

# Office of Inspector General

City of New Orleans

## 2012 ANNUAL REPORT

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

January 24, 2013

**E. R. Quatrevaux**  
**Inspector General**

## Inspector General's Message

Waste and fraud identified by the Office of Inspector General (OIG) totaled \$10.74 million in 2012. Eleven audit and evaluation reports identified \$1.03 million in costs that could have been avoided, and provided recommendations to prevent future losses. Criminal investigations interrupted fraud schemes in 2012 that had a potential loss of \$9.71 million.

The \$10.74 million represents a Return on Investment of 3.8 for the OIG 2012 budget of \$2.8 million. The losses avoided would fund the OIG for almost four years. The OIG-Ethics Review Board also returned over \$100,000 to the City treasury.

Joint investigations with our federal partners led to eleven indictments and 11 convictions. Two cases on state charges resulted in a conviction and an acquittal. Administrative investigations resulted in the termination or suspension of 17 City employees, and two referrals were made to the Judiciary Commission.

The Administration cooperated fully in all investigative matters in this period. City employees, contractors and members of the public who provided information that allowed us to end the fraudulent schemes are commended for their actions.

A review of the Aviation Board's Credit Card activity identified \$339,343 in waste; however, it also showed that the abuse had ended under the new Director of Aviation. Six follow-up reviews of prior audits determined that 108 of 115 agreed-to recommendations had been implemented.

Four evaluations examined the City's insurance program and identified \$691,000 in costs that could have been avoided. A Public Letter commented on a Request For Proposals for parking meter and ticket collection management, and recommended that the City incorporate performance standards, oversight and incentives into the new contract.

Thirty-six Invitations to Bid worth \$36.5 million and 39 Requests for Proposals and/or Qualifications valued at \$21 million 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.

The Police Monitor observed twenty-two investigations into incidents in which the NOPD used deadly force, a suspect was hospitalized, or a detainee died in custody. The 22 incidents included 3 fatal officer-involved shootings, 1 in-custody death, 6 injuries to involved subjects, 2 accidental discharges, 1 hospitalization, and 9 officer-involved-shootings at canines. All were monitored for quality and fairness. One officer was indicted for manslaughter after using deadly force. No alleged rule violations were sustained in any of the incidents to date.

## Staff

The OIG is organized functionally into Audit, Inspection and Evaluation, Investigations, and Police Monitor divisions.

The OIG leadership is listed below:

<b>Audit Division</b>	First Assistant IG Eileen Shanklin-Andrus
<b>Inspection and Evaluation Division</b>	First Assistant IG Nadiene Van Dyke
<b>Investigations Division</b>	First Assistant IG Howard Schwartz
<b>Police Monitor</b>	IPM Susan Hutson
<b>Legal Affairs</b>	First Assistant IG Suzanne Lacey Wisdom

## Budget

The OIG - Ethics Review Board budget is set by the City Charter at three-quarters of 1% of the General Fund, and was \$3.725 million in 2012. The budget funded the ERB at \$215,617 and the Independent Police Monitor operation at \$593,960. The OIG and ERB collectively returned over \$100,000 to the City at the end of the year, leaving a net OIG budget of about \$2.8 million.

## Audit Activities<sup>1</sup>

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

**Review of the N.O. Aviation Board's Credit Card Activity** revealed waste of \$339,363 through improper travel and meal expenditures, illegal donations of public funds, and substantial abuse by the *former* Director of Aviation and the *former* Chairman of the Board.

**Agreed-Upon Procedures on Urban Development Action Grants** determined the amount of unused funds and the outstanding loan receivable balance.

**Public Letter: Municipal Court Fines and Fees** recommended that the Court document its rationale for the hierarchy it used in distribution of fees and fines.

**Follow-up Report: Travel and Business Expense Reimbursement** found that 91 of 93 recommendations had been implemented.

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<sup>1</sup> This report does not include audit support to investigations and police monitor divisions.

