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Bryan Urges Territory to Reduce Reliance on High-Priced Consultants in Wake of Expanded Ernst and Young Contract

Disaster Recovery / **Published On September 03, 2023 06:17 AM /**

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During a recent Public Finance Authority Board meeting, Governor Albert Bryan Jr., who also serves as the PFA board chair, expressed concerns over the territory's dependence on external consulting firms like Ernst & Young for financial oversight of disaster recovery projects.

"This should be the last year we should be paying for reports on cash management from Ernst & Young. We need to get some people on board," he told Office of Management and Budget (OMB) Director Jenifer O'Neal. The governor's comments came as the board discussed a \$4.5 million amendment to Ernst & Young's existing contract to provide additional financial services, a move approved at the end of the meeting.

During the Thursday meeting, Office of Disaster Recovery Director Adrienne Williams-Octalien said that her agency had received a request from OMB to include extra services to the work that Ernst & Young was currently being contracted to provide with respect to disaster recovery projects.

OMB wants the professional services firm to assist with reconciliation and cash flow analysis, which would, according to Ms. Williams-Octalien, provide “direct support of our ability for the territory to manage the recovery dollars.” Apart from bank account reconciliation and “detailed analysis of management cash tools,” the work will also include “assisting WAPA in the assessment of liquidity and forecasting future cash flows.” Ms. Williams-Octalien said the Water and Power Authority was selected because “they have received a significant amount of federal dollars and ensuring that we have proper oversight of the funding that’s being supported by this entity is critical for us.”

As the requested services are not currently included in the scope of the existing contract, OMB requested that an amendment of \$4.5 million over the next year be approved to support the request. “Any additional support needed will then have to come back to this board for their approval.”

Funding from FEMA is available to support the contract extension, the ODR director disclosed. A question was raised about how this work is different from the services currently being provided by Witt O’Brien, to which Ms. Williams-Octalien explained that the roles of the two entities had been “bifurcated,” with Witt O’Brien focusing on helping to apply for federal funds – developing the overall application, helping to create a costing plan, and assisting with project management. “On the other side, Ernst & Young supports more of the financial – the compliance, helping us with audits, reviewing payments to ensure that all of the payment documentation is there,” she said. They will also assist with questions for audits or about clawbacks, Ms. Williams-Octalien said. “Witt O’Brien helps us to get the money, and Ernst & Young helps us to ensure that we keep it.”

The ODR director made a case for Witt O’Brien’s usefulness in the process, noting that FEMA awards have been greater with their help compared to what the territory would have been able to achieve otherwise. “Particularly with Roy Schneider, we started off with not even getting a replacement. They wanted to repair Schneider Hospital.” Ms. Williams-Octalien ascribed the eventual agreement of FEMA to provide a “significant amount” to fully replace the medical facility to Witt O’Brien’s efforts.

Despite the success described by the ODR Director, Mr. Bryan expressed his discomfort with the territory’s reliance on high-priced consulting firms for the provision of these services. “I love the reporting and everything else but we got to wean ourselves off a little bit.”

In response, Ms. O’Neal told the board that Ernst & Young had actually been training government employees, but that progress had been slow “mostly because of turnover...we do need to hire some more people specifically to deal with the revenues and cash.” Due to recent hires in that regard, Ms. O’Neal expressed confidence that “we shouldn’t have this ongoing need in the future.”

At the end of the discussion, a motion to expand the scope of Ernst & Young’s contract to include the extra services and the extra payments as described was passed.