

Office of Inspector General

City of New Orleans

Construction Fraud Division

Quarterly Status Report

Report Period: 10/1/2013 – 12/31/2013

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Inspector General

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INTRODUCTION

In early 2013 executives at the Louis Armstrong International Airport and the Office of Inspector General (OIG) began discussions concerning the opportunity for oversight in regard to the design and construction of the new airport terminal. Months later, a resolution dedicating these Construction Fraud services was executed on May 16, 2013 by the New Orleans Aviation Board (NOAB).

The Office of Inspector General, Construction Fraud Division (OIG-CFD) is currently providing full time program oversight to prevent and detect fraud, waste and abuse, and to promote efficiency and effectiveness leading to the realization of the NOAB Long Term Strategic Infrastructure Plan or North Airport Terminal. These services, which are fully described within the approved Resolution, will be to develop and implement a full fraud detection and prevention program related to NOAB's implementation of the Strategic Plan. The Construction Fraud Division (CFD) services were approved for one (1) year and are automatically renewable each year for a maximum of four (4) years.

The CFD salaries are sponsored by NOAB Capital funds dedicated to the building of the North Airport Terminal. These resources are approved through the Resolution executed between the OIG and NOAB.

On June 24, 2013, the CFD offices became operational at the New Orleans Airport. The permanent offices of the 3 professional CFD representatives are housed at the New Orleans Airport. These officers include:

- Assistant Inspector General – Construction Fraud Division
- Deputy Assistant Inspector General – Construction Fraud Division
- Program Officer – Construction Fraud Division

The CFD will provide quarterly status reports which shall be posted and available for review through the City of New Orleans, Office of Inspector General website: www.nolaoig.org.

Any questions or concerns regarding this report or the function of the Construction Fraud Division should be brought to the attention of the Assistant Inspector General for Construction Fraud at 504-301-7553 or psmith@nolaoig.org

The OIG-NOAB Resolution for construction fraud services was added as an attachment to the Quarterly Status Report for the 3rd Quarter (July 2013 – September 2013). The report can be found on the OIG website at www.nolaoig.org.

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ATTACHMENTS:

- A. CFD Goals & Objectives – 4th Quarter Status

I. SUMMARY

This report is issued quarterly to offer a periodic status on the work of the Office of Inspector General, Construction Fraud Division for the New Orleans Aviation Board. This report offers a summary of actions and accomplishments of the CFD for the period of:

October 1, 2013 through December 31, 2013.

The CFD established a detailed set of Goals & Objectives which directly connects to the mission of the Division in order to establish a road map for its success while working closely with the New Orleans Airport on the development of the Strategic Infrastructure Plan. These Goals & Objectives are closely tied to the OIG-NOAB Resolution which established the work for the OIG-CFD.

The main headings of this quarterly report are tied to the established CFD goals & objectives.

II. DEVELOPMENT & MEASURING OF GOALS AND OBJECTIVES

(Attachment "A": CFD Goals & Objectives Status)

As stated above, the Construction Fraud Division has translated deliverables from the OIG-NOAB Resolution and the Mission of the Division into goals and objectives to guide and measure the actions and progress of the CFD. The status of these established Goals and Objectives is attached as "A" to this report. This quarterly document will be updated with the status of each objective in subsequent CFD quarterly status reports.

III. BUILD AND MAINTAIN EFFECTIVE OVERSIGHT UNIT

Establish Liaisons: The building of effective relationships, contacts and liaisons are keys to success for an organization charged with preventing and deterring fraud, waste, and abuse on a large scale, long term construction project. Since inception of the CFD (July, 2012), team members through their prior employment, education, experience, and outreach have created an extensive network of individuals in the design/construction industry, law enforcement community, oversight agencies, community groups, and government agencies to enhance and maintain a strong, productive group of individuals to assist the CFD in achieving its established goals and objectives. These relationships continue to produce useful and worthwhile intelligence and/or input on all of the CFD deliverables.

Within this reporting quarter the CFD staff met and established relationships with several consultants and sub-consultants directly tied to and working on the design, financial feasibility and Environmental Assessment for the NOAB Strategic Infrastructure Plan. The CFD was also

deliberate in establishing relationships with Federal DOT-OIG in regard to upcoming challenges tied to construction of enabling projects and the terminal and concourse buildings.