**Follow-up Report: Department of Sanitation Contract Oversight** found that five applicable recommendations had been implemented and that sanitation costs decreased by \$4 million from 2008 to 2011.

**Follow-up Report: Management of the Administrative Vehicle Fleet** determined that the City had not implemented the four recommendations made to the prior administration.

**Follow-up Report: Review of the N.O. Municipal Employees Retirement System Travel Policy** found that the Board had implemented all recommendations in this report.

**Follow-up Report: Audit of Municipal Court Remittances to the City** found that the court had implemented fully six of the seven recommendations and partially implemented a seventh.

## Inspection and Evaluation Activities<sup>2</sup>

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

**Evaluation of City Employees Life Insurance** found that the City spent approximately \$250,000 to provide benefits to ineligible retirees and another \$250,000 to pay commissions to agents who were not requested to provide any services. The evaluation also found that the City had not provided adequate information about the benefit to its employees.

**Evaluation of City Property and Casualty Insurance** found that the list of covered properties was not updated fully and contained numerous errors in critical data fields. The list determines the properties insured and their value, from which the risks are considered and premiums determined.

**Benchmark of 2012 Appropriated Expenditures for Sanitation Services and Parks & Recreation** revealed a relative reduction from 2009 in the City's per capita appropriation for sanitation services, but the City budgeted more per capita than seven comparable cities. It also revealed that the City increased its per capita appropriation for Parks & Recreation, but still budgeted less per capita than six of the other eight comparable cities.

**Inspection of Vendor Payment Process** found that the City paid \$1,030,343 to vendors without the purchase orders required by ordinance, and excluded \$4.5 million in payments from the City's budget.

**Evaluation of the Motor Vehicle Self-insurance Program** showed that the City could save \$100,000 per year by performing claims administration in house and that the City spent \$90,960 on two contracts for the same work.

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<sup>2</sup> This report does not include Inspection & Evaluation support to investigations and police monitor divisions.

**Evaluation of the Workers Compensation Program** showed that the City did not manage its workers compensation program effectively and did not exercise oversight commensurate with its financial impact (\$16 million for 2008-2011).

**Public Letter: City Contracting for Curbside Management and Enforcement** recommended improvements applicable to the new procurement, and suggested that the City not consider delinquent collections a professional service.

**Public Letter: Sewerage & Water Board Rate Increases** reported that the Board's continued involvement in procurement decisions after the Benjamin Edwards scandal was a great risk, and that there was little oversight of the entity. It suggested that the Board be excluded from participation in procurement actions and be required to adopt the City's policy for professional services contracts.

**Public Letter: Changes to Civil Service Rule – Overtime** suggested that compensatory time off be awarded for highly compensated executives who work extraordinary hours.

**Procurement Monitoring:** Thirty-six Invitations to Bid (ITB) representing \$36.5 million in expenditures and thirty-nine Requests for Proposals and/or Qualifications (RFP/RFQ) representing \$21 million were screened for compliance with applicable legal requirements, clear definition of the goods or services desired, and fair terms of competition. Reviews indicated that the City needed to strengthen its capacity to prepare specifications and write contract terms that protect the City's interests. Recommendations for improvement were provided on a case-by-case basis and through systemic review.

## Investigative Activities

Forty-one allegations were received from which 20 investigations were opened (16 criminal, 4 administrative).

An administrative investigation concluded that 18 family members of the former Administrative Judge of the New Orleans Municipal Court work or had worked at the Court. The matter was referred to the Judiciary Commission. A second investigation confirmed allegations that the City-owned Take-Home cars had emergency blue lights in violation of state law, and violations of City policies including failure to report accidents to the City Attorney.

Eleven indictments and 11 convictions resulted from criminal investigations with the FBI, including Frank Fradella and Rodney Williams. Two cases tried in criminal district court resulted in an acquittal and a conviction. Administrative investigations resulted in the termination or suspension of 17 City employees. Two referrals were made to the Judiciary Commission.

