

Annual Work Plan

2021

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Derry Harper Esq., CIG

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I. INTRODUCTION

This Annual Work Plan of the City of New Orleans Office of Inspector General (OIG) covers the period from September 1, 2020, to August 31, 2021. It is the second part of a rolling two-year audit and evaluation Work Plan designed to allow greater flexibility and discretion in the timing and selection of projects to be completed during a two-year cycle.

Pursuant to the City Charter, the enabling Ordinance, and applicable professional standards, the OIG undertakes a planning process that identifies goals, priorities, and strategies, which align with our mission and vision while effectively using available resources. Work planning is a cyclical process by which OIG staff assess the performance of city departments and component entities in order to adjust the OIG work plan to reflect a changing environment. Our ability to remain agile during the current COVID-19 pandemic is crucial for us to effectively manage our workload, while remaining committed to our mission.

The 2021 Annual Work Plan is based upon the results of the 2019 system-wide risk assessment project, along with our assessment of several high-profile local events and related responses. The purpose of the Work Plan is to communicate OIG priorities and strategies to the public, the Mayor, the City Council, the Ethics Review Board, and all interested parties.

MISSION OF THE OFFICE OF INSPECTOR GENERAL

The mission of the OIG is to promote accountability, integrity, and efficiency in city government operations by preventing and detecting fraud, waste, and abuse. We do so by conducting audits, inspections, evaluations, and investigations. We provide our reports, findings, and recommendations to the public, the Ethics Review Board, the City Council, and other interested parties. In addition, the OIG routinely refers allegations of fraud or misconduct that may be criminal in nature to the appropriate federal, state, or local law enforcement agencies, and in many instances, assists in the investigation of the matters.



The OIG, as established in 2007 by City Ordinance, created a unique structural and operational framework that provides autonomy and independence from the City's

Executive and Legislative branches while encouraging working cooperatively with the other branches of government. The Ethics Review Board (ERB) is responsible for the appointment of the Inspector General to a four year term but has no authority over OIG operations, including the selection and execution of audits, evaluations and inspections. However, the ERB does serve the critical function of providing oversight by meeting regularly to review OIG reports and activities. This organizational structure was designed to provide the public with reasonable assurance all OIG activities are conducted in an objective and independent manner.

VISION OF THE OFFICE OF INSPECTOR GENERAL

Our vision is to *preserve the public trust*. These four words embody who we are and reinforces our commitment to the citizens of New Orleans and to the community as a whole. To fulfill this vision, all activities and reports issued by the OIG meet the highest professional and ethical standards. For more than a decade, the OIG's prime objective was to demonstrate we were worthy of the trust placed in us by the people of this community. To earn this trust in the future, we must strive every day to achieve excellence in the performance of all of our duties and at all times do so with a steadfast commitment to integrity and accountability. By fulfilling this pledge, the OIG will continue to have a positive impact in the lives of the people we serve and preserve the bond of trust that is the foundation of achieving our vision and mission.

II. RISK CATEGORIES, METHODOLOGY AND ACCEPTANCE

The purpose of a system-wide risk assessment is to guide the OIG in setting priorities in the selection of projects. Conducting a risk assessment benefits the public because it ensures that we spend taxpayer resources on projects that benefits the public.

CATEGORIES

In 2019, the OIG developed and finalized a new risk assessment framework to take a fresh look at city government operations. Risk in this context is defined as “the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.” (Institute of Internal Auditors, 2017)

The risk assessment framework begins with the budget and number of budgeted positions at city departments, agencies, and programs under OIG jurisdiction. Auditors and evaluators then performed detailed research about each entity, which included conducting surveys and interviewing leaders and other individuals within each organization. The risk assessment then analyzed these entities utilizing four categories: compliance risk, financial risk, operational risk, and reputational risk, factoring in potential impact to the organization.

COMPLIANCE RISK

This category contemplates the risk that the agency is not complying with laws, regulations, or professional standards. This category allows for general consideration of tips to OIG about potential fraud, waste, and abuse based on knowledge of potential non-compliance.

FINANCIAL RISK

This category considers the likelihood of insolvency or financial instability within an organization, as well as the risk of fraud, waste, or corruption. It also includes an assessment of the risk that the organization does not adequately manage, maintain, or safeguard its physical assets.

