

Headline: INSECURE FUTURE

SubHead: The DBE programs offered to open doors for Audrey Stanley and her family, but politics seem to have scuttled their hopes to build up their small company.

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Text: The one-page financial statement sums up the state of affairs last year at Stanley Security Co.

The document shows that after paying wages, taxes, insurance, utilities, permit fees, postage and other costs totaling \$133,332, the small New Orleans company netted a scant \$1,583 in profit on revenue of \$134,915 in the first six months of 2000.

On top of that, the Internal Revenue Service said the company owed \$6,000 in back payroll taxes, and in May the guard service lost its most lucrative contract after a national franchise undercut Stanley's hourly rate by 20 cents.

The strain of keeping the business afloat aggravated owner Audrey Stanley's heart problems. Seven years after opening the business, she wasn't sleeping well and wanted out. She closed the company late last year. Her 46-year-old son, Herman Stanley Jr., who helped run things, took over and restarted the firm.

"It stressed me out," Audrey Stanley said.

She has few kind words for local disadvantaged business enterprise programs, which she expected would help her small business get on its feet. Since 1993, the company has been certified as disadvantaged by three local agencies, but it hasn't landed work with any of them.

"We have had no assistance. None," Audrey Stanley said. "I thought maybe they would have sent us a bid or just give us something. I can't even get a doggone parking lot (contract) in the city."

The story of Stanley Security illustrates the perils of going into business for yourself, and spotlights a common practice among public agencies of awarding DBE contracts to politically connected companies.

Like many new business owners, the Stanleys knew little about the business world when they started out, and they made early mistakes.

But even when the company did everything right -- and was part of a team that submitted the low bid on a major Sewerage & Water Board contract -- it still walked away empty-

handed when the agency awarded the job to a politically connected company that submitted the worst-ranked bid.

A family effort

It's not hard to see how the Stanleys qualify as disadvantaged business owners. Audrey Stanley, 66, raised her three sons and two daughters alone. The family spent about 20 years in the St. Bernard public housing development before moving out in the late 1970s.

Stanley juggled jobs as a private sitter and a nursing assistant, but a faltering economy saw one of her employers, a nursing home, close. She picked up work as an aide with a visiting nursing program, but it was getting harder for her to lift patients. In 1993, she decided she wanted a job that would keep her closer to home.

Herman, her eldest son, also was struggling. After returning from a stint in the Air Force, he earned money as a cook at local restaurants. But after he lost a job, he started looking for a new line of work.

The idea of going into the security business came from Audrey Stanley's husband, who was working for another small security firm. The couple had reunited after many years apart, and before Herman Stanley Sr. died in 1993, he and the rest of the family tried to get Stanley Security off the ground. First, Audrey passed a state licensing exam for owners of private security companies. Then, she, her husband and two of their sons enrolled in state-mandated courses on private security, costing them \$130 per person for 16 hours of classroom instruction and firearms training.

For \$50, the firm was able to get its name on a state vendor list, a vital step for fledgling businesses because it provides notice of bidding opportunities. Audrey Stanley took what was left of her savings and bought a half-dozen uniforms.

Scraping by

In 1993, Stanley Security bid on its first contract: providing a guard during working hours at a state-owned health clinic on Broad Street. It offered to do the job for \$5 an hour, without calculating its costs on the contract or what it needed to break even.

At the time, minimum wage was \$4.25 an hour, but Stanley decided to pay its guards \$4.35 to give the company a competitive edge in the labor pool. That left 65 cents an hour to cover payroll taxes, insurance, licensing fees and a host of unexpected expenses that chipped away at the profit margin.

Stanley subsequently won state contracts for guard services at mental health clinics and a tuberculosis clinic, all at \$5 an hour. In 1994, the company did about \$20,000 in business.

"We weren't really making any money," Audrey Stanley said.

But Stanley Security was employing people and gaining experience in the business. And its prices inched up.