Potential Economic Loss Prevented (PELP) is the methodology used by the FBI to estimate the preventive effect of its investigations. It projects the loss prevented in the current year into the remaining estimated life of the fraudulent operation.<sup>3</sup> OIG investigations in 2012 interrupted fraud schemes and prevented a potential economic loss of \$9.71 million.

## Police Monitor Activities

The IPM is an independent civilian police oversight agency whose mission is to improve police service to the community, citizen trust in the New Orleans Police Department (NOPD), and officer safety and working conditions. It uses three methods to achieve its mission: complaint intake, tracking and adjudication; critical incident monitoring; and community outreach.

The IPM received 160 complaints in 2012 directly or through community organizations trained to receive complaints. Administrative investigations resulted in allegations of misconduct being sustained in 7 cases, and not sustained in 10 cases. PIB labeled 29 cases as pending at the end of the year. The complaint status of 114 complaints had not yet been entered into the joint NOPD-IPM database by PIB, and was therefore unavailable for inclusion in this report. The status of each will be covered in the IPM Annual Report later this year.

If an officer is found to have violated an administrative rule of NOPD, the officer is subjected to a disciplinary hearing. Those cases that may involve suspension or dismissal from employment are adjudicated by Deputy Chiefs. The Independent Police Monitor's office observed 19 police disciplinary hearings presided over by a Deputy Chief of the New Orleans Police Department. The hearings involved the investigations of 28 officers, and resulted in the imposition of 15 suspensions and 11 dismissals.

The Independent Police Monitor's office responded on scene to 22 NOPD Critical Incidents during this period. Critical Incidents are any incidents resulting in death or an injury requiring hospitalization, NOPD head strikes with an impact weapon, NOPD uses of deadly force, and all deaths while in NOPD custody. The investigations were monitored for quality and fairness. The 22 incidents included 3 fatal officer-involved shootings, 1 in-custody death, 6 injuries to involved subjects, 2 accidental discharges, 1 hospitalization, and 9 officer-involved-shootings at canines.

PIB conducts a criminal investigation into each incident, prior to administrative investigations, to determine if the uses of force by officers violated the law. After the completion of the criminal investigations, PIB referred 8 cases to the District Attorney which resulted in one officer indictment for manslaughter and 7 cases in which officers have not been charged or

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<sup>3</sup> For example, if a \$500,000 loss was estimated in the first year of a three-year contract, it would assume to have continued another two years, making potential economic loss prevented \$1.5 million. Current year and prior period losses are assumed to be recoverable through restitution.

indicted. Five criminal investigations were still pending and 9 were closed without referral to the District Attorney.

Administrative investigations are conducted after criminal investigations to determine if officers violated the rules of the New Orleans Police Department. Twelve of the administrative investigations were still pending and allegations of rule violations were not sustained in the other 10 incidents.

IPM organized or attended 29 community events in 2012. Presentations and events inform the public about the IPM, its functions, and how the public might take advantage of IPM services.

The IPM agreed to create a program by which members of the public can mediate their administrative complaints by meeting directly with the involved police officer and a certified mediator. The Mediation Planning Committee consists of members of 2 NOPD police associations, the City Council, the religious, business, education, and legal communities, as well as the grass roots public and youth services providers. The IPM coordinated 4 quarterly meetings of the planning committee in 2012.

## **Additional Activities**

### ***New Orleans Aviation Board***

The OIG established an office at the Louis Armstrong International Airport in late 2011 and reviewed contracts and major financial transactions as part of a continuous monitoring program.

The Director of Aviation, with the full support of the Aviation Board, worked cooperatively to review problematic prior procurements. Various contracts have been re-negotiated gaining multi-million dollar annual savings for the airport. The Director and his staff provided significant assistance in identifying various fraudulent schemes.

