY projects. Hardware purchases made by PURVIS were not pre-approved by FDNY's project managers as required by two contracts (Modernization of the Voice Alarm System and the Patient Tracking System). Further, most of the hardware purchased was shipped to PURVIS's Rhode Island location. According to FDNY officials, hardware was assembled in Rhode Island and subsequently shipped to FDNY for installation and acceptance. FDNY would sign payment vouchers for hardware delivered to Rhode Island without verifying the completeness of the delivery.

The Design, Fabrication, and Installation Services for the Modernization of the Voice Alarm System contract states, "equipment selected shall be approved in writing by the FDNY prior to procurement by the contractor." According to FDNY officials, PURVIS initiated hardware purchases for the Design, Fabrication, and Installation Services for the Modernization of the Voice Alarm System contract as part of their task to deliver complete modernized systems for the project. Without written pre-approval from the FDNY project managers on hardware purchases and FDNY's verification being performed during the delivery of the finished product, there is no assurance that all the components purchased were used on the FDNY contracts to which they were invoiced.

We reviewed eight months of invoices for PURVIS hardware purchases. FDNY was billed \$564,977 for these hardware purchases. FDNY paid these invoices upon the delivery of the hardware (mostly to PURVIS's Rhode Island location).⁷ However, according to the contracts, "costs for the purchase of hardware and third-party software components shall be reimbursable upon written acceptance of installation of such components at the Fire Department installation site." Table III shows examples of the hardware purchased by PURVIS and shipped to Purvis's Rhode Island location.

⁷ The eight months are March 2006 to June 2006, April 2007, September 2008, August 2010, and September 2010.

Table III

Examples of Hardware Purchases Made by PURVIS
and Delivered to Rhode Island without FDNY Pre-approval

<i>Item Description on Invoices</i>	<i>Quantity</i>	<i>Price Per Unit</i>	<i>Total Cost</i>
Enclosures 512 Series	24	\$1,998.00	\$47,952.00
Fabrication and Assembly of Printed Circuit Board	265	\$165.00	\$43,725.00
HDX-600Q-P Power Supply	5	\$1,200.00	\$6,000.00
Tantalum Capacitors	9,500	\$1.17	\$11,115.00
Fabrication of VME Panel for Line Card	300	\$21.00	\$6,300.00
Fabrication of VME Panel for CPC	305	\$17.00	\$5,185.00
Toggle Switch	150	\$5.76	\$864.00
Phone Connector	541	\$0.13	\$70.33

Because FDNY did not pre-approve the purchases and did not oversee its assembly, FDNY has limited assurance that all purchases were used on FDNY projects.

FDNY Did Not Ensure that PURVIS Provided the Best Pricing for the City

The City would have saved at least an estimated \$7.02 million if three contracts signed in 2005 had titles that were all negotiated with the lowest hourly rate listed in the three contracts. The consultant hourly rate for the same title charged by PURVIS varies among the three contracts. Table IV shows the hourly rates for the four titles with the largest variances among the three contracts.

Table IVList of Hourly Rates

	Design, Fabrication, and Installation Services for the Modernization of the Voice Alarm System	Modernization of the Emergency Reporting System and the Electro-Mechanical Alarm Display System	Maintenance and Repair of the Starfire System**	Hourly Rate Difference of Lowest price contract to Highest Price contract
Title	Rate	Rate	Rate	Rate
Project Manager I T*	\$86.36	\$111.21	\$113.43	\$27.07
Program Analyst II	\$75.22	\$100.32	\$102.33	\$27.11
Specialist I	\$62.52	\$87.62	\$89.37	\$26.85
Program Analyst I	\$52.51	\$77.60	\$79.15	\$26.64

*Project Manager Level I Travel rate

**The Starfire contract includes an escalating hourly rate for each contract year. The rate used is the lowest hourly rate associated with the first contract year.

The differences on the hourly rate among the three contracts varied from 16 percent to 51 percent. All three contracts were signed within a month of each other by FDNY's Agency Chief Contracting Officer (ACCO). As noted earlier, the Modernization of the ERS/EMADS project originally started in 2001. The project was suspended in 2003. At that time, \$13.1 million had been expended. In 2005, FDNY restarted the project entering into a contract with PURVIS that expanded the scope of services and increased the dollar amount to \$26 million. However, FDNY did not renegotiate the hourly labor rates which were higher than the rates the City had negotiated with similar PURVIS contracts. FDNY could have negotiated less costly rates as it had done in another contract that was signed within a month of the 2005 ERS/EMADS contract.

All three contracts require that "the price, warranties, benefits, terms and costs stated in the proposal are at least equal to or more favorable to the City than the prices, warranties benefits, terms and costs charged or offered to commercial customers for similar services and are exempt from all sales taxes." The three contracts were for similar services as they were procured utilizing the New York State OGS Backdrop Contract awarded under the same Request-For-Proposal.⁸ FDNY failed to enforce the provision in the contracts that the price be at least equal across contracts for similar services. Consequently, FDNY may have overpaid an estimated \$7.02 million for the two contracts with the higher hourly rates. Table V reflects the estimated potential savings for the two contracts.

⁸ New York State OGS Backdrop Contracts expired on December 31, 2011. Individual contracts awarded under the backdrop contracts before December 31, 2011, continue to be governed under those terms.

Table V

Savings on the FDNY Contracts

	Modernization of the Emergency Reporting System and the Electro-Mechanical Alarm Display System	Maintenance and Repair of the Starfire System	<u>Total</u>
Total Labor Cost	\$27,712,114	\$10,019,206	\$37,731,320
Total Labor Cost (Using the lowest Rate)	\$22,729,356	\$7,982,303	\$30,711,659
Savings	\$4,982,758	\$2,036,903	\$7,019,661

FDNY's failure to enforce the provision of equal pricing for similar services resulted in PURVIS billing different hourly rates for an employee who split his work week between two FDNY contracts. For example, on one contract, PURVIS billed \$186 per hour for 10 hours worked by an employee (six hours for 8/23/2010 and four hours for 8/24/2010). On another contract, PURVIS billed \$175 for six hours worked by the same employee (two hours for 8/23/2010 and four hours for 8/24/2010). In this case, the same employee is being billed at a different rate for hours worked during the same day depending on which contract he charged his time to. Had PURVIS billed at the lower rate for both contracts, a savings of \$11 per hour could have been achieved, resulting in a savings of \$110 for the 10 hours worked. As discussed previously, FDNY did not require PURVIS to submit timesheets that specified what the employee worked on during the day so there is no control that would allow FDNY to determine whether the hours charged by one employee on a particular day between contracts were accurate (see Appendix I).

Lack of Restriction on Mark-up Rates

FDNY contracts do not provide a separate rate for subcontractor billings or provide any specific limitation for situations where PURVIS was able to obtain subcontractor personnel at significantly lower hourly rates than the contract-negotiated ones. Consequently, PURVIS was able to charge a set hourly rate per title for services rendered whether PURVIS had an employee or a subcontractor perform those services. In effect, this enabled PURVIS to add a mark-up when it submitted an invoice for subcontractor services. As of October 2012, subcontractors billed PURVIS \$11.5 million for the services provided and PURVIS added a \$5.8 million "mark-up," an average mark-up rate of nearly 50 percent, when it billed the City for services performed by its subcontractors.

FDNY did not limit PURVIS's mark-up or require PURVIS to pass any savings on to the City that it gained by having subcontractors perform work on these contracts. The NYS Backdrop contract states, "Contractor's principal duty shall be to obtain the 'Best Value' for the Issuing Entity which shall be entitled to all savings negotiated by the Contractor on its behalf." None of the five contracts had included a provision that would limit the mark-ups PURVIS could charge if it hired subcontractors. PURVIS billed at the stated contract rates, which were significantly higher than the rates paid to its subcontractors, instead of passing any savings on to the City. PURVIS was paid a system integration fee of \$355,203 on the ERS/EMADS contract, which

was to compensate it for profit and the risk associated with that project. Therefore, on that specific contract, PURVIS was able to make a profit twice, once when it added a mark-up to the bills it submitted for its subcontractor services and the other time when it was paid a system integration fee.

We compared the hourly rates PURVIS paid to subcontractors to the stated contract rates that PURVIS charged to the City and found that PURVIS charged a mark-up ranging from 9 percent to 288 percent. For example, one of the subcontractors billed PURVIS \$20 an hour for the services provided by six college interns and PURVIS billed the City using a contract-specified hourly rate of \$53 to \$78 per hour, a mark-up of 163 percent to 288 percent. PURVIS was billed a total of \$17,080 for the services of the six college interns and added a mark-up of \$35,933 when it billed FDNY.

It is a common practice in other municipalities to include a clause in the contract to restrict the contractor’s mark-up. A review of contracts from other municipalities found that these contracts include a clause in their standard contract that limits contractors’ mark-ups from 0 to 10 percent. Table VI shows the limitation on mark-ups from other municipalities.

Table VI
Limitation on Mark-up

Source	Document Type	Maximum Mark-up Allow
City of Los Angeles	Standard Services Contract	10%
Florida Department of Transportation	Negotiation Handbook	0%
Washington State Department of Transportation	Local Agency Guidelines	4%
Northeast Ohio Regional Sewer District	Standard Agreement with Consultant	0%
Tampa Bay Water	Administrative Policy and Procedure Directive 650-15	5%
Wyoming Department of Transportation	Instruction for Professional Consulting Services	0%
Maine Turnpike Authority	Engineering Consultant General Conditions	0%
City of Chicago – Department of Procurement Services	Request for Proposals	0%
Environmental Programs and Planning Division – Port of Oakland	Request for Proposals	5%

As shown above, several local governments do not allow their contractors to charge any mark-up on subcontractor costs. However, if FDNY included a 0 percent to 10 percent mark-up in the PURVIS contracts, FDNY could have saved a minimum of \$4.6 million and up to \$5.8 million.

PURVIS also used a subcontractor consultant as the project manager for the Emergency Reporting System and Electro-Mechanical Alarm Display System contract. In the project proposal, PURVIS states that the subcontractor consultant “will serve as the PURVIS Team Project Manager for this contract. He will be responsible for maintaining control over the work duties, schedule, and performance of all PURVIS staff. He will be responsible for weekly status

reports, Work Plan updates, Time Distribution Reports, Meeting Summaries and attending status meetings.” This individual was paid approximately \$1.4 million by PURVIS and then PURVIS charged the City approximately \$2.2 million. In other words, PURVIS charged a mark-up of approximately \$800,000 (55 percent) for a Project Manager to direct PURVIS’s staff. Normally, the mark-up covers the cost of directing the consultants’ work, but in this case, the subcontractors’ employee is directing PURVIS’s staff on the job. PURVIS is essentially being paid a premium to have a subcontractor oversee the project.

Recommendations

FDNY should:

1. Consider seeking reimbursement for the \$1,119,516 (\$870,719 for non-travel staffing billed at travel rate + \$248,797 for staff who did not qualify for the titles billed).

FDNY Response: “Disagree. PURVIS provided two rates in their best and final offer during contract negotiations with FDNY. A standard New York State Office of General Services (NYSOGS) rate that included all potential expenses, including travel, and a discount rate for those employees or consultants for which they estimated that any additional expenses were not applicable. PURVIS then established the employees or consultants that would be covered by either rate. The standard NYSOGS rate did not preclude PURVIS from utilizing employees that may have limited travel, or require that such employees actually travel. It is an overall methodology for the vendor to recover travel related expenses for all employees over the term of contract utilizing hourly base rates. As such the Fire Department does not agree that seeking reimbursement from PURVIS is appropriate for staffing that the Office of the Comptroller has identified as non-travel.

“PURVIS utilized the Programmer Analyst title for a number of individuals that provided services for various projects throughout the full term of the agreements. Moreover, at the time of the financial audit, it is our understanding that PURVIS provided the Office of the Comptroller audit team with information concerning the current title of the employees, but did not provide the titles and level of work performed during the period of contract performance. FDNY has identified two (2) employees who were listed on original staffing charts provided by PURVIS in the technical proposals including J.G, and H.S, both of whom provided technical services and were correctly invoiced. Also, it should be noted that the NYSOGS guidelines indicate that vendors can invoice for work other than that provided in the 'mandatory titles' utilizing the Specialist Title as a 'catch all' work description. The Fire Department will consider additional information provided by PURVIS in respect to the remaining employees to determine applicability to the projects. The total amount to be reviewed is \$80,568.91, and we will agree to seek reimbursement if it is determined that the work performed was not applicable to the project or the contract job titles.”

Auditor Comment: While it is true that the NYSOGS rate was an inclusive rate, FDNY did not use the concept of an all-inclusive rate. Certain titles were negotiated

to include both a travel and non-travel rate while other titles had only one rate (either travel or non-travel). Logically, the titles with only the travel rate would mean any consultant in that title was required to travel and any consultant with a non-travel rate was not required to travel. Titles with both rates would have some consultants traveling and some not. Alternatively, FDNY, in its response, argues that for those titles with only one rate, it did not matter if consultants traveled or not because those consultants would be paid the rate for the title. This position is not supported by the contract terms. For example, in the Emergency Reporting System and Electro-Mechanical Alarm Display System contract, the rate for a project manager level III is listed as PM III T (indicating travel rate), and the rate for a program analyst level I is listed as PA I (without a T). If it did not matter whether a consultant traveled or not, there would be no need for FDNY to add the “T” behind some titles and not other titles. We believe that if there were only a travel rate “T” associated with a title in the contract, then all the consultants in that title should be expected to travel. Otherwise, there would be no need to include a “T.” If, after the contract started, the person was a non-travel resource, then PURVIS should not have invoiced the person at a travel rate.

In addition, FDNY claims that two of the seven individuals cited in the report were correctly invoiced as Programmer Analyst I. However, if FDNY closely examined the resumes, it would have seen that the two individuals did not meet the two-year experience requirement for a program analyst. J.G. worked as both a Bench Technician and a Sound Engineer prior to being billed at the PA I rate. Meanwhile, H.S. worked as a Senior Graphic Artist. According to the OGS contract, the qualification for a PA I is “Minimum of 2 years experience with writing application software, data analysis, data access, data structure, data manipulation, databases, design, programming, testing, and implementation, technical, and user documentation, software conversion; environments include but are not limited to mainframe, mid range, personal computers, laptops.” Clearly, if FDNY closely reviewed the qualifications, it would have realized that both individuals did not have the experience to qualify as PA Is. Moreover, both PURVIS and FDNY did not provide any documentation to refute that the remaining five individuals were incorrectly billed. Therefore, we stand by our findings and believe that PURVIS incorrectly billed the City for the seven consultants who did not qualify as PA Is and believe that FDNY should consider seeking reimbursement for the \$1,119,516.

2. Ensure that all future contracts:

- Include non-travel rate titles that correspond to travel rate titles when applicable.

FDNY Response: “Disagree. The NYSOGS min-bid process was a unique solicitation process that required vendors to subsume all travel-related expenses in their proposed labor rates. This procurement process has expired and is not utilized by the Fire Department in its solicitation processes. FDNY solicitations that require travel by vendor staffing or consultants mandate that the costs of such travel expense is invoiced separately.”

Auditor Comment: FDNY appears to disagree for the sake of disagreeing. The recommendation clearly states it should be implemented when applicable. This means if a similar solicitation process occurs, FDNY should ensure that both non-travel and travel rates are incorporated in the contract. In addition, if this process reoccurs, FDNY needs to ensure that those consultants billed at a travel rate actually travelled to a FDNY location.

- Require its contractors to provide more detailed information on the timesheets, including but not limited to:
 - A more detailed description by project on the work they performed.
 - Work location for each specific project.

