



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

**A Performance Audit of the New Orleans Aviation Board
Month-to-Month Contracts
A&R12PAU001**

**E. R. Quatrevaux
Inspector General**

Issued October 1, 2013

**A Performance Audit of the New Orleans Aviation Board Month-to-Month Contracts
A&R12PAU001**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted a performance audit of the New Orleans Aviation Board's (NOAB) contract payment process. This performance audit was conducted to determine if the NOAB had controls in place to prevent and detect fraud, waste and abuse related to contract payments and to test whether these controls were operating effectively. During a review of all NOAB contracts, it was discovered that multiple maintenance and professional service contracts had been operating on a month-to-month basis from between two to eight years.

The audit revealed that improper payments were made in seven of the ten contracts reviewed. This occurred because the invoices for month-to-month contracts were not properly reviewed by the NOAB prior to payments. The auditors also noted the following:

- ❖ The NOAB did not rebid contracts after expiration which resulted in contracts operating on a month-to-month basis.
- ❖ Labor rates were not in compliance with the original contracts on various invoices.
- ❖ Invoices did not include adequate supporting documentation.
- ❖ Invoices were not properly approved by the Board of Directors.

Contracts selected for testing were operating on a month-to-month basis prior to and during the current NOAB administration¹. The current NOAB administration discovered and eliminated numerous procurement arrangements during our test period that did not serve in the best interest of the airport and the citizens of New Orleans.

During the period we conducted testing, the NOAB solicited and awarded new contracts for many of its month-to-month contracts, including contracts selected for testing. The NOAB also re-negotiated or terminated many contracts which resulted in a reported \$25 million in savings.

The NOAB has made great improvements under the current administration, including rebidding or cancelling over 100 month-to-month contracts, including those selected for testing in this report. Full implementation of the recommendations in this audit report, some of which were adopted subsequent to our testing should improve the NOAB's accountability for contract compliance and monitoring and reduce the opportunity for fraud, waste and abuse.

Note: All responses from the NOAB in the body of this report are direct statements and have not been modified.

¹ The current Director of Aviation was appointed on April 21, 2010 and took office on May 24, 2010.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to gain an understanding of the NOAB's management control structure over contract payments, as well as its policies, procedures, and practices applicable to the contract payments. The audit also assessed and evaluated the effectiveness of controls to prevent and detect improper contract payments, as well as evaluate the controls related to month-to-month contracts operating from May 1, 2001 through June 30, 2012.

This performance audit was conducted in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book) and *Generally Accepted Governmental Auditing Standards* (GAGAS of the "Yellow Book").

To accomplish the objectives, the auditors:

1. Conducted interviews with NOAB employees to gain an understanding of the controls involved in the procurement process as well as the monitoring of contracts;
2. Obtained an understanding of NOAB policies and controls in place for the contract payment process;
3. Obtained the complete listing of NOAB contracts operating on a month-to-month basis;
4. Selected ten contracts from the listing obtained in # 3 and performed the following:
 - a. Downloaded all payables transactions from the NOAB's Ross System² from January 1, 2000 through June 30, 2012;
 - b. Obtained all invoices related to the ten contracts selected for testing from the date that the original contract expired through June 2012, based on the information provided by the Ross System;
 - c. Compared each invoice to its corresponding purchase order issued by the City of New Orleans³ for agreement;
 - d. Compared purchase orders to the corresponding NOAB Board approval for agreement;
 - e. Reviewed all invoices for reasonableness and supporting documentation;
 - f. Recalculated all invoices selected; and
 - g. Compared rates per the invoice to the rates in the original contract for agreement.

A finding indicates a material or significant⁴ weakness in controls or compliance that was not detected or corrected by the NOAB in the normal course of performing its duties.

² ROSS is a central accounting system which includes, but is not limited to, the general ledger, accounts payable, accounts receivable, and the purchase order subsystem.

³ The NOAB uses the City's procurement system to obtain purchase orders.

