

2018 Annual Report



Derry Harper Esq., CIG

OIG NEW ORLEANS OFFICE OF
INSPECTOR GENERAL

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Consider, as I had to a few weeks ago, how to answer the question, “What is an IG?” not with words, but with a picture or image. The setting was a meeting of a respected New Orleans business organization that was instrumental in supporting the passage of the law that established the City of New Orleans Office of Inspector General in 2006.

I am never one to shy away from a challenge, including how to grab the attention of a group of business owners and CEOs who undoubtedly have heard numerous speeches or presentations with the standard spiel of how inspectors general conduct audits, investigations, and evaluations designed to promote accountability and integrity in government operations. This boilerplate language is indeed accurate, but it occurred to me that a description of who an inspector general is or the kind of work inspector general do failed to evoke an image like the words police officer, soldier, firefighter, judge, jury, or an NFL referee would.

The point is that with a few notable exceptions, such as a former U.S. President remarking, “These are my junkyard dogs-- the Inspector Generals,” few images exist in the public consciousness that convey who we are and what we do. Mind you, to those of us who toil in relative obscurity, this inquiry is more than a mere academic exercise. Every inspector general has a responsibility to communicate to our key constituencies an accurate description of the activities we conducted that had a positive impact. The role of Government, after all, is promoting the public welfare by, among other things, ensuring the delivery of critical services undiminished by fraud, waste, and abuse.

For nearly 20 years, I have been directly or indirectly involved with the inspector general community, first as a federal prosecutor, and later as an Inspector General for three Florida state agencies, and now as Inspector General for the City of New Orleans. It is not an easy task, without resorting to technical language that is confusing to the vast majority of the people we serve, to describe the role of the inspector general. It is decidedly more difficult to identify a single image immediately recognizable to the public that accomplishes this task.

I would suggest a good place to start in resolving this question is agreeing that the term “accountability” identifies a core value central to everything an inspector general does. In my view, it was the lack of accountability in city government that motivated the citizens of New Orleans to support the creation of the OIG in the aftermath of Hurricane Katrina. In recent years, communities throughout the United States have demanded more transparency from their governing bodies to ensure accountability. These actions have helped spur the creation of inspector general’s offices to address those concerns.

What is accountability? How does one define such a fundamental term? While the dictionary definition “to be held to account” is accurate, it fails on its own to explain why having an inspector general community is so important to reaching the goal of good government. I believe each of us in the IG community must define accountability in a way that reflects not just a definition, but explains how we approach each task. My definition of accountability is “to demonstrate by empirical evidence an organization or entity is achieving its mission and goals.”

What is an IG? We are Guardians of Accountability charged with being more than just a shield from fraud, waste, and abuse that causes harm to everyday citizens and breeds contempt for government institutions. Our prime directive, is to aggressively identify processes and procedures that failed to achieve an entity’s mission and objectives and making recommendations that will help fix the problems by conducting audits and evaluations. Our mission also calls upon us to vigorously pursue those who commit fraud and misconduct in breach of the public trust by conducting investigations.

IGs are not heroes. Such lofty praise is, rightly so, the exclusive province of those such as first responders who so often are required to put themselves in harm’s way in doing their jobs. Yet I submit that those of us in the inspector general community are dedicated to performing our tasks effectively with adherence to the highest standards of professional and ethical conduct. These are lofty goals. Some might say aspirational, and not practical. I disagree. As Guardians of Accountability, we are committed to being better at everything we do. By simply doing our jobs with a clarity of purpose and commitment, we can have a lasting and positive impact on the delivery of vital services to the people of New Orleans.

In 2018, the OIG implemented changes designed to enhance our effectiveness. As set forth in more detail in the annual report, we accomplished many of our

priorities by providing additional professional training for staff, a number of whom obtained certifications demonstrating knowledge and expertise in various areas. We also accomplished our goals by restructuring our organization, including by consolidating the supervision of the audit and evaluations divisions in order to enhance coordination of their work and add value. Much work remains to be done. In 2019, we must fill key vacancies in our senior staff and add auditors and evaluators to our team. At the same time, we continue to conduct investigations of allegations of misconduct by city employees and work closely with local, state, and federal law enforcement agencies in their prosecutions of criminal conduct. The completion of the System-Wide Risk Assessment will provide a solid foundation for answering the question, what should we examine first?

