

**QUALITY ASSURANCE REVIEW ADVISORY COMMITTEE  
FOR THE OFFICE OF THE INSPECTOR GENERAL**

***REPORT REVIEWING ACTIVITIES FOR 2012***

Members

Herschel L. Abbott, Jr.

Gloria B. Moultrie

Steven M. Sheffrin, Chair

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## **Executive Summary**

As called for in the City statute creating the Office of the Inspector General (OIG), this report of the Quality Assurance Advisory Committee assesses the written work product of the Office. Our committee conducted a full review of the public work product of the Office of the Inspector General during 2012, including public letters and investigations, audits and reviews, follow-up reports, and inspections and evaluations. It is important to note that the Office of the Inspector General performs many other important duties not included in our review mandate. Thus, our committee is only reviewing a portion of the activities of the Office of the Inspector General for 2012.

In general, we found the OIG to be extraordinarily productive in producing the twenty-three documents we reviewed. And we also believe that the topics that were addressed through the written products of the OIG were important and highlight reality and perceptions of the efficiency, competence, and honesty of government. In our review of the scope of the work of the OIG, we encourage the OIG to take advantage of the full scope of its mandate and pursue broad issues in governmental structures and efficiency, even if this requires a slight shift in its planned focus.

In each of the areas of our review we offer several observations and comments. With respect to the public letters and investigations, we note that they reach a wide audience and have great potential impact on public policy and political practice. Overall, the public letters and investigations were very effective and timely interventions. In one case, we raise a caution with respect to the potential public perception of the OIG in one part of a letter.

The follow-up reports reveal that the work of the OIG has been taken quite seriously. Of the six follow-up studies, four reveal virtually complete compliance. In particular, the Municipal Court has reformed its financial practices. One area that remains a problem is City vehicle use; the OIG plans further review in this area.

The OIG conducted six in-depth inspections and evaluations of City operations in a wide variety of programs. These turned up many important findings that the City will need to address over the next several years. We do note that there were issues on which the City could reasonably disagree with the OIG. Some of these could be viewed as management

decisions—for example, how closely can the City monitor the third-parties it hires to monitor contracts; can the City realistically set aside adequate reserve funds in times of fiscal stringency; and when should work be contracted out or performed in-house? Finally, benchmarking service provision through comparison to other cities can be a very useful diagnostic, but ultimately our political bodies need to make these determinations, particularly when budgets are tight.

Overall, our committee believes that the reports of the OIG provided an extremely valuable service to the City of New Orleans. The written work we have reviewed meets the highest standards of quality. These reports have also opened up important areas for reform and debate for the citizens of New Orleans.

## **I. The Role of the Advisory Committee and the Scope of This Report**

The City Code in Section 2-1120(16) (a) calls for the appointment and specifies the duties of the Quality Assurance Review Advisory Committee for the Office of the Inspector General. This three-person committee—whose members are appointed representatives of the City Council, the Ethics Review Board, and the Office of the Mayor—is charged with reviewing the “completed reports of audits, inspections and performance reviews, and public reports of investigation” for overall quality. The representative of the City Council serves as chair of the committee.

This committee’s role is limited to reviewing the completed and published material produced by the Inspector General during 2012. Ongoing investigations are not included, but presumably would be reviewed in future years when the investigations are completed. A full list of the material that the Committee reviewed is contained in the Appendix to this report.

It is important to note that the Office of the Inspector General performs many other important duties not included in our review mandate. These include participating in sensitive federal investigations, as well as screening invitations to bid and requests for proposals/qualifications for compliance with applicable legal requirements. The Police Monitor is also part of the Office of the Inspector General. This report does not review the activities of the Police Monitor. Thus, our committee is only reviewing a portion of the activities of the Office of the Inspector General for 2012.

This is the second report of the Quality Assurance Review Committee. In this report, we first discuss the public letters and investigations of the Inspector General and then explore the scope of the activities that the Inspector General chose to examine during the current year. We then turn to a series of follow-up investigations that trace the progress that has been made since the issuance of prior reports. Finally, the committee reviews the work the Inspector General’s Office conducted in Inspections and Evaluations. We conclude with our overall assessment of the written work produced by the Inspector General for this year and some suggestions for the future.

## II. PUBLIC LETTERS AND INVESTIGATIONS

During the course of 2012, the Inspector General issued seven public letters. Public letters are very important. They typically attract wide attention from the press and, importantly, set the tone for the office as a whole. This year, the office also conducted two investigations. In this section, we review the public letters and investigations together.

After Hurricane Isaac, it was reported that highly compensated executives of the City of New Orleans took overtime pay. Many in the community believed that this policy was inappropriate. The Civil Service Commission proposed a rule change to avoid the problem for the future. The Inspector General, commenting on the proposed rule change, suggested a better policy would be to award compensatory time. This was an excellent and common sense suggestion by the Inspector General.

