

2020 ANNUAL REPORT



OIG

NEW ORLEANS
OFFICE OF INSPECTOR GENERAL



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The OIG identified

\$3,528,518

in potential savings to the City in
2020

\$101,135,687

in potential savings to the City
between 2009 and 2020



March 31, 2021

Members of the New Orleans Ethics Review Board

Pursuant to the New Orleans Home Rule Charter and applicable ordinances, the Office of Inspector General (OIG) is privileged to submit its 2020 Annual Report. The Annual Report summarizes the full scope of work and other activities engaged in by the OIG during the previous calendar year.

The Annual Report highlights the professionalism, dedication, and the quality of the reports prepared by the OIG staff. In addition, the Annual Report demonstrates the OIG's achievement in fulfilling our statutory responsibilities including the assessment of risks across various city agencies. Highlights from the Annual Report provide a calculation, which includes potential economic loss prevented (PELP), potential savings, and questioned costs identified by the OIG's findings and recommendations in 2020.

I am also pleased to highlight that in 2020, OIG staff maintained various professional certifications, such as: Certified Fraud Examiner, Certified Information Systems Auditor, Certified Inspector General Investigator, and Certified Public Accountant, which contributed to achieving our mission and objectives.

Thank you for your support and the work that you do to ensure the success of the OIG. I also extend our sincere appreciation to the city agencies, boards and commissions, and other external stakeholders that support our efforts.

Respectfully,

Edward Michel

Interim Inspector General

MESSAGE FROM THE INTERIM INSPECTOR GENERAL



On November 1, 2020, I had the honor of being entrusted to serve as the Interim Inspector General for the City of New Orleans. The role of the Inspector General is crucial in ensuring integrity and efficiency in the operations of New Orleans governmental entities. The COVID-19 pandemic continues to have a profound impact on the workplace as well as the personal lives of employees and employers alike. A recent article in Forbes Magazine, "Productivity In Times of Covid" suggests that organizations are downsizing during this pandemic as they spend less money for operating expenses and take fewer risks, which is perhaps a detriment to innovation.

However, we have embraced the art of innovation and collaboration at the OIG. We understand the ability to properly utilize and coordinate our limited resources with our stakeholders will be a critical part to defining our success. Because of the declining revenues realized due to COVID-19, our budget, like other entities, the OIG experienced a significant decrease. In times of increasing threats and decreasing resources, it is incumbent upon us now more than ever to be good stewards of the precious resources we receive from the City of New Orleans.

Instead of retreating and standing down, we decided to embrace the challenges arising from COVID-19 as opportunities upon which we capitalized to secure the efficiency and integrity of New Orleans entities and its operations. While we operate on a reduced budget, we recently released our 2021 City-Wide Risk Assessment which will be the blueprint we utilize to spot, assess and mitigate threats facing our city. We adjusted our budget and improved operating measures which resulted in the strategic utilization of precious resources and ultimately reduced operating costs.

With the cost savings we realized through effective management, we utilized those funds to fill critical vacancies to further promote the integrity of New Orleans operations. Because we live in a digital world where bulk data is targeted constantly by external threats, we significantly improved our infrastructure to secure digital storage and transmission capacity. An agency's ability to continually collect bulk data is directly related to its ability to properly secure the transactions associated with this information. The OIG secured our sensitive information by improving our hardware, software and operating measures. Finally, during this pandemic, we established a new oath of office for our employees that is commensurate with our responsibilities as well as the values we hold as our office transitions to new leadership.

Since the OIG's inception, we routinely saved or recovered millions of dollars for the City each year. The following pages highlight a number of the OIG's accomplishments and show how our efforts are making a difference. I especially want to thank the dedicated staff at the OIG for their diligence and hard work. I am inspired daily by their passion for public service and their commitment to the OIG mission. We are proud to serve the citizens of New Orleans.

Our Mission

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 fulfill our mission by conducting audits, inspections, evaluations, and investigations. We provide our reports, findings, and recommendations to the public, the Ethics Review Board (ERB), the City Council, and other interested parties.

In addition, the OIG routinely refers allegations of fraud and employee misconduct to the appropriate federal, state, or local law enforcement agencies. In many instances, the OIG provides further assistance in the investigation of these matters.

The OIG was established by a voter-approved amendment to the Home Rule Charter. The Charter created a unique structural and operational framework that provides autonomy and independence from the City's Executive and Legislative branches. The ERB is responsible for the appointment of the Inspector General to a four-year term. The ERB also serves 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 that all OIG activities are conducted in an objective and independent manner.

