

Office of Inspector General

City of New Orleans

2013 ANNUAL REPORT

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

March 6, 2014

**E. R. Quatrevaux
Inspector General**

Inspector General's Message

Twenty-thirteen was the most productive year yet for the Office of Inspector General (OIG). Twelve audit and evaluation reports identified \$9.9 million in costs that could have been avoided, and criminal investigations identified fraud schemes that had a potential loss of \$14.4 million. The \$24.3 million represents a Return on Investment of 8.1 for the OIG net budget of \$3.0 million.

Joint investigations with our federal partners led to seven indictments and seven convictions and three cases on state charges have resulted in one conviction thus far. Administrative investigations resulted in the termination or suspension of nine City employees; one referral was made to the Louisiana State Board of Ethics and one to the Judiciary Commission.

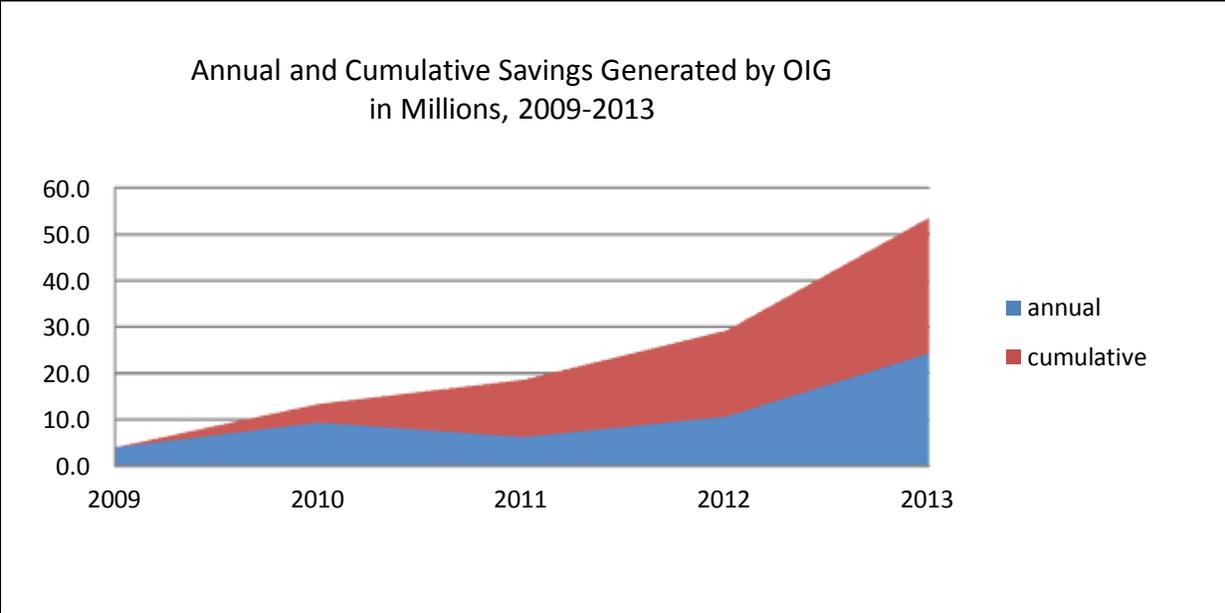
The OIG Strategic Plans issued in 2012 and 2013 described public safety risks in New Orleans and scheduled a series of projects to assess the criminal justice system and its operations. The first completed project was the *Inspection of NOPD Field Interview Data*, which determined that the data was collected and stored in a manner that precluded analysis. A *Review of Security Taxing Districts* established that the private security patrols have no significant effect on violent crime, and the *Review of the NOPD Early Warning Program* found that the program has significant room for improvement.

A *Performance Audit of Sanitation Fees by the Sewerage & Water Board* found that \$8.5 million was not collected in 2011 and that one-third of accounts were delinquent. The administration later proposed, and the City Council approved, a measure that would allow officials to terminate water service to those who do not pay sanitation fees.

An *Inspection of Taxpayer / City Funding to Orleans Parish Sheriff's Office in 2011* concluded that the City's funding of the jail appeared adequate when compared to a comparable city, and that the actual daily cost per inmate was \$47 per day, which, among other things, meant the City subsidized the cost of incarcerating state prisoners and those from other parishes.

A *Follow-up Report: Review of New Orleans Aviation Board Credit Card Activity* found that all recommendations had been implemented and that credit card expenses dropped by 87%, further evidence of a significant turnaround in the management of the Louis Armstrong Airport.

An administrative investigation determined that 177 thefts in the 8th District (French Quarter) were classified improperly as "miscellaneous," and deprived NOPD's leaders of information that could have revealed a pattern to the crimes.



The OIG issued 49 reports, 14 follow-up reports and 29 Public Letters in the period 2009-2013. Savings from these reports and investigative actions are estimated at \$54.0 million.