The public letter to Mayor Landrieu concerning the Sewerage and Water Board (S&WB) was more controversial. In this letter, the Inspector General revealed that their office's prior audit of the S&WB revealed a very high risk of fraud, waste and abuse. It also detailed other episodes involving compensation, employee benefits, and contracting that raised significant concerns. During this time frame, the City and the S&WB were discussing a significant increase in rates to fund sorely needed infrastructure; reforms to the composition of the Board were also under discussion. The Inspector General wrote that the risks and dangers of increasing the funding stream available to the S&WB under the existing administrative and governing structure were so severe that the agency needed an independent monitor. He also suggested his office could take on this role for a fee of .75 percent of the total budget.

In our view, the Inspector General properly raised concerns about the administration and practices of the S&WB, which had been discussed in the press and by other groups, including the Bureau of Governmental Research. It may also be the case that these concerns are so serious that independent monitoring is required. However, it struck the committee that a proposal for the OIG to become the monitor—with a specific price for this service detailed in their letter—could raise concerns that this offer was motivated by a desire for bureaucratic

enhancement. While we do not believe this to be the case, perceptions are important. At the minimum, the proposed fee for serving as monitor should not have been in this letter.

Three letters were addressed to issues at the New Orleans Municipal Court, two of these to the current Administrative Judge, Desiree Charbonnet. In the first, the Inspector General noted that 18 family members of former Administrative Judge Paul Sens currently or previously worked for the Court. As the Inspector General noted, this seems inappropriate on the surface and undermines confidence in government. In the second, the Inspector General noted that fees collected by the Court were remitted to different agencies based on a hierarchy determined by the Court itself. Those agencies at the bottom of the hierarchy were disadvantaged and would potentially receive diminished funding. The Inspector General appropriately requested that the Court allocate funds in a more equitable manner.

A final issue concerning the Municipal Court was addressed to the Chief Administrative Officer (CAO) of New Orleans, Andy Kopplin. This letter focused on the ultimate responsibility for administering and enforcing the rules on take-home vehicles used by judges at the Municipal Court. Although there are political sensitivities involved as the judges of the Municipal Court are elected officials, the Inspector General convincingly argued that the City of New Orleans is ultimately responsible for the usage of the vehicles, as the property itself belongs to the City.

Another vehicle issue was satisfactorily resolved. In its second follow-up investigation, the Inspector General concluded that the Aviation Board had corrected all its remaining deficiencies with regard to its vehicle fleet.

The final public letter we discuss concerns requests for proposals for “curbside management and enforcement” a name that refers to parking ticket processing, parking meter operations, and delinquent parking ticket operations. These areas are important both for quality of life for residents and visitors and because they provide revenue for the City. The first three recommendations in the public letter are to incorporate performance standards into the contracts, include performance incentives in the contracts, and to seek cost reductions. The last two recommendations concerned collection of delinquent tickets. The Inspector General argued for a separate process for collection of delinquent tickets apart from ticket processing

and meter operations. He also argued that collections were not a “professional service” and thus not exempt from public bid laws.

In response, the City noted that its current policies were consistent with the first three recommendations, but that it disagreed with the last two. From a management perspective, it feared that delaying the RFP would mean a loss of revenue and did not believe that its current RFP would reduce competition. In addition, it argued that the collection did require training and qualified as a service; although the Inspector General noted that the current RFP did not specify that certification was required in the bid process.

In assessing this letter, we note that in this Committee’s report last year, we suggested that the Office of the Inspector General indicate the number of hours spent on each project so that the public could better evaluate its effectiveness and priorities. The Inspector General responded to this request in his annual report and we thank him for his responsiveness. This public letter was the second most time intensive written project undertaken by the Inspector General during the year, at 607 hours (over fifteen weeks of staff work). Our committee agrees that the overall issues involved are important, but we are not convinced that the substantial allocation of time to this project produced major findings consistent with the time allocated to the project. Given the substantial allocation of time, a brief explanation as to what work was involved with the project and what the prior expectations were entering into the effort may have been helpful.

The Inspector General conducted two investigations. One investigation concerned the New Orleans Municipal Court hiring the wife of the Orleans Parish Sheriff as a consultant and the Sheriff hiring the wife of the Administrative Judge as a consultant shortly before. Although the Inspector General found no criminal violations in these arrangements, we agree with his assessment that this episode does not cast government in a favorable light. We concur with the Inspector General that: “Legality is an essential baseline, but it is an insufficient standard for elected officials.” Nepotism undermines the public’s faith in government.