Our Vision

Our vision is to preserve the public trust. These words embody who we are and reinforce 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 has been to demonstrate we are worthy of the trust placed in us by the people of this community. To maintain this trust, we must strive every day to achieve excellence in the performance of our duties 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 integral to achieving our vision and fulfilling our mission.



OIG Divisions

The OIG audits, inspects, evaluates, and investigates government programs and operations, and discloses their findings in publicly released reports. OIG work products are judged by their quality, accuracy, objectivity, fairness and usefulness. Our work products must adhere to the highest professional standards and quality controls.

Administration

The OIG Administration includes executive management, the Office Manager, and the IT Security Specialist. These individuals facilitate the daily administrative operations of the OIG, which include procurement, human resources, information technology, and legal matters.



Investigations

The Investigations Division conducts criminal and administrative investigations involving City of New Orleans employees, contractors, and vendors that receive City funds. Investigators also work with local, state, and federal partners to conduct joint investigations. The Investigations Division is also available to provide fraud awareness training to City employees and to engage in other outreach programs with businesses and citizens.

Audit and Review

The Audit and Review Division conducts financial audits, attestations, compliance, and performance audits of City programs and operations. Auditors test for appropriate internal controls and compliance with laws, regulations and other requirements.

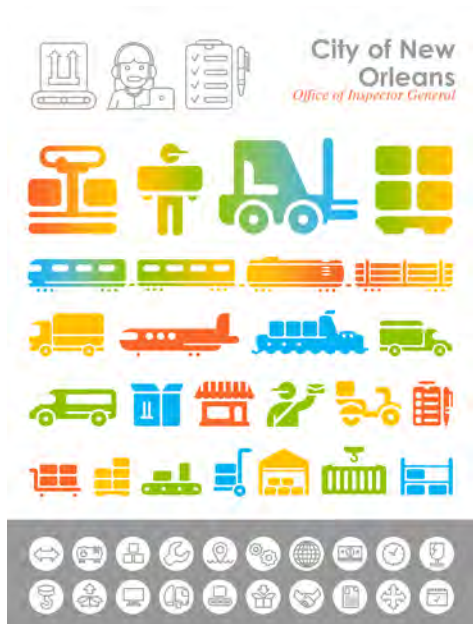
Inspections and Evaluations

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

OIG Professional Staff

Education

The 16 OIG staff collectively possess 26 undergraduate, graduate, and juris doctorate degrees, making us a recognized leader in recruiting an educated workforce. These degrees include such disciplines as: Accounting, Computer Science, Criminal Justice, Political Science and Public Administration.



Experience

OIG professional staff have approximately 270 years of combined work experience, ranging from federal law enforcement investigations to auditing Fortune 500 companies. Our staff bring their collaborative expertise to ensure we can effectively engage with city leadership to audit, evaluate, and investigate a multitude of city programs and services.

Professional Development

In addition to our compliance with the annual Code of Governmental Ethics training mandated by the Louisiana Board of Ethics Administration, OIG staff completed numerous training sessions and participated in online webinars to earn their requisite hours of Continuing Professional Education credits. These credits are required to maintain our professional designations, such as the Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), Certified Information Systems Auditor (CISA), and the Certified Inspector General Investigator (CIGI).

OIG Funding and Expenditures

2020 Funding:	\$3,992,339
Less: Expenditures	
Personnel	(\$2,391,301)
Operating	(\$485,567)
Total Expenditures	<u>(\$2,876,868)</u>
Unspent Funds	\$1,115,471

OIG investigations, audits, and evaluations may uncover significant inefficiencies that, if left unresolved, would cause potential economic loss.

Examining public safety and high-risk government entities remain the OIG's top priorities.



Inspections & Evaluations

Evaluation - Sewerage & Water Board (S&WB)

BILLING DISPUTE RESOLUTION PROCESS

The OIG discovered the S&WB program management did not use information collected in the dispute process to inform their executive management to facilitate appropriate operational decisions. Because of irregularities with S&WB customer data, the OIG was unable to perform much of the planned analysis on billing disputes. Rather, the evaluation focused on the process used by the S&WB to resolve billing disputes and did not seek to determine the underlying cause of billing issues at the S&WB. Further, the evaluation was limited to S&WB customer accounts that filed billing disputes between October 2016 and October 2018, with an emphasis on billing disputes resolved after an administrative hearing.

Louisiana law allows the S&WB to adjust water bills in specific circumstances such as an error in reading the meter, faulty equipment, or process failures. At the conclusion of the evaluation, the OIG found that the S&WB improperly donated public funds by approving bill adjustments that were not within the parameters of the law. The utility also violated the Louisiana Administrative Procedure Act by granting unwarranted rehearings to customers. Finally, the utility failed to effectively manage data and information. Because the use of data regarding administrative hearings and billing disputes was not properly evaluated or prioritized, the utility was not aware of the types and magnitude of billing adjustments provided.