By the time Stanley submitted a bid in 1997 for guards at state buildings in New Orleans and Harvey, the company was charging \$9 an hour and paying the guards \$7. In 1998, its best year, the company had 26 workers and brought in \$255,000.

Still, Stanley Security was barely breaking even. Audrey Stanley tried to pay herself a modest salary of \$400 a month, but the company wasn't clearing enough to cover her paycheck.

Formidable competition

In spring 1999, Stanley Security thought its big break had come.

The firm got a crack at a fat Sewerage & Water Board contract. For private security companies, contracts at public agencies are rare gems of great value. During the mid-1990s, Crescent Guardian Inc. -- the company that had the contract -- collected more than \$3 million by providing security at water board sites through a contract earmarked for a minority-owned firm.

Like Stanley Security, Crescent Guardian was started on a shoestring. But any other similarities between the two firms end there.

Before starting the business in 1993, Crescent Guardian's African-American owner, Marian H. Pierre, had spent 25 years working at City Hall, including 14 years as a deputy city assessor and another six as legislative aide to City Councilman Joe Giarusso. Although her resume listed no experience in the security industry, Pierre's company won the water board contract in 1994 when no other bidders emerged for the work.

Her company lacked some of the key items needed to satisfy the bidding specifications, but friends stepped in to help her out, she said in a 1995 interview with New Orleans CityBusiness. One of them helped her borrow \$70,000 in working capital, which she needed to satisfy the water board. Another friend helped her finance uniforms and radios for 70 security guards.

The article didn't identify the friends, and Pierre declined requests for an interview for this article.

The contract put Crescent Guardian on the map. After landing the water board job, the firm -- which has been certified as a disadvantaged business by five of the seven local agencies with DBE programs -- went on to win more public work. Revenues have since climbed to more than \$2 million per year, with the number of employees climbing from four in 1993 to 140 in 1999, records show.

Tough lesson

Crescent Guardian's success didn't go unnoticed by the Stanleys, who were eager to bid on the water board job when Crescent Guardian's third and final contract extension expired June 30, 1998. To improve their chances, they spent \$500 to hire a business consultant to prepare their DBE application for the board, which certified the firm in August. But to the Stanleys' dismay, the board kept renewing the contract on a monthly basis. New bid specifications didn't go out until early 1999.

"I called them for almost a whole year and asked them when the bids were going to come up," Herman Stanley Jr. said. "I was starting to get frustrated."

Competition for the job was much hotter than in 1994, when the contract was awarded as a minority set-aside. The board eliminated set-asides in 1996, which meant every security firm in town could bid on the work.

But the new rules required that the winning bidder had to subcontract at least 30 percent of the work to a disadvantaged business enterprise.

With that in mind, Herman Stanley Jr. set out to maximize his chances for at least a piece of the action.

In addition to submitting his own bid on the job, Stanley persuaded three other security firms -- United Protection Service, Gallagher Security and Vinson Guard Service -- to list his company as their designated DBE, giving Stanley four shots at the work. While aggressive, his strategy is a common and acceptable practice in the public bidding arena. In fact, Stanley and United Protection agreed to use each other as a subcontractor in the event that either won the job.

In all, seven companies placed bids for the work, which was divided into four separate contracts covering four different sites that needed guards. Technicalities brought rejection of three of the bidders, including Stanley Security, which failed to include reference letters in its bid. That meant Stanley's hopes hinged on its two prospective partners, which had promised to give the firm 30 percent of the job as a DBE subcontractor.

One of those firms, United Protection, was recommended by the staff as the highest-rated bidder on two of the four contracts that were up for grabs. Bayou State Security, a local firm that held the security contract in the 1980s, was the top-rated bidder on the other two contracts. Crescent Guardian, by contrast, had submitted the worst-ranked bid of the four finalists after staffers compared cost, experience, qualifications of key personnel and other factors, records show.

When they heard about the staff report, officials at Stanley Security and United Protection were ecstatic. Herman Stanley Jr. still remembers the call he got from United owner Lee Bates, who told him, "We won it, bro."