The final report concerned the use of City vehicles and emergency blue lights within the vehicles by Traffic Court judges. The report clearly documents apparent violations of

applicable state and public laws as well as an absence of written policy guidelines for the use of City take-home vehicles.

### III. SCOPE OF INVESTIGATIONS

In this section, we take an overview of the studies and investigations that the OIG has conducted and put them into the context of ongoing activities and emerging issues within Orleans Parish. We first note that the current Inspector General's activities only began in late 2009; thus, effectively we are still at an early phase of implementing the ideas and vision of the current Inspector General.

As our Committee examined the public reports for 2012 and 2011, we divided them into five broad categories. One category focuses on whether current laws and regulations were being followed, such as the investigation of the use of emergency blue lights by Traffic Court judges. A second category included detailed reviews of internal control procedures and audits. Credit card usage, take-home vehicle utilization, and methods for handling equipment inventory by the City of New Orleans fall into this category. A third category includes reports on management practices, such as the oversight of contracts in sanitation or the review of bidding procedures for parking citations and enforcement. A fourth category includes major structural investigations of the ongoing practices of existing agencies. The important work on the Judicial Expense Fund in 2011 is an excellent example of this type of investigation. The fifth category might be termed comparative efficiency studies. During this year, the comparisons of sanitation and recreation expenditures across cities—which we discuss in more detail later in this report—falls into this category; last year a similar procedure was utilized to evaluate total expenditures for municipal and traffic courts.

Work in each of these categories is valuable. In some sense, audits and investigations in the first three categories are more straightforward and produce easily measurable outcomes. The majority of the reports that this Committee has reviewed in the last two years falls into these categories. Investigations in the latter two categories—although more challenging and ambitious—may provide even larger benefits for New Orleans.

As we consider the scope of issues that the Inspector General could potentially address, we suggest that the OIG may wish to tilt in the direction of the last two categories—structural investigation and comparative efficiency studies. In 2011, for example, the OIG reviewed the

billing of the Sheriff to the City for prison inmate charges and the vehicle usage policies of the Sheriff's office. While these investigations were useful, it would have been even more valuable to have an in-depth investigation of the expenditure levels for the prison to address broader questions of efficiency of their operations. Such a report would have been valuable in assessing the true needs for additional funding for the prison. It would have been complex and quite time-consuming, but it would potentially have had great payoffs and have influenced the ongoing debate. As another example, if a major study of the Sewerage and Water Board had been conducted in prior years, it would have been very valuable in coalescing discussion during the past year.

The OIG issued a Strategic Plan for 2013-2016 that outlined its planned activities for the near future. Many of the planned activities appear to fall within our first three categories, although some may have the potential for expanded scope. We note that the OIG in March 2013 completed a study of delinquent property tax collection. Although this report does not fall within our purview for review this year, it is an excellent example of the type of expanded analysis that may have a large payoff. It also suggests that a review of the property tax system—including assessments and appeals—might be a valuable area of study for the OIG.

We recognize that time and resources are limited, and ferreting out poor existing practices may have a high payoff in the near term, particularly when past management practices have been poor. But as we look forward, the OIG should also embrace the possibility of broad structural and efficiency studies that have the potential to change the ongoing dialogue in New Orleans, even if this requires a shift in resources.

#### **IV. FOLLOW-UP REPORTS**

During 2012, the Office of the Inspector General issued six follow-up reports. These are important as they assess whether the agencies in question have taken the recommendations of the OIG seriously.

#### Follow-up: A Performance Audit of the Municipal Court's Remittances to the City

The Municipal Court seemed to have taken the recommendations of the OIG very seriously in that it responded positively to the implementation of eight recommendations. Most importantly, the Municipal Court remitted money to the Finance Department on a monthly basis as required by state law. Furthermore, the recommendation to pay all employees through the payroll process is now in force in the City's payroll system, except for contract employees who are independent of court authority. As an example of its progress, the Court has successfully adopted a reimbursement policy for expenses.

The continued oversight of the Court will ensure responsible record keeping and avoidance of future misuse of public trust.

#### Follow-up Report: A Review of the New Orleans Municipal Employees' Retirement System

##### Travel Policy

The Office of the Inspector General found that all five of its recommendations had been adopted by the Board of Trustees.

#### Follow-Up Report: Interim Recommendations for the Policy Memorandum 5 (R) Revised and Issued on April 18, 2009 in Response to the OIG's Interim Report on the Management of the Administrative Vehicle Fleet

The follow-up on the recommendation for the Policy Memorandum relative to Administrative Vehicle Fleet requires continued monitoring since the City did not implement seven of the eight recommendations previously made by the Office of the Inspector General. The OIG plans a second follow-up investigation.

