

Statement to Rob Arnold

Attribution to NAPA spokesperson, Gaylord Spencer

April 15, 2016

Because of an estimated \$100 million budget shortfall facing the City of Houston, the City went on a results-oriented mission against the company's contract with Houston to provide auto parts and service to the City's fleets of vehicles. Auditors who do not understand the business or are ignoring contract provisions have made erroneous findings and we are fully prepared to take on these issues in court. It should be noted that during NAPA's period of service, the taxpayers benefited through huge savings because of our ability to provide cost efficient products and scale our services to meet the needs across the municipality – fire, police, etc. No longer have important service vehicles been idle as they once were.

It will be interesting to see whether the City administration will allow transparency and a full accounting of the next vendor to provide the same services to the City. It should also be noted that NAPA did have proper oversight by City employees but some City employees also got criticized by the mayor during this political opportunism.

The company will defend itself against any and all false allegations and we intend to countersue for breach of contract which will allow us to show all the facts. In response to the specific allegations in the audit, NAPA makes the following points:

- **The City of Houston directed NAPA to charge many expense items in the way it did and now the City is complaining about it.**
 - The City is NOT alleging that we overcharged for parts. The City is contesting the way we charged certain reimbursable items, even though the City originally directed NAPA to charge those items in the manner that we charged them. If NAPA had charged the expenses in the way the City auditor is now asking, it would have resulted in the City being charged more. The City auditor has acknowledged NAPA had the City's permission to bill items to the City in the way that the auditor now complains about. Additionally, The City auditor's report acknowledges

that NAPA sought and received City input for the way in which expenses were billed.

- The undisputable fact is NAPA's centralized procurement, billing and payment methods saved the City money and kept vital City services running.
- **Many issues raised in the lawsuit are unique and specific to the terms requested by the City of Houston.**
 - A substantial amount of the dollars claimed as the City's alleged "overcharges" relate to a local Minority-Owned Business Enterprise with which NAPA subcontracted for delivery services at the direction of the City. The City now claims that the MBE vendor should only be paid the same hourly wage that an individual NAPA delivery driver employee is paid under the contract, even though this vendor was doing more: the vendor was providing the delivery vehicle, fuel, driver, and the insurance and maintenance on the vehicle. To charge the way the City wants would actually cost the City more.
 - NAPA did NOT mark up the MBE vendor's charges for NAPA's additional profit and the City acknowledges this fact.

NAPA partnered with many good city employees, who were focused like we were in providing the best in parts and service for optimum efficiency. That the partnership and our integrity would be so disingenuously characterized is unacceptable. We have every intention of defending the company vigorously and presenting all the facts.