
FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



David A. Skeel, Jr.
Chair

Members
Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty E. Rosa

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

July 26, 2021

Manuel Laboy Rivera
Executive Director
Central Recovery and Reconstruction Office of Puerto Rico

Re: CGI Technologies and Solutions, Inc.

Dear Mr. Laboy Rivera:

In accordance with the contract review policy of the Financial Oversight and Management Board for Puerto Rico ("FOMB") established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed contract to the Data Management Services contract between the Central Recovery and Reconstruction Office of Puerto Rico ("COR3") and CGI Technologies and Solutions, Inc. (the "Proposed Contract").

After reviewing the Proposed Contract, the FOMB concludes "Approved with Observations." Observations related to the Proposed Contract are set forth in Appendix A attached hereto.

Our review is solely limited to the compliance of the Proposed Amendment with the applicable fiscal plan and no other matters. For the avoidance of doubt, the review performed by the FOMB does not cover a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local. In addition, the FOMB has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Contract must be submitted to the FOMB for review and approval **prior to execution.**

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information not available when the review was

Mr. Laboy Rivera

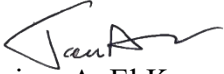
July 26, 2021

Page 2 of 2

conducted. In addition, during the course of our review, we may receive information which we may refer to the relevant authorities.

This letter is issued only to COR3 and solely with respect to the Proposed Contract.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jaime A. El Koury', with a stylized flourish at the end.

Jaime A. El Koury
General Counsel

APPENDIX A

(Page A-1)

CENTRAL RECOVERY AND RECONSTRUCTION OFFICE OF PUERTO RICO- CGI TECHNOLOGIES AND SOLUTIONS, INC. (“CGI”)

Fiscal Plan Alignment

This review covers a proposed contract between the Central Recovery and Reconstruction Office of Puerto Rico (“COR3”) and CGI Technologies and Solutions, Inc. (the “Proposed Contract”) for Data Management Services.

The Proposed Contract originates from COR3’s intention to execute an amendment (the “First Amendment”) to Contract Number 2021-CR-047 with CGI (the “Original Contract”) to extend its term from July 1, 2021 until June 30, 2022. The Original Contract stemmed from a sole-source procurement process and contemplated Disaster Recovery Solution (“DRS”) services related to the State Revolving Fund for Recovery Projects. Furthermore, the Original Contract had the purpose of furthering the objectives of Joint Resolution 85-2020 (the “Joint Resolution”), by providing the necessary application modules, and data management services to administer, manage and monitor the Revolving Fund. As such, CGI shall incorporate such capabilities into the existing DRS, which serves as COR3’s data management system, to fulfill the Joint Resolution’s purpose of advancing disbursements to subrecipients in anticipation of the receipt of funds under FEMA programs.

The Original Contract had a term from its date of execution until June 30, 2021 and a maximum payable amount of **\$500,000.00**, with \$250,000.00 being attributable to its Base Term and \$250,000.00 corresponding to the contract’s optional one-year term extension.

Notably, COR3 submitted the First Amendment to the FOMB for approval on June 4, 2021, with its approval being issued on June 23, 2021. However, COR3 did not **execute** the First Amendment before the Original Agreement expired because the Office of Management and Budget (OGP) did not grant its approval pursuant to OGP’s Circular Letter 001-2021.

Accordingly, on **July 7, 2021**, COR3 submitted the Proposed Contract to extend the Original Contract’s term to **June 30, 2022**.

The Proposed Contract contemplates the same services as the Original Contract, for a term running from July 1, 2021 to **June 30, 2022**, at a not-to-exceed amount of **\$344,000.00**. Notably, the Proposed Contract reallocates \$94,000.00 of unused funds from the Original Contract’s **base term** to the **new agreement**. This, in turn, means that the **total** not to exceed amount is maintained at \$500,000.00, since the Proposed Contract’s cost equals the \$250,000.00 originally contemplated in the Original Contract’s optional extension plus the Base Term’s surplus funding. Moreover, COR3 has certified that all funds to be used for the Proposed Contract will be accounted for in the Fiscal Year 2022 budget.

The Proposed Contract shall be covered by General Funds accounted for through the Professional Services 006-1290 line item, corresponding to Fiscal Year 2022. As such, the FOMB’s review indicates that COR3 has sufficient budgeted funds in Fiscal Year 2022 to cover the cost of the Proposed Contract, as of the date of this letter. However, this determination does not consider the

APPENDIX A

(Page A-2)

extent to which total available funds will be subsequently encumbered by COR3 throughout the Proposed Contract's term. Consequently, we rely on COR3's budget certification for the purposes of this review.

