

2017



OFFICE OF INSPECTOR GENERAL

ANNUAL REPORT



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\$97,766,179

in potential savings to the City between 2009 and 2017.

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2017 Reports and Public Letters

- Sewerage and Water Board
- City-owned Vehicle Use Policy
- Motor Vehicle Self-Insurance
- Lead Exposure and Infrastructure Reconstruction

Compliance with City Code Sec. 2-1120

This report complies with the City Code Sec. 2-1120(9), which directs the Inspector General to "report annually to the ethics review board on the activities of the Office of Inspector General for the preceding calendar year." Copies of the report are to be distributed to the Mayor, City Council, the media, and the public according to the ordinances directive.



LEADERSHIP TRANSITION

On December 20, 2018, the City of New Orleans Ethics Review Board appointed Derry Harper as Inspector General. On February 26, 2018, Mr. Harper assumed his role as the head of the Office of Inspector General, where he is responsible for promoting accountability and integrity in the operations of the City government using audits, investigations, inspections and evaluations designed to detect and deter fraud, waste, and abuse.

A 1979 graduate of Vanderbilt University School of Law, Mr. Harper brings to his new role as the City of New Orleans' government watchdog nearly 40 years of public and private sector experience as an inspector general, a state and federal prosecutor, corporate attorney, and city attorney.

From 2002 to 2013 Mr. Harper served the citizens of Florida as an inspector general for three state agencies. In 2002, the Governor appointed him Chief Inspector General responsible for coordinating the audit and investigative activities of 17 executive branch agencies and promoting accountability and integrity throughout state government. In 2006 he joined Citizens Property Insurance Corp., the state's property and casualty insurer of last resort, as inspector general for audits and investigations. In 2007 Mr. Harper accepted the challenge of establishing an Office of Inspector General and Director of Compliance for the State University System Board of Governors, which was responsible for the state's 11 public universities and their 300,000 students.

Mr. Harper began his professional career in 1979 as an Assistant District Attorney in Nashville,

Tenn., where he was responsible for prosecuting individuals charged with violations of criminal law. In 1982 he became an Assistant U.S. Attorney for the Middle District of Tennessee where he prosecuted white collar fraud, including many cases investigated by inspectors general for federal agencies including Housing and Urban Development, Health and Human Services, and the Department of Transportation.

Mr. Harper is a 1976 graduate of Davidson College, where he was active in several student organizations, including the North Carolina Fellows Program, and as a member of the varsity track team. Upon graduation he became active in alumni activities and in 1992 was elected President of the Davidson College Alumni Association. Subsequently he served two terms on the College's Board of Trustees. The father of four sons, three grandsons, and one granddaughter, Mr. Harper was born in Senatobia, Miss., and grew up in Memphis, Tenn., the place he still calls home.

Mr. Harper's vision for the Office of Inspector General is embodied in the words "enhance public trust" and its mission to "promote accountability and integrity throughout the operations of City government." Mr. Harper believes it is not possible to accomplish that mission for the OIG or realize that vision without earning the trust of the citizens of the City of New Orleans by conducting all activities in adherence to the highest standards of ethical conduct. He has stated, "To the members of the Office of Inspector General, accountability is not just a word, it's what we do every day."



"Public office is a public trust."

On December 20, 2017, it was indeed an honor and a privilege to be appointed Inspector General for the City of New Orleans. For the last ten years the OIG has played a critical role in the reemergence of one of America's great cities by serving as a champion for the more efficient delivery of services for the citizens of New Orleans.

The OIG has accomplished much in the past ten years. Our activities included the issuance of over 140 reports and public letters that resulted in \$97 million dollars in potential savings by detecting and preventing fraud, identifying waste and making recommendations for more efficient operations.

For example our Construction Fraud Unit, established in 2013 as a joint project with the New Orleans Aviation Board (NOAB), has been instrumental in identifying and detecting fraud during the construction of the new \$897 million dollar terminal at the Louis Armstrong New Orleans International Airport. The NOAB recently extended this agreement which calls for an onsite presence of OIG staff, through the anticipated completion in 2019 of the terminal. Through this joint effort, airport management reports

MESSAGE FROM THE INSPECTOR GENERAL

they have been able to lower landing fees, attract new airlines and add more flights.