The City had not agreed with one of the prior recommendations. However, for the other seven, the City has yet to initiate implementation of the recommendations. These unimplemented recommendations involve issues regarding: take-home vehicle benefits; take-home vehicle personal use and record keeping; take-home use charge; and take-home insurance requirements. The failure to implement these recommendations places the City and employees

at risk. The OIG's diligence in ensuring the City's adherence to the recommendations is certainly warranted.

Follow-up Report: Interim Report on the Management of of the Administrative Vehicle Fleet

In this follow-up report, the OIG found that the City had implemented only one of its four recommendations. It had adopted new policy guidance for the use of City vehicles. But it had not purchased a new fleet management software system, revised reporting to meet approved standards, nor performed an overall assessment of the appropriate fleet size. A follow-up investigation is planned.

Follow-up Report: The Department of Sanitation Contract Oversight Performance Audit

Previously, the OIG had made eight recommendations with respect to contract oversight for sanitation. In this follow-up report, the OIG found that four of the recommendations were implemented and the other four did not require implementation for diverse reasons. Thus, there remain no outstanding issues from the prior review.

Follow-Up Report: Travel and Business Expense Reimbursement and Credit Card Insurance and Use Policies 9(R) and 116(R)

As a follow-up to the prior report, ninety-three recommendations were issued with the intention of improving and clarifying the City's travel and business expense reimbursement policies.

Of the recommendations, only number 62, was not adopted by the City—the City had not updated its payables and disbursement system. Five recommendations were partially adopted. While a few minor issues remain, overall the City has made tremendous strides towards reimbursing employees fairly and in a timely manner.

## V. INVESTIGATIONS AND EVALUATIONS

During 2012, the Office of the Inspector General conducted six Inspections and Evaluations. These focused on practices of the City of New Orleans. This section contains our comments on this aspect of the work of the OIG.

### City's Workers' Compensation Program

The Office of the Inspector General conducted an evaluation of the City's Workers' Compensation Program. The evaluation included the City's management and oversight of the program between 2008 and 2011. The Workers' Compensation benefits are governed by the Louisiana Workers' Compensation Act. The City elected to be self-insured for losses resulting from Workers' Compensation claims during the period of this evaluation. Rather than manage the claims in-house, the City selected a third-party administrator (TPA). In this case, the TPA was Cannon Cochran Management Services, Inc. The Cannon Cochran Firm continued as the TPA between July 2000 and February 2012. Hammerman & Gainer, Inc. was awarded the contract for TPA services beginning in March 2012.

The Inspector General made 12 Findings and issued 12 Recommendations in connection with those Findings. The first three Recommendations dealt with ancillary service vendors and suggested that the City should interpose itself between the TPA and the ancillary vendor as well as insist on an open and competitive procurement process for the ancillary services. The second Recommendation deals with the City's failure to implement a formal structure to approve and monitor vendor expenses. There is apparently such a program with respect to services performed by contracted attorneys, but that does not apply to other ancillary service providers. The report also objects to the City's having allowed the TPA to contract with its own subsidiary for ancillary services.

The next two Recommendations essentially dealt with the management of the Workers' Compensation Program. Recommendation 4 suggested an RFP be issued to obtain audit services from an expert in the Louisiana Workers' Compensation Statute. The report suggests the City lacks a method to determine whether individual claims are handled appropriately; TPA adjuster deficiencies are detected and opportunities for cost savings identified.

Recommendation 5 urges that the City should develop a matrix for managing the compensation service program and for evaluating the TPA's performance. Recommendation 6 suggested that good management practice requires a "return to work" program be developed, but that the City lacks such a program. Recommendation 6 suggested that the City should budget funds for claims settlements, and Recommendation 10 argues that the City should develop a reserve fund to absorb higher than expected Workers' Compensation costs.

Recommendations 8 and 9 dealt with legal services. The first suggested that an RFP be issued to assure that the City obtains legal services at the best possible price. Recommendation 9 suggested bringing more legal work in-house. Recommendations 11 and 12 dealt with safety plans and a safety and loss control program. The report pointed out that the position of safety engineer has been vacant since 2006.

The City's response to Findings 1, 2 and 3 is that they in fact monitor closely the activities of the subcontractors with the third party administrator. To be candid, it would appear that if the City exercises the degree of supervision of the third-party administrator suggested by the Findings, the benefit of outsourcing the work to the third-party administrator would be largely lost. However, the City agrees that it is time for an independent audit of the Workers' Compensation claims made against the City. Such an audit is being scheduled.

With respect to the return to work program, the City states that 80% of the Workers' Compensation claims and 90% of the Workers' Compensation expenses on an annual basis come from its Public Safety Department, which have its own return to work programs. However, the City has agreed to implement a return to work program for the remainder of the City's employees.