Findings in a performance audit can be any one or a combination of the following:

1. Significant deficiencies in internal control,
2. Fraud and illegal acts,
3. Violations of contracts and grant agreements, and/or
4. Abuse.

The audit included findings, observations, recommendations and conclusions relating to the controls in place over month-to-month contracts.

Computer-processed data was provided and relied on during testing, which provided information on the NOAB's payables for the period of the audit. Although a formal reliability assessment of the computer-processed data was not performed, the auditors determined that hard copy documents were reasonable and generally agreed with the information contained in the computer-processed data. No errors were found that would preclude us from using the computer-processed data to meet the audit's objectives or that would change the conclusions of this report.

⁴ Significance is a "judgment call" by the auditor and is usually based upon the frequency and magnitude of the deficiency.

II. INTRODUCTION

The Louis Armstrong New Orleans International Airport is a proprietary component unit, a legally separate organization for which the City is financially accountable, of the City of New Orleans, Louisiana. The New Orleans Aviation Board was established in 1943 to provide for the operation and maintenance of the Airport. The Aviation Board consists of nine members appointed by the Mayor of New Orleans with the approval of the New Orleans City Council. Two of the nine members consist of a St. Charles Parish Representative and a Kenner Representative; the City of Kenner and the Parish of St. Charles each have input as to the selection of one board member. The Board members serve for five years without compensation.

The NOAB represents the City in all aviation matters in consultation with state, national, and international government agencies.

During the NOAB's financial statement audit for the year ended December 31, 2011⁵, external auditors found that "the Airport does not have signed, formalized documentation for contracts and/or amendments with seven contracting parties on capital projects..." The audit also found that the Airport regularly began capital projects without signed documentation for contracts and/or amendments. Due to the large amount of money that the New Orleans International Airport expends each year and the potential for abuse of the procurement and contracting function, the need for formalized documentation for contracts is vital.

Improper vendor payments are a constant area of concern in government. In October 1999, the GAO issued a report entitled, "Increased Attention Needed to Prevent Billions in Improper Payments."⁶ This report defined improper payments as "...payments made for unauthorized purposes or excessive amounts, such as overpayments to program recipients or contractors and vendors." The report further stated that "improper payments can result from incomplete or inaccurate data used to make payment decisions, insufficient monitoring and oversight, or other deficiencies in agency information systems and weaknesses in internal control."

⁵ Louis Armstrong New Orleans International Airport Financial Statements and Supplemental Schedules; December 31, 2011 and 2010. Issued by Postlethwaite & Netterville on August 22, 2012. http://www.la.la.gov/reports_data/

⁶ United States General Accounting Office, Report to the Chairman, Committee on Governmental Affairs, U.S. Senate, October 1999, "Financial Management- Increased Attention Needed to Prevent Billions in Improper Payments," Report No. GAO-00-10. www.gao.gov.

III. MONTH-TO-MONTH CONTRACT FINDINGS

Finding # 1:

Background: As of December 21, 2011, the NOAB had twenty-four contracts operating on a month-to-month basis. Some of these contracts dated back as far as 2001. Standard contract terms⁷ stated that a contract would continue to operate under the terms set forth in the original agreement on a month-to-month basis until a new contract was initiated. Contracts were allowed to operate on a month-to-month basis for periods ranging from two to eight years.

Condition: The NOAB allowed contracts to operate on a month-to-month basis for extended periods of two to eight years.

Cause: The NOAB did not solicit bids after contracts expired, thereby effectively eliminating competition.

Criteria: Per the Louisiana Legislative Auditor Best Practices for *Contracting Out Services* “a competitive atmosphere would ensure that fees paid for services are cost-effective.”

Effect: The NOAB failed to solicit bids or proposals on expired contracts and exposed the Airport to possible violations of contract terms, scope, and conditions. In addition, the month-to-month contracts restricted the competitive environment at the Airport.

Recommendation: The NOAB should begin the bid solicitation process prior to the expiration of an existing contract, and it should verify that contracts are re-bid in a timely manner. NOAB internal policies and contracts should include a provision for the maximum duration of a month-to-month contract.

