

Annual Work Plan

2020

September 1, 2019



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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, 2019, to August 31, 2020. It is the first 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.

The 2020 Annual Work Plan is based upon the results of a system-wide risk assessment project. 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 ASSESSMENT

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.

ASSESSMENT CATEGORIES

In 2018, the OIG developed 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 new risk assessment framework starts 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: financial risk, operational risk, compliance risk, and reputational risk, factoring in potential impact to the organization.

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 account 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.

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.

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.

III. RISK RESULTS AND ENTITIES

During calendar years 2018 and 2019, auditors and evaluators conducted a comprehensive risk assessment of major city entities using the new framework. It is the first time that the OIG has conducted a citywide risk assessment since 2011. Based on the results from the risk assessment, the OIG has identified the following entities for further inquiry:

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

The Sewerage & Water Board is the largest city governmental body outside of City Hall as defined by the City's Comprehensive Annual Financial Report (CAFR). 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.

The S&WB rates for consumers have been rising, yet its management of water, sewer, and drainage operations remains substandard. Further, the S&WB has systemic weaknesses in the areas of governance, infrastructure management, financial management, business processes improvements, and technology implementation, along with an overall negative public image.

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. OPSO has been under federal consent decree since 2013 because of safety and operational problems at the jail, and progress toward compliance has been slow. 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 refused to cooperate and denied the OIG's requests for information.

ORLEANS PARISH COMMUNICATIONS DISTRICT

OPCD was created by State statute. It recently 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.

Approximately 34 percent of the City's general fund revenue, or \$219.7 million, derives from sales taxes, according to the city budget. City officials told OIG that historically, the Department of Finance did not have a "red flag" system for identifying businesses that may be underreporting their revenues, creating a risk that the City may not be collecting all of the sales taxes that are owed to it.

The Finance Department has recently implemented a new computer system known as the Enterprise Resource Planning System (ERP) that will consolidate many financial management functions and replace five antiquated computer systems, according to city documents about the ERP. If the implementation goes well, the City will be better able to budget and manage its resources, identify problems in tax collection and other areas, and operate more efficiently. However, implementing the ERP is a massive transition that requires software conversions and employee training, and such transitions have not always been effective.

DEPARTMENT OF PUBLIC WORKS

Streets are in poor condition in New Orleans. The City has an incredible opportunity to make necessary improvements 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.

NEW ORLEANS EAST HOSPITAL

The NOEH opened in 2014 and is anticipated to become profitable in 2019. The City owns the facility, and it has been a vital economic driver in eastern New Orleans. However, any slippage in the management infrastructure could have a significant impact on the City of New Orleans and the eastern region of the city.

NEW ORLEANS FIRE DEPARTMENT

The Firefighters Pension Fund likely does not have enough money 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.

CORRUPTION

Fraud and corruption are perennial concerns at the City of New Orleans. 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 2020.

PROJECTS UNDERWAY

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

- Audit of Catch Basins (2019)
- Evaluation of Automated Traffic Enforcement (2019)
- Evaluation of the S&WB Billing Dispute Resolution Process (2019)
- Audit of Audubon Credit Cards and Expense Reimbursements (2019)
- Audit of Audubon Payroll (2020)
- Audit of Audubon Disbursements (2020)

PROJECTS STARTING IN 2020

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.

THE SEWERAGE & WATER BOARD

- Roadway Repair and Restoration coordination with the Department of Public Works
- Infrastructure Funding Appropriations and Expenditures

NEW ORLEANS EAST HOSPITAL

- Revenue and Billing

NEW ORLEANS FIRE DEPARTMENT

- Firefighters Pension – Governance and Investment Strategies

THE DEPARTMENT OF FINANCE

- Hotel/Motel Tax Revenues – Short-term Rentals
- Job Order Contracts

THE DEPARTMENT OF PUBLIC WORKS

- Roadway Repairs and Restoration coordination with the S&WB (noted above)

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

Every three years, a team of investigators, auditors, and/or evaluators from other inspector general offices comes to New Orleans to review the work performed by the OIG. The goal of this triennial peer review team is to determine if the OIG performed its work according to OIG policies and procedures, meets established professional standards of performance, and carries out its work economically, efficiently, and effectively. The external peer review process is critical to the OIG’s overall program of quality assurance, and provides the citizens of New Orleans a level of confidence that all OIG activities adhere to the highest standards of professional conduct.¹

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. The peer review team assessed the work of the Audit Division to determine if it complied with Generally Accepted Government Auditing Standards (Yellow Book) issued by the U. S. Government Accountability Office (GAO). The peer review team also assessed 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).

The peer review team concluded unanimously that all three divisions “met all relevant AIG and GAO standards for the period under review.”² The peer review team also provided management with ten areas of distinction that highlighted the

¹ Quality assurance is an “evaluative effort conducted by sources external to the units/personnel being reviewed to ensure that the overall work of the OIG meets [professional standards].” Association of Inspectors General, “Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspector General,” *Principles and Standards for Offices of Inspector General* (New York: Association of Inspectors General, 2014), 22, <http://inspectorsgeneral.org/files/2014/11/AIG-Principles-and-Standards-May-2014-Revision-2.pdf>.

² AIG Peer Review Opinion Letter, Team Leader Flora Tran to Inspector General Derry Harper, June 11, 2018.

efficiency and effectiveness of existing policies and procedures. The peer review team further noted the following of our operations:

Lastly, we would like to commend the New Orleans Office of Inspector General on staying mission-focused and remaining steadfast in its duties. The sheet size of the governmental operations that your office oversees and your office's jurisdiction and responsibility are unparalleled by any other local government Inspectors General office. Your office is unique, and as Peer Reviewers, we had an insightful learning experience. We hope that you find our comments helpful and we look forward to continuing to support your organization's needs in the future.

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.

In 2019, a Quality Assurance Review Advisory Committee was appointed to review the OIG's work in 2018. This was the first time a QAR committee had been convened since 2015.

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.
- Provide fraud deterrence activities for the construction of the new terminal at Louis Armstrong International Airport until it opens in late 2019.

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.