What the OIG Recommended :

1. The S&WB should ensure its policies and procedures for bill adjustments comply with the Louisiana Constitution, are limited to those criteria specified by law, and are applied consistently and transparently to increase public trust and good will toward the agency.
2. The S&WB should design and control the process for scheduling hearings to ensure rehearings comply with the criteria set forth by the Louisiana Administrative Procedure Act.
3. The S&WB should develop and implement a strategic plan for data management to help the agency identify needs related to data collection and control, data retention and retrieval processes, along with system and data storage capabilities. The agency should use this information to create an internal process to accurately and efficiently report and maintain aggregate data on administrative hearings and bill adjustments. The agency should also use the information to proactively monitor and evaluate their process, review adjustment policies, and perform continuous improvement.

View the specific details supporting our findings and recommendations:

<http://www.nolaog.gov/reports/all-reports/s-wb-billing-dispute-resolution>

Management and Operations of the Traffic Camera Safety Program



What The OIG Found

OIG evaluators found a lack of appropriate management prevented the program from operating in a manner that would best achieve public safety goals, maintain public trust, and ensure legal compliance. There was no clear ownership of the program, which made it difficult to identify and correct issues within the program, and contributed to a lack of communication and program monitoring. This situation led to improper ticket issuance and payment inconsistencies.

Management breakdowns also contributed to issues regarding the payment of camera tickets. Program managers were aware of but failed to correct an issue in the computer system that prevented tickets from becoming delinquent after drivers did not attend their adjudication hearings. Evaluators also discovered that when people accidentally overpaid on their traffic tickets, the City kept the money and made no attempt to proactively provide refunds, instead relying on citizens to realize they had overpaid before requesting a refund. The key stakeholders within the program were unaware of this issue.

The City of New Orleans accepted, or partially accepted, the six recommendations presented in the report "Management and Operations of the Traffic Camera Safety Program." In 2020, program officials indicated that they had made several improvements to address the findings in the report, including monitoring school zone calendars to reduce the issuance of traffic camera tickets when schools were not in session, revising the New Orleans Police Department's (NOPD) policies to ensure appropriate review of citations, and developing a plan to refund money to citizens who overpaid on traffic camera tickets.

Audit & Review

The OIG Audit and Review Division released two audit reports on the Audubon Commission (Commission) and Audubon Nature Institute (Institute) regarding its use of funds and payroll practices. Those audits found that the Institute's controls over hiring and terminations as well as the initiation, approval, and execution of the purchasing process were designed properly and implemented and operated effectively.

However, the audits also identified a number of expenditures that may have violated Louisiana Constitution Article VII, Section 14(A) which prohibited the donation of public funds. OIG auditors noted the Institute:

- Expended \$416,261 of Commission funds to pay for lobbying services and did not obtain sufficient documentation to support the services rendered.
- Did not competitively purchase lobbying services, nor did it enter into a written contract with the lobbying firms.
- Used Commission funds to pay \$447,695 in bonuses and on-call pay to employees.
- Paid executives' salaries that were not comparable to other similar sized organizations.
- Paid \$831,461 in additional cash payments to executives, but did not require additional performance or duties in order to receive the fringe benefit payments.

In addition, Auditors noted the Institute:

- Did not seek competitive proposals for professional service contracts, totaling \$416,261, which violated its policy and City Executive Order MJL 10-05.
- May have violated the State of Louisiana Code of Ethics because it paid employees \$579,570 in commissions in addition to their regular salaries.
- Did not comply with best practices because it entered into verbal contracts for lobbying services. The Institute also entered into verbal contracts with its employees.
- Did not comply with its policy because hourly employees did not utilize the time reporting procedures, did not maintain paid time off information for salaried employees, and did not approve hourly and/or salaried employees' time.
- Could not verify all property was returned upon termination and prior to issuing each employee's final paycheck.

Auditors also noted the Commission did not:

- Maintain and administer its funds as required by the Home Rule Charter and the Contract. The Commission failed to exercise authority over its bank accounts because all signatories on the Commission's bank accounts were Institute officers or employees.
- Approve the Institute's annual operating budget as required by the Contract.