Also worthy of note is the OIG's initial report about the City's crime camera program which sparked a criminal investigation into allegations of fraud and corruption. This resulted in the indictment and conviction of several individuals including a former Mayor of New Orleans.

But now is not the time to rest on our laurels. Instead, it is a time to look at who we are and where we need to be to better serve this community for the next decade. Our way forward is clear. We must look at every aspect of our operations and identify ways to improve them, consistent with our mission. Simply put, our objective shall be defined by a commitment to the pursuit of excellence.

As with every governmental entity our challenge is the effective and efficient allocation of resources. In that regard, our work plans will focus on the impact that government operations have on the public. This will by necessity require seeking feedback from the citizens and organizations that support good government and demand that it meets its obligations to provide vital services.

During the interview process for this position, I pledged to listen to what the citizens of New Orleans have to say about the role of the OIG. This includes which issues and problems they believe we should tackle first. One of my mentors in the inspector general profession liked to say, "You have to get out from behind your desk and go meet people." Building relationships is vital to build on the success of the last ten years.

"Enhancing public trust" is our vision. To do so, the OIG must earn the trust of the citizens of New Orleans and the various governmental constituencies we serve every day. We look forward to the challenge.

Sincerely,

Derry Harper

Inspector General for the City of New Orleans

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Our Mission

The OIG serves the citizens of New Orleans by providing increased accountability and oversight of City of New Orleans government and entities receiving funds through the City. Toward that end, the OIG prevents and detects fraud and abuse and promotes efficiency and effectiveness in the programs and operations of the City of New Orleans.

The OIG accomplishes its mission by collecting and analyzing data and documentary evidence used to produce audits, inspections, evaluations, and investigations. Findings and recommendations for improvement are issued in final reports sent to the responsible management officials for comment and then released to the public. The OIG refers evidence of fraud to prosecutors.



OIG Investigations Division

About Offices of Inspector General

Offices of Inspector General are established by law at the local, state, and federal levels. Inspectors General and their offices share a consistent mandate: they are responsible for eliminating corruption, fraud, and abuse, and holding government officials accountable for efficient and cost-effective government.

Offices of Inspector General audit, inspect, evaluate, and investigate government programs and operations, reporting their findings in publicly released reports. OIG work products are judged by their timeliness, accuracy,

objectivity, fairness, and usefulness; they must adhere to the highest professional standards and quality controls.

OIGs are granted substantial powers to perform these oversight duties. To maintain the public trust, Inspectors General and their staff must maintain the highest level of integrity and professionalism: they must hold themselves to the same or higher standards than other government entities and have a duty to conduct their own work in an efficient and effective manner.

Divisions

The **Investigations Division** conducts both criminal and administrative investigations involving City of New Orleans employees, contractors and vendors involving City funds. The Investigation Division conducts joint investigations with our local, state, and federal partners. The Investigations Division also provides fraud awareness training for City employees and engages in other outreach with businesses and citizens. (page 5 photo)



The **Administration Staff** consists of the Office Manager, General Counsel and I.T. Security Specialist. These individuals facilitate the day-to-day operations of the OIG, handling all manner of procurement, human resources, information technology, and legal matters. As a result, the success of the professional Administration Staff serves to highlight the OIG mission and drives the success of our divisions.

The **Construction Fraud Division** provides fraud deterrence services and financial oversight of the construction of the \$993.7 million North Terminal at the Louis Armstrong New Orleans International Airport. Capital funds at the New Orleans Aviation Board pay for the costs of construction fraud monitoring at the airport. (page 14 photo)



The **Audit & Review Division** conducts financial audits, attestations, and performance audits of city programs and operations. Audit engagements test for appropriate internal controls and compliance with laws, regulations, or other requirements.



The **Inspections & Evaluations Division** works to increase the efficiency, effectiveness, transparency, and accountability of city programs, agencies, and operations. Evaluators conduct independent, objective, empirically based, and methodologically sound inspections, evaluations, and performance reviews.

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Education and Experience

The OIG is committed to hiring highly qualified individuals with a diverse set of skills. OIG employees hold degrees in several areas, including: law, accounting, political science, computer science, criminology, sociology, and business.