Change presents many challenges, one of which is achieving results while implementing new processes in the midst of redefining and refining an entity's vision, goals, and objectives. Therefore, it is important to note that in 2018 the OIG successfully passed the triennial peer review as mandated by law and as conducted by a team of professionals appointed by the Association of Inspectors General. The peer review validated that the audit, evaluations, and investigative divisions demonstrated adherence to all professional standards.

As Guardians of Accountability, we are charged with preserving and enhancing the public trust. While steadfastly committed to achieving our core mission of promoting accountability and integrity in government operations. The continued support we received this past year is deeply appreciated.

Sincerely,



Derry Harper

Inspector General for the City of New Orleans

2018 DEVELOPMENTS AT THE OFFICE OF INSPECTOR GENERAL

THE OIG BUDGET

Pursuant to the City Charter, the Office of Inspector General receives 0.55 percent of the City's General Fund operating budget to fund its activities. In 2018, the formula resulted in an appropriation of \$3,554,657 to the OIG.

In addition, the OIG also has a contractual agreement with the New Orleans Aviation Board to prevent fraud, waste, and abuse at the New Terminal Project at the Louis Armstrong New Orleans International Airport. The Aviation Board pays the expenses of OIG's Construction Fraud Division to operate at the airport, where it monitors the construction site, reviews invoices, investigates tips and teaches construction workers how to look for fraud.

RESTRUCTURING OF THE EXECUTIVE TEAM

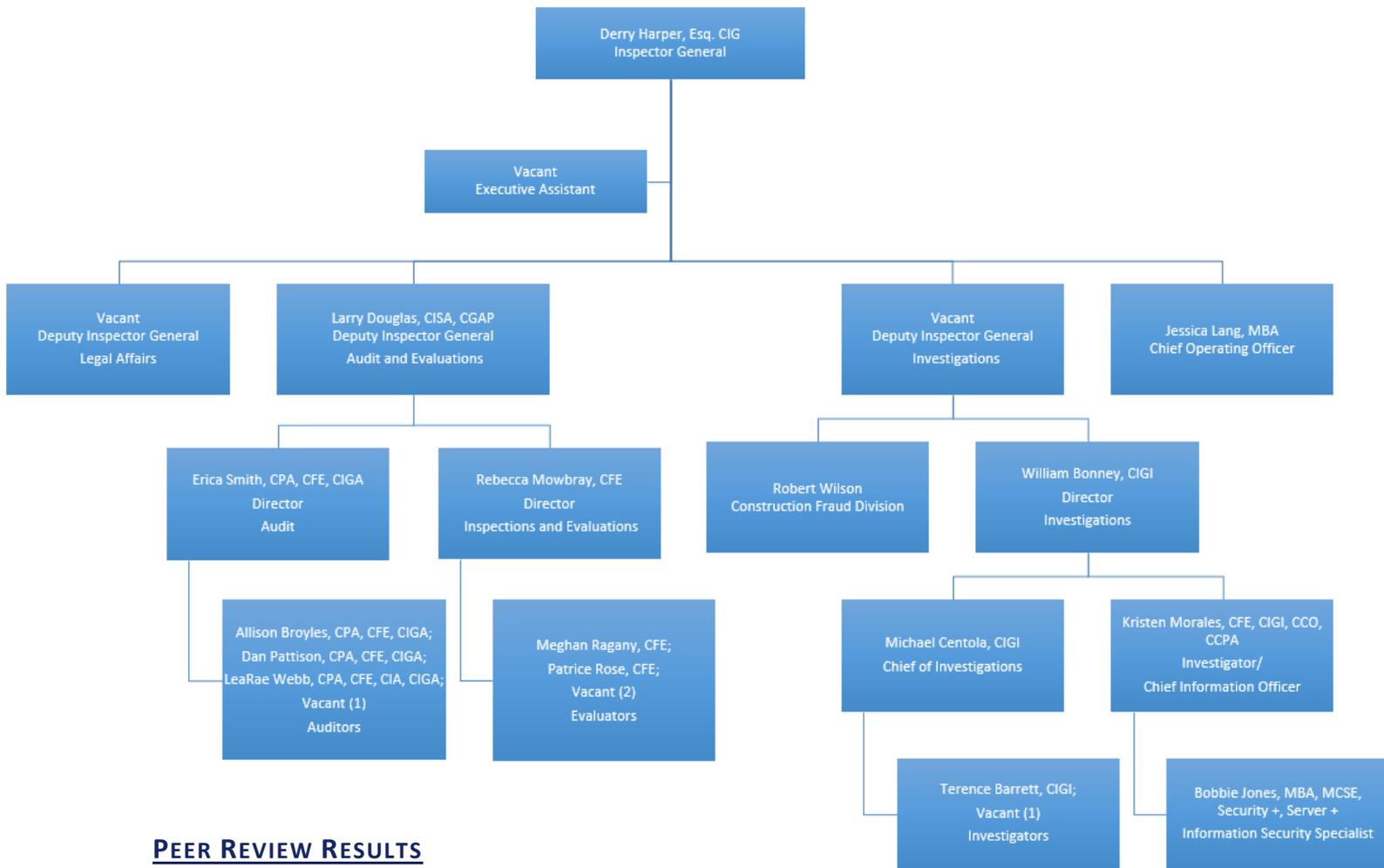
In 2018, Inspector General Harper created a new position, the Deputy Inspector General of Audit and Evaluation (DIGAE), to facilitate coordination between the two groups.