OPERATIONAL RISK

This category considers the prospect of deficiencies in the entity’s operations, including improper or insufficient management/oversight, process and/or

technological failures that could result in inefficiencies or liabilities for taxpayers. It takes into consideration that the agency lacks updated, well-documented policies and procedures to achieve the agency’s mission. Further, it assesses the staffing risk that the entity does not have the right people in the right places with the right skills to fulfill the entity’s purpose.

REPUTATIONAL RISK

This category considers the decline in public trust that may occur when media reports and/or independent audits suggest dysfunction and instability about the organization. It also contemplates the external events that could impose necessary changes on an organization’s operations, focus, priorities, or workload, such as a political change, legislative change, court decision, new regulations, or responses to natural disasters. This specific risk could prompt auditors and evaluators to look deeper when there are known problems at an entity.

This category also allows the OIG to consider the type and critical nature of services that an organization provides to the public. Issues that are essential to citizens are issues of concern to the OIG.

METHODOLOGY

The Audit and Evaluations Divisions conduct a continuous risk assessment to identify potential areas for inclusion in its Two-Year Rolling plan. Interviews with various city officials, department executives and appropriate staff, along with risk assessment surveys were used to identify areas of risk and potential projects. This information was combined into an overall plan designed to address critical risks to achieving goals and objectives for city programs and services, while being sensitive to operational requirements. The following graph depicts the approach taken in creating this plan.

1. Information Gathering and Scoping
<ul style="list-style-type: none">• Gained understanding of city operations and current environment risks through training, publications, and industry personnel.• Read technical guidance from GASB, GAGAS, and other professional standards to identify changes to audit and accounting requirements.• Updated universe of audit and evaluation activities, based on data, information received from external stakeholders.

2. Risk Identification and Analysis

- Interviewed various city officials, department executives and designated staff to obtain various points of view regarding risks.
- Requested and reviewed survey responses of executives regarding their assessment of risk in the categories of fraud, compliance materiality, suspected concerns and emerging risks.

3. Development and Vetting of Proposed Plan

- Developed a proposed plan for Audit and Inspections/Evaluations based on interviews, risk assessment, resourced availability, budget and division coverage.

4. Next Steps

- Submission and discussion with Ethics Review Board (ERB).
- Formalize and distribute the Annual Work Plan in accordance with the New Orleans City Code of Ordinances, Article XIII, Section 2-1120 (17)

ACCEPTANCE

The OIG is committed to being a valuable resource and trust adviser in identifying, responding, and aiding in the improvement of city-wide department programs, services, and critical activities and is offering this plan that focuses on critical risk areas, yet builds in flexibility to allow for special and requested services as deemed important to elected officials, agency executives and the OIG.

While the proposed work plan results from our consideration of a wide-ranging scope of projects, it does not, nor does intend to, address or provide coverage for all city-wide programs, activities, systems or responsibilities. Our primary goal is to optimize our available resources to provide reasonable coverage in the areas we believe would most benefit from our services and address key risks.

However, because we cannot address every risk area, it is important to clearly communicate to city officials and external stakeholders the limitations of the plan coverage and the risks they assume in areas not reviewed. Specific to reputational risk, we considered the public impact that city operations may have on its constituents through media coverage, political and legislative changes, and audit reports noting areas of concerns, dysfunction, and/or instability.

We believe this plan appropriately and best allocates resources of the OIG to the critical priorities and risks of identified operations at this point in time.

III. RISK RESULTS AND ENTITIES

During the 2020 calendar year, auditors and evaluators updated the comprehensive risk assessment. Based on the revised results from the risk assessment, the OIG has confirmed entities previously identified and noted new entities for further inquiry:

SEWERAGE & WATER BOARD OF NEW ORLEANS (S&WB)

According to the S&WB's 2018 operating budget, the water utility has \$234 million in operating revenue and \$302 million in operating expenses, leaving the S&WB with a projected operating loss of \$68 million.

Historically, systemic weaknesses were identified at the S&WB in the areas of governance, infrastructure management, financial management, business processes improvements, and technology implementation, along with an overall negative public image. Furthermore, the Louisiana Legislative Auditor recently released their report identifying specific concerns relating to the implementation of the Cogsdale billing system, including delayed testing, limited data migration, and inadequate training.