Finding 7 and Recommendation 7 and Finding 10 and Recommendation 10, dealt with the availability of funds for settlement or to absorb higher than expected costs. Both the Recommendations and the Findings are appropriate in a situation where funds are available. In situations of limited resources like those in which the City of New Orleans finds itself at present, the question is whether it is at all useful to discuss budgeting funds for claims settlements or for the development of a reserve fund.

As to Finding 8 and Recommendation 8, the City has agreed to review and if warranted, issue a new RFP for legal services related to Workers' Compensation claims. Finding 9 and Recommendation 9 dealt with the cost effectiveness of shifting certain legal services from outside counsel to the City's Legal Department. Volumes have been written on this issue. It is uncertain whether this Finding or Recommendation is of significant benefit. This is a management decision. With respect to Finding 12, the City agreed that it needs to reestablish the safety and loss control program. The City reserves the right to determine whether this can best be done by retaining experts or by hiring a full-time employee.

#### City Motor Vehicle Self-Insurance Program

The Inspector General conducted an evaluation of the City's motor vehicle self-insurance program and vehicle use policy. The report notes that in 2012 the City of New Orleans owned 1700 passenger vehicles and 180 non-passenger vehicles. The Police Department accounted for about 60% of the total number. Out of the 1700 passenger vehicles, 497 were assigned for take-home use and of those 391 were in the Police Department. The 106 non-police take home vehicles represented a 61% decrease from the 273 cited in the 2008 report by the Office of the Inspector General. The Inspector General's report notes that because the City is self-insured, it is responsible for claims adjusting, fleet risk management, and management of costs and reserves.

Finding 1 and Recommendation 1 dealt with the cost of claims administration. The report suggests that there would be substantial savings if claims administration were brought in-house rather than left in the hands of a third party contractor. Finding 2 suggests that the City wasted money between 2009 and 2011 because it hired two contractors to perform the same work. The City's first response is they have issued a new contract so that the problem presented in the report will not arise again and secondly, the City denies that the contracts covered the same work. Finding 3 and Recommendation 3 involve the inability of the City to furnish a complete contract upon request. This fact is especially egregious as the claims administration contract was extended even though no department in the City had a complete version of the contract that was being extended. Finding 4 and Recommendation 4 dealt with

work performed under contracts which were subsequently extended to cover the period for which the work was done. There was, however, no signed contract in place during the period the work was actually done. In a similar vein, Finding 5 and Recommendation 5 dealt with the situation in which a vendor had been validly awarded a contract, but the vendor began work under the contract before it was actually executed.

Finding 6 and Recommendation 6 dealt with the failure of the City to have a meaningful vehicle use policy. Apparently the only requirement for driving a city vehicle is the possession of a valid driver's license. The report urges that fleet risk be managed through driver selection, driver training, and driver supervision. It also suggests that drivers should be held accountable, that consistent standards be created across departments and that unsafe and unqualified drivers be prohibited from driving City-owned vehicles. The report also suggests that the State currently provides a model for a vehicle use policy. Finding 8 and Recommendation 8 suggested that the City should also develop an on-the-job accident tracking mechanism for identifying high risk drivers. Finding 9 and Recommendation 9 suggested that the City should implement a defensive driver training program. Finding 10 and Recommendation 10 dealt with the need to improve oversight of the personal insurance requirement for use of take home vehicles. Finding 11 and Recommendation 11 dealt with the City's failure to maintain reserves for the vehicle self-insurance program. With respect to Finding 3 and Finding 4, the City responds, in essence, that it had little choice from a pragmatic point of view, that actually signing extensions of these contracts had become increasingly infrequent under the Landrieu Administration, and that in any event the practice was approved by an opinion of the Attorney General.

Reliance upon the Attorney General's opinion as well as the invocation of pragmatism is likewise the essential response of the City to Finding 5. Findings 6, 7 and 8 dealt essentially with potentially unsafe drivers. The City notes that the City's public safety departments do indeed monitor employees' driving records, track on-the-job safety records and require safety training for drivers. For the balance of its departments, the City states that it is attempting to create a program based on the State's model and that procedures are being updated to verify employee insurance. Finally, with respect to Finding 10 that the City has not maintained

reserves for the motor vehicle self-insurance program, the City pleads that it does not have adequate funding to establish such a fund.

#### City Vendor Payment Process

The Inspector General also reviewed the vendor payment process of the City of New Orleans. His report outlines two methods whereby the City pays its bills. The first is by purchase order. Purchase orders are issued through BuySpeed, a software product that provides controls and automates the purchasing process. This is clearly the preferred method because it requires multiple reviews and approvals. The alternate method is the payment voucher process. This process is manual and includes only three levels of approval as compared to six required in the purchase order process. For the payment voucher, no oversight is provided by the budget office, the finance department or the purchasing office. The report acknowledges that many of the payments made through vouchers are set costs or routine expenses that have been authorized in another manner. Other payments are made through payment vouchers pursuant to the authority of a memorandum of authorization by the Chief Administrative Officer.