View the specific details supporting our findings and recommendations:

Audubon Nature Institute Use of Funds

<http://www.nolaoig.gov/reports/all-reports/audubon-nature-institute-use-of-funds-audit>

Audubon Nature Institute Payroll Audit

<http://www.nolaoig.gov/reports/all-reports/audubon-nature-institute-payroll-audit>

Investigations

The OIG In Action... Initiation to Completion

On November 10, 2020, former cultural ambassador and Jazz trumpeter Irvin Mayfield and Ronald Markham pled guilty to defrauding the New Orleans Public Library Foundation out of \$1,316,232. The US Attorney's Office issued a press release regarding the guilty pleas in which they recognized the OIG's efforts that led to this successful prosecution. The press release also included the following quote from Interim Inspector General Ed Michel:

"In these times of increasing threats and limited resources, it is incumbent now more than ever to combine our resources with our local and federal law enforcement partners to spot, assess and mitigate threats in an efficient and effective manner. The City of New Orleans OIG looks forward to continuing our productive partnerships which will ensure the integrity of our operations."



Former Sewerage and Water Board (S&WB) employee Ivery Francis was convicted and sentenced for the theft of brass components from the S&WB.



Kevin Richardson, a former building inspector for the City of New Orleans, Department of Safety and Permits, utilized the internet to facilitate the crime of bribery. He pleaded guilty to one count of a felony charge for utilizing an interstate facility with the intent to carry on unlawful activity. He is awaiting sentencing.

REPORT FRAUD TO THE OIG

Hotline: 504-681-3247 Fax: 504-681-3230 Website: www.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.

Our Work Matters

2020 Investigations

Administrative Actions

6 Terminations or Resignations
7 suspensions

13

Criminal Actions

3 Convictions
1 Sentencing

4

Complaints Investigated

2 Criminal Complaints
14 Administrative Complaints

16

Investigations Completed

3 Administrative

3

Totals

36



The OIG is currently conducting joint investigations with the Louisiana State Licensing Board for Contractors (LSLBC). According to the LSLBC, its purpose is to protect the "health, safety, and general welfare of citizens dealing with persons engaged in the contracting vocation, and affording citizens an effective and practical protection against incompetent, inexperienced, unlawful, and fraudulent acts of contractors with whom they contract. The Board also monitors construction projects to ensure compliance with the statutory and regulatory licensure requirements."



The OIG investigated several complaints concerning residential properties that benefited from improperly applied homestead exemptions and a freeze in their assessed value and subsequently notified the Orleans Parish Assessor's as to our findings. The Assessor's Office took immediate action and promptly reassessed properties to reflect their accurate value.



Prioritizing Police and Transparency with a Community Focus

The OIG continued to focus its efforts on improving NOPD operations and management. Pursuant to a Memorandum of Understanding with the New Orleans Police Department (NOPD), the OIG Investigations Division conducted three administrative investigations regarding complaints filed against NOPD Commanders assigned to the Public Integrity Bureau and the Superintendent.



OIG Work for 2021

Proposed Projects

The projects listed below will begin as the OIG completes its ongoing audits and evaluations.

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

Orleans Parish Communications District

- Use of Funds

Orleans Parish Sheriff's Office

- Management Operational Processes and Procedures for the Orleans Justice Center

Sewerage & Water Board

- Review of Governance Practices and Procedures

Public Corruption

- Conduct Fraud Awareness seminars for employees and contractors
- Conduct investigations and refer evidence to appropriate prosecutors

Annual Work Plan 2021

September 1, 2020



Our Renewed Commitment

The OIG is committed to being a valuable resource and trusted adviser in identifying, responding, and aiding in the improvement of city-wide departmental programs, services, and critical activities. The OIG's 2021 Plan 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.

Acknowledgments

Federal/State/Local Partners:

The OIG would like to thank our Federal, State, and Local partners for their continued collaboration because we rely on their engagement to accomplish our mission. The OIG greatly appreciates the distinctive expertise they provided to help us ensure the integrity of New Orleans City Government.

During 2020, 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 Society for the Prevention of Cruelty to Animals; 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; and the Metropolitan Crime Commission.



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 jurisdiction of the office of inspector general, as set out in paragraph (12).

* * *

(9) **Annual Reports.** The inspector general shall report annually to the ethics review board on the activities of the office of inspector general for the preceding calendar year.

(a) Such report shall be submitted no later than March 31 and shall include information of all matters undertaken, costs incurred, costs recovered, matters concluded, and any results. The report shall also describe accomplishments of the office of inspector general.

(b) Copies of the report shall be provided to the city council and the office of the mayor upon completion, and to any other entity subject to the jurisdiction of the inspector general upon request.

(c) Upon issuance, members of the media and the public shall be promptly advised of the issuance of the report. A copy of the report shall be made available to the public on the office of inspector general's website.



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