

State blasts Road Home firm - But top exec defends ICF's performance

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On June 23, less than two weeks after ICF Emergency Management Services signed a deal to run the state's Road Home program, the state administrator in charge of overseeing the company's work blasted the contractor for repeatedly ignoring her requests for information on an urgent mortgage issue.

"This program can't afford this kind of management," Suzie Elkins, director of the state's Office of Community Development, said in an e-mail to ICF executive Anita Rechler. "People want to get in their homes and without resolving these issues, they can't. I know that you are very busy but ICF has to understand that this is a big project and that we need expert people working with us on solving these issues NOW."

Though Elkins finally heard back from the company that day, her e-mail offers early evidence that discontent over ICF's performance long preceded the firestorm that last week prompted legislators to vote for the company's removal. Indeed, state officials have been complaining for months about handling of the Road Home program, the gist of their criticism being that the company doesn't understand the urgency of the situation.

While more than 90,000 homeowners have applied for a Road Home grant in the past four months, as of last Thursday just 94 families had received money. ICF has until July to complete the awards process.

Tempers reached full boil on Dec. 15, when the state House of Representatives voted 97-1 to approve a resolution demanding that Gov. Kathleen Blanco cancel ICF's three-year, \$756 million contract. Lawmakers repeatedly questioned the company's competence, while the bill's sponsor, Rep. J.P. Morrell, D-New Orleans, called ICF's performance "morally reprehensible."

"In Lakeview, in Gentilly, in the 9th Ward, this is a road to nowhere," said Rep. Peppi Bruneau, R-New Orleans, who spoke in favor of the measure.

An angry governor

Though Blanco quickly rejected calls for the company's ouster, one of her top administrators said late last week that the governor remains dissatisfied with ICF's performance and is pressuring the company to hire more workers and speed things up.

"They have always failed to understand the magnitude of this undertaking or commit the amount of resources they need to get the job done," said Sam Jones, deputy director of the Governor's Office of Community Programs.

ICF Senior Vice President Mike Byrne, who runs the Road Home program, disputes the idea that he or his staff are failing to fulfill their mission or pinching pennies to fatten their fees.

Though Byrne acknowledges that the company had to beef up hiring in certain areas to solve bottlenecks, he said ICF deserves credit for being so quick to implement course corrections in what are basically uncharted waters.

"We have created a learning organization," Byrne said. "We have done things that haven't been perfectly smart and maybe we've alienated some people, but we've changed those things. We're asking people to give us a second chance."

ICF is hardly new to government work, however. The company is a wholly owned subsidiary of ICF International, a consulting company in Fairfax, Va., that has gotten 72 percent of its work in recent years from federal agencies, including the Department of Homeland Security and the Department of Housing and Urban Development.

But the company has never tackled a job as complicated as Louisiana's recovery from the twin hurricanes of 2005.

Typical contracts, according to the company's public filings, involved work such as conducting training exercises and drills each year to test emergency preparedness in regions with nuclear power plants. The company also implemented an energy efficiency system for the U.S. Environmental Protection Agency and helped create an electronic procurement system for the Department of Defense.

ICF has previous disaster experience, but not at this level. For instance, ICF was hired to help local officials in Grand Forks, N.D., come up with a recovery strategy after a flood swamped the city in 1997. It also collaborated on community housing plans after Hurricane Charley struck Florida in 2004.

The best choice for job?

But like much of the company's work, those jobs were consulting contracts that didn't require major hiring efforts.

Despite the company's lack of experience in handing out disaster relief, ICF's proposal to run the Road Home program easily topped its competitors when the state ranked the bids early this year.

Part of the attraction was the experience level of the company's subcontractors, which are expected to handle 50 to 65 percent of the work, public filings show. To physically set up 10 housing assistance centers, which is where hurricane victims go to complete their applications, the company hired Shaw Environmental and Infrastructure, a Baton Rouge company that already had 20 prime contracts for emergency, rapid-response and housing work.

Quadel Consulting, described in ICF'S proposal as the nation's largest housing management firm, was brought in to recruit and train staff for the housing assistance centers.

Other companies were hired to do everything from housing inspections to title searches. Altogether, the company has hired more than a dozen subcontractors.

In its proposal, ICF boasted that those subs would provide the kind of "surge capacity" that would enable the company to quickly process applications and get relief to weary homeowners.

But ICF, which raised \$49 million in October through a public stock offering, struck a different note in recent filings with the Securities and Exchange Commission.

"Effectively organizing and managing this number of subcontractors, particularly during the first phase of the contract, will be challenging," ICF said in a Sept. 28 filing.

In fact, ICF said, the entire contract is fraught with risks, and there is no guarantee that it will ultimately be profitable for the company, even though it will represent the largest piece of work in ICF's portfolio for the next three years.

Though the contract is believed to be the largest nonconstruction-related contract ever awarded in Louisiana, Byrne said the company's fees will probably work out to no more than 3 percent to 4 percent of the \$756 million contract, or about \$30 million. Most of the money will be funneled to subcontractors or used to cover other costs, such as leasing real estate and paying salaries, he said.

"Any adverse publicity surrounding this contract could damage our reputation and our ability to win future assignments," the company said in the September filing.

Big executive bonuses

So far, however, the contract has been very good for ICF. After the company went public, it distributed \$2.7 million in one-time bonuses to 30 of its top managers. Byrne said he was not one of the recipients, but he declined to reveal his salary or say what any other executives in charge of the Road Home contract are making.

"It is private information and we won't disclose that," ICF spokeswoman Gentry Brann said. "It wouldn't be fair to the employees."