Finding 1 dealt with the payment vouchers used to pay a total of \$1,030,343.00, to vendors over a three month period. While the Finding demonstrates that it is preferable to use the BuySpeed order system; it also demonstrates that in certain cases it is important to have alternative means of providing payment. The Inspector General finds the use of payment vouchers creates a higher level of risk and should involve a separate approval process that includes documentation justifying deviating from established protocols. Finding 2 dealt with the payment of \$4,497,493.00 to two separate collection agencies, which presently are not included in the City's budget. The Inspector General believes that the expense of collection should be included in the City's budget in order to assure a transparent process. With respect to Recommendation 2, the report notes that state law mandates that all revenues and expenditures be included in the budget and asserts that funds resulting from the efforts of collections agencies with respect to sanitation fees and ad valorem taxes are nonetheless revenues and should be included. Further, the report asserts that while a payment to the

collection agencies may come out of the sums collected, it is nonetheless an expense and therefore, should be published in the annual budget. On the whole, the City agreed with the Inspector General's Recommendation with respect to the use of encumbrance control for special revenue funds. The City disagreed with the OIG's Recommendation to use encumbrance control for internal service fund payments. The City agreed that the sanitation fees will be budgeted. The City has stated that it will take under advisement whether the ad valorem tax collection fees and revenues should be budgeted.

#### Benchmarks for Sanitation Services and Parks & Recreation Services

The Inspector General reviewed and benchmarked the 2012 appropriated expenditures for sanitation services and parks and recreation. The basic nature of this review was to benchmark New Orleans expenditures in these two areas versus nine other cities. The report asserts that appropriate adjustments were made in each case to provide an apples-to-apples comparison with the other cities. The 2009 per capital appropriation for sanitation services, when benchmarked, suggested that New Orleans was spending considerably in excess of other cities reviewed. Conversely, when the per capita appropriation for parks and recreation services was benchmarked against the other cities it appeared that New Orleans was spending far less than the cities to which it was compared.

Comparisons were made again for 2012. With respect to the per capita appropriation for sanitation services, the benchmarking process demonstrated that New Orleans had made significant progress in attaining a spending level that more closely approximated those of the other cities. Likewise in 2012, the per capita appropriation for parks and recreation services showed a much more favorable picture of New Orleans when compared to the bench-marked cities.

Benchmarks are very useful, particularly where they suggest that an entity may be spending more than its peer group to receive similar services. This situation would justify further investigation. In cases of lower expenditures, benchmarks may be less useful where, as in the City of New Orleans, resources are severely constrained. On page 12, the report seems to suggest that if citizens prefer more amenities from parks and recreation that funding should

be increased. However, a case can certainly be made that these determinations can appropriately be made by the political entities involved.

#### Property and Casualty Insurance Program

In this evaluation, the Inspector General properly emphasizes the importance of maintaining accurate statements of values with current information on each property owned by the City. This is important to maximizing recovery in the event of loss. The evaluation made seven Findings and five Recommendations. The evaluation found that the 2011 statement of values provided to the insurers by the City has not been fully updated to reflect changes which occurred after Katrina. Errors with regard to address and construction type appeared throughout the report. Finding 3 questioned the purchase of separate property insurance for the Mahalia Jackson Theatre. This is the only piece of City property that appears to have been separately insured. Finding 4 also questioned the purchase of liability insurance for Lincoln Beach, a vacant parcel of land.

The evaluation also dealt with payment to the insurance producer of record as did Finding 5. The evaluation noted that the City did not require a detailed description of services provided in connection with the agreement. Consequently, the City was not in a position to determine whether the \$140,000 in compensation received was reasonable under the circumstances. The producer of record then used a wholesale broker to place the City's all risk master policy. The coverage wholesale broker performed some of the services that would otherwise have been required under the contract and also received commissions when the contracts were placed. These commissions were embedded in the premiums and may have increased the cost of insurance to the City. In Finding 6, the Inspector General dealt with the selection process in which a request for qualifications was used to screen potential respondents. However, the RFQ was not followed by an RFP which would have resulted in a competitive pricing proposal. After the RFQ was issued, the Louisiana legislature, in part at the urging of the City of New Orleans, changed the law to permit the use of fee-based contracts in lieu of commissions for property and casualty insurance providers with respect to certain authorized entities. The report also noted that Federal Law does not prohibit insurance

providers from rebating premiums for flood insurance policies. In Finding 7, the Inspector General expressed concern about the RFP process in that the selection committee has not disclosed the factors that were actually considered in the selection process.