FDNY Response: “Disagree. We have determined that for most projects, the information provided on timesheets is sufficient to permit approval of the work and payment to the vendors. The FDNY requires vendors to provide information related to each project as applicable. In most cases, the timesheet references the project by a corresponding project number or work code description, or a short description of the work performed. The work of the staff is generally a collective effort that is summarized in the project reports submitted with each invoice, and in some projects, the work description is also included on the invoice. The FDNY carefully monitors the work progress throughout the term of the project, reviews the progress reports and monitors the ongoing deliverables. Projects vary in the need for supporting information, and also in the location requirements. In construction related projects, the vendor submits timesheets with the hours, titles and rates of each employee as well as the facility location where the work is being performed. However, consultant type projects may require contract employees at various locations, and as such, the need to indicate the location is not required. Locations are not required because the billing rates are employee specific, and not location related.”

Auditor Comment: We question how FDNY could monitor work hours billed if there is no detail on the timesheets. The information provided on timesheets and supporting documents, such as a progress reports, is not sufficient to justify the consultants’ hours for a time and material contract. Information provided on the timesheets such as a project number or work code description does not indicate the specific task performed by the consultant. The progress report only focuses on the entire project as a whole, and lacks details regarding work performed by each individual consultant. The progress report would be the document that an agency would rely on if the contract were a flat fee one to determine that the project is, in fact, progressing. However, these contracts were billed on a time and material basis, requiring the agency to more closely review detailed timesheets to justify the number of hours billed. Because a time and material contract does not provide a positive profit incentive for the contractor to limit billing, appropriate government monitoring is required to ensure work is completed in an efficient, timely, and cost-saving manner. Therefore, FDNY should require consultants to provide more

detailed information on timesheets. In addition, in future contracts, work locations should be required if they affect the billing rates.

3. Consider that all future contracts include a clause:

- To ensure that the City is getting the best pricing from its contractors and that any cost savings are being passed along to the City.

FDNY Response: “Disagree. The Fire Department takes exception to the implication that the FDNY is not achieving the best pricing for City. The Fire Department utilizes a number of procurement methods to fulfill its needs for goods, services and construction. Most contracts are awarded through competitive sealed bids, and as the law makes clear, the projects are publicly solicited and awarded to the lowest responsive and responsible bidder. RFP's include language such that the award of a contract will be to the responsible proposer whose proposal is determined to be the highest quality and most advantageous to the City, taking into consideration the price and overall quality of the proposal as measured against the criteria set forth in the RFP. We also consider awards based on best value which is defined as the bid or offer that optimizes quality, cost and efficiency. The Fire Department always endeavors to achieve the best pricing and cost savings through ongoing negotiations with our vendors, and by management of the project costs and budget.”

Auditor Comment: FDNY misinterpreted the intent of this recommendation. This potential cost-saving language came from the NY SOGS contracts and has been in place for many contracts. The intent of this language is to afford governmental agencies the ability to get the best price from their contractors. Essentially, any savings negotiated by the contractor on behalf of the City should be passed along to the City. If a contractor is able to negotiate a lower hourly rate for its subcontractor to perform certain tasks, those savings should be passed along to the City.

- That limits the mark-up contractors can charge on services or materials to ensure the City is getting the best pricing from its vendors.

FDNY Response: “Disagree. The FDNY does not consider this requirement to be in the best interests of the City. Each project is different in capacity and requirements. With such a limitation, vendors will recover such costs through other variables such as increased labor and material rates to cover any deficiencies on the mark-up factor. As such, establishing such a mark-up cap is difficult and in some cases could be counter-productive. Also, such a limitation may inhibit M/WBE and emerging vendors, who may require a greater markup in order to cover higher than normal costs, such as loans, bonding, insurance, administration, etc.”

Auditor Comment: FDNY's position is without merit. Setting a limit on mark-up in the contract will not have negative effects on future contracts. This practice is meant to control costs. Currently, many New York City contracts limit mark-up on material purchases and it has not had the negative impact FDNY alludes to in its response. Further, many other municipalities already include a clause limiting mark-up on subcontractor work in their contracts without any stated consequence. It would be

in the best interest of the City if FDNY reconsiders its position and explores opportunities to limit mark-up in order to save City funds. We suggest that FDNY consult with the Mayor's Office of Contracts before deciding that this recommendation is not in the best interest of the City.

4. Strengthen the control on its payment approval process by:

- Ensuring that the consultants worked the hours that FDNY is billed for.

FDNY Response: “Disagree. The Fire Department disagrees with the position taken by the Office of the Comptroller audit team that its payment approval policies need to be strengthened. The Fire Department maintains a thorough payment approval process and verifies consultant working hours. FDNY Project Management and Contract Administration thoroughly review all the invoices and supporting documentation for reasonableness to facilitate the acceptance of the deliverables and services, and approve the payments. FDNY Project Management closely monitored project deliverables including time expended by PURVIS employees and consultants on specific project tasks. Our Project Managers were aware of the contract format and project budgets, and worked to assure proper cost containment for each project. They used professional judgment in reviewing each invoice and the accompanying timesheets, progress reports and other materials, to facilitate their acceptance of the deliverables and services, and approve the payments.”

Auditor Comment: PURVIS invoiced FDNY on a time and material basis, yet the timesheets that FDNY reviewed did not record the daily times the consultants started and ended their work days or indicate the specific tasks accomplished each day. We find it difficult to understand how FDNY could verify the consultants' work hours when the timesheets do not have the detailed description of the work performed or the actual time spent on each specific task. Without sufficient detail, FDNY cannot determine if PURVIS billed for the consultants' time accurately. The fact that FDNY did not verify the consultants' work hours is further supported by FDNY project managers who stated that timesheets were used to monitor which consultants worked on the project but were not used to verify the work hours each individual consultant billed under the contract. According to the FDNY project managers, invoices are usually approved as long as the billed amount does not exceed the budgeted cost for each deliverable. FDNY needs to reconsider its position as it applies to those contracts invoiced on a time and material basis to ensure work is completed in a timely and cost-efficient manner.

- Verifying the work location of consultants to ensure that the correct hourly rate is being used to bill the City.

FDNY Response: “Disagree. The Fire Department disagrees with the position that such verification practices are not in place within the agency. FDNY does verify the appropriate invoicing rate for employees in such instances where there are different levels of billing or other such unique situations. In the contracts audited by the Office of the Comptroller, locations are not required because the NYSOGS rate was not dependent upon actual travel. The standard NYSOGS rate did not preclude PURVIS from utilizing employees that may have limited travel, or require that such

employees actually travel. FDNY and PURVIS negotiated final rates to reduce costs from the standard NYSOGS rates based on the employee designation and their skills, not by the location of work.”

Auditor Comment: The FDNY contracts we reviewed contradict FDNY’s response that it utilized the NYSOGS’ all-inclusive rates. In its PURVIS contracts, FDNY did not utilize the NYSOGS rate, but instead FDNY negotiated hourly rates that specified whether the consultant would travel (adding a T designation at the end of the title) or would not travel (no T designation). By negotiating travel and non-travel rates, FDNY would need to closely monitor the location where a consultant would work. As previously discussed, FDNY did not monitor the work location and, therefore, cannot claim that it verified the appropriate invoicing rate. FDNY needs to reevaluate its position and verify the work location of consultants if the hourly rate is affected by consultants’ work locations.

- Ensuring consultants qualify for the title they are using to bill the City.

FDNY Response: “Agree.”

- Ensuring that hardware purchased by the contractor is necessary and only used on a FDNY project. FDNY should pre-approve all hardware purchases in writing, especially items sent to a non-FDNY site.

FDNY Response: “Agree.”

- Ensuring that contractor payments on hardware purchases are being made in accordance with the contract terms.

FDNY Response: “Agree.”

- Requiring supervisory signature by its vendor prior to the submission of subcontractor timesheets.

FDNY Response: “Disagree. The FDNY acknowledges that the subcontractor timesheet should be signed by the subcontractor employee and by the subcontractor project manager. However, sign-off by the primary vendor may not be applicable since they may not have supervised the work, but have accepted the deliverable. The acceptance of the deliverable by the prime constitutes acceptance of the timesheets and representations of the subcontractor. In the same manner, if FDNY does not coordinate or supervise any direct work of the prime contractor employees or consultants, then their timesheets are not countersigned by FDNY Project Managers.”

Auditor Comment: Because subcontractors invoiced on a time and material basis, FDNY’s response that the primary vendor did not supervise the work of the subcontractors’ consultants is not acceptable. FDNY does not seem to understand that accepting a deliverable does not provide any assurance that the hours invoiced and associated costs are accurate.

5. Ensure that contractors awarded multiple contracts for similar services are providing the best price on those contracts.

FDNY Response: “Disagree. The FDNY utilizes competitive procurement processes to obtain the best pricing and best value in the interest of the City and the taxpayers. Procurement responses are reviewed to determine if they are in conformance with the budgeted amount, and reviewed in relation to other responses, market conditions, and other vendor pricing. Negotiations are conducted with responsive and responsible vendors to obtain the best pricing and value regardless of whether it is a single award or multiple contracts over several years.”

Auditor Comment: Although FDNY claims to negotiate best pricing, our audit has found that FDNY did not do an effective analysis of three time and material contracts that were signed within a month of each other. Specifically, FDNY did not ensure that the same contractor who was awarded multiple contracts to provide similar services did so at a comparative price. Furthermore, it is difficult to understand how FDNY can disagree with this recommendation when, as discussed in this report, the same individual was billed by PURVIS at vastly different rates depending on the contract to which he/she was assigned. FDNY needs to objectively consider the issues, reassess its position, and consider the recommendations discussed in this report.

DISCUSSION OF FDNY'S AND PURVIS'S RESPONSES TO AUDIT FINDINGS

Finding: *Internal Control Weakness in FDNY's Contract Negotiating and Payment Approval Processes.*

FDNY Response: "FDNY Project Management and Contract Administration thoroughly review all the invoices and supporting documentation for reasonableness to facilitate the acceptance of the deliverables and services, and approve the payments. With the exception of certain approval requirements, the FDNY does not accept the conclusion of the Office of the Comptroller.

The Office of the Comptroller concluded that FDNY managed the contracts as fixed price rather than as the required time and material with a fixed price cap, thus resulting in the projects being completed at a higher cost than necessary. FDNY Project Management closely monitored project deliverables including time expended by PURVIS employees and consultants on specific project tasks. The FDNY Project Managers were aware of the contract format and project budgets, and worked to assure proper cost containment for each project.

Moreover, the FDNY Project Managers used professional judgment in reviewing each invoice and the accompanying timesheets, progress reports and other materials, to facilitate their acceptance of the deliverables and services, and approve the payments. It should also be noted that the review and acceptance process for each invoice entailed extensive review by each project team, and in the case where questions were raised for any portion of the invoice, the FDNY Project Manager was in contact with PURVIS to ensure any and all errors were corrected prior to the sign-off of the invoice package for any given month.

- Locations are not required because the final rates negotiated were employee specific, and not location related.
- As professional employees, each PURVIS employee certified on their timesheet that the hours incurred on each day were in accordance with PURVIS Systems policies and procedures. The requirement to list the sign-in and sign-out times was not required.
- The FDNY sign-off on the invoice package with all timesheets and supporting documentation adequately satisfies the project manager approval requirement.
- The FDNY acknowledges that in the case where a subcontractor employee timesheet is not countersigned by the subcontractor manager, then this should be corrected. However, sign-off by the primary vendor may not be applicable since they may not have supervised the work, but have accepted the deliverable. The acceptance of the deliverable by the prime constitutes acceptance of the timesheets and representations of the subcontractor. In the same manner, if FDNY does not coordinate or supervise any direct work of the prime contractor employees or consultants, then their timesheets are not countersigned by FDNY Project Managers. We do not feel this represents a significant risk in contract monitoring and administration."

Auditor Comment: We would agree with FDNY's claim that it "thoroughly review[s] all the invoices and supporting documentation for reasonableness to facilitate the acceptance of the deliverables and services, and approve the payments" if these were fixed price contracts. However, the contracts discussed in this report were time and material (T&M) contracts with not-to-exceed amounts. A T&M contract provides no profit incentive to the contractor for labor efficiency or cost control. Therefore, effective monitoring of T&M contract requires appropriate government oversight to give reasonable assurance that effective cost controls are being used. Under a T&M contract, project managers need to closely monitor contractor performance by verifying labor hours to specific labor categories.

However, as discussed in this report, FDNY did not require PURVIS to provide the necessary information for it to ensure that PURVIS completed projects in a timely and efficient manner and at the least cost possible. Had this information been provided, FDNY's project managers could have provided the required oversight to verify hours billed by task to an appropriate budget amount and determine if there were variances from the budgeted or anticipated costs. This process is necessary to ensure that work was performed in a timely and cost-effective manner.

Progress reports focus on the completion status of project deliverables, not on cost savings. These reports do not break down the details performed by each consultant on a particular day to the amount of hours billed. It is virtually impossible to monitor T&M contracts from progress reports.

FDNY also responded that sign-off on a subcontractor's timesheets by the primary vendor may not be applicable because it might not have supervised the work, but have accepted the deliverable. FDNY's response is implausible. If PURVIS as the prime vendor is responsible for all deliverables, including those completed by its subcontractors, PURVIS should have attested to the accuracy of time spent by their subcontractors in completing the deliverables by signing off on their timesheets.

FDNY needs to reassess its position and take a more in-depth review of its contract monitoring practices rather than the one it implied in its response.

Finding: *Insufficient Details on Consultants' Timesheets.*

FDNY's Response: "The Office of the Comptroller noted that FDNY did not require consultant timesheets to include a detailed description of the work performed, the work location (which they claim affected the rate paid), the actual daily start and end time worked on each task or project, the FDNY Project Manager signature indicating oversight of the work performed, and the lack of PURVIS approval of subcontractor's timesheets.

Each invoice and underlying timesheet had project codes that indicated the specific work that the contractor employee or consultant performed, as shown in a detailed contract project plan. As such, a detailed description of the work was not required. PURVIS has represented that this methodology is consistent with the requirements of their Federal contracts.

PURVIS provided two rates in their best and final offer. A standard rate New York State Office of General Services (NYSOGS) rate that included all potential expenses, including travel, and a separate discount rate for those employees or consultants for which they estimated that any additional expenses were not applicable. PURVIS then established the employees or consultants that would be covered by either rate. The contract rates are the standard rates used for all employees except for a separate tier of employees who receive a discount rate. The standard NYSOGS rate did not preclude PURVIS from utilizing employees that may have limited

travel, or require that such employees actually travel. The use of the "T" in the rate is a misnomer; there is only one rate in most categories. It is an overall methodology for the vendor to recover travel related expenses for all employees over the term of contract utilizing hourly base rates. Furthermore, FDNY and PURVIS negotiated final rates to reduce costs from the standard NYSOGS rates based on the employee designation and their skills, not by the location of work. As a result, the FDNY achieved a cost savings of \$4.7 million for the labor portion of the ERS/EMADS project and the Voice Alarm project.

The FDNY response to the first set of findings addresses the issues noted concerning the daily start and end time worked on each task or project, the FDNY Project Manager signature indicating oversight of the work performed, and the PURVIS approval of subcontractor's timesheets."

PURVIS Response: "The contracts specified only one rate that could be billed for 'PM3' professionals – and the 'PM3' rate was defined in the contracts as including travel, meals and lodging costs. As a reflection of our commitment to manage and reduce costs for the FDNY, during the contract negotiation process, we proactively identified and defined a rate (the 'PA2' rate) that removed built-in travel costs for non-travelling professionals. In addition, please be assured that the professionals tested on the Starfire contract travelled regularly and that we have travel expense reports submitted by these individuals detailing this travel."