More Than 30 Degrees

OIG employees have over 30 undergraduate and graduate degrees



Undergraduate Degrees

Graduate Degrees

Juris Doctorate

Continuing Professional Education



CPE's

OIG employees participated in over 500 hours of training in 2017.

OIG's Ongoing Training	519 224
CPE's for Audit	
CPE's for Investigations	197.5
CPE's for Inspections & Evaluations	55
CPE's and CLE's for Legal	20.5
Ethics Training for 2017	22

OIG Budget

OIG Budget	\$3,778,533	
Office of Inspector General	\$3,380,037	
State and Local Foundation Grants	\$72,146	
Construction Fraud	\$326,350	



2017 Funding

In 2017, the City of New Orleans Office of Inspector General received \$3.7 million. Funding for the OIG is set by the City Charter at 0.55% of the General Fund operating budget.



Productivity to Progress

The OIG has oversight of more than 6,000 employees and \$2 billion in assets

2017

Potential Loss

Prevented

The OIG Cost \$3.9 Million

\$2.2M



2009-2017

The OIG Cost \$28M



Prevented \$97 Million +



2017 Investigations by the Numbers

In 2017 the OIG closed 32 complaints. At the end of 2017 the OIG had 26 active investigations. Between 2010 and 2017 the OIG completed 90 investigations.

31 Criminal Actions

Administrative Actions

Suspension

Complaints Recorded

Investigations Completed

Indictments

Arrest warrants issued

Subjects Arrested

Convictions

Sentencings

Terminations or Resignations

Criminal Complaints

Administrative Complaints

Criminal

Administrative



140 Reports and Public Letters 2009-2017 The OIG published 3 reports in 2017

Follow-Up: **Motor Vehicle**

Self-Insurance

Lead Exposure and Infrastructure Reconstruction **Public Letter RE:** Sewerage and **Water Board**



REPORT FRAUD TO THE OIG

Hotline: 504-681-3247 Fax: 504-681-3230 Email: Hotline@nolaoig.gov

A public employee providing information concerning the potential existence of any activities constituting fraud, waste, abuse, or illegal acts may seek to remain confidential. Public employees will be protected from reprisal or retribution by "whistleblower" provisions as outlined in Article XII, Sec. 2-1120(21) of the New Orleans Municipal Code and La. Rev.





Follow-up work leads to change in policy After evaluators started to assess the City's implementation of recommendations from previous reports, the City made several changes to

their vehicle use policy.



- Follow-up to 2012 report on risk management of the City's vehicle
- The City released 3 major revisions to their vehicle use policy 5(R).
- Added risk management component addressing driver training.
- Modeled driver safety program after a program used by the State.
- Examined driving data to identify employees with a high risk of crashing.





S&WB Employees Parking Issues

In June of 2017, the OIG S&WB main office at 625 received a complaint that Saint Joseph Street had Sewerage & Water Board received a parking ticket for (S&WB) parking for free on and three hours. Consequently, around St. Joseph Street by S&WB employees may have using handicapped parking deprived the City of placards in their personal approximately \$197,000 per vehicles. Vehicles bearing a year in parking meter handicap hang-tag issued to a revenue mobility-impaired person or exceeded the three-hour free person with disabilities that parking benefit. The OIG are being operated for the provided this information to transport mobility-impaired person or Public Works (DPW). DPW person with disabilities can initiated enforcement action park in a metered parking and Parking Enforcement space for up to three (3) hours Officers issued citations to without payment. investigation identified 26 Furthermore, DPW will assign employees S&WB unauthorized handicapped to do a monthly sweep of the placards to park for free in area metered spots around S&WB headquarters looking for headquarters. The OIG, with potential violations. the assistance of the Louisiana State Police, determined that aforementioned employees were not authorized by the Louisiana Office of Motor Vehicles to display the handicapped placards in their vehicles.

OIG investigators observed that none of the vehicles bearing handicapped parking placard parked in the vicinity of the

employees were parking beyond the allotted because the the City's Department of The vehicles for expired meters. using Parking Enforcement Officers around S&WB





Theft of Brass by S&WB Employees

The OIG received information that S&WB employees were selling brass fittings to various scrap yards. These brass fittings, which were S&WB property, were intended to be used to construct residential water meters. The OIG conducted parallel but separate investigations, criminal administrative. The criminal investigative results were provided to the Orleans Parish District Attorney's Office. In 2017, the DA's Office issued nine (9) arrest warrants for S&WB employees for theft

of the aforementioned brass. To date, the DA's Office has issued nineteen (19) arrest warrants for S&WB employees for theft of the aforementioned brass. The administrative investigative results were provided to the S&WB. In 2017, the S&WB terminated nine (9) employees and one (1) employee resigned in lieu of termination for the theft of the brass. To date, the S&WB has terminated nineteen (19) employees in connection with the theft of the aforementioned brass.