In December, he offered the DIGAE job to Larry Douglas, who had most recently served as the Deputy Director of Internal Audit for the Texas Department of Criminal Justice. Mr. Douglas has a master's degree in public administration and a bachelor's degree in business administration with an accounting concentration, and has worked in a variety of auditing positions in Texas state government, including in an inspector general's office.

Mr. Douglas also has a certification in IT systems auditing, and has significant experience conducting risk assessments. His IT auditing experience will deepen the OIG's skill set in examining the many IT system conversions that have taken place in the City in recent years. It also dovetails with the OIG's effort to expand its IT forensic capabilities. His risk assessment experience is also an asset to OIG as office embarks on its first comprehensive risk assessment since 2011.

The new organizational chart at OIG is as follows:



PEER REVIEW RESULTS

In 2018, OIG went through its third triennial peer review to examine the work of OIG’s three divisions. During a peer review, a team of national experts from the Association of Inspectors General (AIG) reviews each division’s files and work products to ascertain whether the office adheres to AIG and professional standards in its work.

All three divisions of the New Orleans OIG unanimously passed the peer review, which covered the period of 2015 through 2017. The peer review team noted that the OIG staff was experienced and well-trained, and had good working relationships with external parties. The peer review team also noted that OIG had implemented all recommendations from the 2015 peer review that were still relevant.

In its June 11 opinion letter, the peer review team stated the following: “It is the unanimous conclusion of the (Peer Review) Team that the AD (Audit), ID

(Investigations), and I&E (Inspection & Evaluation) Divisions met all relevant AIG and GAO (Government Accountability Office) standards for the period under review.”

In addition, in a July 16 letter offering more detailed comments about the review, the peer review team stated the following: “We would like to commend the New Orleans Office of Inspector General on staying mission-focused and remaining steadfast in its duties. The sheer size of the governmental operations that your office oversees and your office’s jurisdiction and responsibility are unparalleled by any other local government Inspectors General office.”

PUBLIC OUTREACH, PRESENTATIONS, AND PEER REVIEW WORK

In his first year in office, Inspector General Harper kept a busy schedule meeting with community groups and other stakeholders in New Orleans. Mr. Harper made 21 presentations and held 50 meetings with government officials and members of the community in 2018.

Other members of the OIG staff also made presentations about the office and its work at professional meetings and other gatherings throughout the year. For example:

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| March | The AIG for Investigations and the Deputy IG for Audit made presentations at the Association of Inspectors General Institute in Jacksonville, Fla., about their work on the Firefighters Pension. |
| May | The AIG for Investigations made two presentations at the Ohio State Auditor’s Office. |
| June | OIG met with business owners about fraud as part of its French Quarter Initiative. |
| August | The Deputy IG for Audit made a presentation at the Association of Inspectors General Institute in New York about OIG’s work on the Firefighters Pension. |
| August | The Deputy IG for Audit served on the peer review team that evaluated the District of Columbia Office of Inspector General. |
| October | The AIG for Evaluations made a presentation about the creation and work of the OIG for the Bryan Bell Metropolitan Leadership |

Forum, a program created by the Committee for a Better New Orleans to train young leaders in the community.

December The Deputy IG for Audit spoke at a luncheon of the New Orleans chapter of the Institute of Internal Auditors about the OIG's work.



THE AUDIT & REVIEW DIVISION

The City of New Orleans and its component entities have approximately \$7.8 billion in assets, generate over \$1.6 billion in program revenues and incur over \$1.4 billion in expenses.