Auditor Comment: We disagree with the FDNY and PURVIS responses. Our audit identified nine consultants who did not travel, yet PURVIS billed and FDNY accepted a travel rate when paying for the consultants' hours. FDNY and PURVIS indicated that the contract hourly rates are based on OGS rates that are all inclusive of travel and it did not matter if the consultant actually traveled. As previously discussed, prior to the signing of the contracts, FDNY and PURVIS negotiated certain OGS rates. These rates, which included travel, non-travel, or both, were subsequently incorporated into the signed contracts. At this point, it does not matter whether an OGS rate is all-inclusive of travel. FDNY should have followed what was negotiated in the contract and applied the appropriate criteria to all consultants. FDNY needs to reassess its position and reconsider recouping the money that was paid for the hours that were incorrectly billed as travel.

Finding: Questionable PURVIS Titles Billed.

FDNY Response: "PURVIS utilized the Programmer Analyst title for a number of individuals that provided services to various projects throughout the full term of the agreements. Moreover, at the time of the financial audit, it is our understanding that PURVIS provided the Office of the Comptroller audit team with information concerning the current titles of their employees, but did not provide the title and level of work performed during the period of contract performance. FDNY has identified two (2) employees who were listed on original staffing charts provided by PURVIS in the technical proposals including J.G, and H.S, both of whom provided technical services and were correctly invoiced. Also, it should be noted that the NYSOGS guidelines indicate that vendors can invoice for work other than that provided in the 'mandatory titles' utilizing the Specialist Title as a "catch all" work description.

This invoicing is of a limited nature considering the overall magnitude and duration of the contracts (less than 0.2% of the total contract cost). PURVIS is currently reviewing the invoices to determine if other staffing may have performed work related to the scope and project titles."

PURVIS Response: "We use the U.S. government's Federal Acquisition Regulations (FAR) and cost accounting standards when determining how employees should accurately and fairly record

their time worked on each contract. We apply that methodology consistently across all contracts. We use this approach for the work we do for the Department of Defense, commercial customers, and municipalities. We, and our customers, find it is a strong and clear set of guidelines that result in high value and successful work product. This is the methodology we used on the FDNY contracts.

After receiving your questions about some of the professionals who were billed at program analyst rates, and on further reflection, perhaps we should have billed these individuals as Specialists – or perhaps requested an ancillary labor category be added to the contract so we could bill these individuals at a separate rate. We will be making that change moving forward on all new engagements.

We would like to note that these questioned hours represent less than one half of 1% of the total dollars billed under the contracts that were audited.”

Auditor Comment: FDNY’s and PURVIS’s explanations are without merit. According to the OGS contract requirements, the qualification for a PA I is a “Minimum of 2 years experience with writing application software, data analysis, data access, data structure, data manipulation, databases, design, programming, testing, and implementation, technical, and user documentation, software conversion; environments include but are not limited to mainframe, mid range, personal computers, laptops.” Both consultants did not have the two years of qualifying experience required for PA Is. J.G. worked as both a Bench Technician and a Sound Engineer prior to being billed as working as a PA I, and H.S. worked as a Senior Graphic Artist. Moreover, PURVIS and FDNY did not provide any documentation to refute that the five remaining individuals were incorrectly billed.

Even though PURVIS acknowledges that both consultants were not billed correctly and did not provide information on the remaining five, FDNY has yet to indicate whether it would seek recoupment of the \$247,797 regardless of how much these questionable billings represent. It should be evident by its response that FDNY does not acknowledge the deficiencies in its contract monitoring.

Finding: *Inadequate Oversight on Hardware Purchases.*

FDNY Response: “FDNY maintains that we had adequate control over the hardware purchases made by PURVIS. The Office of the Comptroller notes that hardware purchases made by PURVIS were not pre-approved by FDNY as required by the Voice Alarm and Patient Tracking contracts, and that FDNY agreed to pay for component purchases prior to completion and acceptance of the system.

FDNY acknowledges that we did not pre-approve certain hardware purchases and authorized payment for component purchases; however, we had bi-weekly meetings to discuss the project requirements including hardware procurement. The FDNY Project Manager, working with the PURVIS Project Manager, was able to qualify that the products purchased by PURVIS were needed for the system without pre-authorization.

Moreover, in its initial best and final offers to the FDNY for the ERS/EMADS Modernization and Voice Alarm Modernization, PURVIS predicated their cost proposals on the opportunity to invoice the hardware and software upon receipt at their facility, although the terms of this offer were not included within the contract. We do agree that such authorization should have been included within the terms of the contract or approved by a change order prior to invoicing the hardware.

However, as the project progressed, and due to the extensive delays in contract progress that were imposed upon PURVIS by the City for both the ERS/EMADS and Voice Alarm project, without a request by PURVIS for a contract increase due to these City imposed delays, FDNY subsequently agreed to mitigate their financial burdens by authorizing PURVIS to pre-purchase certain project material. Additionally, hardware payments were paid incrementally as the systems moved through implementation; not all hardware was paid for upfront.

For Patient Tracking, FDNY authorized PURVIS to expeditiously procure certain completed components of the system such as tablet PCs and software licensing in order to commence the pilot testing. FDNY anticipated that the acceptance of the pilot would result in delays and authorized payment of the components to minimize financial impact on the vendor. Moreover, although the pilot was accepted, the implementation of the production was delayed by FDNY for more than one year as a result of a different, but related project that was under review. Once testing was completed and the pilot was successful, the authorization for purchasing all units for a citywide deployment was given.”

Auditor Comment: FDNY had established adequate controls over hardware purchases as prescribed in its agreement. However, once FDNY decided to bypass those controls and forgo pre-approving hardware purchases, it weakened its assurance that funds were being spent appropriately and that assets were being properly safeguarded. Given the large quantity of products purchased, we do not believe bi-weekly meetings are enough to qualify the products purchased.

Finding: *FDNY Did Not Ensure that PURVIS Provided the Best Pricing for the City.*

FDNY Response: “The contracts were solicited and negotiated over a varied period of time for unrelated scopes of work requiring different skills sets and levels of effort in each pricing category.

ERS/EMADS Modernization ("ERS/EMADS") required extensive engineering design and ramp-up capability to undertake the transition of a project that was managed exclusively by another vendor utilizing exclusive software coding. Alternately, Voice Alarm Modernization ("Voice Alarm") was consistently managed by PURVIS. They had a thorough knowledge of the system, and therefore did not project the need for staffing with higher skills. The FDNY negotiated extensively with the vendor to receive substantial savings to the City for the contract awards. Table I, as listed in the financial audit report, does not truly represent the timeframes of the solicitation and award processes. ERS/EMADS was not awarded in 2005, but originally registered in 2001, and subsequently reregistered 4 years later. Attached is a table that clarifies the timing of the solicitations and awards:

PURVIS Contract Award

Contract Number	Description	Solicitation Released	Contractor Selected	Contract Awarded
857X250361 20050026936	ERS/EMADS Modernization	9/2000	6/2001	10/5/2001 (original) 4/18/2005 (re-register)
2005002853	Voice Alarm Modernization	11/13/2001	120002	3/14/2005
20050027685	Starfire Maintenance and Upgrades	4/9/2004	9/2004	3/7/2005
20060016487	ERS/Voice Alarm Maintenance and Repair	12/2004	4/2005	11/07/2005

In the summer of 2003, the City determined that it would review the communication and dispatch capacities of the Fire Department and Police Department. The ongoing ERS/EMADS project was placed on indefinite hold, and the award of the Voice Alarm contract was also delayed. In late 2004, the City decided that the Fire Department and Police Department would have a combined PSAC. PURVIS could continue work on ERS/EMADS with additional work for the PSAC, and the Voice Alarm project could be awarded. At the time ERS/EMADS was originally awarded, intergovernmental service contracts were awarded through DCAS, who then issued a purchase order on behalf of the Fire Department for the initial project encumbrance. At a later time, this process was changed (refer to attached memo from Mayor's Office of Contract Services (MOCS) dated 11/25/03), and all new intergovernmental service contracts were awarded directly by the agency utilizing a standardized formal contract. Inasmuch as the encumbered amount on the DCAS purchase order was expended and we could not renew the purchase order, the ERS/EMADS project required re-registration under the new format as agreed to by the Comptroller and MOCS, utilizing the same original pricing structure, scope and terms of the DCAS award, with a change in the contract amount to allow for authorized additional work as per Section 4-02(1)(b) (ii) of the PPB Rules. The additional work did not constitute a material scope change that would entail a new solicitation per Section 402 (2).

With respect to all of the PURVIS contracts, the FDNY negotiated the pricing over different timeframes and achieved extensive cost savings for the City. However, the negotiations for three of the contracts: ERS/EMADS, Voice Alarm and Starfire Maintenance and Upgrades ("Starfire") requires a further understanding of the type of work, volumes and performance requirements, as well as the negotiations at the time of award, which affected the final pricing structure for each contract. For example, there is a negotiated savings of almost \$4.7 million for the ERS/EMADS and Voice Alarm contracts in the labor category, and an overall savings of \$12.7 million for labor and hardware:

Negotiated Labor Savings

Name of Project	Original Labor Offer	Best and Final Offer	Savings
ERS/EMADS	\$28,119,400.70	\$25,154,149.04	\$2,965,251.66
Voice Alarm Modernization	\$ 9,184,703.,67	\$ 7,481,892.50	\$1,702,811.17
Total Savings			\$4,668,062.83

Total Contract Savings

Name of Project	Original Offer	Best and Final Offer	Savings
ERS/EMADS	\$42,790,423	\$33,156,546	\$ 9,633,877
VA Modernization	\$14,329,529	\$11,261,374	\$ 3,068,155
Total Savings			\$12,702,032

ERS/EMADS was negotiated with PURVIS in 2001 for the complete upgrade of a critical system that was previously designed and maintained by a different vendor. These negotiations resulted in a final price offer which improved upon the original pricing. The Voice Alarm project was negotiated almost two years after the initiation of the ERS/EMADS solicitation. This project involved work for which PURVIS had extensive familiarity and work experience. Initially, in the Voice Alarm proposal, PURVIS had proposed rates that were similar to and slightly higher than their existing ERS/EMADS contract. Through extensive negotiations by FDNY, PURVIS agreed to a reduction of the rates only for the Voice Alarm project, which took into consideration the overall award volume and the skills required to execute a different type of system.

The Starfire contract was solicited and negotiated almost four years after the ERS/EMADS was awarded in 2001. The Starfire contract is in part a requirements type contract, where the work is awarded for upgrades on an as-needed basis, without any guarantee of any work or dollar volume. As such, there are different labor rates for each year of the contract, and not a fixed rate for the entire term, as provided for in ERS/EMADS and Voice Alarm. PURVIS agreed on negotiated pricing in year 1 (2005) that was approximately 2% higher than their final prices in the ERS/EMADS contract of 2001. This should be compared to the Consumer Price Index (CPI) inflationary rate increase of 9% for the same time period, and represents a significant opportunity savings for the City.

Moreover, the ERS/EMADS and Voice Alarm rates were fixed for the full five year term of the contract, and although the City imposed a delay of two years for both projects, PURVIS agreed to hold their pricing until completion of the work.

The Office of the Comptroller audit team did not perform a reasonable analysis of the costs, technical evaluations, and different offers at different time frames using different staffing levels, requirements and technical expertise, and subsequently leveled all contract costs to the same amount in order to produce an artificial cost analysis. The FDNY was fully aware of the differential in the costs and required services, when it commenced negotiations with the vendor. The financial audit analysis fails to take into account the dynamics of such negotiations during the varying timeframes, and produces a potential cost savings that is not realistic or representative of the negotiations.

The rates provided by PURVIS were highly competitive compared to the marketplace and remain so at this time consistently being upwards of 20% lower than other vendors that have the

capacity and ability to perform similar projects. The Fire Department consistently performs cost and pricing analysis for its solicitations to determine if the awards are fair and reasonable. Such analysis includes a review of the competing offers, market costs, and pricing from other qualified vendors for work of a similar nature.

Given the results of the competition and the best and final negotiations and ultimately the services received, we believe that FDNY accomplished the goal of obtaining the best pricing for the City.”

Auditor Comment: Our review found that the three contracts referred to in the report were all for similar services. They were procured utilizing the OGS Backdrop Contract awarded under the same Request for Proposal. Therefore, it is our contention that FDNY did not do a thorough analysis to determine the reasonableness of the costs when compared to the similar contracts being signed at the same time. Instead, it priced each contract separately. FDNY also claimed that the contracts required different skills sets. However, we found that a number of consultants actually worked on various aspects of all three projects. If each of the contracts required different skills sets, it would not be possible for the same consultant to work on multiple projects. In fact, the same person performed the same task on the same day, yet was billed to FDNY at two different rates because his time was split between contracts.

Even though the ERS/EMADS, Voice Alarm, and Starfire contracts were solicited and negotiated over different periods of time, there were several opportunities to negotiate the final rates before the contracts were signed. FDNY should have asked PURVIS to match the price offered on the Voice Alarm contract before it re-registered the ERS/EMADS contract for a second time or awarded the Starfire contract. Because the two other contracts offered similar services and utilized the same OGS titles, FDNY should have been aware of the lower hourly rate negotiated in the Voice Alarm contract and required PURVIS to provide the City with the hourly rates agreed upon in the Voice Alarm contract.

We question why FDNY is so averse to this issue when it's been shown that a significant cost saving could have been achieved had it compared the pricing of these three contracts. Going forward, FDNY needs to reconsider its position so that the most reasonable rates can be achieved.

Finding: *Lack of Restriction on Mark-up Rates.*

FDNY Response: “The price schedules in the solicitations and contract did not require any separate pricing for subcontracting services, nor were these contracts established as ‘cost plus’ contracts. Moreover, the pricing structure established was consistent with the project methodology provided by NYSOGS in their pricing guidelines to State and local agencies. This methodology was structured so that the vendor can propose a fixed labor rate for each NYSOGS title. This rate was then utilized for both prime contractor employees and subcontractor consultants.

The FDNY followed this recommended methodology in its procurement process. As such, PURVIS provided ‘blended’ uniform labor rates for both their direct employees and consultants, and this was the basis of their cost proposal. The Office of the Comptroller auditors also did not address PURVIS’ underlying operational costs for the project including all overhead, payroll, and profit. The report focuses solely on the ability to limit the mark-up for subcontracting, without taking into any consideration of the risk basis undertaken by a vendor using uniform pricing without any escalation for at least a decade of work.

Conversely, allowing the vendor to supply subcontractors on a direct cost or cost plus basis could be considered non-competitive for it may fail to provide adequate cost control. In this instance an agency's cost control basis could be cited for its failure to provide uniform rates for both employees and subcontractors, if in such cases, the subcontractor rates for same level of work exceeded that of the direct employee billing rate.

The Office of the Comptroller also fails to realize that if the mark-up was limited by the Fire Department, the contract negotiations would also have had a far different outcome. Considering that PURVIS would rely on lower cost recovery for subcontractors through the cost-plus pricing restriction, then the vendor would increase the contractor labor and material rates to a higher level than currently in contract to make up for lost revenue. Firms generally have an understanding of the total cost of a project, and while attempting to be competitive, they will try to recoup their costs and profit regardless of the pricing structure. The end result would be that the cost basis in each contract could very well be the same or even somewhat higher, since cost plus has a tendency to limit cost containment.

The use of uniform blended rates for both subcontractor and direct employee rates was determined to be a fair and reasonable basis for control of project costs and rates, and the FDNY maintains that it achieved significant overall costs savings for the duration of the projects.”

PURVIS Response: “In response to your first finding, please know that the professionals identified were billed according to the tasks they performed for specific labor categories. And they were billed according to the rates specified in the contracts (in this case, program analysts/specialists). It is inaccurate to suggest we added a mark-up to the cost of these services prior to billing FDNY. We added nothing.

