



**Office of Inspector General
City of New Orleans**

**Follow-up Report: A Review of the Orleans Parish Coroner's
Supplemental Payments to Employees and Contractors
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Follow-up #3 This corrective action was not implemented. The Coroner’s Office did not create a formal policy specifying the conditions that must be met in order for an employee to receive supplemental payments and did not “obtain formal authorization from City Council for disbursement of these self-generated funds.”

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Follow-up #9: This corrective action was not implemented. The Coroner's Office did not maintain a written agreement with all contractual employees.

EXECUTIVE SUMMARY

In March of 2013 the Office of Inspector General (OIG) conducted a performance audit titled, “A Review of the Orleans Parish Coroner’s Supplemental Payments to Employees and Contractors” (the 2013 Report). The purpose of the audit was to determine if the Orleans Parish Coroner’s Office (the Coroner’s Office) was in compliance with city policies, and state and federal laws regarding supplemental payments.

The Coroner’s Office did not implement seven of the nine corrective actions promised by the Coroner’s Office in the 2013 Report. One of the nine corrective actions was partially implemented; and one of the nine corrective actions from the 2013 Report could not be tested due to lack of documentation.

The findings from the 2013 Report included the following:

1. “The Coroner’s Office made unauthorized supplemental payments to its employees and contractors.”
2. “The Coroner’s employees, who were paid through a City General fund allocation, worked for other parishes during their City funded work day.”
3. “The Coroner’s Office did not maintain a written policy outlining when employees and or contractors could receive supplemental payments.”
4. “The Coroner did not maintain documentation of the calculations used for the supplemental payments.”
5. “The Coroner’s Office was inconsistent in the coding of the supplemental payments in its general ledger.”
6. “The Coroner’s Office had a doctor classified as [both] an employee and an independent contractor simultaneously.”
7. “The Coroner’s Office did not issue 1099s to its contractors paid through its separately maintained bank account.”
8. “The Coroner’s Office did not issue W-2s to its employees paid through its separately maintained bank account...”
9. “[The] Coroner’s Office paid... contractual employees without a written agreement stating an amount to be paid for the services to be performed.”

The purpose of this follow-up report was to determine if the Coroner’s Office implemented the corrective actions identified in the 2013 Report.¹

¹ The responses from the Coroner’s office noted in this report were submitted under the former Coroner’s reign.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the follow-up was to determine if the Coroner's Office implemented the corrective actions promised in its responses to the 2013 Report. The scope of the follow-up report included active service and maintenance contracts in effect from January 1, 2013 through December 31, 2013.

The following procedures were performed to accomplish the follow-up objectives:

- Conducted interviews with personnel to gain an understanding of the current processes and controls in place;
- Determined whether formal authorization was obtained for disbursement of self-generated funds;
- Evaluated how the Coroner's Office tracked time worked for outside parishes;
- Determined whether the Coroner's Office implemented written policies regarding supplemental pay;
- Evaluated whether supplemental payments were distinguished from other payments;
- Evaluated whether the Coroner's Office created a new employment classification for "Chief Forensic Pathologist";
- Determined whether employees receiving supplemental payments were issued W-2s for those supplemental payments;
- Determined whether contractors receiving supplemental payments were issued 1099s for those supplement payments; and
- Determined whether the Coroner's Office maintained written agreements with contractual employees.

This follow-up report was conducted in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book).²

Computer-processed data was provided and relied upon. A formal reliability assessment of the computer-processed data was not performed. Hard copy documents reviewed supported the information contained in the computer-processed data.

² Association of Inspectors General, 2004.

II. FOLLOW-UP: CORRECTIVE ACTIONS

Recommendation 1: “The Coroner’s use of public funds should comply with state law and be authorized by state statute or the City Council prior to payment. The payment of supplemental pay to employees and independent contractors should be discontinued.”³

Recommendation Accepted by the Coroner: “...These payments were intended to reward certain employees, to reimburse them for any costs, and, most importantly, to provide incentive for all in my office to continue to serve the public with such professionalism. By the end of the calendar year, we hope to obtain formal authorization from City Council for disbursement of these self-generated funds...”

Finding #1 Corrective Action: This corrective action was not implemented. The Coroner’s Office did not receive formal authorization from the City Council for the disbursement of self-generated funds.

Recommendation 2: “The Coroner’s Office should keep track of the time spent working for other parishes so that Orleans Parish receives the services due to it. The allocation provided by the City for the Coroner’s employees should be used strictly for services provided for Orleans Parish. The services performed for other parishes should be paid from the funds earned from those Parishes.”

Recommendation Accepted by the Coroner: “...In the future, we will track the time spent on such out-of-parish cases to document how these services do not affect our primary obligation to the citizens of Orleans Parish.”

Finding #2 Corrective Action: This corrective action was not implemented. The Coroner’s Office did not “track the time spent” working for other parishes.

Recommendation 3: “The supplemental payments must be pre-authorized by the City Council or by statute, and must comply with constitutional restrictions. Once authorized, the Coroner’s Office should have a written policy for the salary supplements which defines when the salary supplement can be received by an employee or a contractor.”

³ All supplemental payments should comply with the state constitution.

Recommendation Accepted by the Coroner: "...These payments were intended to reward certain employees, to reimburse them for any costs, and, most importantly, to provide incentive for all in my office to continue to serve the public with such professionalism. By the end of the calendar year, we hope to obtain formal authorization from City Council for disbursement of these self-generated funds, and will then create formal policies that specify under what conditions such monies can be paid."

Finding #3 Corrective Action: This corrective action was not implemented. The Coroner's Office did not create a formal policy specifying the conditions that must be met in order for an employee to receive supplemental payments and did not "obtain formal authorization from the City Council for disbursement of these self-generated funds."