According to ICF'S most recent securities filing, the Road Home contract, which contributed \$55 million in revenue in the third quarter, was largely responsible for boosting quarterly revenue 73 percent. Profits more than doubled, from

\$1.2 million to nearly \$3 million.

Byrne said the company, which was paid a total of \$66 million through Dec. 5, is working hard for its money.

"There is a sense of urgency," Byrne said. "None of us are working 9 to 5. We're all working seven days a week."

To state officials, Byrne seemed like the perfect person to run the Road Home program for ICF. A former New York City fireman, Byrne joined FEMA in 1999 and served as the Federal Emergency Management Agency's operations chief at Ground Zero following the terrorist attacks of Sept. 11. In ICF's proposal, the company said Byrne was "directly responsible" for overseeing the delivery of \$2 billion in public assistance in the first two months after the attacks.

While Byrne was at FEMA, ICF said, he led the federal response to Hurricane Lenny, a storm that killed 17 people and caused more than \$300 million in damage to U.S. territories in the northeastern Caribbean in 1999. While supervising the recovery, Byrne "reduced disaster fund processing from the normal six months to six weeks," ICF said.

Byrne said his experience in those disasters taught him that failure is not an option.

"Things didn't always go well in the beginning, but they always worked out," Byrne said. "I didn't fail then and I don't intend to fail now."

For the present, Byrne's job seems safe. Despite the state's dissatisfaction with ICF'S performance, Jones said it would be a big mistake to try to change contractors. At a minimum, he said, it would delay the delivery of relief to homeowners by another three to four months.

"Does anybody want this process to come to a screeching halt and rebuild this or transfer the records to another company at this stage of the game? That is just not practical," Jones said. "You just have to make them do what they're supposed to do and make them do it faster."

Understaffed

Jones, who was mayor of Franklin for 22 years before joining the Blanco administration two years ago, has been one of the company's leading critics, based on a review of hundreds of e-mails released recently by state officials in response to public record requests from The Times-Picayune.

His main concern has been the company's willingness to hire enough people to manage the process. At every stage, Jones said, staffing levels were inadequate until state officials complained.

"When you have a catastrophe of this magnitude, you pump in as many resources as you can," said Jones, who was mayor when three hurricanes struck Franklin. "You want to overfill your needs because the alternative is underfilling and leaving people stranded. That is what we keep telling ICF."

But too often, Jones said, ICF underestimates its manpower needs. He said that became obvious quickly, when residents were told they would have to wait as long as two months to book an initial appointment with an adviser at an ICF housing assistance center. No work can be done on an application until such a face-to-face meeting takes place.

Initially, ICF and its subcontractors hired just 250 advisers for its 10 centers in Louisiana. It added another 150 as applicants swelled to about 90,000, but a third of them are still waiting for a first interview.

A recent progress report showed applicants were waiting 56 days to see a housing adviser in Jefferson Parish, though company officials claim the wait has now dropped to about a week.

By not having enough advisers, ICF was unable to reach its goal of conducting 1,000 initial interviews per day by Oct. 31, Jones said. That goal wasn't reached until Nov. 16, records show.

Another problem involved the Road Home's call center, where residents can schedule an appointment or get assistance in filling out an on-line application.

Initially, the call center had just 85 agents and they were overwhelmed by the volume. Through mid-October, the

center handled about 150,000 calls, but nearly 30,000 people hung up because they had to wait so long to talk to an agent. To cut down on the problem, the call center added another 50 to 60 agents.

Frustrated by such staffing problems and the slow pace of awards, Jones fired off an angry e-mail to Byrne on Nov. 12.

"Although we have been assured by you that you have adequate staff in place or available, we frankly don't see the evidence of it nor the productivity that would come of it," Jones wrote. "Mike, I must tell you that additional information points to the conclusion that ICF has been and continues to hoard resources at the expense of speeding assistance to our citizens."

A good talent pool

Byrne responded six hours later, noting that ICF had already hired an additional eight subcontractors and expected to hire another 42 advisers within 10 days. He also claimed that ICF has no incentive to hoard resources.

"The contract allows us to bill the state for all the staff we have on board the program," Byrne noted in his e-mail to Jones. "This is not a fixed-price contract such that if we spend less we keep the balance moneys. Why would we not want to hire people if we think it is necessary? There is every economic incentive for us to do so."

In an interview, Byrne said he was pleasantly surprised by how easy it has been to recruit talented staffers for what could essentially be a three-year job.

"We have no problem recruiting," Byrne said. "I was scared to death, because normally with FEMA you have a group of virtual part-time employees who you can tap into. I didn't have that bench coming here . . . But we are hiring people. I hope and I pray that this isn't our last project in Louisiana because I want to keep all these good people working here in Louisiana."

Byrne rebutted the criticism that ICF underestimated manpower needs. The company had enough people on hand to meet its contracted duties; what changed, he said, were the state's demands.

"We had enough people for the model we built, based on what we thought we needed to be doing," Byrne said. "But the perception of what we needed to deliver changed."

Under the company's contract, Byrne said, ICF had until July 22, 2007, to send out all award letters. Now, he said, the company expects to finish that task in early June, if not sooner.

"We are ahead of what we said in our contract we would meet," Brann said.

Jones said ICF officials are making a "false argument."

"To meet their contractual obligations, there are benchmarks you have to meet and they were not meeting them," Jones said. "That's it. Our bells first went off when they weren't meeting even the earliest projections. We don't need to find out six months from now that they are going to fail to meet the contract expectations. We can't wait until then."

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Caption: Sam Jones Blanco aide says governor is pressuring company [2925183]

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