It is also useful to note here that the amount of the billings most strenuously questioned above (23 hours total time) amounted to \$1,784.80 – out of a total of \$93.5 million in billings that were reviewed.

In response to your second finding, please know that a ‘system integration fee’ is materials handling and overhead costs connected to specific materials purchased under the contract. These costs are separate from the labor costs associated with working with those materials to realize the contract’s objectives. This overhead is applied to all materials purchases, across all contracts and customers. As a result, it is inaccurate to suggest the company inappropriately billed on the ERS/EMADS contract by receiving a systems-integration fee.”

Auditor Comment: FDNY’s position is complete speculation. FDNY stated that limiting the mark-up would result in a vendor charging subcontractors rates that would exceed the direct employee billing rate was not applicable to this contract. On these contracts, the subcontractors billed PURVIS substantially less than what PURVIS charged FDNY. In any case, FDNY could have simply included a contract clause to keep the subcontractor rates below the employee billing rate in order to have better cost control on the project. Further, FDNY’s position that allowing the vendor to supply subcontractors on a direct cost or cost plus basis could be considered non-competitive for it may fail to provide adequate cost control is unresponsive. As shown in this report, it is common practice among other municipalities to include a clause in their contracts to limit a contractor’s mark-up.

We are baffled by PURVIS’s statement that it did not add a mark-up. The amount invoiced by the subcontractors increased by \$5.8 million when PURVIS invoiced FDNY. PURVIS made a very large mark-up. PURVIS does not want to admit that it added a mark-up, which is evidenced

by PURVIS's failure to address the example in the report where a \$35,933 mark-up was added to the \$17,080 in subcontractor billings for the services of six college interns.

In addition, PURVIS misinterpreted the system integration fee. According to the OGS Backdrop Contract, the system integration fee "is a fee paid for System Integration services, including profit and risk assumed by Contractor associated with SI project." In its response, PURVIS explained that the fee is associated with material purchases, which clearly conflicts with the definition stated in the contract. Because the contract definition of the system integration fee was incorrectly applied by PURVIS, we believe a mark-up should not have been allowed after PURVIS was paid a system integration fee. FDNY should reconsider its position and attempt to recoup the mark-up added or the \$355,203 system integration fee.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope period of this audit was July 1, 2004, to October 2012.

To achieve our audit objectives, we reviewed all five PURVIS contracts and the change orders provided by FDNY. To gain an understanding of both PURVIS's and FDNY's internal controls over the billing practice and payment approval process, we interviewed relevant personnel such as PURVIS's Chief Financial Officer, Controller, Senior Revenue Analyst, and FDNY officials. We conducted a walk-through meeting with PURVIS's officials regarding the billing practice and a meeting with the FDNY's officials regarding the payment approval process. We also conducted a meeting with FDNY's project managers regarding the timesheet review process. We documented the results through written narratives, memoranda, and flowcharts.

To determine the completeness and accuracy of PURVIS's timesheets, we judgmentally selected March 2006 to June 2006, April 2007, September 2008, August 2010, and September 2010 as our sample period. During the sample period, FDNY paid PURVIS \$7,500,231 for services provided under these five contracts. We reviewed the consultants' timesheets and compared the number of hours reported on the timesheets with the data extracted from Deltek Time and Expense.⁹ We reviewed invoices and their supporting documents to determine if invoices were properly approved and supported. We also reconciled timesheet hours to the invoices to ensure that the hours were accurately billed. To determine if the correct hourly rate was used for work performed at different locations, we obtained and reviewed the day-to-day job location for the consultants and compared them to the hourly rates they used to bill the City. To determine if consultants worked on multiple contracts, we reconciled the Labor Summary Reports for all five contracts.¹⁰ We also reviewed the timesheets for the consultants who worked on multiple City contracts to determine if they double billed for any hours. To determine whether the consultants were qualified to work in their titles, we obtained and compared the qualification and job descriptions of their respective office titles with the qualifications of their respective billing titles.

We also reviewed the supporting documents on hardware purchases to determine if the purchases were properly approved. To determine if FDNY consistently negotiated the best contract price for the three PURVIS contracts initiated in 2005, we compared the consultant hourly rates for each contract. To determine the difference between the contract-negotiated rates PURVIS billed FDNY and the hourly rates PURVIS actually paid subcontractors, we compared the subcontractors' hourly rates billed PURVIS with the hourly rate PURVIS billed the City. We then compared the percentage differences to rates allowed by other municipalities across the country. The results of the above tests while not projected to the respective

⁹ Deltek Time and Expense is a web-based timekeeping software used by PURVIS.

¹⁰The Labor Summary Reports are reports extracted from Deltek that provide the name and title of the consultants who work on a particular project.

populations from which the samples were drawn, provided a reasonable basis for us to satisfy our objectives.

Sample of PURVIS Employee Timesheet

PURVIS SYSTEMS, INC.
Employee Timesheet



Employee: [Redacted]
Employee ID: [Redacted]
Class: Full-Time Exempt
Printed: Sep 25, 2012 11:53 AM

Revision: 1
Schedule: Sem Monthly Schedule
Period Ending: Aug 31, 2010
Page: 1

Line No	Project Pay Type PLC	Charge Description	Mon 8/16	Tue 8/17	Wed 8/18	Thu 8/19	Fri 8/20	Sat 8/21	Sun 8/22	Mon 8/23	Tue 8/24	Wed 8/25	Thu 8/26	Fri 8/27	Sat 8/28	Sun 8/29	Mon 8/30	Tue 8/31	Line Totals
1	2523.Y3.R5.08.0200 R PA3T	STAYALIVE ICAD PD Intc	8.00	8.00		8.00	8.00			8.00	4.00	8.00	8.00				3.00	3.00	64.00
2	LVOH.VAC R NONE	VACATION (OH)			8.00									8.00					16.00
3	2487.00.12.06.1208 R SP3T	QNS WHITE SPA CE ERS/EMADS								2.00	4.00						1.00	3.00	10.00
4	LVOH.SIC R NONE	SICK LEAVE (OH)															4.00	2.00	6.00
5																			
6																			
7																			
8																			
9																			
10																			
	Regular		8.00	8.00	8.00	8.00	8.00			8.00	8.00	8.00	8.00	8.00			8.00	8.00	66.00
	Overtime																		
	Total		8.00	8.00	8.00	8.00	8.00			8.00	8.00	8.00	8.00	8.00			8.00	8.00	66.00

Signature: [Redacted]	By signing this timesheet, you are certifying that hours were incurred on the charge and day specified in accordance with PURVIS Systems policies and procedures.	Approval: [Redacted]
Date: Sep 1, 2010 8:56 AM		Date: Sep 1, 2010 1:25 PM

Sample of PURVIS Subcontractor Timesheet

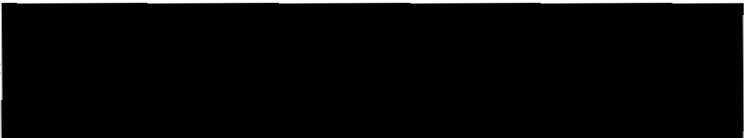
 Employee Time Card



Week Ending: 4/22/2007



Project Number	Mon	Tues	Wed	Thur	Fri	Sat	Sun	Total
PURVIS: ERS Modernization: 2467.18.02 Project Documentation			6	4	4			14
PURVIS: ERS Modernization: 2467.17.2 Training Materials								0
PURVIS: ERS Modernization: 2467.17.7 Project Training								0
PURIS: VA Modernization: 2513.11.04 Project Documentation				4	4			8
PURVIS VA Modernization: 2513.10.03 Project Training	8	8						16
CT Lottery Satellite Installation								0
Business Development			2					2
								0
								0
								0
								0
Total	8	8	8	8	8	0	0	40

Employee Signature: 

Description of PURVIS Administrative Titles

Title	Description
Administrative Assistant	Perform various administrative duties such as reception duties, handling incoming and outgoing mail, processing timecards, filing and some word processing.
Graphic Artist	Design or create graphic to meet specific commercial or promotional needs, such as packaging, displays, or logos.
Purchasing Clerk	Coordinate the purchasing and tracking of material in support of various projects, responsible for purchasing quality materials and services to support the project schedules.
Facilities Manager	Primarily responsible for the oversight of all administrative, personnel, and safety responsibilities for the operating location.
Contracts / Financial Analyst	Financial support of contractual requirements including development, maintenance, and update of financial databases and spreadsheets; generation of various financial reports; financial analysis of assigned contracts; and support to program/project managers in managing, tracking, monitoring, and reporting financial data.
Contract Manager	Duties include administration of contracts and subcontracts, validating and processing subcontractor invoices, resolution of contractual issues, and other duties.



FIRE DEPARTMENT

9 METROTECH CENTER

BROOKLYN, N.Y. 11201-3857

SALVATORE J. CASSANO

Fire Commissioner

Suite 8W-6

May 16, 2013

H. Tina Kim
Deputy Comptroller
Bureau of Audit
The City of New York Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: **Audit Report on the Expenditures Submitted by PURVIS Systems Incorporated for Its Contracts with the New York City Fire Department – FM13-054A**

Dear Deputy Comptroller Kim:

I write in response to the draft "Audit Report on the Expenditures Submitted by PURVIS Systems Incorporated for Its Contracts with the New York City Fire Department", dated May 3, 2013. Please thank your staff for the time and diligence that they put into this audit. The Department appreciates their efforts and intends to utilize some of their recommendations.

I have attached copies of the Fire Department's Response to Findings Summary and the Agency Implementation Plan (AIP) which responds to the five recommendations made by the Office of the Comptroller in the audit referenced above.

As detailed in the AIP, we disagree with a large percentage of the recommendations in the report. Of the sub-recommendations we do agree with, the AIP notes that these are already in place or that the Department is actively taking steps to address.

If you have any questions about our response or AIP, please contact Domenick Loccisano, Executive Director of Compliance and Internal Audit, at (718) 999-5180.

Sincerely,

Salvatore J. Cassano
Fire Commissioner

cc: Edward Kilduff, Chief of Department
Joel Golub, Deputy Commissioner and Chief Information Officer
Michael Vecchi, Associate Commissioner of Management Initiatives
Stephen Rush, Assistant Commissioner of Budget & Finance
Jeffrey Roth, Assistant Commissioner of Management Initiatives
Donald Stanton, Assistant Commissioner of Technology Development & Systems
George Davis III, Deputy Director, Mayor's Office of Operations

FDNY Response to Findings Summary

Audit #: FM13-054A

Audit Name: Audit Report on the Expenditures Submitted by PURVIS Systems Incorporated for Its Contracts with the New York City Fire Department

Finding:

*

Internal control weakness in FDNY's contract negotiating and payment approval processes.

FDNY Response

FDNY Project Management and Contract Administration thoroughly review all the invoices and supporting documentation for reasonableness to facilitate the acceptance of the deliverables and services, and approve the payments. With the exception of certain approval requirements, the FDNY does not accept the conclusion of the Office of the Comptroller.

The Office of the Comptroller concluded that FDNY managed the contracts as fixed price rather than as the required time and material with a fixed price cap, thus resulting in the projects being completed at a higher cost than necessary. FDNY Project Management closely monitored project deliverables including time expended by PURVIS employees and consultants on specific project tasks. The FDNY Project Managers were aware of the contract format and project budgets, and worked to assure proper cost containment for each project.

Moreover, the FDNY Project Managers used professional judgment in reviewing each invoice and the accompanying timesheets, progress reports and other materials, to facilitate their acceptance of the deliverables and services, and approve the payments. It should also be noted that the review and acceptance process for each invoice entailed extensive review by each project team, and in the case where questions were raised for any portion of the invoice, the FDNY Project Manager was in contact with PURVIS to ensure any and all errors were corrected prior to the sign-off of the invoice package for any given month.

- Locations are not required because the final rates negotiated were employee specific, and not location related.
- As professional employees, each PURVIS employee certified on their timesheet that the hours incurred on each day were in accordance with PURVIS Systems policies and procedures. The requirement to list the sign-in and sign-out times was not required.

- The FDNY sign-off on the invoice package with all timesheets and supporting documentation adequately satisfies the project manager approval requirement.
- The FDNY acknowledges that in the case where a subcontractor employee timesheet is not countersigned by the subcontractor manager, then this should be corrected. However, sign-off by the primary vendor may not be applicable since they may not have supervised the work, but have accepted the deliverable. The acceptance of the deliverable by the prime constitutes acceptance of the timesheets and representations of the subcontractor. In the same manner, if FDNY does not coordinate or supervise any direct work of the prime contractor employees or consultants, then their timesheets are not countersigned by FDNY Project Managers. We do not feel this represents a significant risk in contract monitoring and administration.

* Insufficient Details on Consultants' Timesheets.

FDNY Response:

The Office of the Comptroller noted that FDNY did not require consultant timesheets to include a detailed description of the work performed, the work location (which they claim affected the rate paid), the actual daily start and end time worked on each task or project, the FDNY Project Manager signature indicating oversight of the work performed, and the lack of PURVIS approval of subcontractor's timesheets.

Each invoice and underlying timesheet had project codes that indicated the specific work that the contractor employee or consultant performed, as shown in a detailed contract project plan. As such, a detailed description of the work was not required. PURVIS has represented that this methodology is consistent with the requirements of their Federal contracts.

PURVIS provided two rates in their best and final offer. A standard rate New York State Office of General Services (NYSOGS) rate that included all potential expenses, including travel, and a separate discount rate for those employees or consultants for which they estimated that any additional expenses were not applicable. PURVIS then established the employees or consultants that would be covered by either rate. The contract rates are the standard rates used for all employees except for a separate tier of employees who receive a discount rate. The standard NYSOGS rate did not preclude PURVIS from utilizing employees that may have limited travel, or require that such employees actually travel. The use of the "T" in the rate is a misnomer; there is only one proposed

rate in most categories. It is an overall methodology for the vendor to recover travel related expenses for all employees over the term of contract utilizing hourly base rates. Furthermore, FDNY and PURVIS negotiated final rates to reduce costs from the standard NYSOGS rates based on the employee designation and their skills, not by the location of work. As a result, the FDNY achieved a cost savings of \$4.7 million for the labor portion of the ERS/EMADS project and the Voice Alarm project.

The FDNY response to the first set of findings address the issues noted concerning the daily start and end time worked on each task or project, the FDNY Project Manager signature indicating oversight of the work performed, and the PURVIS approval of subcontractor's timesheets.

* Questionable PURVIS titles billed.

FDNY Response:

PURVIS utilized the Programmer Analyst title for a number of individuals that provided services to various projects throughout the full term of the agreements. Moreover, at the time of the financial audit, it is our understanding that PURVIS provided the Office of the Comptroller audit team with information concerning the current titles of their employees, but did not provide the title and level of work performed during the period of contract performance. FDNY has identified two (2) employees who were listed on original staffing charts provided by PURVIS in the technical proposals including J [REDACTED] G [REDACTED], and H [REDACTED] S [REDACTED], both of whom provided technical services and were correctly invoiced. Also, it should be noted that the NYSOGS guidelines indicate that vendors can invoice for work other than that provided in the 'mandatory titles' utilizing the Specialist Title as a "catch all" work description.

This invoicing is of a limited nature considering the overall magnitude and duration of the contracts (less than 0.2% of the total contract cost). PURVIS is currently reviewing the invoices to determine if other staffing may have performed work related to the scope and project titles.

* Inadequate oversight on hardware purchases.

FDNY Response:

FDNY maintains that we had adequate control over the hardware purchases made by PURVIS. The Office of the Comptroller notes that hardware purchases made by PURVIS were not pre-approved by FDNY as required by the Voice Alarm and Patient Tracking contracts, and that FDNY agreed to pay for component purchases prior to completion and acceptance of the system.