Robert J. (Bob) Wilson III is the Assistant Inspector General – Construction Fraud Division. He has been employed by the NOLA-OIG since December 6, 2017. Prior to the OIG he was the Fraud & Prosecutions Team Leader for the Fraud, Waste, and Abuse Division of the Deepwater Horizon Oil Spill Claims Administrator's Office 2014 - 2017. From 2006 -2014 he was a Contract Fraud Analyst for the National Center for Disaster Fraud, a Department of Justice Task Force in Baton Rouge, La. Prior service includes 26 years' service as a United States Postal Inspector with duty stations in New York, NY, Memphis, TN, New Orleans, LA, and Washington, DC. His assignments included supervisory investigative responsibility for Mail Fraud, Drugs by Mail, Child Pornography, Bomb, and Internal Theft and Narcotics investigations. He began his law enforcement career as a Patrolman and Narcotics Detective with the New Orleans Police Department. He earned a BA in Political Science/Public Administration from the University of New Orleans. He is married with three grown children and seven

grandchildren.

Airport Presence

The Construction Fraud Division continues to maintain a visible presence at the North Terminal Airport Project and build relationships with stakeholders to deter fraud. The CFD teaches newly hired construction workers about fraud at orientation sessions twice a week. It also makes unscheduled visits to the construction site and monitors camera footage of the work. Since it began working at the airport in 2013, the CFD has developed anonymous reporting options through the web, a fraud hotline, and an email address.

The CFD also takes complaints in person and maintains a secure complaint box outside its office where people can share tips or written documents.

- Handled 35 complaints or allegations of fraud, waste, or abuse about the project.
- Reviewed more than 608 invoices worth about \$473 million.
- Developed a set of ethical guidelines and a fraud awareness training for companies and individuals working on the project.



REPORT CONSTRUCTION FRAUD

Phone: 504-303-7553 Email: cfd@nolaoig.gov
In Person: Visit CFD Airport Office
READ CFD QUARTERLY REPORTS: nolaoig.gov



Presentations and Public Outreach

The Office of Inspector General training helps the recipients recognize and identify the "red flags" common in fraud scenarios. It also provides a better understanding of the fundamental principles in deterring fraud. The training establishes an "anti-fraud" mindset and provides actual examples of what to look for and how to report it.

February 17, 2017 High Twelve International Club – 22 Master Masons attended a presentation by Assistant Inspector General (AIG) Howard Schwartz on Public Corruption/Government Fraud at the Cypress Restaurant in Metairie.

March 16, 2017 Institute of Internal Auditors (IIA) – 24 members attended a presentation by Deputy Inspector General for Audit, Erica Smith on the duties, responsibilities, and accomplishments of the Office of Inspector General. This event was sponsored by the New Orleans Chapter of IIA and held at the Heritage Grill in Metairie.

April 18, 2017 Institute of Internal Auditors (IIA) – 28 students from the University of New Orleans attended a presentation by Deputy AIG Erica Smith on the duties, responsibilities, and accomplishments of the Office of Inspector General. This event was sponsored by the New Orleans Chapter of IIA and held at the University of New Orleans.

October 20, 2017 Association of Certified Fraud Examiners (ACFE) – 55 members attended presentations on Public Corruption and Government Fraud by AIG Howard Schwartz and Deputy AIG Erica Smith at their 2017 Annual Fraud Conference held at the Crown Plaza in Kenner.

November 09, 2017 The Ohio Office of Inspector General – 230 Investigators, Evaluators, and Auditors attended a presentation by AIG Howard Schwartz on Public Corruption/Government Fraud at their 2017 Annual Anti-Fraud Conference held at the Ohio Department of Transportation in Columbus, Ohio.