In 2018 the Audit Division collaborated with the Evaluation Division to design a risk assessment framework. In keeping with Inspector General Harper's vision, the two groups worked side-by-side as they did extensive research on standards, best practices, and consulted with other offices of Inspectors General to develop the risk assessment. After collaborating on this original framework, the Audit group spearheaded the effort to conduct the system-wide risk assessment of entities that receive public money.

The systematic risk assessment will enable the OIG to establish priorities and select engagements with the highest risk and impact on the public. The system-wide risk assessment is critical because it ensures that the OIG spends taxpayer resources on the projects that are most needed to ensure the efficiency and effectiveness of program operations.

Auditors are assessing entities through four lenses: Financial Risk, Compliance Risk, Operational Risk, and Reputational Risk. To score each risk, the OIG is:

1. Conducting background research on each selected department or entity to obtain an understanding of the operating environment. This step includes reviewing applicable laws and regulations, publicly released audit reports, news coverage, etc.
2. Distributing questionnaires to various departments and entities to obtain an understanding of design and implementation of various processes within the department or entity.
3. Conducting interviews and requesting follow-up information as deemed appropriate.

We anticipate that the risk assessment will be completed in 2019. It will guide the OIG in determining its engagements and projects in the years to come.

In addition to the system-wide risk assessment, auditors are working on projects pertaining to the DPW Catch Basin Cleaning and Repair Project and the Sewerage and Water Board Internal Audit Function. Both audits will be released in 2019.

The Audit Division also provided forensic audit support to the Investigations Division on eight cases, including the Allegation of Misappropriation of City Funds in the New Orleans Multicultural Tourism Network.

The Audit Division has always been a well-credentialed group. All Audit team members are not only Certified Public Accountants, but they also have earned Certified Fraud Examiner and Certified Inspector General Auditor designations. One team member is also a Certified Internal Auditor.

In 2018, Audit team members continued to reinforce their skills by completing a variety of continuing professional education courses in auditing and in fraud recognition. One audit team member also enhanced her skill-set by attending a specialized training relating to obtaining, managing, and searching electronic evidence. This training will help the Audit group to perform audits more efficiently and continue its successful partnership with the Investigations Division.

THE INSPECTIONS & EVALUATIONS DIVISION

2018 was a year of transition, new beginnings, and training for the Inspection & Evaluation Division.

The group ceased work on its long-running Justice System Funding projects in the fourth quarter of 2017, and this initiative was cancelled in 2018. An early-stage project about traffic cameras was also temporarily put on hold during the transition period between inspectors general.

During this time, the I&E group was redeployed to do extensive background research on the Sewerage & Water Board of New Orleans (S&WB) to launch a new focus area for OIG.

Meanwhile, Inspector General Harper asked the I&E Division to collaborate with the Audit Division to create a framework for a system-wide risk assessment to determine OIG's priorities for future projects. After examining standards, best practices, and models from other agencies, evaluators and auditors devised their

own original risk assessment framework. The results of this endeavor will be implemented in 2019 in the form of a new set of priorities and projects.

The I&E Division also took the leadership transition at OIG as an opportunity to overhaul its work procedures. I&E is updating its approach to planning and executing projects based on training, best practices among professional groups, and employee experiences in the first decade of OIG's operation. The I&E Division is now in the process of updating its procedures manual to document these changes.

The three members of the I&E group also used the 2018 transition year to update their skills. I&E members participated in a training on ARC GIS mapping, and attended continuing legal education courses. Two I&E members became Certified Fraud Examiners in 2018, and the third member passed the first of three exams to become a Certified Internal Auditor. Earning these certifications will enable evaluators to better collaborate with their co-workers in Audit and Investigations.

Work on projects resumed over the summer. Evaluators completed work on a public letter to the S&WB that now awaits legal review. Two additional evaluations are underway that will be released in 2019:

- Management and Operation of the Traffic Camera Safety Program
- S&WB Billing Dispute Resolution Process

THE INVESTIGATIONS DIVISION

The Investigations Division conducts both criminal and administrative investigations involving City of New Orleans employees, contractors, or vendors and city funds. The Investigations group often performs its work in partnership with local, state, and federal law enforcement entities.

Many investigations start with tips to OIG's fraud hotline or website. For that reason, the Investigations Division provides fraud awareness training for city employees and engages in other outreach with businesses and citizens.

In 2018, the OIG referred 11 complaints that centered on matters outside of the OIG's purview to other agencies. The OIG closed 27 complaints in 2018. At the end of the year, the OIG had 26 active investigations.