FDNY acknowledges that we did not pre-approve certain hardware purchases and authorized payment for component purchases; however, we had bi-weekly meetings to discuss the project requirements including hardware procurement. The FDNY Project Manager, working with the PURVIS Project Manager, was able to qualify that the products purchased by PURVIS were needed for the system without pre-authorization.

Moreover, in its initial best and final offers to the FDNY for the ERS/EMADS Modernization and Voice Alarm Modernization, PURVIS predicated their cost proposals on the opportunity to invoice the hardware and software upon receipt at their facility, although the terms of this offer were not included within the contract. We do agree that such authorization should have been included within the terms of the contract or approved by a change order prior to invoicing the hardware.

However, as the project progressed, and due to the extensive delays in contract progress that were imposed upon PURVIS by the City for both the ERS/EMADS and Voice Alarm project, without a request by PURVIS for a contract increase due to these City imposed delays, FDNY subsequently agreed to mitigate their financial burdens by authorizing PURVIS to pre-purchase certain project material. Additionally, hardware payments were paid incrementally as the systems moved through implementation; not all hardware was paid for upfront.

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* FDNY did not ensure that PURVIS provided the best pricing for the City.

FDNY Response:

The contracts were solicited and negotiated over a varied period of time for unrelated scopes of work requiring different skills sets and levels of effort in each pricing category.

ERS/EMADS Modernization (“ERS/EMADS”) required extensive engineering design and ramp-up capability to undertake the transition of a project that was managed exclusively by another vendor utilizing exclusive software coding. Alternately, Voice Alarm Modernization (“Voice Alarm”), was consistently managed by PURVIS. They had a thorough knowledge of the system, and therefore did not project the need for staffing with higher skills. The FDNY negotiated extensively with the vendor to receive substantial savings to the City for the contract awards. Table I, as listed in the financial audit report, does not truly represent the timeframes of the solicitation and award processes. ERS/EMADS was not awarded in 2005, but originally registered in 2001, and subsequently re-registered 4 years later. Attached is a table that clarifies the timing of the solicitations and awards:

PURVIS Contract Award

Contract Number	Description	Solicitation Released	Contractor Selected	Contract Awarded
857X250361 20050026936	ERS/EMADS Modernization	9/2000	6/2001	10/5/2001 (original) 4/18/2005 (re- register)
2005002853	Voice Alarm Modernization	11/13/2001	12/2002	3/14/2005
20050027685	Starfire Maintenance and Upgrades	4/9/2004	9/2004	3/7/2005
20060016487	ERS/Voice Alarm Maintenance and Repair	12/2004	4/2005	11/07/2005

In the summer of 2003, the City determined that it would review the communication and dispatch capacities of the Fire Department and Police Department. The ongoing ERS/EMADS project was placed on indefinite hold, and the award of the Voice Alarm contract was also delayed. In late 2004, the City decided that the Fire Department and Police Department would have a combined PSAC. PURVIS could continue work on ERS/EMADS with additional work for the PSAC, and the Voice Alarm project could be awarded. At the time ERS/EMADS was originally awarded, intergovernmental service contracts were awarded through DCAS, who then issued a purchase order on behalf of the Fire Department for the initial project encumbrance. At a later time, this process was changed (refer to attached memo from Mayor’s Office of Contract Services (MOCS) dated 11/25/03), and all new intergovernmental service contracts were awarded directly by the agency utilizing a standardized formal contract. Inasmuch as the encumbered amount on the DCAS purchase order was expended and we could not renew the purchase order,

the ERS/EMADS project required re-registration under the new format, as agreed to by the Comptroller and MOCS, utilizing the same original pricing structure, scope and terms of the DCAS award, with a change in the contract amount to allow for authorized additional work as per Section 4-02(1)(b)(ii) of the PPB Rules. The additional work did not constitute a material scope change that would entail a new solicitation per Section 4-02(2).

With respect to all of the PURVIS contracts, the FDNY negotiated the pricing over different timeframes and achieved extensive cost savings for the City. However, the negotiations for three of the contracts: ERS/EMADS, Voice Alarm and Starfire Maintenance and Upgrades (“Starfire”) requires a further understanding of the type of work, volumes and performance requirements, as well as the negotiations at the time of award, which affected the final pricing structure for each contract. For example, there is a negotiated savings of almost \$4.7 million for the ERS/EMADS and Voice Alarm contracts in the labor category, and an overall savings of \$12.7 million for labor and hardware:

Negotiated Labor Savings

Name of Project	Original Labor Offer	Best and Final Offer	Savings
ERS/EMADS	\$28,119,400.70	\$25,154,149.04	\$2,965,251.66
Voice Alarm Modernization	\$ 9,184,703.67	\$ 7,481,892.50	\$1,702,811.17
Total Savings			\$4,668,062.83

Total Contract Savings

Name of Project	Original Offer	Best and Final Offer	Savings
ERS/EMADS	\$42,790,423	\$33,156,546	\$ 9,633,877
VA Modernization	\$14,329,529	\$11,261,374	\$ 3,068,155
Total Savings			\$12,702,032

ERS/EMADS was negotiated with PURVIS in 2001 for the complete upgrade of a critical system that was previously designed and maintained by a different vendor. These negotiations resulted in a final price offer which improved upon the original pricing. The Voice Alarm project was negotiated almost two years after the initiation of the ERS/EMADS solicitation. This project involved work for which PURVIS had extensive familiarity and work experience. Initially, in the Voice Alarm proposal, PURVIS had proposed rates that were similar to and slightly higher than their existing ERS/EMADS contract. Through extensive negotiations by FDNY, PURVIS agreed to a reduction of the rates *only* for the Voice

Alarm project, which took into consideration the overall award volume and the skills required to execute a different type of system.

The Starfire contract was solicited and negotiated almost four years after the ERS/EMADS was awarded in 2001. The Starfire contract is in part a requirements type contract, where the work is awarded for upgrades on an as-needed basis, without any guarantee of any work or dollar volume. As such, there are different labor rates for each year of the contract, and not a fixed rate for the entire term, as provided for in ERS/EMADS and Voice Alarm. PURVIS agreed on negotiated pricing in year 1 (2005) that was approximately 2% higher than their final prices in the ERS/EMADS contract of 2001. This should be compared to the Consumer Price Index (CPI) inflationary rate increase of 9% for the same time period, and represents a significant opportunity savings for the City.

Moreover, the ERS/EMADS and Voice Alarm rates were fixed for the full five year term of the contract, and although the City imposed a delay of two years for both projects, PURVIS agreed to hold their pricing until completion of the work.

The Office of the Comptroller audit team did not perform a reasonable analysis of the costs, technical evaluations, and different offers at different time frames using different staffing levels, requirements and technical expertise, and subsequently leveled all contract costs to the same amount in order to produce an artificial cost analysis. The FDNY was fully aware of the differential in the costs and required services, when it commenced negotiations with the vendor. The financial audit analysis fails to take into account the dynamics of such negotiations during the varying timeframes, and produces a potential cost savings that is not realistic or representative of the negotiations.

The rates provided by PURVIS were highly competitive compared to the marketplace and remain so at this time consistently being upwards of 20% lower than other vendors that have the capacity and ability to perform similar projects. The Fire Department consistently performs cost and pricing analysis for its solicitations to determine if the awards are fair and reasonable. Such analysis includes a review of the competing offers, market costs, and pricing from other qualified vendors for work of a similar nature.

Given the results of the competition and the best and final negotiations and ultimately the services received, we believe that FDNY accomplished the goal of obtaining the best pricing for the City.

* Lack of restriction on mark-up rates.

FDNY Response:

The price schedules in the solicitations and contract did not require any separate pricing for subcontracting services, nor were these contracts established as “cost plus” contracts. Moreover, the pricing structure established was consistent with the project methodology provided by NYSOGS in their pricing guidelines to State and local agencies. This methodology was structured so that the vendor can propose a fixed labor rate for each NYSOGS title. This rate was then utilized for both prime contractor employees and subcontractor consultants.

The FDNY followed this recommended methodology in its procurement process. As such, PURVIS provided “blended” uniform labor rates for both their direct employees and consultants, and this was the basis of their cost proposal. The Office of the Comptroller auditors also did not address PURVIS’ underlying operational costs for the project including all overhead, payroll, and profit. The report focuses solely on the ability to limit the mark-up for subcontracting, without taking into any consideration of the risk basis undertaken by a vendor using uniform pricing without any escalation for at least a decade of work.

Conversely, allowing the vendor to supply subcontractors on a direct cost or cost plus basis could be considered non-competitive for it may fail to provide adequate cost control. In this instance an agency’s cost control basis could be cited for its failure to provide uniform rates for both employees and subcontractors, if in such cases, the subcontractor rates for same level of work exceeded that of the direct employee billing rate.

The Office of the Comptroller also fails to realize that if the mark-up was limited by the Fire Department, the contract negotiations would also have had a far different outcome. Considering that PURVIS would rely on lower cost recovery for subcontractors through the cost-plus pricing restriction, then the vendor would increase the contractor labor and material rates to a higher level than currently in contract to make up for lost revenue. Firms generally have an understanding of the total cost of a project, and while attempting to be competitive, they will try to recoup their costs and profit regardless of the pricing structure. The end result would be that the cost basis in each contract could very well be the same or even somewhat higher, since cost plus has a tendency to limit cost containment.

The use of uniform blended rates for both subcontractor and direct employee rates was determined to be a fair and reasonable basis for control of project costs and rates, and the FDNY maintains that it achieved significant overall costs savings for the duration of the projects.

ATTACHMENTS:

PURVIS employee/consultant resumes

MOCS memorandum dated November 25, 2002 (revised 7/9/03)

PURVIS Best and Final Offer dated November 5, 2002 (Voice Alarm)

PURVIS Best and Final Offer dated June 8, 2001 (ERS/EMADS)

Resume of J [REDACTED] G [REDACTED]
Program Support Specialist
PURVIS Systems Incorporated

Years of Experience: 9

Professional Summary:

2008-Current

PURVIS Systems Incorporated

Purchasing Clerk

As the purchasing clerk for the Queens Village operation, primary responsibilities include:

- Purchasing, shipping, receiving, documentation, tracking, and inventory maintenance.
- Point of contact for vendors.
- Prepare expense statements to reconcile purchases.
- Support facility logistics.

Program Support Specialist:

In support of the Patient Tracking System contract, primary responsibilities include:

- Coordinating with FDNY EMS and EMSsystems personnel to modify the base EMTrack software application to meet FDNY requirements.
- Installing the EMTrack software application on various tablet PC models to support the Pilot and Production phases of the project.
- Testing the functionality of the EMTrack software application with the various tablet PC models.
- Wrote an EMTrack End-User Guide for use by FDNY EMS personnel in the field.
- Conducting PTS training sessions for FDNY EMS personnel and administrators.

2001-2007

PURVIS Systems Incorporated

Bench Technician

- Worked on ERS box repair.
- Troubleshooting, electronic component replacement, writing procedural documentations, QA, shipping, receiving.

2000-2001

Museum of Television and Radio

Sound Engineer

Set up Sony sound mixer, D2 and D3 playback for various on site simultaneous viewing stations, Patching/cabling and microphone setup, record and playback of children's radio program workshop.

2000

Tutor

DeVry University

Helped students to significantly improve their test performance, effectively simplified technical concepts for students, subject matters included: schematic reading, digital electronics, mathematics for electronics, and equipment set up and operations.

Education:

Degree	Major	Year	Institution
BS	Technical Management	2010	DeVry University
AS	Electronics and Computer Tech	2001	DeVry University



Training:
Program
ESD

School
3M

Year
2003

Systems Experience

Other Skills:

Computer Skills: Microsoft Office, Software install/removal, Simple network configurations.

[REDACTED] S [REDACTED]
Senior Graphics Artist
PURVIS Systems Incorporated

Years of Experience: 27

Experience

1984 - Present
Senior Graphic Artist

PURVIS Systems Incorporated

Primary responsibilities include providing drafting, illustration, powerpoint and documentation support to various projects within PURVIS Systems.

Responsible for creating illustrations using various software packages such as Adobe, Microsoft. Prepare power point presentations from draft to final revision for various projects within PURVIS. This includes projects supporting our FDNY and Department of Defense contracts. This also includes projects relating to Marketing, Corporate and Business Development presentations.

Provide drafting support for AutoCad drawings. Duties include originating complex illustrations of equipment, lab layouts and isometric drawings and updating as required.

Desktop Publishing – Responsible for design and preparation of artwork for sell-sheets, brochures and other promotional material, including presentations and logo design. Support the proposal effort to prepare final product on RFPs.

Graphic Artist/Illustrator – Support various projects within PURVIS to provide graphics support formatting, and production of mechanical drawings, schematics, block and wiring diagrams and isometrics for technical documentation associated with equipment and systems such as instructional manuals, operation and maintenance manuals.

Education:

Degree	Major	Year	Institution
BA	Art	1996	University of Rhode Island

Certifications:

Program/School/Year /Expiration Date (if applicable)

Advanced Graphic Arts, Technical Illustration, Graphic Arts, Second Technical Day Vocational School, 1982-1983
Commercial Art, Graphic Design, Graphics: Two-Dimensional Design, Bristol Community College, 1978-1981

Other Skills:

Computer Skills: Programs used: Microsoft Word, Microsoft PowerPoint, Microsoft Excel, Visio, AutoCAD, Adobe Photoshop, Adobe Illustrator, Adobe GoLive, Adobe InDesign, Corel

Resume of M. [REDACTED] C. [REDACTED]
Contracts Manager
PURVIS Systems Incorporated

Years of Experience: 29

Professional Summary: Ms. C. [REDACTED] holds a BA degree in political science and has 29 years of professional experience, including 16 years of direct technical support to DoD programs and 13 years supporting corporate functions.

Experience

August 2004 – Present

PURVIS Systems Incorporated

Contracts Administrator/Contracts Manager

- Provide contract/subcontract management and administration. Serve as primary POC to customers, subcontractors and consultants for all contractual communications. Conduct cost proposal and quote preparation/coordination/management, and contract/task order negotiation. Develop/review corporate contractual agreements, such as non-disclosure agreements, teaming agreements, subcontracts, license agreements and sales agreements. Review Terms and Conditions proposed by customers and vendors; identify and mitigate areas of risk. Review contracts/task orders and modifications for completeness and accuracy; work with project managers regarding contractual compliance/customer requirements. Oversee the review/processing of subcontract/consultant invoices for contract compliance and accuracy, and to specify proper accounting and project information. Responsible for training and oversight of contractual personnel.
- Oversaw project financial reporting (customer and internal reports) until 2011. Currently provide guidance to personnel and provide backup support for financial reporting. Reports are generated utilizing Deltek Costpoint and Inpromptu, and customized reports are developed in Excel. Attended monthly financial meetings at NUWC until 2011. Work with project managers on budgets and projections, on resolution of financial issues, and to allocate funding to subcontractors/consultants.
- Provide support to technical proposal efforts. Provide historical technical information to writers to support proposal development. Review technical proposals for RFP compliance, clarity, and editorial update.
- Responsible for Project setups and maintenance in Deltek Costpoint. Review/analyze contract documentation, and work with Accounting and Project Manager Personnel to determine requirements/details of setup, including revenue and billing formulas, ceiling/funding, and workforce. Work with the Accounting department regarding proper expensing and billing of contracts/subcontracts.
- Played a significant role in the planning and implementation of the Projects module during the corporate transition to the Deltek system.