In Recommendation 1, the Inspector General suggested that the City obtain a review of its property and flood insurance program to verify continuing eligibility for Stafford Act waiver certification. The City asserted that it has done what is necessary to assure Stafford Act waiver certification. The Inspector General suggests that prudence and responsibility require obtaining an outside review of eligibility.

Recommendation 2 is that the City undertake the necessary steps to develop an up-to-date and accurate statement of values of properties owned by the City. The City recognizes the need for this and states that the statement of values will be completed by December 2013. Recommendation 3 is for the City to develop a risk management plan for the property and casualty program. The City's response is that it will form an internal working group and develop such a plan. Recommendation 4 deals with the suggestion that a new request for proposal be issued for the producer of record. It urges that the contract be fee based, that it have clear standards to evaluate the qualifications and that written explanations of numerical scores be required. Recommendation 5 is for the City to improve the oversight of the producer of record and that clear performance standards should be included in the contract. The City states that it will include performance standards in the RFP and that these will be part of the contract.

In responding to Finding 3 on the purchase of separate property insurance for the Mahalia Jackson Theatre, the City asserted that it had entered into an operating agreement with a management facility and that pursuant to that agreement, the City was contractually obligated to maintain insurance and promptly repair, replace, restore and reconstruct the theatre and return it substantially to the same form in which it existed prior to any casualty. The City asserted that it decided to purchase a standalone policy because if the theatre were part of the City's master policy, this contractual requirement would have forced the city to prioritize the repair of the theatre ahead of other, more critical, City infrastructure.

However, by purchasing a separate policy in order to meet the contractual requirements, the City has, in fact, prioritized the repair of the theatre ahead of any other

property owned by the City. It may well have been appropriate to purchase a separate policy to satisfy the contractual requirements of the operating agreement; it cannot however, be justified on the basis that the City does not wish to allocate funds to prioritize the repair of the Mahalia Jackson Theatre over other City properties.

#### City Employee Life Insurance Benefits

The Office of the Inspector General reviewed the City Employee Life Insurance Benefits program. The Inspector General made 8 Findings and 6 Recommendations. In many respects the Findings are similar to those in the Workers' Compensation Evaluation. The Inspector General found overpayment for insurance over a four year period because the risk management in place failed to calculate the number of employees eligible for benefits. Even after having made that adjustment, the Inspector General found there had been overpayment due to a failure to account for employees older than 70 as well as for those employees who were disabled.

Finding 3 again attacks the issue of commissions on insurance policies when few, if any, services are provided and the value of services which are provided is not measured. Finding 4 addressed the failure to obtain competitive bids when the opportunity arose in 2010. Finding 5 involves a destruction of records involving the competitive procurement process in violation of the Public Records Act. Finding 6 points out what appears to be a new instance of avoiding the City's purchase order system in favor of what is called a payment voucher. Issues involving these irregularities have been discussed previously. Findings 7 and 8 dealt with information provided to City employees about their group life and accidental dismemberment and death benefits and their opportunity for making death benefit claims. In both cases the information furnished to employees was inadequate.

The City is taking steps to correct the situation. With respect to the OIG's Recommendations and Findings, the City states that it has acted or is acting to address all of the issues raised by the Inspector General. In some cases the City questions the dollar amounts of losses suggested by the Inspector General but, in any case, it is acting to rectify the deficiencies.

## **VI. Conclusion**

This report of the Quality Assurance Advisory Committee assesses the written work product of the Office during 2012. Our committee conducted a full review of the public work product of the Office of the Inspector General during 2012, including public letters and investigations, audits and reviews, follow-up reports, and inspections and evaluations. It is important to note that the Office of the Inspector General performs many other important duties not included in our review mandate. This committee did not review the work of the Police Monitor.

Our committee found the OIG to be extraordinarily productive in producing the twenty-three documents we reviewed. The reports were clearly written and provided a window into the operation of government for the residents of New Orleans. The topics that were addressed through the written products of the OIG were important and highlight the efficiency, competence, and honesty of government. After examining the scope of the OIG's reviews, we encourage the OIG to take full advantage of its broad mandate and pursue broad issues in governmental structures and efficiency, even if this endeavor requires a slight shift in its planned focus or potentially changing the mix of its expertise.

Our report offers a number of comments and observations. Public letters and results of investigations reach a wide audience and have great potential impact on public policy and political practice. Overall, the public letters and investigations were very effective and timely interventions. We did raise a caution with respect to the potential public perception of the OIG in the letter on the Sewerage and Water Board.

The OIG conducted six follow-up reports. The results of these reports indicate that the work of the OIG has been taken quite seriously by government agencies. Of the six studies, four reveal virtually complete compliance. In particular, the Municipal Court has reformed its financial practices that were discussed extensively by the OIG in 2011. One persistent area that remains a problem for the City is vehicle use; the OIG plans further review in this area.