NOAB’s Comment: *“Concur. The Director identified that the lack of personnel resulting in loss of operational control in his 100-day report in September 2010. Once staff was retained, the Airport began situating all contracts. By December 2012, the Airport competitively bid all former month-to-month contracts. The Airport situated 153 contracts by 2013, except limousine services, parking garage management, business center and luggage cart for the reasons discussed below. The Airport now monitors contracts to insure that they are renewed, as may be allowed by the terms of the contract, or new contract procured in a timely manner.*

The parking garage and limousine public solicitations each received one proposal and business center and luggage cart public solicitations received no response. Business center and luggage cart were both re-advertised and responses were received in May 2013. The Board awarded both of these contracts and negotiations are ongoing.

⁷ OIG obtained a standard contract. Based on that review, NOAB’s standard contract terms under Term of Contract included the following verbiage: “After expiration of the term of this Contract, the Board, in its sole discretion, may extend this Contract on a month to month basis, on the same terms and conditions as contained herein.”

The limousine service contract was re-advertised in July 2013 and two (2) submittals were received. A recommendation to the Board is scheduled for the September 2013 meeting. The parking garage management solicitation is currently being re-advertised with submittals due on October 23, 2013."

Finding # 2:

Background: NOAB contracts included a rate sheet that documented agreed-upon labor rates for services performed.

Condition: The NOAB approved the payment of invoices that used labor rates that were in non-compliance with the agreed-upon labor rates in the contract terms.⁸

Cause: The NOAB did not verify that the invoices submitted by Chiller Specialties, Schindler Elevator and Metro-Source were in compliance with the agreed upon labor rates in the contract.

Criteria: "Control activities⁹ are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results."¹⁰ A thorough review of invoices prior to payment is an example of a control activity.

Effect: Invoices in excess of \$2 million¹¹ included labor rates that were not in compliance with the original contract as outlined below:

- 1) Chiller Specialties: The labor rates in fourteen of the twenty-two invoices tested (64%) did not agree to the labor rates in the contract. Of the \$621,823 of invoices tested, the invoices that contained exceptions totaled \$414,605.
- 2) Metro-Source: The labor rates in sixty of the sixty-six invoices tested (91%) were not in compliance with the contract terms. Of the \$1,870,430 of invoices tested, the invoices that contained exceptions totaled \$1,699,358.
- 3) Schindler Elevator:¹² The labor rates in all thirty-one invoices tested (100%) were not in compliance with the contract terms. The calculation to determine the regular and overtime labor rates in all thirty-one invoices tested (totaling \$368,195) also varied by invoice.

⁸ OIG performed a detailed review of the invoices for all vendors selected for testing.

⁹ According to the U.S. Government Accountability Office (GAO) Standards for Internal Control, GAO established five standards which "...define the minimum level of quality acceptable for internal control in the government and provide the basis against which internal control is to be evaluated." The third of these five standards is control activities which "...are the policies, procedures, techniques, and mechanisms that enforce management's directives... They help ensure that actions are taken to address risks.

¹⁰ General Accounting Office (July 2007 Revision). *Government Auditing Standards* Sec. 8.14 et seq. United States Government Accountability Office by the Comptroller General of the United States. www.gao.gov.

¹¹ OIG was unable to determine the total difference between what was invoiced and the contracted rates due to lack of supporting documentation.

¹² Invoices for Schindler Elevator were not detail reviewed or clerically tested by NOAB. Instead, the NOAB performed a high-level review for reasonableness before approving the invoice for payment.

Table 1: Invoices Paid with Contractual Labor Rate Errors

	<i>Chiller Specialties</i>	<i>Metro-Source</i> ¹³	<i>Schindler Elevator</i> ¹⁴	Total Labor-rate Errors
# of Invoices w/ Labor rate Errors (A)	14	60	31	
Total # of Invoices Reviewed (B)	22	66	31	
% of Invoices w/ Labor-rate errors (A)/(B)	64%	91%	100%	
Total \$ Amount of Invoices w/ Labor-rate Errors	\$414,605	\$1,699,358	\$368,195	\$2,482,158

Recommendation: The NOAB should review each invoice and verify that labor rates are in accordance with the contract before payment is made.