Staff

The OIG is organized functionally into Audit, Inspection and Evaluation, Investigations, and Construction Fraud divisions.¹

The OIG leadership is listed below:

Audit Division	Assistant IG Eileen Shanklin-Andrus
Inspection and Evaluation Division	Assistant IG Nadiene Van Dyke
Investigations Division	Assistant IG Howard Schwartz
Construction Fraud Division	Assistant IG Peter Smith
Legal Affairs	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 \$3.7 million in 2013. The budget funded the ERB at \$215,806 and the Independent Police Monitor operation at \$526,448. The Construction Fraud Division is funded by the New Orleans Aviation Board (\$437,000) and its mission is to deter and detect fraud in the airport's construction projects.

Audit Activities²

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

Audit of Payroll Liabilities found that 758 hours of leave were taken but not entered into the payroll system.

Performance Audit of Sanitation Fees Collected by the Sewerage & Water Board found that \$8.5 million went uncollected in 2011 and that a third of accounts were delinquent.

Performance Audit of New Orleans Aviation Board Month-to-Month Contracts found that prior to 2013 NOAB allowed contracts to operate on a month-to-month basis for up to eight years, and that it approved payments with incorrect labor rates and with missing documentation.

¹ The Police Monitor is required to submit her annual report to the City Council by March 31, 2014.

² This report does not describe audit and evaluation support to investigations.

Report on French Market Corporation Use of Funds found that the French Market Corporation donated \$64,696 in violation of the state constitution and that a non-profit paid \$1 per year for Edison Park and sub-leased it for over \$100,000 per year, depriving the city of that income.

Review of the Orleans Parish Coroner's Supplemental Payments to Employees and Contractors found that unauthorized supplemental payments were made and that practices violated IRS rules for issuing W-2s and form 1099s.

Public Letter: Audit of NOPD Grants advised the NOPD that it under-billed a state grant by about \$48,000.

Public Letter: Accounts Payable Corrective Actions advised that various corrective actions remained outstanding.

Follow-up Report: Fixed Asset Internal Control Performance Audit revealed that the City resolved one finding and partially resolved three of the nine recommendations of the original report.

Follow-up Report: Review of New Orleans Aviation Board Credit Card Activity found that the NOAB revised its policies in response to all of the 12 recommendations in the original report. Moreover, the Aviation Board reduced credit card expenses by 87%.

Follow-up Report: French Market Corporation Credit Card and Expense Reimbursements concluded that the FMC had fully implemented six of the nine recommendations and partially implemented the remaining three recommendations.

Follow-up Report: Review of Miscellaneous Donations and America's New Orleans Fund found that the City issued a donations policy after the original report but did not implement the other two recommendations.

Follow-up Report: Purchasing and Accounts Payable Internal Controls Performance Audit found that the City had implemented three of seven corrective actions.

Inspection and Evaluation Activities³

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

Inspection of NOPD Field Interview Data found that evaluators could not analyze the data due to flaws in the method of data collection and reporting.

³ This report does not include Inspection & Evaluation support to investigations and police monitor divisions.

Evaluation of the City's Delinquent Property Tax Collection Program determined that the City's contractor charged ten times the cost of collection and that its activities were not effective in increasing tax collection.

Inspection of Taxpayer / City Funding to Orleans Parish Sheriff's Office in 2011 concluded that the jail appeared to be adequately funded by the City in 2011 compared to a benchmarked jail and that conditions are unlikely to improve substantially until the dysfunctional division of financial responsibility and operational authority ends.

Inspection of Fuel Receiving Controls found that the City did not verify the amount of fuel delivered to its facilities before making payments to vendors and paid \$36,000 in fuel excise taxes for which it was not responsible.

Review of New Orleans Security Taxing Districts found that districts were not effective in lowering violent crime and only the largest districts were effective at reducing property crime. Security districts, which predominantly exist in higher income areas of the city, had no significant effect on violent crime.

Review of the NOPD Early Warning Program uncovered a number of problems with the program: missing data, vague indicators, a general curriculum, and an ineffective monitoring process.

Guide for Boards, Commissions and Public Benefit Corporations was published as a reference guide for City boards, commissions and public benefit corporations, and includes Model Administrative Procedures for their staffs.

Public Letter: Legislative Recommendations for Municipal and Traffic Courts would lessen the unfunded mandates for court personnel and eliminate various judicial positions.

Follow-up Report: Assessment of City Court System and Performance Review of Traffic Court found that Traffic Court made progress in adopting recommended policies and procedures and improved management of its employees and contractors. The City failed to include all Court funds in its budgeting process, which would have increased financial transparency, and did not submit legislature proposals for changes that would have increased the efficiency of the court system.