We believe that the development of liaison relationships will ensure positive returns for all stakeholders while promoting awareness of the Construction Fraud Division.

Visibility of CFD: A vital first step in building a thriving oversight unit is to elevate the visibility of the Division. A highly visible Division promotes the NOAB initiative toward true transparency within the design and construction process for the Strategic Infrastructure Plan.

The CFD has been extremely productive in establishing positive relationships with all project stakeholders. In this short time, the Construction Fraud Division has been involved in Strategic Project related meetings including design progress meetings, design work-shops, internal airport staff meetings, consultant selection committee meetings, NOAB Board meetings, Strategic Infrastructure Project Coordination Meetings, Financial Feasibility Meetings, Construction Manager at Risk – Request for Proposal Conferences, etc. The Division has also been successful in making fruitful connections with many of the consultants currently working on the Infrastructure Project such as the project management team, the design team, legal consultants, and many of their sub-consultants.

These established relationships have proved to be highly useful to airport staff and project consultants and are realized through the on-going request for CFD consultation, advice, approvals and opinions. There is an obvious level of comfort that is present with the existence of the CFD at the New Orleans Airport.

Through this relationship building and steady attendance at various project-related meetings, the CFD has had the ability to build great visibility and viably promote the mission and vision of the CFD.

Prompt Monthly Invoicing: The CFD has submitted and been paid timely for five initial invoices: July, 2013 through November, 2013. An invoice for December, 2013 was submitted to the airport on January 2, 2014. This CFD expects to receive funds within 30 days.

Continuous Development of CFD Staff: The Construction Fraud Division is committed to the continued training, education and advancement of the team members. It is important to maintain current knowledge on industry trends and perspective within Construction Fraud. Most recently, we continued to promote CFD knowledge through the following listed training sessions:

Association of Inspector General – National Conference

Attendees: Assistant Inspector General – Construction Fraud Division;
Deputy Assistant Inspector General – Construction Fraud Division;
Program Officer – Construction Fraud Division;

Location: New Orleans, LA

Date/s: November 5, 6, 7 & 8, 2013

Purpose: To gain knowledge on OIG Industry Trends;

Goal/s: Bring information and practices regarding OIG industry trends into the CFD deterrence and detection program;

Outcome: Attended numerous seminars given by recognized OIG leaders from around the country. Some listed Seminars included:

- Essentials of Evaluation;
- How disciplines can work together to improve outcomes;
- Identification of Extortion;
- Effectiveness of your Fraud Hotline;
- Indicators of Potential DBE Fraud;

New Orleans Office of Inspector General

All Staff Meeting – Diversity Training

Attendees: Assistant Inspector General – Construction Fraud Division;
Deputy Assistant Inspector General – Construction Fraud Division;
Program Officer – Construction Fraud Division;

Location: New Orleans, LA

Date/s: December 2, 2013

Purpose: Provide insight and sensitivity into the diverse people and practices within the OIG

Goal/s: Bring insight and improve CFD practices regarding interdisciplinary diversity;

Outcome: Day-long course provided an environment in which to creatively and gainfully explore the diversity of individuals, different disciplines within the OIG, and contemplate how to utilize these differences to the advantage and improvement of the CFD;

GIS Training

Attendees: Program Officer – Construction Fraud Division;

Location: Office of Inspector General - Online Training

Date/s: December 18 & 19, 2013

<u>Purpose:</u>	The Program Officer attended the third training course in ArcGIS Spatial Analyst with the purpose of understanding the standard workflow to be used on any GIS analysis project.
<u>Goal/s:</u>	Understand the appropriate data, methods, and tools to undertake an analysis project;
<u>Outcome:</u>	From the lessons and exercises given through the training course, the Program Officer better understands the best data to use and collect for a GIS analysis project.