NOAB’s Comment: *“Concur. Staff is now required to review each invoice against the corresponding contract for compliance with contract terms. Rates and scope outside of the contract are rejected. There are now multiple levels of review in place including the Maintenance Contract Manager and the Department representative. Please see the attached Maintenance Contract Invoice Processing Procedure.”*

Finding # 3:

Background: The OIG reviewed invoices submitted by ten contractors. TMG Consulting, River Parish Disposal, Joseph Electric, and Airport Bridge Company invoices had exceptions as described below.

Condition: The NOAB approved payment for invoices that lacked proper support and documentation.

Cause: The NOAB approved payment for invoices without verifying that the services were performed and expenses were incurred.

Criteria: According to the U.S. Government Accountability Office (GAO), improper payments are defined as payments that, “...include inadvertent errors, such as duplicate payments and calculation errors; payments for unsupported or inadequately supported claims; payments for services not rendered or to ineligible beneficiaries; and payments resulting from outright fraud and abuse.”¹⁵

¹³ Vendor awarded new contract on February 18, 2013. Refer to Appendix 2.

¹⁴ Vendor awarded new contract on February 18, 2013. Refer to Appendix 2.

¹⁵ United States General Accounting Office, Report to the Chairman, Committee on Governmental Affairs, U.S. Senate, October 2000, “Financial Management- Billions in Improper Payments Continue to Require Attention,” Report No. GAO-01-44. www.gao.gov.

Effect: Of the twenty-five invoices tested for TMG Consulting, ten (40%) of the invoices were paid without proper support or documentation. The amount of invoices paid without proper support or documentation totaled \$1,573,565.

Of the thirty-four invoices tested for River Parish Disposal, nineteen (56%) of the invoices were paid without proper support or documentation. The amount of invoices paid without proper support or documentation totaled \$383,958.

Of the forty-four invoices tested for Joseph Electric, four (9%) of the invoices were paid without proper support or documentation. The amount of invoices paid without proper support or documentation totaled \$62,253.

Of the forty-six invoices tested for Airport Bridge Company, seven (15%) of the invoices were paid without proper support or documentation. The amount of invoices paid without proper support or documentation totaled \$379,406.

Payments for these contracts were made based solely on the invoice submitted, which provided no detail or synopsis of the work performed. (See Table 2).

Table 2: Number of Invoices Approved without Adequate Supporting Documentation

	<i>River Parish Disposal¹⁶</i>	<i>TMG Consulting¹⁷</i>	<i>Joseph Electric</i>	<i>Airport Bridge Co.</i>	Total \$ Paid w/o Documentation
# Invoices w/out Sufficient Supporting Documentation (A)	19	10	4	7	
Total Invoices Reviewed (B)	34	25	44	46	
% Invoices w/out Sufficient Supporting Documentation[(A)/(B)]	56%	40%	9%	15%	
Invoice \$ w/out Sufficient Supporting Documentation	\$383,958	\$1,573,565	\$62,253	\$379,406	\$2,399,182

Recommendation: The NOAB should require each vendor to submit adequate supporting documentation with each invoice in order to receive payment. The NOAB should review and only approve invoices with adequate supporting documentation.

¹⁶ Vendor awarded new contract on May 7, 2012. Refer to Appendix 2.

¹⁷ Vendor awarded new contract on April 12, 2012. Refer to Appendix 2.

NOAB’s Comment: *“Concur. The Airport requires each vendor submit supporting documentation for each invoice. If at any time, a member of the staff does not believe the supporting documentation is adequate, the invoice will be returned to the vendor for clarification and additional supporting documentation. Invoices will not be processed unless adequate supporting documentation is included. Please see the attached Maintenance Contract Invoice Processing Procedure.”*

Finding # 4:

Condition: Capital Project invoices greater than \$15,000 were paid without proper approval by the Board of Directors.