Other Investigations Division statistics are as follows:

2018 Investigations by the Numbers

In 2018 the OIG closed 27 complaints. At the end of 2018 the OIG had 26 active investigations.



The Investigations Division is also responsible for IT security and related education efforts within the OIG. The Investigations Division has also developed computer forensic expertise that it can use in its own investigations and in support of investigations by other law enforcement entities.

PUBLICLY RELEASED REPORTS AND LETTERS

In 2018, the OIG Investigations Division released a letter and a report.

In April 2018, the OIG released to the public a letter it had written to the Department of Public Works (DPW), ***Sewerage & Water Board employees are using handicap hang-tags to park for free in metered spaces on Saint Joseph Street.*** OIG sent the letter to the DPW because the Department is responsible for parking enforcement. The letter informed the DPW that S&WB employees may have deprived the City of New Orleans of as much as \$197,000 in revenue by inappropriately using the tags intended for people with disabilities or mobility impairments.

As a result of the investigation, DPW assigned Parking Enforcement Officers to do a monthly sweep of the area to look for invalid handicap placards, stickers, or mirror hang-tags. Parking Enforcement Officers do not have the authority to issue citations for improper use of handicap tags, so they cited vehicles that were improperly using the tags for parking at expired meters.

Meanwhile, the S&WB added additional free parking for employees who work at the S&WB's St. Joseph Street office.

In December 2018, OIG released *Report of Investigation: Allegation that Specific City Department Heads and Managers Have Each Received Free Tickets to Jazz Fest*. The report found that City department heads and other employees in the Landrieu Administration had accepted free tickets to the 2017 New Orleans Jazz & Heritage Festival. The report also found that the Parks and Parkways Department had loaned gazebos to festival organizers without collecting an equipment rental fee or executing an indemnity agreement.

As a result of the investigation, the Chief Administrative Officer in the Cantrell Administration instructed city officials not to accept Jazz Fest tickets in the future. The Cantrell Administration further said it was working on a policy to make sure that city officials were aware of their obligations before the 2019 Jazz & Heritage Festival.

NOTABLE CASES IN U.S. DISTRICT COURT

One major Investigations Division case is in criminal prosecution in federal court, and OIG's Investigations Division provided key support to the City of New Orleans and other law enforcement entities on a second federal case.

Jazz trumpeter and former City of New Orleans cultural ambassador **Irvin Mayfield** was indicted on December 14, 2017, on charges of money laundering, aiding and abetting, wire fraud, conspiracy, and obstruction of justice for stealing money from the New Orleans Public Library Foundation while serving as chairman. Mayfield made his initial appearance on January 4, 2018. OIG investigators continued to work with prosecutors throughout the year on the case, which is scheduled for trial in federal court in September 2019.

Mayfield, who won a Grammy Award in 2009 for his work with the New Orleans Jazz Orchestra, a musical group he founded, is accused of using his position leading the foundation that supports the city's public library to steer money to the jazz orchestra. The indictment further alleges that he spent \$15,000 in foundation donations to buy a gold-plated trumpet, spent \$23,000 at Saks Fifth Avenue, and spent more than \$2,000 at Harrah's New Orleans Casino.

In September 2018, a longtime city information technology department worker, **Pascal Calogero III**, was charged in a bill of information with one count of conspiracy to commit sex trafficking with a minor in federal court. An OIG investigator who is a forensic specialist provided support to federal law enforcement authorities in 2018. Calogero pled guilty in 2019.

OTHER CASES IN STATE COURT

The OIG also has cases pending in Orleans Parish Criminal District Court.

Tonnette Rice, the former president of the New Orleans Multicultural Tourism Network, turned herself in to authorities on May 7, 2018, after an arrest warrant was issued charging her with stealing more than \$70,000 from her former employer. The charges against Rice were the result of an OIG investigation, and OIG investigators continue to work with prosecutors on the case. OIG investigators employed forensic techniques to recover documents that aided in the investigation. OIG's audit group provided critical financial analysis to OIG investigators that enabled the Rice/Multicultural Tourism Network case to move more quickly.

OIG investigators also provided forensic support to local law enforcement officials in the April 2017 murder of United Cab taxi driver Ali A. Khan.

The Orleans Parish District Attorney's Office requested that the OIG assist the New Orleans Police Department in obtaining and reviewing videotape recorded inside Mr. Khan's taxi. An OIG investigator who is a forensic specialist downloaded the video in 2018 and provided multi-angle video and audio of the two passengers inside Mr. Khan's taxi at the time of his murder.

