

Office of Inspector General

City of New Orleans

2009 ANNUAL REPORT

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E. R. Quatrevaux
Inspector General

Inspector General's Message

The year had hardly begun when Inspector General Robert Cerasoli announced his retirement for health reasons. Mr. Leonard Odom was appointed interim Inspector General on February 1, 2009, and served in that capacity until September 6, 2009 when he resigned. Dr. David Westerling served as interim Inspector General until October 19, 2009, when Ed Quatrevaux assumed office as the Inspector General.

Fiscal Year 2008 saw the arrival of the first professional staff in mid-year and the release of the first report from the Office of Inspector General (OIG). A review of the Installation of Crime Surveillance Cameras was underway and eventually was concluded in 2009.

Fiscal Year 2009 productivity was low for most of the year due to the lengthy interim leadership and lack of a multi-year work plan. Resources were also misdirected to non-productive activities such as the "assessment" report, concerning which the Louisiana Legislative Auditor found no violations of law or regulation. An audit of sanitation contracts was begun in 2008 but was in disarray in late 2009, principally because the lead auditor received ever-changing guidance from the audit principal as to the scope of the audit. (The audit principal had no prior training or experience in auditing.)

By year's end, the OIG had conducted a strategic planning retreat, prepared a multi-year strategic plan with risk assessment, and submitted policies and manuals required by ordinance to the City Council for approval. In the 4th quarter, the OIG issued a report that revealed significant problems with the way the City prepared and adopted the 2009 budget. The year concluded with a review of the RFP and sole proposal received to "develop" the Municipal Auditorium. A Public Letter from the Inspector General recommended against the proposal, and later a contract for the same purpose.

Staff

The OIG is organized along functional lines into Audit, Counter Fraud, Inspection and Evaluation divisions, and the Contract Monitoring Office. The OIG is also responsible for the Independent Police Monitor. The OIG leadership is listed below:

Audit Division	Deputy IG Eileen Andrus
Counter Fraud Division	Assistant Chief Frederick Boyd
Inspection and Evaluation Division	First Assistant IG Janet Werkman
Contract Monitoring Office	Dr. David Westerling
General Counsel	Deborah McCrocklin
Police Monitor	Deputy Police Monitor Holly Wiseman

OIG professional staff is required to obtain 80 hours of continuing professional education every two years, with no less than 20 hours in any year. 78% of OIG staff met this standard in 2009. All OIG staff are scheduled to meet the requirement in 2010.

The OIG professional staff possess six *Juris Doctor* degrees, two PhDs, as well as many Master's Degrees. Sixty-five percent of professional staff held advanced degrees at year end. All OIG audit and investigative staff held at least one national certification.

Budget

The OIG budget is set by the City Charter at .75% of the Operating Budget, and amounted to approximately \$3.2 million in 2009. Of that, \$396,000 was for the Ethics Review Board. The OIG returned about \$500,000 and the ERB returned about \$100,000 to the City at the end of the year.

Audit Activities

The Office released the following reports (see full reports at www.nola.oig.org):

Criminal Sheriff's Office Vehicle Performance Review issued August 21, 2009, reviewed the Orleans Parish Criminal Sheriff's Office (OPCSO) management and business practices relating to the operation of the OPCSO's passenger fleet. Three findings were noted in this review.

Aviation Board Vehicle Performance Review issued August 31, 2009, reviewed the New Orleans Aviations Board's cost and management of passenger vehicles. Nine findings were noted in this review.

Management Implication Report: Interim Recommendations for the Policy Memorandum No. 5(R) Revised and Issued on April 18, 2009 in Response to the OIG's Interim Report on the Management of the Administrative Vehicle Fleet was issued July 8, 2009. Eight findings were identified, including unidentified tax liabilities relating to take home vehicles. The City's preliminary estimate of the amount that the City may owe in Federal income taxes, interest and penalties for failure to report income of employees with a take-home vehicle ranged from \$1,052,225 to \$1,400,000.

Inspection & Evaluation Activities

The Office released the following reports (see full reports at www.nolaog.org):

Installation of Crime Surveillance Cameras issued February 27, 2009, identified 27 findings relating to this procurement, some of which observed evasion of competition, circumvention of controls, and unfair treatment of vendors. The report led to an investigation that resulted in indictments of the City's technology director and a vendor.