IV. CREATE AND IMPLEMENT FRAUD DETERRENCE PROGRAM

Public Outreach Program

Create Public Awareness of CFD: The first step in creating an effective fraud prevention and detection program was to generate public awareness of the Construction Fraud Division and the on-going Mission and Vision. The CFD has a dedicated a space on the OIG website introducing the CFD, its Mission, and offering all contact information. Further, the CFD created several dedicated portals for anonymous public reporting of possible fraud, waste or abuse of resources dedicated to the NOAB Long Term Strategic Infrastructure Plan. Reporting can be accomplished in numerous secure methods including email, hotline and in-person reporting.

The CFD anticipates that these developed tools will prove to be useful outreach within the construction industry, as well as the community, to support the reporting of suspected fraud, waste and abuse on this important NOAB project.

In coordination with these dedicated communication measures, the CFD developed Fraud Awareness Posters. These posters are informational articles to notify all consultants, vendors and contractors involved in the creation of the North Terminal project about the existence and mission of the Construction Fraud Division. The poster also informs its audience of the importance and duty of reporting suspect behavior which may result in fraud, waste or abuse. In continuation with this objective, the CFD shall carry on the issuance of fraud awareness posters to all project stakeholders.

The CFD Fraud Awareness Posters have been installed in a total of over twenty (20) different locations throughout the Louis Armstrong New Orleans International Airport and within the offices of consultants currently working on the Infrastructure Project.

It is the mission of the CFD, through the creation and use of its website, hotline, e-mail, and posters, to not only effectively deter fraud, waste and abuse during the course of the project,

but to grant a safe manner in which to confidentially report such questionable activity. The CFD also took an additional measure this quarter to create a fully dedicated fraud hotline to which any and all public concerns may be captured.

Create Fraud Awareness Training Program: A significant component of successfully carrying out the CFD mission will be to engage and educate those companies and individuals employed on the Infrastructure project of their duty to comply with set ethical standards. After looking very closely and dissecting the overall goals and objectives of this segment of the CFD Mission, the Division developed a full ethical guidelines and fraud awareness training program.

We expect to realize great value from this type of training of all individuals engaged in the project. This dual objective instruction (ethical guidelines with fraud detection awareness) will define and communicate full employee behavioral expectation during the life of this project. This shall include a brief introduction to the *Louisiana Code of Governmental Ethics* (Louisiana Statute Title 42; Chapter 15) by which they are required to abide and the CFD's Code of Ethics and Conduct.

Within this quarter, the CFD further honed the fraud and ethical teaching principals within the training program. Logistical issues of hosting the training session were worked through by hosting a trial session within the NOAB Capital Projects meeting room. The CFD believes in the importance of the training message and has developed an evaluation form that will allow the filter of feedback, the measure of effectiveness and, more important, granting the CFD the knowledge to improve the training content for maximum effectiveness to our audiences.

Code of Ethics & Conduct for Vendors & Contractors: As stated above, established and observed ethical guidelines are one of the keys to a thriving fraud deterrence program. The Code of Ethics and Conduct is an intuitive document that establishes a baseline of ethics and conduct in which all vendors and contractors shall meet while under contract with the NOAB for their involvement in the North Airport Terminal. This *Code* is anticipated to be used as an exhibit to all vendor and contractor contracts signed with the NOAB involving the Strategic Infrastructure Project. This document includes a violations and penalties clause that contains commensurate consequences to vendor or contractor breaches of elements within this document.

The Division believes that this *Code of Ethics & Conduct* can improve vendor and contractor integrity and can play an important role in assisting the NOAB in its mission of successfully completing the Long Term Strategic Infrastructure Project. The CFD will continue to work with the Program Management Team and Airport Executives to improve and implement this essential document.

As of the end of this quarterly report, the Code of Ethics & Conduct for Vendors and Contractors has not yet been implemented. It is our intention to immediately begin applying

this Code retroactively to all vendors and consultants, while devising a plan to have this form incorporated into all new contracts that garners the approval of airport executives.

Vetting Contractor Responsibility: In the Division’s past experience, it was noted that there was no effort given to the determination of the “responsibility” of a low bid general contractor within a public bid. The public owner did not give consideration to whether or not the low bid general contractor possessed the ability, character or financial capacity to complete construction of the actual project. This behavior quite often resulted in a contractual relationship with a general contractor for work in which the company was not qualified to perform for one or more reasons. The project and public funds suffer when contractor responsibility is neglected.