Cause: The NOAB did not follow its policy which required Board approval for Capital Project invoices greater than \$15,000 prior to payment.

Criteria: Per Rule 15d of the NOAB Rules and Procedures of the Committees, Board Approval was required for all invoices greater than \$15,000.

Effect: The Board did not approve two of the forty-four invoices tested (5%) for Joseph Electric and nine of forty-six (20%) for Airport Bridge Company. The amount of invoices paid without proper Board approval totaled \$67,359 and \$370,947, respectively. See Table 3 below.

Table 3: Capital Project Invoices Greater than \$15,000 Lacking Board Approval

	Joseph Electric	Airport Bridge Company	Total \$ Lacking Board Approval
\$ Amount of Capital Project Invoices Lacking Required Board Approval	\$67,359	\$370,947	\$438,306
# Capital Project Invoices Lacking Required Board Approval (A)	2	9	
# Capital project invoices tested (B)	44	46	
% of Capital Project Invoices Lacking Required Board Approval [(A)/(B)]	5%	20%	

Recommendation: The NOAB should enforce its policy that requires approval from the Board prior to payment for all Capital Project invoices greater than \$15,000.

NOAB’s Comments: *“Concur. The cited examples in the Audit took place during the period from November 2005 until June 2010, which is before the new management got involved. Capital investments exceeding \$15,000 are now brought to the Board for approval and ratification.”*

IV. MONTH-TO-MONTH CONTRACT OBSERVATION

Observation #1:

Background: The NOAB contracted with The Mumphrey Group, Inc. (DBA “TMG Consulting”) to perform maintenance contract oversight and consulting. TMG Consulting was responsible for preparing and updating the Airport’s Capital Facilities Program, including project descriptions, schedules and financing plans.”

The invoices submitted by TMG provided little detail of the services provided (See Finding #3) for the multi-year contract, which was in excess of \$1 million per year.

Certain parts of the TMG’s services to the NOAB could have been performed by NOAB staff.

Per Louisiana Legislative Auditor Best Practices, “a cost/benefit analysis for all service contracted out should be done before considering contracting and before existing contracts are renewed.”¹⁸

The NOAB should document its rationale for entering into outsourced maintenance and service contracts.

NOAB’s Comments: *“Concur with comments. The Airport in terms of deciding the prudence of outsourcing work considers many factors. The factors include if it is prudent to engage a person to perform the task and will it take up a 40 hour work week, the limitations of New Orleans Civil Service in providing the appropriate workforce for the job, and business risk. Examples include bringing in-house many aspects of landscaping work that formerly cost the Airport over \$500,000 and now the contract is for \$154,000; and the former management of the work order system and maintenance contracts processing was outsourced to The Mumphrey Group costing the Airport over \$674,000, it is now being performed by in-house staff as part of their other work duties and assignments. Another factor considered is business continuity risk to the airlines. For example, it would not be prudent for the Airport to assume in-house responsibility for maintenance of jet bridges or baggage belts. If there were failures of these devices and equipment, it can lead to impact to the airlines and lost revenue for missed/delayed flights and claims by ticket holders that could potentially file claims against the Airport.*

While the Airport has taken on more responsibilities, its Operation and Maintenance budget has decreased by the millions.

As a response to this Observation, please also see response to Finding #3 for new procedures on details required for invoices.”

OIG Comment: The Mumphrey Group (TMG consulting) was re-contracted to perform other services for the Airport in April of 2013.

¹⁸ Louisiana Legislative Auditor “Contracting Out Services”: <http://www.lla.state.la.us/userfiles/file/contractingout.pdf>.

V. CONCLUSION

The audit revealed that prior to 2012, the ten contracts tested operated on a month-to-month basis. See Table 3 in the Appendix for the effective dates of the ten contracts, two of which were not renewed.