Said Bates, "We were on top. I knew we would get something out of it."

Rude awakening

It wasn't that simple. At an operations committee meeting, water board members asked the staff members who recommended United Protection and Bayou State whether they were having any problems with the firm that had been doing the work for the past five years. Hearing no complaints, a motion was made to award all four contracts to Crescent Guardian. There was no discussion.

Crescent Guardian walked away with a package worth \$739,062 per year. Board minutes reflect that the choice was based "upon the company's experience and performance record," and not on the staff recommendation.

Bates, who attended the meeting, was astonished. Although cost was only one factor, United Protection had offered the best price of any of the four finalists and would have saved taxpayers \$97,658 per year if the agency had picked his firm instead of Crescent Guardian for all the contracts, based on the bid prices.

"My vice president beside me had tears in his eyes," Bates said. "He had to take off for a week. He had worked so hard on it."

James Perez, owner of Bayou State Security, thinks the choice was influenced by politics.

"They would have gone with me, but we weren't politically connected," said Perez, who has contributed \$500 to local political candidates in the past 10 years. "I think Crescent does have some political connections. . . . We would have liked to have the business, but you can't fight city hall."

Campaign finance reports show that Pierre of Crescent Guardian has contributed at least \$2,500 to Mayor Marc Morial, who approved the contract, and \$1,200 to City Councilman Jim Singleton, who serves on the water board committee that recommended that the board rehire Crescent Guardian.

By contrast, neither Stanley nor United Protection has made any local political contributions, records show.

When asked why he approved the hiring of Crescent over two firms that were recommended by the water board's staff, Singleton said: "You got me there. I was under the impression that she was the low bidder and the person who was recommended by the staff for this job. I must not have been doing as good a job as I should have in checking into this one."

Singleton said Pierre's contribution did not sway him. "\$1,200 ain't enough for me to make that kind of decision," he said.

Morial also said he did not intervene on behalf of a supporter. "Let me be honest: Marian Pierre came from somebody else's politics," he said.

Morial said he can't explain why the agency gave the job to the worst-rated bidder. "I'm not going to defend the decision one way or another," he said. "You can't sit there in every Sewerage & Water Board meeting and look at the specifics of 100 procurement decisions. We pretty much affirm the decisions of the committee."

Stanley steamrolled

For Bayou State Security and United Protection, the loss was disappointing but not devastating. Both companies are on solid financial ground and have a solid base of private-sector clients.

The blow was much more serious for Stanley.

"That would have put us over the top," Herman Stanley Jr. said. "With United Protection and us pulling together, we could afford to pay our taxes, make a small profit."

About a year later, the company got more bad news when it lost its largest contract to a national company that undercut its rate of \$9 an hour by 20 cents. Today, Stanley has five guards and three small contracts at state mental health clinics in New Orleans. The company has bid on other jobs, but its luck hasn't changed. It has sent out fliers to private businesses. It took out a newspaper ad. Herman Stanley Jr. says he has attended a number of DBE seminars.

"I tell Mom we have to network," he said.

In response, Audrey Stanley pulled out a handful of invitations to last fall's campaign fund-raisers, including a \$250-per-person event for a city council race.

"How are you going to network if you don't have any money?" she said.

Audrey Stanley insisted on calling it quits. Herman Stanley wanted to hang on and took over the business. He's taking criminal justice classes at the University of New Orleans and wants to rebuild the business.

"The best thing to do is keep it going," he said. "Maybe these people will change their policies."

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Special projects editor Jeffrey Meitrodt contributed to this report.

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Caption: STAFF PHOTO BY TED JACKSON

Audrey Stanley started Stanley Security Co. on a shoestring budget in 1993. The family-run company, which perfectly fit the definition of a disadvantaged business, won some state contracts for guard services but suffered a discouraging defeat by a larger, better-financed competitor with better political connections. last year, Audrey Stanley called it quites, turning over the struggling company to her eldest son.

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