Considering all these factors, the S&WB faces significant risks in all categories in the OIG risk assessment.

ORLEANS PARISH SHERIFF'S OFFICE

OPSO is responsible for managing the Orleans Justice Center and has been under federal consent decree since 2013. In 2016, the federal judge overseeing the consent decree transferred operational control of the facility to a compliance director who reports to the court rather than the sheriff. OPSO also has a long and well-documented list of problems, including inmate deaths, drugs in jail, and expensive contracts. OPSO has challenged the OIG's jurisdictional authority, refused to cooperate and denied our requests for information.

ORLEANS PARISH COMMUNICATIONS DISTRICT

OPCD was created by State statute, and added responsibility for 311 work orders to its longstanding 911 emergency dispatch operations. The agency does not appear to operate under city policies nor an effective governance structure, including reported weaknesses in internal controls relating to purchasing, disbursements, and cash management, along with reported changes in the technology platforms.

Further, the City's 311 system went through wholesale changes when the operation was transferred to OPCD, creating new management and operational challenges for the Communications District.

DEPARTMENT OF FINANCE

The Department of Finance collects taxes and fees, manages the procurement of goods and services, and handles most financial management for the City of New Orleans. It is also a large department with a budget of \$62.3 million and 116 employees, according to the 2018 Adopted City Budget.

The December 2019 Cybersecurity/Ransomware attack, followed by the current COVID-19 pandemic have been two of several high-profiled events that requires additional reviews of various city operations to ensure the identified risks are properly managed to an acceptable level.

Specifically, the Finance Department has implemented and transitioned to a new computer system known as the Enterprise Resource Planning System (ERP)/BRASS that will consolidate many financial management functions and replace five antiquated computer systems, according to city documents about the ERP. City leadership concurs the new system is better able to budget and manage its resources, identify problems in tax collection and other areas, and operate more efficiently.

Another area for further review is the Job Order Contracts (JOC) processes and procedures used by several city agencies. Job Order Contracts are a mechanism used to procure services from recognized vendors in order to provide a broad range of services. Departments procured vendors using the E-Gordian website, which provided a catalog of available services or unit price book that vendors used to develop proposals.

DEPARTMENT OF PUBLIC WORKS

The City has initiated efforts to make necessary improvements to the streets through the multi-year, \$2.3 billion RoadWork NOLA program. However, there are many concerns about the effectiveness and efficiency of the program's design, which also requires significant contractor management skills. The DPW relies heavily on contractors and historically had challenges with managing contractor billings. Because the S&WB is a standalone entity outside of DPW's control, repairing streets requires coordination with the S&WB. In recent years, DPW has also

increasingly become a revenue center for the city with its curbside management responsibilities.

DEPARTMENT OF SANITATION

The Department of Sanitation manages waste contracts worth more than \$34 million. Because of the small number of employees and large size of the contracts, the risk of insufficient oversight and potential for fraud, waste and/or abuse activities are high. The department provides services that are essential to the public health and safety of the city, and is responsible for enforcing laws and regulations surrounding illegal dumping.

CIVIL SERVICE DEPARTMENT

The Civil Service Commission was created and pursuant to the Louisiana Constitution and serves as the policy-making entity that exercises oversight of activities of the Civil Service Department. The department is also constitutionally created and is responsible for the overall administration of the personnel functions in city government. All departments and/or commissions are required to seek their approval for hiring and/or reclassification of both classified and unclassified positions. Several city department leaders described the processes for seeking these approvals as rather formidable.

NEW ORLEANS FIRE DEPARTMENT

The Firefighters Pension Fund likely does not have sufficient funds to pay its obligations in the medium- and long-term, and the City is required to provide funding for any shortfalls. There are two pensions in the fund: the pre-1968 “old” system and the “new” system. The new system was only 10 percent funded in 2016 and 2017, while the U.S. Government Accountability Office (GAO) recommends funding levels of at least 80 percent. The Fund has suffered from poor investment performance, and many investments are illiquid. The Fund missed audit deadlines and lacks appropriate controls. Furthermore, it has an unusually high rate of disability retirements. The condition of the pension raises questions about the effectiveness of its governance and investment policies.