To this end, the Construction Fraud Division believes in vetting the responsibility of contractors and consultants, which would provide a straightforward background review of these companies to determine whether the business is reasonably capable of performing the contracted work. The CFD would introduce the use of a Contractor Information Form that would be completed by all contractors prior to being contracted for work with the NOAB. This form will be used to screen the contractor. This screening should provide insight and information to the contractor’s past behaviors, safety records, possible conflicts of interest, history of litigation, etc. which could be used to establish the responsibility of the contractors.

Vetting of Contractor Responsibility consists of four (4) fundamentals, which may be altered based on the project delivery process that will be decided upon by the NOAB. Briefly, these fundamentals consist of:

- 1) Establishing & Evaluating Vetting Methods
- 2) Comprehensive Action Plan for Contractor Vetting
- 3) Development of Contractor Evaluation System
- 4) Build & Maintain Vendor Database

Over the past six months as the CFD has become closely integrated into the larger more detailed plan for the Strategic Infrastructure Development Project, we have become aware that the originally established objective for the Vetting of Contractor Responsibility will require reworking. The original declaration of this objective, as stated above, must be approached within the Construction Manager at Risk (CMAR) project delivery methodology. The revision of this objective will create a robust plan for the vetting of contractors within the CMAR delivery method and generate an effective and collaborative system for this work.

While the CMAR delivery method has been widely used within other states, its application has only been allowed in Louisiana through distinct legislative approval. Within the previous three months, the CFD has worked closely with Airport Executives, Project Management staff, and legal advisors on the building of the Request for Proposal (RFP) document for these CMAR services. This RFP is an important document to establish qualifications and expectations of the

CMAR services. The development of the document and the selection of the CMAR are essential to successful and timely project delivery.

V. MANAGEMENT AND CONTINUATION OF OVERSIGHT

Investigations and/or Audits into Allegations of Fraud, Waste and Abuse:

As was previously stated in this report, the CFD has created an extensive liaison network to expand its effectiveness while promoting awareness. The creation of this network has laid the foundation for the CFD to effectively conduct any inquiries, investigations, or audits in an effort to reach a logical and appropriate conclusion. Although there have been no investigations or audits concerning the Strategic Infrastructure Project to date, CFD expects that when actual construction begins, this activity will generate future investigations or audits.

Review Project Documentation:

Distinctly stated within the OIG-NOAB Resolution, the OIG will “audit and review data, invoices and other materials related to consultants and contractors performing work to implement the Plan”. Throughout the 4th Quarter, this assignment has taken the majority of the Construction Fraud Division’s focus, energy and time.

As of December 31, 2013 the CFD has reviewed countless Contracts, Letters of Authorization (LOA) and invoices. Review of the LOA’s totaled approximately \$19M, and the numerous invoices reviewed totaled a combined amount of over \$6.8M. These documents focused on the realization of the NOAB Strategic Infrastructure Development Plan and involved consultants work on design, financial feasibility, environmental assessment, airline representation, legal counsel, etc.

Out of this attention, the Division has instituted some routing alterations for efficiency by expediting review, comment and approval of these documents resulting in increased communication and facilitation of documents through the NOAB chain of approvals. These alterations have been met with positive feedback from all project stakeholders.

Use of Surveillance:

It is widely believed that the use of electronic/video surveillance, and most important the awareness of this surveillance, successfully curtails the behavior of the observed populace. It has been well documented that surveillance creates an atmosphere of heightened consciousness and deters various types of activity, such as theft and fraud. The Construction Fraud Division believes that video surveillance in the proper locations can have a dramatic effect on the deterrence of fraud.

The use of these techniques will be instituted by the Project Management Company. The CFD will develop a list of criteria in combination with the PM services in which to focus the surveillance applications.

Integrity Monitors: The CFD will provide these construction site services for the Strategic Infrastructure Development Plan. A detailed plan will be developed to address criteria, documentation, and education for this type of monitoring to provide an effective program.

