



Office of Inspector General

City of New Orleans

2011 ANNUAL REPORT

Submitted pursuant to City Code § 2-1120(9)

March 15, 2012

**E. R. Quatrevaux
Inspector General**

Inspector General's Message

The year began with the issuance of an audit report on Municipal Court remittances to the City. Eleven reports and 5 public letters identified \$6.2 million in costs that could have been avoided. The OIG budget¹ was \$2.8 million, which resulted in a Return on Investment of 2.17 for 2011.

In addition to monetary savings, the reports provided recommendations to reduce the City's vulnerability to fraud and disadvantageous contract terms. Three Internal Control Reviews provided the City management with a punch list of 27 findings in the areas of payroll, fixed assets, and accounts payable and purchasing.

Eighty-six Invitations to Bid (ITB) and 59 Requests for Proposals and/or Qualifications (RFP/RFQ) were screened for compliance with applicable legal requirements, and for whether they clearly defined the goods or services desired and did not unduly restrict competition.

Investigations conducted with our federal partners resulted in guilty verdicts on all 53 counts of the indictment against vendor Mark St. Pierre for bribing Greg Meffert, the City's former Chief Technology Officer, and Anthony Jones, his successor in the position.

The mayor publicly requested investigations into the red-light camera and other off-duty details performed by NOPD officers and those investigations remained open at the end of 2011 as did other significant investigations. Investigations into matters where there is substantial evidence of wrongdoing have been postponed because of insufficient staff to investigate the increased caseload.

During the year, the OIG issued its Annual Report for 2010 and a Strategic Plan for 2012-2015. Last, the OIG worked with the City Council to enact suggested changes to its governing ordinance in order to improve clarity and align its provisions with that of state law.

¹ Net of allocations to IPM (\$488, 000) and Ethics Review Board (\$170,000), and \$132,000 returned to the City.

Staff

The OIG is organized along functional lines into Audit, Investigations, and Inspection and Evaluation divisions. The Independent Police Monitor is operationally independent and reports separately.

The OIG leadership is listed below:

Audit Division	First Assistant IG Eileen Shanklin-Andrus
Counter Fraud Division	First Assistant IG Howard Schwartz
Inspection and Evaluation Division	First Assistant IG Janet Werkman ²
General Counsel	Suzanne Lacey Wisdom
Independent Police Monitor	Susan Hutson

Budget

The OIG - Ethics Review Board budget is set by the City Charter at three-quarters of 1% of the Operating Budget, and was \$3.6 million in 2011. This amount funded the ERB at \$170,023 and the Independent Police Monitor operation at \$487,908. The OIG and ERB collectively returned about \$132,000 to the City at the end of the year, leaving a net OIG budget of \$2,845,290.

Audit Activities³

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

Performance Audit of Municipal Court's Remittances to the City found that the Court did not remit \$1.2 million to the City as required by law.

Review of New Orleans Municipal Employees Retirement System's Travel found that the Board failed to establish a budget and allocate funds, and that Trustees were not required to submit receipts for all expenses incurred.

Performance Audit of Purchasing and Accounts Payable Internal Controls found that controls were not in place to separate the ordering and receiving process, that contracts were amended without prior procurement approval, and that vendors were not checked for delinquent taxes.

A Report on the French Market Corporation Credit Card and Expense Reimbursement Policies found that employees did not provide supporting documentation or identify the business

² Ms. Werkman retired in January 2012. Nadiene Van Dyke is the current First Assistant IG for the Inspection and Evaluation Division.

³ This report does not include audit support to investigations.

purpose on their claims. It also found that the FMC incurred late charges on the credit cards (\$3,446) and purchased gift cards for employees (\$4,541) in violation of the state constitution.

Performance Audit of Fixed Assets Internal Controls revealed that some components of the City's fixed assets internal control processes were ineffective, that the policy did not require timely recording and notifications of additions and disposals, and that the City did not conduct an inventory or require departments to maintain an inventory of its assets.

Review of Miscellaneous Donations Fund and America's New Orleans Fund found that the City lacked a policy for the management and documentation of donations, that reports required by City Code were not submitted to the Council, and that no donations were directed to any geographic area of the City.