Sep 1999 – Aug 2004

PURVIS Systems Incorporated

Division Coordinator/Program Analyst

- Provided various support to program managers and departments, including financial tracking/reporting; and CDRL generation, coordination and/or verification. Also provided technical writing and editing for proposal development, departmental/division correspondence, and marketing literature.
- Financial Tracking and Analysis: Prepared weekly/monthly cost reports, some of which were contract requirements and others for internal management use. NUWC's Ecraft reporting system was used for some contract financial reports. Identified when funding limitations were approaching, determined amount of funds required for subcontractors (in support of Lab O&M contract), and notified managers of potential financial issues/problems. Attended/provided status at monthly financial meeting with Lab O&M COR, and interacted with subcontractors. Developed cost projections/spend plans. Generated detailed spreadsheets that provided a variety of statistical data.
- Proposal Development: Developed information for proposals, and edited overall proposal for technical and grammatical accuracy. Reviewed solicitation requirements and ensured that technical proposals fulfilled all requirements, both in structure and content. Have also contributed to proposal outline development, and coordinated information received from personnel and other companies.
- CDRL development: Reviewed contracts for CDRL requirements. Provided various coordination support to ensure that all CDRLs are delivered, and developed CDRL formats. Reviewed CDRLs for accuracy. In some cases, generated ongoing CDRLs, particularly monthly progress reports.

- Provided writing and editorial support for various corporate and business development projects - marketing materials, presentations, memos, business letters, newsletters and other miscellaneous documentation. Have also created forms and checklists etc., and performed data entry/verification of files for corporate or contract purposes.
- Reviewed expense statements to verify compliance with corporate policy and contractual requirements, and to ensure accuracy.

June 1989- Sep 1999

PURVIS Systems Incorporated

Resource Scheduler/3M Coordinator/Task Manager

- Provided direct support at NUWC in Bldg. 1258 (LCSF) for lab O&M contract:
- Generated weekly tentative and final lab schedules, developed lab usage projections, interfaced with user community and lab managers. Coordination of lab users required knowledge of systems and equipment.
- Monitored lab usage and prepared weekly and monthly utilization reports.
- Automated several reports, processes and forms.
- Generated quarterly Planned Maintenance Schedules (PMS), interfaced with work centers regarding PMS MIPS/MRCs updates.
- Performed data entry/verification and report generation of problem reporting system.
- Supervised other resource personnel, and was also supervisor of shift coordination and media operations tasks/personnel for a portion of the period.
- Collateral duties included backup support of security operations, media operations and assistance to shift coordinator.
- Also provided backup support for administrative aspects of modifications and QA positions.

June 1983-May 1989

Syscon Corporation

Media Librarian/Resource Coordinator

Worked as media librarian from 1983 to 1984 at LBEF (now LCSF), NUWC Bldg 112. Received training and assisted resource scheduler at CCSIP (now CCSL), NUWC Bldg. 1171 from 1984 to 1985. From 1985 to 1989, led 5 individuals in 3-shift resource scheduling operations at LBEF, NUWC (Bldg 112, then 1258).

Education:

Degree	Major	Year	Institution
BA	Political Science	1984	University of Rhode Island

Other Skills:

Computer Skills: Word, Excel, Access, PowerPoint, Adobe Acrobat, Outlook

Programming Languages: Fortran in college

Tools: Deltek Costpoint, Inpromptu

DoD System/Equipment Experience (*if applicable*): Familiarity with US Navy systems/subsystems/equipment/programs, particularly those related to TRIDENT (16 years experience as contractor at NUWC).

Resume of T [REDACTED] H [REDACTED]
Administrative Assistant
PURVIS Systems Incorporated

Years of Experience: 16

Security Clearance: SECRET

Experience

2004 - Present
Administrative Assistant
PURVIS Systems Incorporated, Middletown, RI

Primary provide all word processing support for documents, as requested.

Provide other administrative services to the general office. This includes making travel arrangements for all personnel. Working in the financial system, enter all packing slips as received. Also prepare all government disposition paperwork for contract acquired purchases.

As Assistant Facility Security Officer, handle all clearance applications/reinvestigations and visit requests.

Oct 2002 – Feb 2004
Administrative Assistant III
Future Technologies, Inc., Middletown, RI
Provided office support, travel arrangements, presentation preparation and timekeeping.

Feb 2002 – Oct 2002
Administrative Assistant III
McWane, Inc., Middletown, RI
Provided office support, travel arrangements, presentation preparation and timekeeping.

Mar 2001- Jan 2002
Administrative Secretary
DynCorp, LLC, Middletown, RI
Provided office support, travel arrangements, and presentation preparation. Assisted Contracts Manager with RFQs and RFPs to make sure documentation was collected and submitted in a timely matter.

Sep 1997- Mar 2001
Administrative Secretary
Alliant Techsystems, Inc., Middletown, RI
Provided administrative support to company site Directors and 50 engineers and office personnel. Assisted Director and engineers in preparation of customer presentations and technical documentation. Organized meetings, functions and annual charity drives. Answered and directed telephone calls. Composed, mailed and distributed correspondence. Made travel arrangements for personnel. Prepared expense reports. Bound and distributed monthly reports. Order all office supplies.

Education:

Degree	Major	Year	Institution
Diploma		1967	Hirschi High School

Other Skills:

Computer Skills: MS Office, Excel, Power Point, Outlook

April 2009

[REDACTED] M. M. [REDACTED]
PURVIS Systems Incorporated
Middletown, RI

Job Title: Program Support Analyst

Education:

Degree	Major	Year Received	School
MBA	Management	1984	Bryant University
BA	Economics	1979	University of Rhode Island

Training:

Program	School	Year Received
PSO Program Management	DODSI	1995
Protecting Secret/Confidential Documents Essentials of Industrial Security	DODSI	1995

Years of Professional Experience:

29

Security Clearance (If applicable):

SECRET (Inactive)

Computer Skills:

SAP, DELTEK, Access, ORACLE, PeopleSoft, MSEXCEL, MSWORD, Powerpoint

Employment History:

2008-Present	<i>PURVIS Systems Incorporated Middletown, RI</i>
Program Support Analyst	
<u>Duties:</u> Program Financial Management/Cost Control and Management Reporting System updates.	
11/2002 - 2006	<i>Oliver St. Capital Management Group, Inc., Bristol, RI</i>
Entrepreneur, President and Chief Operating Officer (COO)	
<u>Duties:</u> Entrepreneur, President and Chief Operating Officer Managed, over a four (4) year period, a portfolio of assets and gained a cumulative return on investment of 125%. Divided portfolio holdings into two (2) separate entities and sold each new segment to a New York investment group and the other to a local, major corporation.	
1995 - 2002	<i>'02 Lockheed Martin Corporation, Information Systems Div., Orlando, FL & Northrop Grumman Corporation, Melbourne, FL</i>
Division Staff Contracts Controller & Sr. Staff Program Cost/Financial Analyst	

April 2009

<p><u>Duties:</u> Revenue and sales reporting, Accounting report formulation, Supervision of A/R & A/P staff, Asset management, Capital pricing proposals, auditing, cost accounting, labor union contract negotiations, cash flow analysis, Earned Value Management (EVM) implementation and maintenance, Experienced in Microsoft's tools; SAP; Deltek; Access; Oracle; PeopleSoft. <i>As Finance lead on exceedingly complex \$131.7M contract, earned sales and cash flow of \$2M during two (2) year expiration effort. Awarded Special Payment Recognition Award in '00.</i></p>	
<p>Internal and external cost reporting, government audits, contract and subcontracts management, budget formulation, estimates to complete, cost and schedule variance reporting, budget forecasting, as applied to contractual administration of Federal Government Contracts (value \$285M) and Grants. Integration of summary/detail budgets with hardware build and delivery schedules. Monitor capital expenditures. Cost/benefit analysis. <i>Have produced a \$50M Bill of Material (Analysis) for a major aerospace program.</i></p>	
1993 - 1995	Corporation, Training & Simulation Division Orlando, FL
<p>Division Manager for Finance & Administration/Facility Security Officer (FSO) for staff of eight (8).</p>	
<p><u>Duties:</u> Divisional authority for small-to-medium sized staff in Finance, Human Resources Administration, Security, Bids and Proposals, Subcontracts and of Management Analysts.</p>	
1990 - 1993, 1985 - 1988	Dynamic Systems, Inc. Newport, RI
<p>Management supervisor</p>	
<p><u>Duties:</u> Management supervision of three (3) Management Analysts.</p>	

Resume of C [REDACTED] S [REDACTED]
Sr. Revenue Analyst
PURVIS Systems Incorporated

Years of Experience: 34

Experience - Ms. S [REDACTED] began her employment with the corporation in various positions during her 34 years. Ms. S [REDACTED] has held various titles/positions with the company, most recently Sr. Revenue Analyst.

1979 - Present

PURVIS Systems Incorporated

1979 - 1981

Inventory/Material Control Clerk

- Supported the Production department in receiving/recordkeeping function. Maintained the stockroom and inventory control. Assisted Production with setting up kits indicated by work orders.
- Preparing shipments of items. Assisted with material planning.

1982 - 1985

Billing Clerk

- Assisted the corporation in the preparation and supporting documentation, as defined by the contract, for all invoice preparation.
- Ensure timely receipt of payment and reconciliation.

1985 - 2000

2000-2006

2006-2009

2009-Present

Cost Analyst

Cost Analyst/Assistant to the
Executive Vice President

Cost Analyst/Assistant to the
President

Sr. Revenue Analyst

- Continued to handle all bi-monthly invoice preparation for the corporation.
- Reviews projects for Work In Process (WIP) analysis.
- Responsible for all government and municipal audits.
- Works closely with customers to ensure invoice are paid promptly and monitors payment schedule.
- Serves as liaison for the corporation, works very closely with FDNY Directors and other departments at the municipal level to address any issues that may arise.
- Prepares all the required supporting documentation for invoice backup. This effort requires time and attention to detail and contract history.
- Prepared estimates to Complete (ETC) and Estimates at Completion (EAC).
- Handled all contract closeouts.
- Support the corporate Executive officers with all requests.

Other Skills:

Computer Skills: Word, Excel, Access, Outlook

Tools: Deltek Costpoint, Impromptu

MEMORANDUM

TO: Agency Chief Contracting Officers

FROM: Terri Matthews

DATE: November 25, 2002 (Revised July 9, 2003)

SUBJECT: Intergovernmental Procurement Transactions

As we indicated to you at the ACCO meeting on August 27, 2002, once we agreed with the Comptroller's Office on an interim process to cover agencies' state backdrop contract purchases in the "pipeline", we had planned to work with the Comptroller's Office to develop a permanent process. Although the Mayor's Office of Contracts and the Comptroller's Office do not agree on the legal consequences of the interplay of State and local law, we did agree we needed to implement a process to protect the City's interests when agencies purchased off state backdrop contracts. The Mayor's Office of Contracts, the Law Department and the Comptroller's Office have now agreed upon the process to be followed by City agencies when procuring services using State contracts. The process is, in large part, identical to the interim process, with such additions we felt were prudent. While the agreed on procedure represents an increase of process from what had been the practice, it is important to remember that the state backdrop contract process remains an expedited process when compared to the full process required by Chapter 13 of the Charter. Effective immediately, please use the following process to purchase services above the small purchase limits using State contracts and/or State contracting processes.¹ In addition, we have attached, for your information, a step-by-step guide to procuring off the state backdrop contracts. (See Attachments A and B).

1. Determine whether the proposed purchase would result in the displacement of City employees.

Agencies should perform the analysis and make the determinations set forth in Charter section 312(a).

¹ Contracts for the purchase of goods off State contracts are to be executed by DCAS. Discussions with the Comptroller's Office about the details of the DCAS process will take place next week. Subsequently, DCAS will notify ACCOs regarding the agreed upon procedures for processing of such contracts.

For those purchases where the procurement has already begun, the displacement analysis should be done before the contract is finalized. Please notify MOC if a determination is made for one of these contracts that the contract would result in displacement.

2. Follow the requirements of the State contract for selecting the vendor. Prepare a written description of how the contract was solicited and awarded.

The requirements for utilizing the State contracts may be accessed through the States Office of General Services' website, www.ogs.ny.us, by reviewing the State contracts and, where applicable, State guidance documents. The description of the solicitation process must include the name of the State contract, the date of the solicitation (if any), the selection process and the names of the vendors who were sent the solicitation, if applicable, and the results of any competition. If not incorporated into the contract, attach a copy of any solicitation documents that may have been used (e.g., a Project Definition), and the selected vendor's cost and technical proposal.

3. The ACCO makes a determination that the price of the contract is lower than the prevailing market price.

The ACCO should have a written explanation of how the price determination was made. You may conduct market research by obtaining available price listings and/or written or verbal price quotes for the service and compare them to the State contract prices and, if applicable, to the previous price used to purchase the service. If the total price of the vendor you have selected is below the prices received from the quotes, you may determine that the selected vendor has offered the best value and is therefore lower than the prevailing market price. When using the "mini-bid" State contracting process, prices bid by vendors may be used in making the determination.

4. The ACCO makes a responsibility determination for the selected vendor.

The ACCO may consider the State's decision to award a State contract to the vendor in making the responsibility determination. Vendex questionnaires are not required, but an agency may require such questionnaires to be completed if the agency chooses to do so.

5. Prepare a supplemental contract, for execution by the vendor and the Agency.

The contract should contain the dollar amount of the contract, the term, a short description of the work, requirements for appropriate insurance (if not already included in the Project Definition) and a statement of the documents that constitute the contract. (See sample contract document attached at Attachment C.) The City's

General Terms and Conditions (commonly referred to as Appendix A) should not be attached. Generally, the contract should incorporate a copy of any solicitation documents (e.g., a Project Definition) and the selected vendor's cost and technical proposal.

The Law Department approves the contract between the agency and the vendor for new awards. Law Department approval is not required for extensions of State contracts or amendments to add funding. Such extensions or amendments may be accomplished through a letter agreement, detailing the amended terms, signed by the agency and the vendor.

6. The CCPO (or her delegate) and, for contracts over \$2 Million, the Deputy Mayor must approve the contract.

Complete the certification form (Attachment D) and forward it to the Mayor's Office of Contracts (MOC) for signature. If the transaction is an amendment to an existing contract that exceeds the cited percentage/dollar parameters, complete the amendment certification form (Attachment E), and forward it to both MOC and the Office of Management and Budget (OMB) for signature. It is not necessary to forward any other documents to either MOC or OMB.

7. If the procurement does not exceed the requisite FCB parameters, the agency submits the requisite contract package to the Comptroller's Office for processing.

See Step #11 of the attached "Step-By-Step Guide for Processing Intergovernmental Procurements for Services Valued at Greater than the Small Purchase Limits".

8. If the procurement exceeds the requisite Financial Control Board (FCB) parameters, the agency submits the requisite contract package to OMB for review and approval.

OMB will submit the package to the Comptroller's Office per the usual process for such items.

9. Publish the notice of award of the purchase.

The notice should be published in accordance with the terms set forth in Charter section 325 and PPB Rule 3-09. A public hearing is not required.

If you have any questions please contact Andrea Glick at (212) 788-0065 or e-mail at: (glickand@cityhall.nyc.gov).

- c. Agency General Counsels
Mayor's Office of Contracts (Senior Staff)
Chuck Brisky
Felix Ciampa
Alan Friedman
Elizabeth Glazer
John Graham
William Joyce
Ellen Lee
Elizabeth Lusskin
Dan Muller
Steve Stein Cushman
Michael Stoller

Attachments (5)

PURVIS SYSTEMS

I N C O R P O R A T E D

5 November 2002

Mr. Cesar D. Zepeda
New York City Fire Department
9 MetroTech Center
Contract Development Unit
Room 5S-13K, 5th Floor
Brooklyn, NY 11201


Subject: Best and Final Offer for Project Definition for the Design, Fabrication and Installation for the Voice Alarm System, PIN 057020002021

Reference: The City of New York Fire Department letter dated 24 October 2002

Dear Mr. Zepeda:

PURVIS Systems Incorporated is please to submit one (1) original and fifteen (15) copies of the enclosed Best and Final Offer in response to the subject solicitation and is in accordance with the requirements as stated in the above referenced letter.