VI. CFD SUPPLEMENTAL CONSTRUCTION OVERSIGHT


In fulfilling its commitment to prevent fraud, waste, and abuse at Louis Armstrong Intonation Airport, the CFD is providing oversight and assistance on the following matters outside of the Long Term Strategic Infrastructure Plan:

- The CFD has continued to assist OIG-Investigations Division in an on-going airport matter related to construction; however, due to the sensitive nature of the investigation, no further details will be provided in this report. CFD staff has had regular, information sharing meetings with OIG-Audit and Investigations regarding on-going audits, investigations, and initiatives at the New Orleans Airport.
- The CFD is actively conducting an investigation into an allegation of construction fraud on an existing NOAB project. Again, details will not be provided in this report so as to maintain the integrity of the investigation.
- The CFD has also reviewed contracts and letters of authorization documentation for on-going NOAB construction projects outside of the Strategic Plan scope.

The above statements represent a brief and general status of the work performed by the Office of Inspector General, Construction Fraud Division for the dates of October 1, 2013 through December 31, 2013.

If there are any questions or information needed beyond the contents of this report, please call the Office of Inspector General at 504-303-7553.

END OF REPORT

 CONSTRUCTION FRAUD DIVISION OFFICE OF INSPECTOR GENERAL, CITY OF NEW ORLEANS				
TWO YEAR GOALS & OBJECTIVES 4TH QUARTER, 2013 STATUS				
GOAL #1: BUILD & MAINTAIN EFFECTIVE OVERSIGHT UNIT				
No.	Objective	Description of CFD Task	Status R,G,Y	Status Remarks
1	Establish Liaisons	Identify those groups and individuals that will be closely linked to the implementation and success of the design and building of the new airport. Establish, develop and maintain a trusting relationship with these individuals.	Good	The CFD has been very successful in building effective relationships with consultants related to the airport Infrastructure Project including Parsons Brinckerhoff (Project Managers), CCAT (Design Team), along with many subconsultants of these two entities; The OIG has also made contact with many outside agencies and personnel to strengthen liaison contacts.
2	Quarterly Status Reporting	Development & delivery of quarterly status reports to LANOIA documenting CFD performance of deliverables.	Good	The CFD's first quarterly status report (reporting period from July, 2013 - September, 2013) was promptly delivered to the airport Director on October 15, 2013. The subsequent quarterly report is expected to be submitted on January 15, 2014. These reports may be found on the City of New Orleans OIG website: nolaoig.org
3	Visibility of CFD	Identify regular meetings, work sessions, assemblies or gatherings regarding the rebuilding of the airport. The CFD shall customarily attend all functions to promote the mission of the CFD and emphasize the focus of the CFD on the LANOIA Long Term Strategic Plan.	Good	The CFD has been involved with a plethora of internal airport meetings associated with the Infrastructure Project including. Attendance at these countless meetings has created much visibility for the CFD, and created awareness of our mission at the airport.
4	Prompt Monthly Invoicing	Development & delivery of monthly invoices to LANOIA documenting work performed during invoice period.	Good	Five invoices for July, 2013 through November, 2013 have been submitted and paid. December, 2013 invoice was submitted on January 2, 2014 and is awaiting payment.
5	Continuous Development of CFD Staff	Identify opportunities and commit to the continuing education, training and advancement of CFD staff in direct regard to current trends and perspectives within the Construction Fraud Industry. Grow system of network professionals within similar industries.	Good	The CFD has taken advantage of several important educational opportunities during the past six months including: CMAA Infrastructure Conference and Association of Inspector General National Conference.