Performance Audit of Payroll Internal Controls found that the Civil Service Department could not produce a list of employees independent of the payroll department, that payroll cash and liability accounts were not reconciled, that the City incurred \$50.7 million in personnel expenses in 2009 that were not budgeted, and that 597 employees exceeded the annual limit of overtime hours.

Review of Municipal Yacht Harbor Management Corporation's Accounting Policy and Procedures Manual was conducted at the Request of the entity's Board of Directors and offered 45 recommendations to align the Manual with Best Practices.

Performance Audit of Orleans Parish Prison Inmate Charges found that the billings to the City were accurate. There were no findings or recommendations.

Follow-up Report: New Orleans Aviation Board Vehicle Fleet Control found that only 2 of 9 recommendations were implemented, that the NOAB lacked controls over fuel dispensing, that personal use of Take-Home Vehicles was not properly documented, and that NOAB did not conduct a physical inventory as required by Policy Memorandum 5(R).

Follow-up Report: Orleans Parish Criminal Sheriff Office Vehicle found that one recommendation had been partially implemented and that another had not been implemented.

Public Letter: Municipal Court Take-Home Vehicles reported that the usage of 5 Take-Home vehicles did not meet the City's policy requirement that the user be subject to responding to critical needs on a 24-hour basis.

Inspection and Evaluation Activities⁴

The Office released the following reports (See full reports at www.nolaoig.org):

A Review of Arrest and Detention Policies for Non-violent Offenders found that the NOPD did not implement the reporting system required by ordinance, that 14% of arrests were for outstanding warrants issued outside New Orleans for traffic and minor infractions, that arrests for traffic and other minor violations resulted in costs of \$3 million, and that the annual cost of sentencing petty offenders was \$1.4 million.

An Assessment of New Orleans' System of City Courts found that only New Orleans maintained a fragmented system of separate courts and that it was inefficient compared to Baton Rouge's single court. It found that the Judicial Council work standards showed the City needed only 6 of the 12 judges assigned to City Courts, and that consolidation of the Traffic and Municipal Courts would save \$2.5 million annually. It also found that the City's budget did not include all the expenses and revenues as required by law.

A Performance Review of New Orleans Traffic Court found that the court had misdirected \$1.8 million of City fines and statutory fees to its Judicial Expense Fund instead of the City and other entities such as the Indigent Defender Program and the District Attorney's Office. There were 18 other findings of mismanagement of procurement, personnel, and contractor oversight, as well as the use of the JEF to purchase personal insurance for the judges. The most important finding was that the court lacked the capacity to manage a \$12 million operation.

Contract Monitoring: Eighty-six Invitations to Bid (ITB) and 59 Requests for Proposals and/or Qualifications (RFP/RFQ) were screened for compliance with applicable legal requirements, and whether they clearly defined the goods or services desired and did not unduly restrict competition. In addition to comments offered on individual solicitations, the City has adopted several important recommendations and incorporated them in its permanent procurement procedures.

Public Letter: Analysis of National Center for State Courts Report on Case Allotment System at Criminal District Court was conducted at the request of the District Attorney's Office and the Office of the Public Defender, and determined that the NCSC report was incorrect, and that the Case Designation Matrix provided a better alternative for the allotment of cases to court sections.

⁴ This report does not include Inspection & Evaluation support to investigations.

Investigative Activities

Forty-four allegations were received from which 22 investigations were opened. Nine investigations were open at the end of 2011.

Mark St. Pierre was found guilty on all 53 counts of a federal indictment related to his bribery of Greg Meffert, and was sentenced to 17 and one-half years of imprisonment. He was also ordered to forfeit assets valued at \$3.2 million.

Some investigations publicly requested by the Mayor continued into 2012: the red-light camera detail, other off-duty police details, and certain incidents involving the Taxicab Bureau.

A number of major investigations are on hold because the investigative staff is fully engaged.

Fraud Awareness seminars were held for City Hall officials and for New Orleans airport executives and staff.

Additional Activities

The New Orleans Aviation Board was placed under a continuous auditing program in October. The Office of Inspector General established an office at the Louis Armstrong International Airport and will continue to staff it for 2-4 years while it reviews all contracts and other financial transactions.