PURVIS would like to propose the following as a payment schedule:

1. Due to the aggressive schedule proposed and in accordance with standard PURVIS Systems policy, the Work Plan proposed is based on an 8-hour workday rather than 7.5-hour workday cited in the solicitation. Any inability of PURVIS personnel (including subcontractors) to work a minimum 8-hour workday due to Fire Department personnel or policy may require an equitable price and/or schedule adjustment.
 2. This proposal is based on PURVIS providing labor distribution reports on a bimonthly basis. This timeframe coincides with the PURVIS Timekeeping Policies and Procedures and the submittal of employee time sheets. Any more frequent requirement will require PURVIS to institute a new policy/procedure and would require an equitable price adjustment.
 3. Paragraph 5.7.2.2 of the FDNY solicitation – The proposed SI Administration Fee reflects the required burdening on material; therefore, it is invoiced in conjunction with receipt of materials.
 4. Paragraph 5.7.2.3 of the FDNY solicitation – Surety withholding shall be five percent (5%) and payable at the completion of the delivery item. Labor, however, will be invoiced and payable as expended monthly.
 5. Paragraph 5.7.3.1 of the FDNY solicitation – The invoicing of hardware/software costs shall be when received at the contractor site. The FDNY shall be required to have a representative
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visit the Rhode Island site on a monthly basis to accept the materials received. If FDNY chooses not to send a representative, materials will be invoiced within thirty (30) days after receipt, without approval, and are payable to the contractor at that time.

As part of our original Terms of Offer, PURVIS would like to include for the possibility of additional costs associated for unauthorized modifications of Firehouse Voice Alarm Equipment and for repairs made to the red phones as a result of physical damage occurring not due to normal wear and tear by the FDNY employees.

As the architecture of the PURVIS proposed Firehouse Board for the Modernized Voice Alarm System is similar to PURVIS' proposed ERS Box architecture under FDNY Contract Number 857X250361, FDNY's exercising of the minimum new box option under the ERS contract would result in further reducing our proposed Modernized Voice Alarm Total Contract Cost by over \$100,000.

One of the key features of the proposed PURVIS design is the fact that modernization of the CO equipment is independent of the modernization of the Firehouse equipment. To this end, FDNY may elect to alter PURVIS' proposed schedule and modernize one or more of the COs prior to modernization of any Firehouses. The result of this approach would be that the FDNY would realize the additional functionality of the modernized CO equipment without having to modernize the Firehouse equipment. This would allow the FDNY to defer substantial procurement costs into later fiscal years. The additional functionality available with the CO equipment would include: the ability to utilize two or more dispatchers per borough; managed test and diagnostics; automated voice response test and emergency standby redundancy scheme. FDNY may also choose to make the firehouse equipment design, development and installation an option under the contract, leaving the CO equipment design, development and installation as the base contract. FDNY could then defer execution of the option to a later date or not execute it at all.

Because of the similarity in architecture between our proposed Modernized Voice Alarm System and the Modernized ERS, this offer utilizes a common spare pool for the two systems. As required by FDNY, this spare pool will consist of a total of 10% spares for all items.

PURVIS Systems Incorporated respectfully requests a negotiating forum with the Fire Department of the City of New York in order to discuss how PURVIS can provide additional cost savings, beyond the already substantial savings as reflected in this Best and Final Offer.

As per your letter dated October 11, 2002, our Best and Final offer is based on our original offering, which was provided on February 25, 2002. This offer does not include supplemental costs estimates provided on August 27, 2002 and October 02, 2002.

This proposal remains valid for 90 calendar days from the date of required submittal. Should you have any questions or require additional information, please contact Mr. John Desposito, Executive Vice President who may be reached at (631) 642-3313 or by fax (631) 642-3343.

Sincerely,
PURVIS Systems Incorporated



Michael P. Lepanto
President

PURVIS SYSTEMS

PURVIS SYSTEMS

I N C O R P O R A T E D

8 June 2001

Mr. Damon Chan
New York City Fire Department
9 MetroTech Center
Brooklyn, NY 11201
Contract Development Unit
Room 5W-18-K, 5th Floor

Subject: PURVIS Systems Best and Final Offer dated 4 June 2001

References: (1) Solicitation for the Modernization of the Emergency Reporting Systems and the Electro-Mechanical Alarm Display Systems, PIN Number 0501000106
(2) PURVIS Systems Proposal dated 17 January 2001 and Associated Terms of Offer
(3) Fire Department of New York Request for Best and Final Offer, dated 22 May 2001
(4) Fire Department of New York letter dated 6 June 2001 extending Best and Final offer to 11 June 2001

Dear Mr. Chan:

PURVIS Systems Incorporated is pleased to submit the Best and Final offer for the above-referenced solicitation. This submittal, as requested, is presented in the same format as the original Price Schedule and is certified by an authorized representative.

Reference (3), Fire Department of New York Request for Best and Final Offer, provided answers to questions on Option V submitted during the meeting at FDNY on 17 May 2001. With these answers, PURVIS is providing an enclosure to this letter, which should be used to replace subsection 6.22 (pages 99 and 100) of our original Technical Proposal.

The PURVIS design approach, submitted in our technical proposal, and the costing derived from this approach, include the following:

- 1) Paragraph 5.7 of the PD requires the contractor to resolve scheduling and coordination conflicts with no new costs. PURVIS has attempted to forecast scheduling conflicts. The PURVIS work plan for installation and integration includes a number of hours that will be worked by technicians and managers in order to resolve such issues. These hours are included in the price proposal so that any conflict in schedule or coordination will not result in any Engineering Change Orders.

Mr. Damon Chan, NY City Fire Department
8 June 2001
Page 2

2) Paragraph 5.8 of the PD indicates that the specifications and requirements listed throughout the PD cannot be construed as limiting. Furthermore various sections of the PD require systems that have a certain number of predefined features, but also require that the systems not be limited to the features specified. PURVIS has attempted to forecast where the system may be required to grow beyond the specified features. The PURVIS work plan for design and test includes a number of hours for technicians and managers to discover these new features and to create mockups and/or provide demonstrations for these features. Our work plan has included additional hours for the development of unspecified features within the following systems or activities:

- a) Details regarding the User Screens available to supervising dispatchers
- b) Details regarding the interface to Telephone/ACD
- c) Details regarding the interface to FDNY ARD/CRO
- d) Details of call control functions available to the supervising dispatcher
- e) Details of the message formats to CAD, whether "proposed" or "existing"
- f) Details regarding field communication with ALTS system
- g) Details regarding routing functions yet to emerge
- h) Details regarding cutover
- i) Details regarding Queries and Reports available to management stationed at headquarters.

Hours to address these issues have been included in the price proposal. Emergence of these details during course of design and implementation will not result in any Engineering Change Orders.

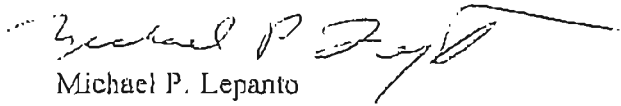
- 3) Paragraph 7.1 requires a full-time Project Manager. PURVIS has interpreted this specification as being a requirement for a point-of-contact to answer questions regarding status and issues anytime during standard working hours over the entire course of the project. Our work plan has included substantial hours for this functionality.
- 4) Paragraph 9.1.8 requires that the system be designed such that any exercise of optional services will not require a system redesign or overhaul. Furthermore, paragraph 9.2.1 requires the system design to be modular and capable of being installed and upgraded in phases. Paragraph 35.0 requires the system be prepared for unspecified upgrades or modifications as well. PURVIS has attempted to forecast the nature of specified and unspecified upgrades. Our work plan for design and test includes a number of hours and technicians and managers to simulate upgrades and document the system's maximum capabilities and interface specifications. Hours to address this issue have been included in the price proposal. The cost of the proposed options assumes that no redesign or overhaul is necessary. Future upgrades conforming to the documented maximum capabilities and interface specifications will not require costs for redesign or overhaul.

Mr. Damon Chan, NY City Fire Department
8 June 2001
Page 3

- 5) The PD specifies the system be prepared for hardware and software modifications within the entire period of design and also warranty. The lifecycle of the product should extend beyond this period. PURVIS proposes that the Fire Department should take ownership of software development packages and of the maintenance contracts on those development packages. PURVIS also proposes the training of a small number of Fire Department personnel to use these packages. In addition to the ownerships bestowed upon the Fire Department by paragraph 39.0, this would provide for hardware and software modifications to the system for the entire life cycle.
- 6) Paragraph 14.1 of the PD required 600 conductors while paragraph 27.2.3.7 required 1350 conductors. The PURVIS base price includes 600 conductors. 600 conductors is sufficient for all the ERS/EMADS loops and for ATSP loops as well. The additional conductors needed for 27.2.3.7 are part of the price for Option I.
- 7) Paragraph 33.2 of the PD requires the system maintain 99.9% uptime each month. In support of this specification, the PURVIS design approach uses a tremendous amount of modularity and redundancy. For example, two Audio Processor systems are proposed for each borough. These systems individually have redundant power supplies. Each system individually has modular, under-utilized signal processors. If a single power supply malfunctions, the others can support the load. If a single signal processor malfunctions, the other can support average load. Additionally, once placed on two separate power circuits, the two systems serve as a back-up to one another in case a single circuit breaker fails. The PURVIS experience with the existing ERS system and the BARS system in Brooklyn has shown that a single power failure in the processor cabinet will take down the system despite the redundant processors within that cabinet. The PURVIS price proposal includes tremendous amounts of hardware in support of the multiple layers of redundancy.

If you have any questions, please feel free to contact me at (401) 849-4750.

Very truly yours,
PURVIS Systems Incorporated


Michael P. Lepanto
President

Enclosures

PURVIS SYSTEMS

TERMS OF OFFER

- The following outside Vendor Support, assuming a 5 March 2001 start date, will be required:

Dictaphone - Logging recorder vendor

- by 6/21/01: Full specification, from Dictaphone via FDNY, must be complete
- by 8/24/01: Dictaphone via FDNY must approve PURVIS' final proposed testbed
- 8/24/01 - 12/6/01: Dictaphone provide consultation support to PURVIS during test with testbed
- 12/7/01 - 2/11/02: Dictaphone provide consultation support to PURVIS during Field test and Acceptance Test

Telephone/ACD Vendor - Vendor chosen by FDNY to implement Verizon-based Call Center

- 9/17/01 - 9/28/01: ACD Vendor and FDNY work with PURVIS to define local connection on ARD/CRO (COM OLE); ACD Vendor and FDNY work with PURVIS to define connection to MIS
- by 12/11/01: ACD Vendor and FDNY must approve PURVIS' final proposed testbed for both local connection and connection to MIS
- 12/12/01 - 2/12/02: ACD Vendor provide consultation support to PURVIS during test with testbed for both local connection and connection to MIS
- 3/22/01 - 5/2/01: ACD Vendor provide consultation support to PURVIS during Field Testing and Acceptance Testing for both local connection and connection to MIS

CADS Vendor - Vendor chosen by FDNY who will modify CADS software for any new message formats

- 6/11/01 - 6/20/01: CAD Vendor and FDNY work with PURVIS to define ERS message formats
- 7/9/01 - 7/13/01: CAD Vendor and FDNY work with PURVIS to define EMADS message formats
- 1/3/02 - 2/11/02: CAD Vendor provide consultation support to PURVIS during Field test and Acceptance Test of ERS and EMADS

Verizon - Vendor who controls E911 network and Telephone/ACD switch network

- 6/21/01 - 7/6/01: Verizon and FDNY work with PURVIS to define E911 connection
- 8/20/01 - 9/21/01: Verizon and FDNY work with PURVIS to define Telephone/ACD switching connection
- by 8/24/01: Verizon and FDNY must approve PURVIS' final proposed testbed for E911 connection
- 8/24/01 - 12/6/01: Verizon provide consultation support to PURVIS during test with testbed of E911 connection
- 12/7/01 - 2/11/02: Verizon provide consultation support to PURVIS during Field test and Acceptance Test of E911 connection
- by 12/9/01: Verizon and FDNY must approve PURVIS' final proposed testbed for Telephone/ACD switch network connection
- 12/10/01 - 2/15/02: Verizon provide consultation support to PURVIS during test with testbed of Telephone/ACD switch network connection
- 3/22/02 - 5/2/02: Verizon Provide consultation support to PURVIS during Field test and Acceptance of Telephone/ACD switch network connection

Power Supplies –

10/5/01: FDNY to witness and approve prototype power supply acceptance prior to commencement of Production run. PURVIS' schedule is dependent upon power supply vendor delivery dates as quoted to PURVIS by power supply vendor.

PURVIS requires FDNY to accept production deliveries at power supply vendor sites, prior to shipment to PURVIS, and FDNY will pay PURVIS within twenty (20) days of this acceptance of shipment. PURVIS' schedule is dependent upon the power supply vendor maintaining their proposed production schedule shipment rate.

FDNY can reduce PURVIS' bid price considerably by directly purchasing and drop shipping the production power supplies to PURVIS.

Field communications with ALTS –

by 6/5/01: Although not mission critical, these functions will require a detailed specification from FDNY within 3 months of start date.

- Option II (Relocation of the Existing ERS Equipment to the Basement of the CO) – It is in PURVIS' opinion an extraordinarily high risk process. Therefore, PURVIS is not including a cost for this option.
- Option III (Replication of ERS Equipment) – This option is integral to our base system approach, because it enhances delivery time and reduces potential impact on construction schedule. The cost and schedule is considered mandatory and is included in our base submittal.
- Option V (FDNY Cable Plant Upgrade with Fiber Optic Network) – In order to develop a realistic cost and schedule estimate, detailed technical discussions between our design team and the FDNY management and technical staff will need to occur. Specific areas to be discussed are addressed in subsection 6.22 of our technical proposal.
- Whitespace - Although the PD specifies 84" of height in the whitespace, the PURVIS design requires 67" of height. If actual whitespace is less than 67", the proposed equipment will not fit and there will be a tremendous impact to schedule.
- Paragraph 5.7 of the PD reads as follows:

"The Department anticipates the renovation of the Central Offices and the maintenance of the ERS and EMADS system ... If a conflict develops in the project coordination, FDNY reserves the right to resolve such conflict by requesting the Contractors to take the necessary action to remedy the situation, at no additional cost."

During negotiations, PURVIS and FDNY will define the guidelines for conflict resolution "at no additional cost" to FDNY.

FDNY Responsibilities –

1. The New York City Fire Department will make facilities and appropriate personnel available as may reasonably be required for PURVIS Systems to gain the access and information required for

performance as delineated in the Technical Proposal and PD. Failure to provide reasonable access may adversely affect the proposed price and schedule.