City of New Orleans Budget Process (Management Alert Report) issued on September 16, 2009, was provided originally to City managers on April 30, 2009. The City failed to respond in 30 working days. The OIG issued the Alert in September.

Review of 2009 Budget Process for the City of New Orleans issued November 24, 2009, identified 21 findings, including that the City lacked an accurate financial reporting system, that there was no budget information on contract expenditures, that the budget was vague, and that incorporating recovery funds in the operating budget obscured transparency. Additional findings compared the per capita budget by City function to other cities of similar size.

In Public Letters regarding the Municipal Auditorium, dated December 28 and December 29, 2009, the Inspector General identified problems with the Request for Proposals and the resultant contract. The latter promised nothing of value to the City and had a potential value of \$4 million. The sole proposer subsequently withdrew, and the contract appears unlikely at this writing.

Counter Fraud Activities

The Office received 216 complaints in 2009, from which 16 investigations were opened. Three investigations from other sources were opened, and 3 more were open at the start of 2009. Fifteen investigations were closed in 2009 and 7 remained open at the end of the year.

Most of the investigations concerned relatively minor matters. However, *The Crime Surveillance Camera* inspection revealed multiple evasions of competitive requirements, and generated suspicions of corruption in contract administration. OIG investigators, working jointly with the FBI and prosecutors in the U.S. Attorney's Office, developed evidence that led to the November 2009 indictment of Greg Meffert, the City's former Technology chief, his wife, and Mark St. Pierre.

OIG investigators interviewed witnesses, including City employees, City contractors, and current and former employees of City contractors. Investigators recovered digital evidence, charted money flows, and reviewed documents that substantiated payments by the City of New Orleans, which were approved by Meffert and that ultimately benefitted Mark St. Pierre and his companies.

Contract Monitoring Office

This Office is headed by Dr. David Westerling, an authority on contracting. When it becomes fully operational, the CMO will screen all new contracts, assess their risks, and monitor high-risk contracts throughout the lifetime of the contracts. The CMO will audit invoices, inspect deliveries, and provide observations and recommendations to City contracting officials.

Independent Police Monitor

The OIG is responsible for an independent police monitor (IPM) function. Mr. Neely Moody was appointed to this position in August 2009 but resigned the following month. At the request of the Chairman of the Criminal Justice Committee of the City Council, no effort was made to fill the vacancy in 2009.

The Deputy Police Monitor met with the NOPD and others in the community, and held community meetings in each of the districts as required by ordinance. Shared databases and other matters were researched and initial procedures developed.

Other Activities

The OIG developed a Strategic Plan based on an assessment of risks in the operating environment. The resulting projects are intended to mitigate those risks to the City. The Plan for 2010-2013 can be found at www.nolaoig.org (reports).

Inspector General Quatrevaux reviewed personnel and resources. He initiated individual training plans for all staff, reduced operating costs by \$50,000 by negotiating a lease reduction, and returned some excess equipment to the City. He also developed a memorandum of understanding with the Ethics Review Board covering areas of interaction between the agencies.

The IG met with the following City officials in the period October 19-December 31, 2009: the Mayor, all seven Council Members, the Chief Administrative Officer, District Attorney, Criminal Sheriff, and Superintendent of Police. He also met with the U.S. Attorney and the FBI Special Agent in Charge.

IG Quatrevaux reached out to the community and met with representatives of the Urban League, Hispanic Ministries, Black Economic Development Council, and the Black Chamber of Commerce. He spoke before the Metropolitan Crime Commission, the New Orleans Regional Business Council, the Horizon Initiative, and the Mayoral Forum hosted by the Pelican Institute.

The IG appeared on WBOK (twice) and WWL radio, WDSU-TV's hot seat (twice) and the WWL-TV morning news show. He also met with the reportorial staff of the Times-Picayune, and gave numerous interviews on topical matters to broadcast and print media.

Conclusion

The OIG began 2009 slowly but finished strong. It submitted the policies and procedures required by ordinance, and developed a plan for 2010-2013. Its report on the 2009 budget process revealed systemic flaws in the City's budget formulation and execution system. And curtailment of the Municipal Auditorium contract allowed the City to avoid approximately \$4 million in unnecessary expenses.

The OIG rose from its nadir in September to an organization respected for its relevance, credibility, and objectivity by the end of 2009.