Finally, we note that, on January 25, 2021, COR3 submitted an eligibility determination request to FEMA to cover the Revolving Fund's administrative and management costs. Accordingly, COR3 should take all necessary steps to ensure its costs are compliant with applicable FEMA guidelines to warrant that these are eligible for reimbursement.

Finally, the following observations are based on 2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and other applicable FEMA documents:

Observation	Suggested Action
<p>1. It appears that this Proposed Contract between COR3 and CGI is being conducted using a noncompetitive procurement. COR3 has indicated that it is permitted to make sole source awards to contractors for professional services, regardless of an ongoing exigency/emergency but is also justifiable because of the exigency/emergency circumstances faced by the Earthquakes and COVID-19 Pandemic.</p> <p>Additionally, it appears COR3 submitted an eligibility determination request to FEMA in January 2021 regarding the costs to be incurred under the Proposed Contract. It is unclear if COR3 has provided the information requested by FEMA in relation to this request or if FEMA has made an eligibility determination.</p>	<p>COR3 should ensure that it has met its requirements for exigent/emergency circumstances and has complied with all applicable COR3, Puerto Rico, and Federal rules and regulations relating to noncompetitive contracting, including obtaining any approvals required to execute noncompetitive contracts. COR3 should document and retain in the procurement file that the Proposed Contract is compliant with such policies and procedures and cite the specific and applicable sections of the guidance. COR3 should also prepare and maintain in the procurement file a justification for the noncompetitive procurement.</p> <p>COR3 should also consider that executing the Proposed Contract prior to receiving an eligibility determination from FEMA presents greater risk of the costs being determined ineligible for reimbursement.</p>
<p>2. The Original Contract between COR3 and CGI consisted of a base term and option term of \$250,000 each for a</p>	<p>COR3 should retain detailed analyses related to how the budgeted amounts were derived in the procurement file as well as information on how these costs were determined to be reasonable.</p>

APPENDIX A

(Page A-3)

Observation	Suggested Action
<p>total not to exceed amount of \$500,000.</p> <p>The Proposed Contract intends to reallocate \$94,000 from the Original Contract's base term to the new agreement, maintaining the total not to exceed amount of \$500,000.</p> <p>The cover letter from COR3 to the FOMB states that CGI anticipates a budget surplus of \$94,000 in regard to the Original Contract, and COR3 provided information to the FOMB via email on 7/20/21 indicating that the anticipated rollover amount is \$94,000.</p>	
<p>3. The Original Contract only appears to include rates through June 2021. COR3 provided additional information on 6/10/21 stating that, in accordance with the Proposed Contract, the rates for each year will be increased by the annual Consumer Price Index.</p> <p>The Proposed Contract includes an updated rate schedule. Rates appear to have been increased by a modest amount from the Original Contract, as anticipated. However, documentation to support that the increase ties to the annual CPI as indicated in the agreement does not appear to have been provided.</p>	<p>COR3 should ensure that all documentation supporting the rate increases are maintained in the procurement file.</p>
<p>4. The Proposed Contract appears to be structured as a Time and Materials contract. However, it does not appear that documentation has been provided indicating that COR3 considered other</p>	<p>COR3 should document and retain in the procurement file the rationale for using a Time and Materials type contract and determination that no other contract type is suitable.</p>

APPENDIX A

(Page A-4)

Observation	Suggested Action
pricing structures and determined no other contract type was suitable.	
5. The Proposed Contract between COR3 and CGI indicates that no subcontracts may be entered into without the prior written authorization of COR3 unless the subcontractors have been identified in CGI's proposal. CABEtech Consulting Inc does not appear to be listed in CGI's proposal but is listed in Appendix D – Contractor Certification Requirement.	COR3 should retain documentation in the procurement file indicating that CABEtech is an approved subcontractor.
6. It appears that a screenshot from SAM.gov was provided for CGI Technologies on June 4, 2021; however, the search appears to have returned no results. As such, it does not appear that proof of debarment status on CGI and subcontractors have been provided.	COR3 should conduct regular debarment checks on CGI and subcontractors to ensure contractors are not debarred from working on federally funded contracts and retain the results in the procurement file.
7. Section 14.9 of the Proposed Contract references Appendix B, Byrd Anti-Lobbying Certification. However, the certification does not appear to have been provided.	COR3 should ensure that the Byrd Anti-Lobbying Certification is signed and attached to the executed agreement.

COR3 is expected to inform the FOMB of any budgetary differences other than those specified in Appendix A (Contract Submissions Questionnaire) and to request a re-review of this contract should any changes occur.

This contract review was conducted on the basis of information submitted by the Government of the Commonwealth of Puerto Rico and COR3. FOMB has not independently verified the information included in the submission. Should FOMB become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.