2. The proposed cost and schedule is based on the Fire Department performing acceptance testing during the periods identified on the Work Plan. Further, the Work Plan is based on the Fire Department completing all scheduled reviews within twenty (20) days of receipt of the respective item to be reviewed. Failure by the Fire Department to perform its reviews within the allotted period may adversely affect the proposed price and schedule, thereby requiring an equitable adjustment. PURVIS will incorporate the Fire Department's requested changes provided as a result of the Fire Department's timely review.
3. System documentation will be provided to the Fire Department for one review prior to formal submittal. Additional requests for reviews may adversely affect the proposed price and schedule, thereby requiring an equitable adjustment.
4. Pursuant to the solicitation, PURVIS Systems has proposed Training of 104 days. Any change of this proposed training may require an equitable price and/or schedule adjustment.
5. The FDNY will be responsible for the following installations:
 - Dictaphone Loggers
 - LAN/WAN equipment
 - LAN/WAN cabling
 - Answering Station Cabling

Accounting/Payment Terms -

1. Due to the aggressive schedule proposed and in accordance with standard PURVIS Systems policy, the Work Plan proposed is based on an 8-hour workday rather than 7.5-hour workday cited in the solicitation. Any inability of PURVIS personnel (including subcontractors) to work a minimum 8-hour workday due to Fire Department personnel or policy may require an equitable price and/or schedule adjustment.
2. This proposal is based on PURVIS providing labor distribution reports on a bimonthly basis. This timeframe coincides with the PURVIS Timekeeping Policies and Procedures and the submittal of employee time sheets. Any more frequent requirement will require PURVIS to institute a new policy/procedure and would require an equitable price adjustment.
3. Paragraph 6.1.3 of the FDNY solicitation - Surety withholding shall be five percent (5%) and payable at the completion of the delivery item. Labor, however, will be invoiced and payable as expended monthly.
4. Paragraph 6.1.4 of the FDNY solicitation - The SI Administration Fee shall be payable in sixty (60) equal installments, monthly, without the requirement of an invoice from the contractor. SI Administration Fee payments are payable beginning thirty (30) days after contract award.
5. Paragraph 6.1.5 of the FDNY solicitation - The invoicing of hardware/software costs shall be when received at the contractor site. The FDNY shall be required to have a representative visit the Rhode Island site on a monthly basis to accept the materials received.

If FDNY chooses not to send a representative, materials will be invoiced within thirty (30) days after receipt, without approval, and are payable to the contractor at that time.

6. Paragraph 6.3 of the FDNY solicitation - Per the new backdrop rates effective 1 January 2001, travel is now included in the hourly billing rate.
7. Para 7.1 - Phase I warranty has been included based upon the proposed schedule. If the project is extended beyond the proposed five (5) years, additional charges will be necessary to extend any Phase I warranty in effect.

The costs estimated for each Phase I warranty within each borough has a maximum duration of twenty-four (24) months. If the twenty-four (24) months is exceeded prior to total system acceptance, additional Phase I warranty costs will be billed via a change order.

FDNY Agency Implementation Plan

Audit #: FM13-054A

Audit Name: Audit Report on the Expenditures Submitted by PURVIS Systems Incorporated for Its Contracts with the New York City Fire Department

Rec. #:
01

Recommendation

Consider seeking reimbursement for the \$1,119,516 (\$870,719 for non-travel staffing billed at travel rate + \$248,797 for staff who did not qualify for the titles billed).

FDNY Response:

DISAGREE

PURVIS provided two rates in their best and final offer during contract negotiations with FDNY. A standard New York State Office of General Services (NYSOGS) rate that included all potential expenses, including travel, and a discount rate for those employees or consultants for which they estimated that any additional expenses were not applicable. PURVIS then established the employees or consultants that would be covered by either rate. The standard NYSOGS rate did not preclude PURVIS from utilizing employees that may have limited travel, or require that such employees actually travel. It is an overall methodology for the vendor to recover travel related expenses for all employees over the term of contract utilizing hourly base rates. As such the Fire Department does not agree that seeking reimbursement from PURVIS is appropriate for staffing that the Office of the Comptroller has identified as non-travel.

PURVIS utilized the Programmer Analyst title for a number of individuals that provided services for various projects throughout the full term of the agreements. Moreover, at the time of the financial audit, it is our understanding that PURVIS provided the Office of the Comptroller audit team with information concerning the current title of the employees, but did not provide the titles and level of work performed during the period of contract performance. FDNY has identified two (2) employees who were listed on original staffing charts provided by PURVIS in the technical proposals including J [REDACTED] G [REDACTED], and H [REDACTED] S [REDACTED], both of whom provided technical services and were correctly invoiced. Also, it should be noted that the NYSOGS guidelines indicate that vendors can invoice for work other than that provided in the 'mandatory titles' utilizing the Specialist Title as a "catch all" work description. The Fire Department will consider additional information provided by PURVIS in respect to the

remaining employees to determine applicability to the projects. The total amount to be reviewed is \$80,568.91, and we will agree to seek reimbursement if it is determined that the work performed was not applicable to the project or the contract job titles.

02

Recommendation

Ensure that all future contracts:

- Include non-travel rate titles that correspond to travel rate titles when applicable.

FDNY Response:

DISAGREE

The NYSOGS min-bid process was a unique solicitation process that required vendors to subsume all travel-related expenses in their proposed labor rates. This procurement process has expired and is not utilized by the Fire Department in its solicitation processes. FDNY solicitations that require travel by vendor staffing or consultants mandate that the costs of such travel expense is invoiced separately.

- Require its contractor to provide more detailed information on the timesheets, including but not limited to:
 - A more detailed description by project on the work they performed.
 - Work location for each specific project.

FDNY Response:

DISAGREE

We have determined that for most projects, the information provided on timesheets is sufficient to permit approval of the work and payment to the vendors. The FDNY requires vendors to provide information related to each project as applicable. In most cases, the timesheet references the project by a corresponding project number or work code description, or a short description of the work performed. The work of the staff is generally a collective effort that is summarized in the project reports submitted with each invoice, and in some projects, the work description is also included on the invoice. The FDNY carefully monitors the work progress throughout the term of the project, reviews the progress reports and monitors the ongoing deliverables. Projects vary in the need for supporting information, and also in the location requirements. In construction related

projects, the vendor submits timesheets with the hours, titles and rates of each employee as well as the facility location where the work is being performed. However, consultant type projects may require contract employees at various locations, and as such, the need to indicate the location is not required. Locations are not required because the billing rates are employee specific, and not location related.

03

Recommendation

Consider that all future contracts include a clause:

- To ensure that the City is getting the best pricing from its contractors and that any cost savings are being passed along to the City.

FDNY Response:

DISAGREE

The Fire Department takes exception to the implication that the FDNY is not achieving the best pricing for City. The Fire Department utilizes a number of procurement methods to fulfill its needs for goods, services and construction. Most contracts are awarded through competitive sealed bids, and as the law makes clear, the projects are publicly solicited and awarded to the lowest responsive and responsible bidder. RFP's include language such that the award of a contract will be to the responsible proposer whose proposal is determined to be the highest quality and most advantageous to the City, taking into consideration the price and overall quality of the proposal as measured against the criteria set forth in the RFP. We also consider awards based on best value which is defined as the bid or offer that optimizes quality, cost and efficiency. The Fire Department always endeavors to achieve the best pricing and cost savings through ongoing negotiations with our vendors, and by management of the project costs and budget.

- That limits the mark-up a contractor can charge on services or materials to ensure the City is getting the best pricing from its vendors.

FDNY Response:

DISAGREE.

The FDNY does not consider this requirement to be in the best interests of the City. Each project is different in capacity and requirements. With such a limitation, vendors will recover such costs through other variables such as increased labor and material rates to cover any deficiencies on the mark-up factor. As such, establishing such a mark-up cap is difficult and

in some cases could be counter-productive. Also, such a limitation may inhibit M/WBE and emerging vendors, who may require a greater mark-up in order to cover higher than normal costs, such as loans, bonding, insurance, administration, etc.

04

Recommendation

Strengthen the control on its payment approval process by:

- Ensuring that the consultant worked the hours that FDNY is billed for.

FDNY Response:

DISAGREE

The Fire Department disagrees with the position taken by the Office of the Comptroller audit team that its payment approval policies need to be strengthened. The Fire Department maintains a thorough payment approval process and verifies consultant working hours. FDNY Project Management and Contract Administration thoroughly review all the invoices and supporting documentation for reasonableness to facilitate the acceptance of the deliverables and services, and approve the payments. FDNY Project Management closely monitored project deliverables including time expended by PURVIS employees and consultants on specific project tasks. Our Project Managers were aware of the contract format and project budgets, and worked to assure proper cost containment for each project. They used professional judgment in reviewing each invoice and the accompanying timesheets, progress reports and other materials, to facilitate their acceptance of the deliverables and services, and approve the payments.

The Fire Department continually endeavors to improve upon its payment approval and project management capabilities, and follows the Office of the Comptroller's directives in its contract administration activities.

- Verifying the work location of consultants to ensure that the correct hourly rate is being used to bill the City.

FDNY Response:

DISAGREE

The Fire Department disagrees with the position that such verification practices are not in place within the agency. FDNY does verify the appropriate invoicing rate for employees in such instances where there are different levels of billing or other such unique situations. In the contracts

audited by the Office of the Comptroller, locations are not required because the NYSOGS rate was not dependent upon actual travel. The standard NYSOGS rate did not preclude PURVIS from utilizing employees that may have limited travel, or require that such employees actually travel. FDNY and PURVIS negotiated final rates to reduce costs from the standard NYSOGS rates based on the employee designation and their skills, not by the location of work.

- Ensuring consultants qualify for the title they are using to bill the City.

FDNY Response:

AGREE

The Fire Department agrees in part that the process for review of consultant qualifications could have been more carefully managed. The FDNY is reviewing PURVIS invoicing totaling \$80,568.91 to determine whether the work performed was applicable to the project or job titles. If it is determined that such charges were inappropriate, then we will seek reimbursement from PURVIS.

FDNY receives and approves resumes for primary positions during the solicitation review process and after award of the contract. The Fire Department performs periodic reviews of primary staffing and has a process to review support and other staffing on an as needed basis depending upon a project requirements and needs. Random periodic review of contractor employees and subcontractors is a reasonable basis for approval provided that the delivery of the product or system remains in accordance with the contract requirements. However, we agree that the controls should be strengthened, and we are currently implementing an enhanced process to review consultant qualifications, and make the approval process more transparent.

- Ensuring that hardware purchased by the contractor is necessary and only used on a FDNY project. FDNY should pre-approve all hardware purchases in writing, especially items sent to a non-FDNY site.

FDNY Response:

AGREE

The responsibility of the Fire Department regarding the supply of hardware is to assure that the final products provided to the agency is in strict accordance with the contract bill of materials and project requirements, as well as the agreed upon cost basis. Confirmation is

generally performed through a thorough inspection of the system components, system acceptance testing, and final project acceptance. FDNY normally pre-approves hardware procurements made by vendors, and in such cases partial payments may be made. Final payment is made upon complete system delivery and acceptance. Although we disagree with the position that such assurance is not undertaken by the FDNY, we do agree that hardware should be inspected at the point of receipt, and the procedures to accomplish this task currently exist and will be reinforced.

- Ensuring that contractor payments on hardware purchases are being made in accordance with the contract terms.

FDNY Response:

AGREE

The FDNY normally ensures that contractor payments for all deliverables and requirements, including hardware, are made in accordance with the contract terms and conditions, and as such, the recommendation is in place. Hardware component purchases are the elements that comprise the finished products listed in the bill of materials for most contracts. The FDNY Project Managers review and approve the purchases on that basis. With respect to the FDNY's verification, acceptance of the finished hardware product is sufficient for approval in as much as the system is in complete conformance with the contract and project requirements.

- Requiring supervisory signature by its vendor prior to the submission of subcontractor timesheets.

FDNY Response:

DISAGREE

The FDNY acknowledges that the subcontractor timesheet should be signed by the subcontractor employee and by the subcontractor project manager. However, sign-off by the primary vendor may not be applicable since they may not have supervised the work, but have accepted the deliverable. The acceptance of the deliverable by the prime constitutes acceptance of the timesheets and representations of the subcontractor. In the same manner, if FDNY does not coordinate or supervise any direct work of the prime contractor employees or consultants, then their timesheets are not countersigned by FDNY Project Managers.

05

Recommendation

- Ensure that contractors awarded multiple contracts for similar services are providing the best price on those contracts.

FDNY Response:

DISAGREE

The FDNY utilizes competitive procurement processes to obtain the best pricing and best value in the interest of the City and the taxpayers. Procurement responses are reviewed to determine if they are in conformance with the budgeted amount, and reviewed in relation to other responses, market conditions, and other vendor pricing. Negotiations are conducted with responsive and responsible vendors to obtain the best pricing and value regardless of whether it is a single award or multiple contracts over several years.

PURVIS SYSTEMS

I N C O R P O R A T E D

May 17, 2013

Ms. H. Tina Kim
Deputy Comptroller for Audit
City of New York
Office of the Comptroller
One Center Street, Room 1100
New York, NY 10007-2341

Re: **Response to Audit Report on the Expenditures Submitted by
PURVIS Systems Incorporated for Its Contracts With the
New York City Fire Department FM13-054A**

Dear Ms. Kim:

Thank you for the opportunity to share additional information about your findings. We are committed to performing high-quality, accurate work for the New York City Fire Department, as evidenced by the fact that less than 2% of the \$93.5 million in work that was reviewed was in question. We intend to continue to be fully compliant with all contract requirements governing existing and future work for the FDNY and we are happy to explain our processes in greater detail.

Your Finding About the Inclusion of Travel Costs In the "PM3" Rate.

The contracts specified only one rate that could be billed for "PM3" professionals – and the "PM3" rate was defined in the contracts as including travel, meals and lodging costs. As a reflection of our commitment to manage and reduce costs for the FDNY, during the contract negotiation process, we proactively identified and defined a rate (the "PA2" rate) that removed built-in travel costs for non-travelling professionals. In addition, please be assured that the professionals tested on the Starfire contract travelled regularly and that we have travel expense reports submitted by these individuals detailing this travel.

Your Finding About the Professional Backgrounds of Some Employees.

We use the U.S. government's Federal Acquisition Regulations (FAR) and cost accounting standards when determining how employees should accurately and fairly record their time worked on each contract. We apply that methodology consistently across all contracts. We use this approach for the work we do for the Department of Defense, commercial customers, and municipalities. We, and our customers, find it is a strong and clear set of guidelines that result in high value and successful work product. This is the methodology we used on the FDNY contracts.

After receiving your questions about some of the professionals who were billed at program analyst rates, and on further reflection, perhaps we should have billed these individuals as Specialists – or perhaps requested an ancillary labor category be added to the contract so we could bill these individuals at a separate rate. We will be making that change moving forward on all new engagements.

We would like to note that these questioned hours represent less than one half of 1% of the total dollars billed under the contracts that were audited.

Your Finding About Whether Rates Were “Marked Up.”

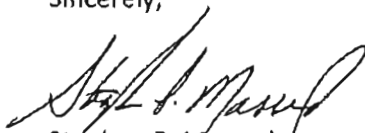
In response to your first finding, please know that the professionals identified were billed according to the tasks they performed for specific labor categories. And they were billed according to the rates specified in the contracts (in this case, program analysts/specialists). It is inaccurate to suggest we added a mark-up to the cost of these services prior to billing FDNY. We added nothing.

It is also useful to note here that the amount of the billings most strenuously questioned above (23 hours total time) amounted to \$1,784.80 – out of a total of \$93.5 million in billings that were reviewed.

In response to your second finding, please know that a “system integration fee” is materials handling and overhead costs connected to specific materials purchased under the contract. These costs are separate from the labor costs associated with working with those materials to realize the contract’s objectives. This overhead is applied to all materials purchases, across all contracts and customers. As a result, it is inaccurate to suggest the company inappropriately billed on the ERS/EMADS contract by receiving a systems-integration fee.

Again, thank you for the opportunity to reinforce our commitment to high-quality, accurate work for FDNY. The fact that less than 2% of the \$93.5 million in work that was reviewed came into question is a reflection of that commitment. And we intend to continue to be fully compliant with all contract requirements governing existing and future work for the FDNY.

Sincerely,



Stephen P. Massed
Executive Vice President/Chief Financial Officer