Procurement Monitoring: One hundred twenty-eight procurement solicitations (ITB/RFP/RFQ) representing \$112 million were screened for compliance with applicable legal requirements, clear definition of the goods or services desired, and fair terms of competition. An annual compendium of findings will be released in 2014.

Investigative Activities

Seven indictments and/or bills of information and seven convictions resulted from joint investigations with the FBI. One case tried in criminal district court resulted in a conviction. Administrative investigations resulted in the termination or suspension of nine City employees. One referral was made to the Judiciary Commission, and another to the Louisiana State Board of Ethics.

An administrative investigation concluded that at least 177 thefts were classified improperly as “miscellaneous” in the NOPD’s 8th District. Another investigation concluded that an NOPD commander formed a limited liability corporation in violation of NOPD policy, and that the former Director of Public Works violated City policy by expanding the scope of services in the existing contract without permission.

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 estimated remaining life of the fraudulent operation.⁴ OIG investigations in 2013 identified fraud schemes with a potential economic loss of \$14.4 million.

Construction Fraud Division

The OIG established an office at the Louis Armstrong International Airport in 2011 to review contracts and major financial transactions as part of a continuous monitoring program. The New Orleans Aviation Board later requested the OIG to provide fraud deterrence services for the construction of a new terminal, and three additional OIG personnel have been on-site since mid-2013 and monitor project and construction management on a daily basis.

Additional Activities

The OIG sometimes provides responsible officials with observations or recommendations that do not warrant a formal report. Some examples follow.

A physical inspection of the Municipal Yacht Harbor confirmed reported safety problems. A follow-up inspection determined that the piers had been repaired and dangerous areas fenced.

The airport accepted recommendations to halt cash transactions and improve deposit security.

The Sanitation Department accepted a recommended change to its contractor invoice process.

⁴ For example, if a \$500,000 loss was estimated in the first year of a three-year contract, assume it would continue another two years; making potential economic loss prevented \$1.5 million.

The City issued an RFP after the OIG demonstrated the benefits of GPS devices for city vehicles.

The City agreed to require secondary employment disclosures for City employees and to prohibit use of personal cell phones for City business by building / electrical inspectors.

The OIG developed and provided software to City managers to facilitate review of taxicab operators' past payments of fees, which could lead to recovery of as much as \$1 million.

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 2013 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) [Administration: not solicited due to non-responsiveness in past. Next plan will omit this measure. City Council: YES Public: 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:

- OIG reports are issued prior to important milestones.

[The Inspection of Jail Funding was delivered in time for the federal court to consider in the consent decree deliberation, and provided the only objective information available.](#)

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 non-investigative professional staff with advanced degrees. [87% \(13 of 15\)](#)
- Percentage of staff meeting continuing professional education requirements. [100% \(21 of 21\)](#)
- Percentage of audit and investigative staff with national certification. [100% \(13 of 13\)](#)

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. [97% \(56 of 58\)](#)

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. [77% \(41 of 53\)](#)

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

Staff hours consumed by each project are provided at the suggestion of the Quality Assurance Committee. Those hours are the total for each completed project including work from prior years. The hours displayed below exclude legal review, inspector general review, and support to Investigations.

Audit & Review Division

Review of French Market Corporation Use of Funds - 1987 hours

Review of Coroner's Supplemental Payments to Employees and Contractors - 391 hours

Performance Audit of New Orleans Aviation Board Month-to-Month Contracts - 1460 hours

Performance Audit of Sanitation Fees Collected by the Sewerage & Water Board -852 hours

Performance Audit of Payroll Liabilities – 1496 hours

Public Letter: Uncorrected Accounts Payable Corrective Actions – 5 hours

Public Letter: Audit of NOPD Grants - 5 hours

Follow-up Report: Fixed Asset Internal Control Audit - 377 hours

Follow-up Report: Review of New Orleans Aviation Board Credit Card Activity- 130 hours

Follow-up Report: Purchasing and Accounts Payable Internal Control Audit – 703 hours

Follow-up Report: Miscellaneous Donations Fund and America's N.O. Fund – 60 hours

Follow-up Report: French Market Corporation Credit Card and Reimbursements - 268 hours

Inspections & Evaluations Division

Inspection of the NOPD Field Interview Data – 893 hours

Evaluation of the City Delinquent Property Tax Collection Program – 936 hours

Inspection of City Funding to the Orleans Parish Sheriff's Office – 1424 hours

Inspection of the City of New Orleans Fuel Receiving Controls – 486 hours

Review of New Orleans Security Taxing Districts – 1006 hours

Review of the NOPD Early Warning Program – 826 hours

Procurement Monitoring – 563 hours

Guide for Boards, Commissions and Public Benefit Corporations – 399 hours

Follow-up Report: Assessment of the City's Courts and Review of Traffic Court – 524 hours

Public Letter: Legislative Recommendations for Municipal and Traffic Courts - 25 hours