NEW ORLEANS POLICE DEPARTMENT

NOPD has been under the auspices of a federal consent decree since January 2013. NOPD Executive leadership and the Cantrell Administration have endorsed the case for finalizing the departure from this seven-year federal oversight agreement

that required systemic changes and corrections to past NOPD bad practices. Based on the current cost structure, approximately \$7 million is spent annually, and \$55 million since inception. In order to officially end the compliance requirements, the City Attorney would be required to file a court motion and receive approval from the federal judge. However and prior to the final approval, federal oversight monitors are required to assess and determine the readiness and full compliance of the department, continuing to put a burden on the city's budget.

CORRUPTION

Fraud and corruption are perennial concerns at the City of New Orleans. Regrettably, the City has a well-documented history of corruption. A lack of internal controls, insufficient processes and outdated technology at many departments and agencies create opportunities for fraud. The City's decentralized structure with more than 100 outside boards and commissions also created the potential for a lack of accountability and transparency in these silos.

IV. PROJECTS

The projects listed below implement the OIG’s strategy and are intended to provide essential information that entity managers could use to mitigate the risks identified in the assessment. The OIG’s work involves the evaluation of city programs and operations; doing so requires examining and reporting on the effectiveness of policy as implemented.

The Association of Inspectors General Green Book standards state that analyzing government operations and programs includes “making recommendations to improve programs, policies, or procedures.” These standards require that auditors and evaluators identify the root cause of deficiencies reported as findings and consider the impact of those deficiencies.

Sometimes, problems occur when organizations develop appropriate policies but are ineffective in their implementation. In other cases, an organization may implement a policy that may result in inefficient or ineffective operations. In the latter scenario, OIG staff examine the policy to determine flaws and recommend design improvements in hopes of bringing about better outcomes.

The OIG will review and modify the schedule of activities as circumstances warrant during the 2020-21 work plan year.

PROJECTS UNDERWAY

Anticipated completion dates are noted in parentheses and are subject to change.

- Audit of Audubon Payroll (2020)
- Audit of Audubon Disbursements (2020)
- BRASS Purchasing/Enterprise Resource Planning (ERP) System (2021)
- Department of Public Works/Sewerage & Water Board Roadway Repair and Restoration (2021)
- Firefighter’s Pension Governance (2021)
- Job Ordering Contracts (2021)
- Orleans Parish Communications District (2021)

PROPOSED PROJECTS STARTING IN 2021

The projects listed below will begin as current audits and evaluations are completed. New projects may be delayed due to the carryover of existing projects or actions beyond the control of the OIG, such as delays in receiving requested documents or management and staff turnover at the agencies under review.

CIVIL SERVICE COMMISSION

- Efficiencies and Approvals for Hiring Practices

DEPARTMENT OF FINANCE

- Strategies and Protocols for Cybersecurity Management

DEPARTMENT OF SANITATION

- Review of Billings and Outstanding Collections

NEW ORLEANS POLICE DEPARTMENT

- Assessment and Strategies for Finalizing the Federal Consent Decree

ORLEANS PARISH SHERIFF'S OFFICE

- Management Operational Processes and Procedures for the Orleans Justice Center

SEWERAGE & WATER BOARD

- Review of Governance Practices and Procedures (including the status of implementation of findings and recommendations from the OIG Internal Audit Performance Audit)

PUBLIC CORRUPTION

- Conduct Fraud Awareness seminars for employees and contractors—
Investigations Division, ongoing
- Conduct investigations and refer evidence to appropriate prosecutors—
Investigations Division, ongoing

V. QUALITY ASSURANCE AND QUALITY CONTROL

The OIG is an oversight organization. We accomplish our mission primarily through audits, evaluations, inspections, investigations, and other fact-finding and reporting activities.

QUALITY ASSURANCE – PEER REVIEW

In June 2018, the Association of Inspectors General (AIG) conducted a triennial peer review of the New Orleans Office of Inspector General Audit & Review Division, Investigations Division, and Inspections & Evaluations Division. The peer review team evaluated the work of the three divisions from January 1, 2015, through December 31, 2017.