The audit also revealed that the invoices contained materials and labor rates that were not in accordance with the original terms of the contract and invoices were either paid without proper approval or paid without proper support and documentation.

By developing policies and procedures that require sufficient supporting documentation and proper approval prior to payment of invoices, the risk of paying vendors for services rendered outside of the contract terms or rates that are not in compliance with contract terms are minimized.

Full implementation of the recommendations in this audit report, some of which were adopted subsequent to our testing should improve the NOAB's accountability for contract compliance and monitoring and reduce the opportunity for fraud, waste and abuse.

Management asserted that all expired and month-to-month contracts were awarded a new contract as of February 2013, except those mentioned in NOAB comments to Finding # 1. (See unaudited Table 3 in Appendix). Management has also asserted that the proper approvals and supporting documentation are now required prior to payment of an invoice; however the asserted resolution date was after our scope period.

The OIG will conduct a follow-up review to test the resolutions stated in the NOAB Comments in this report. *See the Schedule of Contract Cancellation Notices at Appendix Table 3*

VI. APPENDIX

Appendix Table 1: Month-to-Month Contracts Tested

Contract	Original Contract Expiration Date ¹⁹	Month-to-Month Expenditures from Contract Expiration Date to June 30, 2012
Airport Bridge Company	April 30, 2004	\$3,394,626
River Parish Disposal*	October 31, 2004	\$1,515,562
Kone Elevator	September 30, 2005	\$339,963
Schindler Elevator*	September 30, 2005	\$896,949
Metro-Source*	November 30, 2006	\$1,870,430
TMG Consulting*	November 30, 2006	\$7,937,900
Chiller Specialties*	November 30, 2007	\$1,430,698
Joseph Electric	December 8, 2008	\$598,053
Affordable Fence Company	May 14, 2010	\$153,871
SimplexGrinnell	January 31, 2011	\$488,669
Total Expenditures		\$18,626,721

**These vendors were awarded new service and maintenance contracts.*

¹⁹ Contract expiration date is the date that the original contract expired and the contract began operating on a month-to-month basis.

Appendix Table 2: Total \$ of Findings per Contract

Contract	Total \$ Amount of Invoices w/ Labor-rate Errors Finding # 2	\$ Invoices w/out Sufficient Supporting Documentation Finding # 3	Capital Project Invoices Lacking Board Approval Finding # 4	Total Findings per Contract
Airport Bridge Co.		\$379,406	\$370,947	\$750,353
Chiller Specialties	\$414,605			\$414,605
Joseph Electric		\$62,253	\$67,359	\$129,612
Metro-Source*	\$1,699,358			\$1,699,358
River Parish*		\$383,958		\$383,958
Schindler Elevator*	\$368,195			\$368,195
TMG Consulting*		\$1,573,565		\$1,573,565
Totals	\$2,482,158	\$2,399,182	\$438,306	\$5,319,636

**These vendors were awarded new service and maintenance contracts.*

Appendix Table 3: Unaudited Schedule of Month-to-Month Contract Cancellations and Newly Awarded Contracts²⁰

Month-to-Month Contract	Contract Termination Date	Solicitation Date for New Contract	Effective Date of Awarded Contract
Affordable Fence Co.	August 31, 2012	Contract not rebid.	N/A
Airport Bridge Co. ²¹	April 30, 2013	October 19, 2012	January 23, 2013
Chiller Specialties	April 30, 2013	October 19, 2012	January 23, 2013
Joseph Electric	June 30, 2012	Contract not rebid.	N/A
Kone Elevator	March 31, 2013	October 21, 2012	February 18, 2013
Metro-Source	February 17, 2013	October 10, 2012	February 18, 2013
River Parish Disposal	May 6, 2012	September 21, 2011	May 7, 2012
Schindler Elevator	March 31, 2013	October 21, 2012	February 18, 2013
SimplexGrinnell	May 31, 2012	September 21, 2011	May 7, 2012
TMG Consulting ²²	April 11, 2012	July 7, 2011	April 12, 2013

²¹ Contract for service was combined into one solicitation with Chiller Specialties. These contracts will be reviewed in the follow-up audit at the end of 2013.