The objective is to focus intensive oversight for an extended period in order to cleanse the entity of corrupt practices, and to ensure controls are in place to prevent future occurrences. The absence of corruption will enable the NOAB to operate an efficient airport, one that could lower airlines' landing fees and offer other inducements to increase flights, which could increase tourism and convention business, which would result in more hotel nights, cab rides, restaurant meals, shopping excursions, convention services -- all of which means more jobs.

ACTIVITIES UNDERWAY – December 31, 2011

AUDIT ACTIVITIES

UDAG Grant Expenses Review

Performance Audit of the French Market Corporation

Review of New Orleans Aviation Board Credit Card and Expense Reimbursements

Sewerage & Water Board Collection and Remittance of Sanitation Fees

Audit of Payroll Liabilities

Internal Controls Review – Revenue

Follow-up: Sanitation Department Oversight of Contracts

Follow-up: Travel and Expense Management Implication Report

Follow-up: Interim Administrative Fleet Follow-up

Follow-up: Policy 5 (R) Management Implication Report

INSPECTION & EVALUATION ACTIVITIES

Handbook for Boards, Commissions, and Public Benefit Corporations

Evaluation of Group Life and Accidental Death Coverage

Evaluation of Property / Casualty Insurance

Evaluation of Workers Compensation Self-Insurance Program

Evaluation of Motor Vehicle Self-Insurance

Evaluation of Parking Meter Management

Review of City General Fund Support of the Sheriff's Office

Review of the Economic Development Fund

PERFORMANCE RESULTS

The Strategic Plan 2011-2014 set out the performance measures for the goals set by the organization. An extract of the Strategic Plan appears below with 2011 results superimposed in blue.

GOAL: RELEVANCE – OIG resources are directed to the issues of greatest concern in time to be useful.

Sub-goal 1: Importance – The right issues are selected for review.

Performance Measures:

- Strategic plan assessed risks for the universe of City of New Orleans responsibilities and operations. (Y/N) [YES](#)
- Planning process solicited the concerns of the City Administration and City Council members, and considers public concerns. (Y/N) [YES](#)
- Resources were assigned according to priorities based on a risk assessment. (Y/N) [YES](#)

Sub-goal 2: Timeliness – OIG reports are delivered at the right time.

Performance Measures:

- Administration and City Council views of timeliness of OIG reports? [We did not query the administration because we received no reply last year. No responses were received from Council Members.](#)

GOAL: CREDIBILITY – Reviews are performed by independent staff of sufficient competence to achieve review objectives, and in accordance with professional standards.

Sub-goal 1: Independence – OIG staff is organizationally and personally independent.

Performance Measures: IG Certification of Independence in all final reports. [A Certification of Independence appeared in all Inspection and Evaluation reports. Independence in Audit reports is represented in the statement of adherence to Government Auditing Standards.](#)

Sub-goal 2: Competence – OIG staff possesses the knowledge and skills to achieve the objectives of OIG reviews.

Performance Measures:

- Percentage of professional staff with advanced degrees. [82% \(14 of 17\)](#)
- Percentage of staff meeting continuing professional education requirements. [95% \(18 of 19\)](#)
- Percentage of audit and investigative staff with national certification. [93% \(13 of 14\)](#)

Sub-goal 3: Methodology – The methodology employed meets professional standards and is appropriate to review objectives.

Performance Measures:

- Percentage of reviews meeting applicable professional standards. [100%](#)
- Percentage of draft findings sustained in final reports. [92%](#)

GOAL: COMMUNICATION – Findings and recommendations reported achieve maximum impact and encourage corrective action.

Sub-goal 1: Quality: Information presented is accurate and complete; findings identify underlying causes of reported problems; and recommendations are effectively communicated to decision makers.

Performance Measures:

- Instances of factual errors or material omissions in final reports. [None identified.](#)
- Percentage of recommendations accepted. The overall percentage is [86% \(123 of 143\)](#). [An additional 10 recommendations were taken under consideration, which would result in an acceptance rate of 93%.](#)

Sub-goal 2: Form and Content – OIG reports meet all form and content expectations established by City ordinance and professional standards.

Performance Measures: Instances of failure to meet or satisfy form and content requirements. [None identified.](#)