In preparation for the upcoming triennial peer review for 2021, the OIG management and staff will review and update existing policies and procedures to ensure continued compliance with Generally Accepted Government Auditing Standards (Yellow Book) issued by the U. S. Government Accountability Office (GAO). The peer review team will also assess the work of the Investigations and the Inspections & Evaluations divisions to determine if each division complied with the AIG Principles and Standards for Offices of Inspector General (Green Book).

QUALITY ASSURANCE – CITIZEN REVIEW

Every year, the Mayor, City Council, and the ERB are responsible for appointing a committee of three citizens to review the published work products of the OIG from the preceding year.

Earlier this year, the Quality Assurance Review Advisory Committee was appointed to review the OIG’s work for the 2019 calendar year.

QUALITY CONTROL

The OIG developed the following goals, objectives, and strategies to ensure that our work adheres to the highest standards of professional conduct and to ensure we achieve our mission.

GOAL # 1: TO PREVENT AND DETECT FRAUD, WASTE, AND ABUSE

Objective 1: To inform citizens of New Orleans, agency executives, and those charged with governance on how to prevent and detect fraud, waste, and abuse.

STRATEGIES:

- Conduct Fraud Awareness briefings and seminars.
- Conduct seminars with publicly funded boards based on the OIG's Handbook for Boards and Commissions.

Objective 2: To provide continuous monitoring over contracts and other activities to deter fraud, waste, and abuse.

STRATEGIES:

- Collaborate with the Chief Procurement Office to assess and evaluate new procurements exceeding \$100,000 in value.
- Monitor high-risk City contracts.
- Conduct investigations into allegations or indications of fraud and abuse, and refer credible evidence of fraud or abuse to prosecutors and city officials, as appropriate.

GOAL # 2: TO FOCUS OIG ACTIVITIES ON THE RIGHT ISSUES AT THE RIGHT TIME

Objective 3: To ensure the OIG directs resources to the issues of greatest concern and that the most important projects are selected for review.

STRATEGIES:

- Develop an annual work plan based on assessed risks for the universe of City of New Orleans and its component and satellite entities.
- Assign resources according to priorities identified in the risk assessment.
- Complete projects in a timely manner to provide relevant and timely reports.

GOAL # 3: TO PROVIDE CREDIBLE AND ACCURATE REPORTS

Objective 4: To ensure that staff are independent as they perform projects to achieve objectives in accordance with professional standards.

STRATEGIES:

- Remain organizationally independent as established by the City Charter.
- Require staff members to attest and certify their personal independence on each project.

Objective 5: To ensure that the OIG staff possesses sufficient knowledge and skills to achieve the objectives of OIG projects.

STRATEGIES:

- Require staff meet continuing professional education requirements.
- Require OIG staff have met minimum qualifications, including obtaining advanced degrees, prior work experience, and/or nationally recognized certifications for employment.

Objective 6: To ensure that the OIG develops and implements methodology in accordance with professional standards and the methodology is appropriate to achieve objectives.

STRATEGIES:

- Require staff to abide by policies and procedures developed by the OIG to ensure a high level of quality control for each project. Quality control procedures include proper planning and supervision throughout each phase of the project.
- Communicate and disseminate policies and procedures to all employees.

GOAL #4: TO COMMUNICATE COMPLETE AND ACCURATE REPORTS TO THE CITIZENS OF NEW ORLEANS, AGENCY EXECUTIVES, AND/OR THOSE CHARGED WITH GOVERNANCE

Objective 7: To involve agency executives and/or those charged with governance in all phases of projects.

STRATEGIES:

- Communicate findings or other information with managers and/or those charged with governance throughout the project to encourage corrective action.
- Inform decision makers of findings, identify underlying causes of reported problems, and work with decision makers to develop recommendations that serve as a basis for corrective action.

Objective 8: To ensure that OIG reports meet all form and content expectations established by city ordinance and professional standards.

STRATEGIES:

- All information required by city ordinance and professional standards.
- Provide clear and concise information and encourage agency executives to take appropriate corrective action.
- Provide reports free from professional and/or personal conjecture and bias.

CONCLUSION

The Annual Work Plan is designed to provide a framework for OIG projects and activities during a 12 month period. Due to several factors, it must be flexible in order to respond to changes in the risk universe.

We present this Work Plan in accordance with the applicable laws and professional standards and welcome comment and suggestions from all interested parties.