## ACTIVITIES UNDERWAY – December 31, 2012

### AUDIT ACTIVITIES

Performance Audit of the French Market Corporation  
Sewerage & Water Board Collection and Remittance of Sanitation Fees  
Audit of Payroll Liabilities  
Internal Controls Review – Revenue  
Performance Audit of the New Orleans Parish School Board  
Performance Audit of the New Orleans Aviation Board’s Month to Month Contracts  
Performance Audit of the New Orleans Police Department Grant Management  
Review of the Coroner’s Office Supplemental Payment to Employees and Independent Contractors  
Follow-up: French Market Credit Card Usage and Business Expense Reimbursement  
Follow-up: Accounts Payable Internal Controls  
Follow-up: Fixed Assets Internal Controls  
Follow-up: Donations  
Follow-up: Payroll Internal Controls  
2<sup>nd</sup> Follow-Up of the Orleans Parish Sherriff’s Office Take Home Vehicle Controls  
Continuous Payroll Monitoring - Payroll Affidavits

### INSPECTION & EVALUATION ACTIVITIES

Handbook for Boards, Commissions, and Public Benefit Corporations  
Evaluation of Orleans Parish Sheriff’s Office Funding  
Evaluation of Ad Valorem Tax Collection  
Evaluation of DWI Case Dispositions  
Analysis of NOPD Stop & Frisk Database  
Evaluation of Security Taxing Districts  
Evaluation of the Electronic Monitoring Program  
Evaluation of Fuel Controls  
Evaluation of NOPD Early Warning System  
Evaluation of NOPD Force Structure

### POLICE MONITOR ACTIVITIES

Review of NOPD Stop & Frisk Practices  
Review of NOPD Warrants  
Review of NOPD Biased Policing Investigations  
Review of NOPD Retaliation Prevention Practices  
Creation of the New Orleans Community/Police Mediation Project

## PERFORMANCE RESULTS

The Strategic Plan 2013-2016 set out the performance measures for the goals set by the organization. An extract of the Strategic Plan appears below with 2012 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:

- City Council views of timeliness of OIG reports? [City Council Members did not respond to an OIG survey seeking feedback on the timeliness and usefulness of the OIG 2012 reports.](#)

**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. [88% \(14 of 16\)](#)
- Percentage of staff meeting continuing professional education requirements. [100% \(18 of 18\)](#)
- Percentage of audit and investigative staff with national certification. [92% \(11 of 12\)](#)

**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. [94% \(54.5 of 58\)](#)

**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. [82% \(43.5 of 53\).](#)

**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.](#)

## STAFF HOURS

The OIG Quality Assurance Review Committee recommended displaying staff hours for each report listed in the Annual Report. The hours expended are shown below, excluding legal review, inspector general review, and support to Investigations or the Police Monitor divisions. Also not shown are the hours associated with projects that were underway at period end.

### Audit & Review Division

***Review of the N.O. Aviation Board's Credit Card Activity - 584 hours***  
***Agreed-Upon Procedures on Urban Development Action Grants - 396 hours***  
***Public Letter: Municipal Court Fines and Fees - 5 hours***  
***Follow-up Report: Travel and Business Expense Reimbursement - 46 hours***  
***Follow-up Report: Department of Sanitation Contract Oversight - 445 hours***  
***Follow-up Report: Management of the Administrative Vehicle Fleet - 224 hours***  
***Follow-up Report: N.O. Municipal Employees Retirement System Travel Policy - 114 hours***  
***Follow-up Report: Audit of Municipal Court Remittances to the City - 405 hours***

### Inspections & Evaluations Division

***Evaluation of City Employees Life Insurance – 306 hours***  
***Evaluation of City Property and Casualty Insurance – 580 hours***  
***2012 Appropriated Expenditures for Sanitation Services and Parks & Recreation – 136 hours***  
***Inspection of Vendor Payment Process – 409 hours***  
***Evaluation of the Motor Vehicle Self-insurance Program – 532 hours***  
***Evaluation of the Workers Compensation Program – 780 hours***  
***Public Letter: City Contracting for Curbside Management and Enforcement – 607 hours***  
***Procurement Monitoring – 404 hours***