Recommendation 4: "The supplemental payments need to be pre-authorized by statute or the City Council. Once authorized, the Coroner's Office should document its policy relating to salary supplement payments. The policy should clearly define how the calculation was determined."

Recommendation Accepted by the Coroner: "...These payments were intended to reward certain employees, to reimburse them for any costs, and, most importantly, to provide incentive for all in my office to continue to serve the public with such professionalism. By the end of the calendar year, we hope to obtain formal authorization from City Council for disbursement of these self-generated funds, and will then create formal policies that specify under what conditions such monies can be paid."

Finding #4 Corrective Action: This corrective action was not implemented. The Coroner's Office did not create a formal policy specifying how the supplemental payments were to be calculated.

Recommendation 5: "If the Coroner's Office is able to institute a salary supplement which complies with state law, it should record the salary supplement payments to a designated general ledger account in order to distinguish these payments from other operating expenses. The consistency in recording these payments should facilitate the preparation of the year-end payroll reconciliations and forms."

Recommendation Accepted by the Coroner: "...we have already corrected these issues and have consulted with an accountant regarding future practices."

Finding #5 Corrective Action: The OIG was unable to determine whether this corrective action was implemented. Sufficient documentation was not available to distinguish between reimbursable operating expenses and supplemental payments made to employees.

Recommendation 6: “The Coroner’s Office and its employees must comply with the Louisiana Code of Governmental Ethics. Further, an employer must make a distinction between an employee and an independent contractor for federal tax purposes. The employee’s classification affects the way the Coroner’s Office should pay and file payroll tax returns.

The Coroner’s Office should discontinue the practice of classifying an employee as both a contractor and an employee.”⁴

Recommendation Accepted by the Coroner: “... By the end of this calendar year, we hope to have successfully created a new employment classification within city government of ‘Chief Forensic Pathologist’ with appropriate reimbursement for both duties.” “We are preparing an ordinance to create a new position in order to compensate our forensic pathologist for additional duties. Therefore, we will no longer pay [a] contractual fee and regular city compensation.”

Finding #6 Corrective Action: This corrective action was partially implemented. The Coroner’s Office discontinued the practice of classifying an employee as both a contractor and an employee. However, the Coroner’s Office did not create a new employment classification for “Chief Forensic Pathologist” as of the scope of this audit.⁵

Recommendation 7: “The Coroner’s Office should require all independent contractors earning more than \$600 per calendar year to complete a Form W-9⁶ prior to payment. A 1099 must be sent to each independent contractor who received more than \$600 in a calendar year by January 31 of the following year in accordance with IRS regulations.”⁷

⁴ IRS publication: 1779.

⁵ The new administration created a proposal for the creation of a “Chief Forensic Pathologist” and it was introduced at the City Council meeting on November 6, 2014.

⁶ “If you’ve made the determination that the person you’re paying is an independent contractor, the first step is to have the contractor complete Form W-9, Request for Taxpayer Identification Number and Certification. This form can be used to request the correct name and Taxpayer Identification Number, or TIN, of the worker. A TIN may be either a Social Security Number (SSN), or an Employer Identification Number (EIN). The W-9 should be kept in your files for four years for future reference in case of any questions from the worker or the IRS.” Website: www.irs.gov/businesses/small/article/0,,id=179114,00.html.

⁷ “If you paid someone who is not your employee, such as a subcontractor, attorney or accountant \$600 or more for services provided during the year, a Form 1099-MISC needs to be completed, and a copy of the 1099-MISC must be provided to the independent contractor by January 31 of the year following payment. You must also send a copy of this form to the IRS by

Recommendation Accepted by the Coroner: "...we have already corrected these issues and have consulted with an accountant regarding future practices."

Finding #7 Corrective Action: This corrective action was not implemented. The Coroner's Office did not file 1099s for either of the two⁸ contractors (100%) receiving supplemental payments greater than \$600 in 2013.

Recommendation 8: "The Coroner's Office must issue W-2's⁹ for any employee that received salary supplement payments in 2012. The Coroner's Office should consult with the IRS for tax guidance regarding supplemental payments to their employees during 2006-2011 that were not filed on a W-2 form."¹⁰

Recommendation Accepted by the Coroner: "...we have already corrected these issues and have consulted with an accountant regarding future practices."

Finding #8 Corrective Action: This corrective action was not implemented. W-2s were not filed for five of the 12 (42%) employees who received supplemental payments greater than \$600 in 2013. In addition, the Coroner's Office was unable to provide W-2s filed on behalf of employees receiving payments from 2006 through 2011.

Recommendation 9: "The Coroner's Office should have written agreements with all independent contractors specifying the rate of pay for the services to be performed prior to making payments to the contractor."

Recommendation Accepted by the Coroner: "...We are entering into a letter of agreement with contractual employees." "...and establishing rate of pay."

Finding #9 Corrective Action: This corrective action was not implemented. The Coroner's Office did not maintain a written agreement with one of the two (50%) contractual employees.

February 28 (although the form does not have to be sent to the IRS until March 31 if the business files the 1099s electronically, using the FIRE system)." Website: www.irs.gov/businesses/small/article/0,,id=179114,00.html.

⁸ The Coroner's Office has reduced the number of contractors from seven in the 2013 Report to two as of December 31, 2013.

⁹ Coroner employees who were paid by the City received W-2's from the City. The Coroner's Office did not issue W-2's for the additional supplemental payments issued to these employees.

¹⁰ The Coroner's Office maintained a separate bank account, independent from the City's General Fund, through which the supplemental payments were made.