On January 31, 2019, an Orleans Parish grand jury indicted convicted felon Tyrone Jones with Mr. Khan's robbery and shooting death.

Meanwhile, the S&WB brass case continued to play out in 2018.

In December 2016, OIG announced the results of an investigation that found that 19 Sewerage & Water Board employees had stolen more than \$500,000 of brass fittings from the water utility between 2013 and 2016, sold them at local scrap yards, and pocketed the money. Some of the brass fixtures were new and came straight from the inventory room; other fixtures were used parts from water meters. The cases highlighted deficient controls on S&WB inventory, and

inadequate employee training and oversight. The case also illuminated the S&WB's poor stewardship of public assets, and a lack of understanding among S&WB employees that public assets cannot be used for private gain.

In 2017, the Orleans Parish District Attorney's Office began issuing arrest warrants and prosecuting the cases. When the first brass case went to trial In April 2018, a jury acquitted the former S&WB employee after a supervisor testified that policies about used parts were unclear and that generations of water utility employees had sold them for scrap. The supervisor further said that even if employees had returned used parts to the S&WB, they would have been discarded as trash rather than being recycled for the financial benefit of the utility.

The S&WB terminated the 19 S&WB employees who were the subject of the brass investigation. Three of the employees who were fired contested their dismissals before the Civil Service Commission. The Commission upheld two of the terminations but reinstated a third employee after a 60-day suspension without pay.

Since the case began, the S&WB has written new policies that require field workers to bring used parts back to the utility so that the S&WB can sell the parts for scrap. The S&WB has also been working to improve inventory controls.

TRAINING

Each year, OIG investigators receive continuing professional education in white-collar crime, IT security, and ethics. They also have a steady presence at Association of Inspectors General training events. In 2018, an investigator became a Certified Inspector General Investigator, and another investigator earned advanced certifications in digital forensics.

THE CONSTRUCTION FRAUD DIVISION

The mission of the Office of Inspector General's Construction Fraud Division (OIG-CFD) is to deter fraud, waste, and abuse as it relates to design and construction projects at Armstrong International Airport. Since 2013, the OIG-CFD has been located at the Airport, where it focuses on the construction of the \$1 billion New Terminal Project. The New Orleans Aviation Board pays the expenses of the OIG-

CFD according to a contractual agreement between the OIG and the Aviation Board.

“The Airport’s partnership with the Office of Inspector General to establish a Construction Fraud Unit was important for our new terminal program,” Airport Director Kevin C. Dolliole said. “Like any large public project, there are many consultants, contractors and subcontractors. The OIG-CFD has provided significant value with its on-site presence and establishment of processes and procedures to prevent and deter fraud or abuse.”

The OIG-CFD has implemented a full fraud detection and prevention program that includes acting as a central hub for the reporting of fraud by the public, airport employees, contractors, and vendors. The OIG-CFD has implemented its fraud detection and prevention initiatives by hanging fraud awareness posters, creating a website and telephone hotline to report tips, and by training workers. The OIG-CFD conducted 103 training sessions in 2018 that reached approximately 2,000 employees.

The OIG’s agreement with the Aviation Board states that the OIG-CFD will “audit and review data, invoices, and other materials related to consultants and contractors performing work to implement the Plan.” The OIG-CFD typically reviews contracts, letters of authorization, invoicing, change orders, and other documentation. Since its inception, the OIG-CFD has reviewed more than 780 invoices worth approximately \$803 million. OIG’s construction fraud specialists have also reviewed change orders totaling more than \$221 million.

A cornerstone of the OIG-CFD program is a strong set of ethical guidelines that underpin the Aviation Board’s fraud deterrence program. All vendors and contractors working on the New Terminal Project must meet the standards outlined in the Aviation Board’s Code of Ethics and Conduct, which establishes a baseline of ethical conduct at the New Terminal Project. This document includes a violations and penalties clause with commensurate consequences for vendors or contractors who violate the Code of Ethics and Conduct.

The OIG-CFD continues to work with airport executives, the New Terminal program management team, New Terminal consultants, and managers of the main construction companies building the New Terminal to ensure that all vendors and contractors are in compliance with key project documents. As part of that process, the OIG-CFD reviews the resumes of all proposed employees for the

New Terminal Project program management team to ensure that they possess the necessary qualifications to perform at the proposed salary rate.

The New Terminal is scheduled to open in May 2019.