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2018 Projects



New Orleans at 300

As New Orleans celebrates its tricentennial, the OIG is celebrating its 10th anniversary as an office. The City and OIG will be working towards increased efficiency in government.



The OIG is monitoring a \$23 million project for the inspection, cleaning, and repair of over 15,000 catch basins. The OIG will release interim progress letters in 2018.





Traffic Camera Safety Program The OIG will release an evaluation of the

The OIG will release an evaluation of the management of the City's Traffic Camera Safety Program. This project will focus on the increase in the number of traffic enforcement cameras.



The OIG will meet with businesses in the French Quarter to conduct a survey to discuss fraud in city government. This will be the fifth year in which these surveys have been conducted.





OIG Peer Review

The Association of Inspectors General (AIG) will conduct an independent assessment of the OIG. The 2018 review will ensure that the office meets the principals and standards set forth by the AIG.

Looking Ahead



Sewerage and Water Board The OIG will examine different aspects of the

The OIG will examine different aspects of the S&WB to help the agency operate more effectively. Future projects will look for wasteful and inefficient practices.

Procurement Monitoring

The OIG will continue to monitor City procurements. This includes reviewing documents related to high-value or high-risk contracts and observing vendor selection processes.



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Fraud Training and Education The OIG is able to train City employees to

The OIG is able to train City employees to recognize and identify "red flags" common in fraud scenarios. This training can also provide an understanding of fundamental principles in deterring fraud.



As a new Mayor and City Council are seated, the OIG plans to encourage them to continue improving effectiveness and efficiency at City Hall and outside agencies.



The OIG will continue its role in 2018 of promoting responsible and effective governance, and deterring and detecting fraud, under new leadership. The Office is deploying new methods of fighting fraud, waste and abuse using technology. The office is committed to making New Orleans a better place in its Tricentennial year.

Acknowledgements

Federal/State/Local Partners:

The OIG would like to thank our Federal, State, and Local partners for their assistance. The OIG relies on their cooperation to accomplish its mission. The OIG greatly appreciates these agencies contributing their unique expertise and experience.

In 2017, the OIG made referrals to and worked jointly with the following departments and agencies: Federal Bureau of Investigation; Housing and Urban Development Office of Inspector General; Louisiana Attorney General's Office; Louisiana Inspector General's Office; Louisiana Legislative Auditor; Louisiana State Police; New Orleans Police Department; Orleans Parish District Attorney's Office; United States Attorney's Office; United States Department of Homeland Security Office of Inspector General; United States Department of Transportation Office of Inspector General; United States Postal Inspection Service; and the Metropolitan Crime Commission.

Special thanks to AFX Pro, LLC for providing the cover art.





Legal References

The following are City Code provisions relating to the purpose and duties of the New Orleans Office of Inspector General:

Ch. 2, ARTICLE XIII. - OFFICE OF INSPECTOR GENERAL (OIG)

(1)**Creation of the city office of inspector general.** Pursuant to section 9-401 of the Home Rule Charter of the city, this article establishes the city office of inspector general.

(2)**Purpose.** The purpose of this section is to establish a full-time program of oversight to prevent and detect fraud, waste and abuse, and to promote efficiency and effectiveness in city programs and operations. This oversight includes audits, criminal and administrative investigations, inspections and evaluations, and monitoring. The scope of oversight activities includes all entities subject to the

* * *

(11) Duties.

- (a) When efficiency problems are noted, the inspector general has an affirmative duty to provide a standard of efficient practice to the unit in question, and assess whether adequate resources are available for implementation of a program. This may be done in the form of a public letter or other appropriate vehicle.
- (b) The office of inspector general shall maintain information regarding the cost of investigations and cooperate with appropriate local, state, and federal administrative and prosecutorial agencies in recouping such costs from nongovernmental entities involved in willful misconduct. The office of inspector general shall also work with state and federal prosecutorial agencies to maximize the recovery of the costs of investigation and funds lost as a result of willful misconduct by nongovernmental authorities.
- (c) Upon discovering credible information of corruption, fraud, waste, abuse or illegal acts in carrying out his duties and responsibilities as inspector general, the inspector general shall report to the district attorney, or the United States Attorney, or other appropriate law enforcement agency





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525 St. Charles Ave. | New Orleans, LA 70130 504-681-3200 | nolaoig.gov