GOAL #2: CREATE & IMPLEMENT FRAUD DETERRENCE PROGRAM

No.	Objective	Description of OIG Task	Status R,G,Y	Status Remarks
1	Public Outreach Program			
	Create Public Awareness of CFD	Utilize CFD Website, hotline & email for the reporting of Fraud, Waste & Abuse during the LANOIA Infrastructure Plan. Posters will be utilized to promote awareness of CFD Oversight and informing individuals of their duty to report fraud, waste and abuse.	Good	The CFD website, dedicated hotline and email has been established. Many posters have been distributed within the airport and to several consultant offices working directly on the NOAB Infrastructure project.
	Create Fraud Awareness Training Program	Develop and Implement an educational and training program regarding fraud, waste & abuse within design & construction projects. This program shall target the understanding of opportunities and consequences of fraud, waste and abuse and elaborate on the duty to report such activities. This program will also address the expected ethical conduct of all LANOIA vendors and contractors.	Implement	The Fraud & Ethical Awareness Education program and presentation has been fully developed. Upon training commencement, the CFD will actively gather feedback and suggestions to enhance the program.
2	Code of Ethics & Conduct for Vendors & Contractors	Develop and coordinate the successful implementation of a comprehensive Vendor/Contractor code of Ethics that will detail expected conduct and behavior of all LANOIA contracted professionals. This document shall be utilized as standard practice during the realization of the Infrastructure Plan.	Implement	The Code of Ethics & Conduct has been developed by the CFD. We are now challenged with how to effectively implement these standards within the work of all consultants and future contractors.
3	Vetting Contractor Responsibility			
	Evaluate Vetting Methods	CFD and LANOIA shall appraise in detail the two proposed structures of vetting the responsibility of contractors that may be performing contracted work on the long term infrastructure plan. CFD and LANOIA shall offer consideration to all pros and cons of each method of	Re-work of Objective Required	REWORK OF OBJECTIVE REQUIRED Objective shall be re-worked based on the Construction Manager at Risk Project Delivery Method. CFD will be designing a collaborative program for the vetting and selection of qualified sub-contractors. The OIG will work with the CM@R to define their strategy for gaining local, qualified subcontractor involvement.
	Create Comprehensive Action Plan for Contractor Vetting	Based on the selected method of vetting, a step-by-step action plan will be developed to assure successful implementation of the system. The plan will include all work necessary, identify expected obstacles, include all required support, etc.		
	Develop Contractor Evaluation System	<ul style="list-style-type: none"> • Develop Contractor Information Form (CIF) • Develop Evaluation Standards & Review Procedures • Implement CIF via Web form for Maximum Access 		
Build & Maintain Vendor Database	Based on the selected structure of vetting, a Vendor Database may be necessary to organize and maintain all vendor information. This tool could be critical to the success of Vetting vendors/contractors.			

GOAL #3: MANAGEMENT & CONTINUATION OF OVERSIGHT

No.	Objective	Description of OIG Task	Status R,G,Y	Status Remarks
1	Investigations and/or Audits into allegations of Fraud, Waste and Abuse	Upon discovery, or receipt of a complaint or allegation of Fraud, Waste or Abuse, CFD will conduct an Investigation or Audit as deemed necessary and employ all resources as required to arrive at a satisfactory conclusion. CFD shall inform or make recommendations to LANOIA as deemed necessary or essential to the success of the Long Term Infrastructure Plan.	Good	The CFD has not yet received any allegation of fraud, waste or abuse, nor yet encountered reason to investigate or audit any issue within the Infrastructure Project.
2	Review Project Documentation	Assess review standards and processes for typical documentation, offer feedback for the improvement of set standards and processes. Random analysis, as deemed necessary, of typical documentation. Documents including: Invoicing, Construction Change Directives, Change Proposals, Change Orders, Request for Information, etc.	Good	Within the first 6 months at the airport, the CFD has reviewed countless contracts, Letters of Authorization (LOA) and invoices related to the Infrastructure Project. ▫ LOA's reviewed totaled approximately \$19M. ▫ Invoices reviewed totaled over \$6.8M.
3	Use of Surveillance	Determine use and design for surveillance application on construction jobsite. The plan should be inclusive of all security measures promoting the deterrence of fraud, waste and abuse during active construction.	Good	The CFD has discussed with Airport security their suggested need for increased surveillance at the new terminal location. The CFD will integrate its interest and need for security and surveillance surrounding the actual construction process of the new terminal with the Project Management Team.
4	Use of Integrity Monitors	Use of an on-site independent organization with legal, auditing, investigative, environmental, safety and loss prevention skills to ensure compliance with relevant laws, regulations and contracts. Also to deter, prevent, uncover and report unethical or illegal conduct.	Good	The CFD staff will be providing this service during the actual construction of the airport terminal.