During 2012, the OIG conducted six in-depth inspections and evaluations of City operations in a wide variety of programs. These turned up many important findings that the City has indicated it will address over the next several years. There are naturally areas where the City has not agreed with the assessment and recommendations of the OIG. Some of these could be seen to fall under the purview of management decisions —for example, how closely can the City monitor the third-parties it hires to monitor contracts; can the City realistically set aside adequate reserve funds in times of fiscal stringency; and when should work be contracted out or performed in-house? The City provided thoughtful responses to the reports of the OIG. Finally, benchmarking service provision through comparison to other cities can be a very useful diagnostic, but ultimately our political bodies need to make these determinations, particularly when current service levels fall below comparison cities and budgetary resources are, as present, extremely limited.

Overall, our committee believes that the reports of the OIG provided an extremely valuable service to the City of New Orleans through its written work. These reports have also opened up important areas for reform and debate for the citizens of New Orleans.

## **APPENDIX**

### **DOCUMENTS REVIEWED**

#### **OFFICE of the INSPECTOR GENERAL** **2012 REPORTS & PUBLIC LETTERS**

##### **PUBLIC LETTERS**

|   |                   |
|---|-------------------|
| Letter to Chairman Wildes, Civil Service Commission<br>Re: Overtime-Changes to Civil Service Rules                    | December 20, 2012 |
| Letter to Mayor Landrieu Re: Sewerage & Water<br>Board Rate Increases   | July 31, 2012     |
| Letter to Judge Desiree Charbonnet, Chief Administrative<br>Judge Re: Municipal Court Personnel Practices             | July 24, 2012     |
| Letter to Judge Desiree Charbonnet, Chief Administrative<br>Judge Re: Municipal Court Fines & Fees/Other Issues       | July 17, 2012     |
| New Orleans Aviation Board Follow-Up Letter Re: The<br>Cost and Management of Passenger Type Vehicles                 | March 28, 2012    |
| Letter to Mark Jernigan, Director of the Department of<br>Public Works Re: Curbside Management and<br>Enforcement RFP | March 9, 2012     |
| Follow-Up Letter to the CAO Re: Municipal Court<br>Take-Home Vehicles   | May 3, 2012       |

##### **AUDIT & REVIEW**

|  |                |
|--|----------------|
| Urban Development Action Grants Agreed-Upon<br>Procedures            | June 22, 2012  |
| A Review of the New Orleans Aviation Board's Credit<br>Card Activity | March 13, 2012 |

##### **FOLLOW-UP REPORTS**

|   |               |
|---|---------------|
| Follow-Up Report: A Performance Audit of the Municipal<br>Court's Remittances to the City (Public Letter: Municipal<br>Court Fines & Fees/Other Issues) | July 17, 2012 |
|---|---------------|

|  |                   |
|--|-------------------|
| Follow-Up Report: A Review of the New Orleans Municipal Employees' Retirement System Travel Policy   | July 9, 2012      |
| Follow-Up Report: Interim Recommendations for the Policy Memorandum 5 (R) Revised and Issued on April 18, 2009 in Response to the OIG's Interim Report on the Management of the Administrative Vehicle Fleet | March 8, 2012     |
| Follow-Up Report: Interim Report on the Management Of the Administrative Vehicle Fleet   | March 7, 2012     |
| Follow-Up Report: The Department of Sanitation Contract Oversight Performance Audit  | February 16, 2012 |
| Follow-Up Report: Travel and Business Expense Reimbursement and Credit Card Issuance and Use Policies 9 (R) and 116 (R)  | February 15, 2012 |

**INSPECTIONS & EVALUATIONS**

|  |                   |
|--|-------------------|
| Evaluation of City's Workers' Compensation Program                             | December 13, 2012 |
| Evaluation of City Motor Vehicle Self-Insurance Program and Vehicle Use Policy | October 23, 2012  |
| Inspection of the Vendor Payment Process of the City of New Orleans            | October 18, 2012  |
| 2012 Appropriated Expenditures for Sanitation Services and Parks & Recreation  | October 2, 2012   |
| Evaluation of City Property and Casualty Insurance                             | April 26, 2012    |
| Evaluation of City Employee Life Insurance Benefits                            | February 7, 2012  |

**INVESTIGATIONS**

|  |                  |
|--|------------------|
| Administrative Investigation: Traffic Court  | November 1, 2012 |
| Report of Inquiry into Actions of the Administrative Judge of New Orleans Municipal Court and the Orleans Parish Sheriff to Retain One Another's Spouses | July 11, 2012    |

**ANNUAL REPORT**

|                    |                  |
|--------------------|------------------|
| 2012 Annual Report | January 24, 2013 |
|--------------------|------------------|