²² TMG contract was renewed because of the institutional knowledge they possess.

VII. OFFICIAL NOAB COMMENTS

City Code Ordinance 2-1120 section (8)(b) “Prior to concluding an audit or evaluation report, which contains findings as to the person or entity which is the subject of the audit or evaluation, the Office of Inspector General shall provide the affected person or entity with an Internal Review Copy of the report. Such person or entity shall have 30 days from the transmittal date of the report to submit a written explanation or rebuttal of the findings before the report is finalized, and such timely submitted written explanation or rebuttal shall be attached to the finalized report.”

An Internal Review Copy of this report was distributed to the NOAB on August 26, 2013 to provide an opportunity to comment on the report prior to the public release of this Final Report. The comments were due September 25, 2013 and received on September 24, 2013. The NOAB’s comments are included in the body of this report below each finding and in its entirety behind this Section.



September 24, 2013

Mr. Ed. R. Quatrevaux
Inspector General
Office of Inspector General
City of New Orleans
525 St. Charles Avenue
New Orleans, LA 70130-3049

**RE: Management Response to Performance Audit of the New Orleans
Aviation Board Month-to-Month Contracts**

Mayor, Mitchell J. Landrieu
City of New Orleans

New Orleans Aviation Board

Cheryl Teamer
Chairwoman

Doug Thornton
Vice-Chairman

Todd Francis
Jim Hudson
Ti Adelaide Martin
Lea Polk Montgomery
Michael Smith
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Dear Mr. Quatrevaux:

This letter acknowledges receipt of the "A Performance Audit of the New Orleans Aviation Board Month-to-Month Contracts" (OIG-A&R12PAU001) issued August 26, 2013 ("Audit"). Attached please find the Management Response to the Audit.

Should you or your staff have any questions or wish to discuss our response, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "I. Ahmad", is written over a horizontal line.

Iftikhar Ahmad
Executive Director

Attachments

cc: Walter Krygowski, Deputy Director & COO
Eileen S. Andrus, Deputy IG for Audit and Review
Allie Barbier, Auditor OIG

**Management Response to City of New Orleans Office of Inspector General
Performance Audit of the New Orleans Aviation Board Month-to-Month Contracts
(OIG-A&R12PAU001)**

Last year, there were about 130 contracts that were publicly identified (and reported to the New Orleans Inspector General Office's (OIG)) by the Airport as ones that needed to be situated. As of March 2013, the Airport was in good standing with these contracts except four requiring re-solicitation due to lack of response (please see response to Finding #1 for details). This Performance Audit covers the period until June 2012 when things were still in process by the Airport. The Airport lauds the OIG's efforts and assistance in getting to the point where the Airport is today. Presently, the OIG has two groups involved at the Airport. There is a five member OIG team at the Airport to oversee Airport operations. To further strengthen its procurement practices, Airport is financing another three-member team to oversee just the long term project so that New Orleans can get the most out of that project. Below sets forth the background with regard to the Airport contracting matters.

In May 2010, the New Orleans Aviation Board (Board) retained a new Executive Director (Director). In the Director's 100 Day Report of September 15, 2010 (copy attached), he recommended audits be completed and identified significant system risks, including lack of policies, procedures and internal controls. In addition, the Director cited lack of staff to conduct the core business of the organization and cautioned against the consequences of outsourcing then existing core management functions by the Airport. This lack of staff was the result of the reduction of staff post-Katrina to a mere 110 employees as compared to other medium-hub US airports having an employee compliment of 300 or more personnel. This lack of essential personnel delayed addressing the issues identified by the Director in his 100-day report. Unfortunately, Civil Service procedures only enable the Airport to staff up over a prolonged period of time.

At the end of 2010, as the Director asserted in his report, the Board had to make the decision on selling the Airport and handing it off to a private company before the Airport could work on hiring a full complement of staff to conduct its core business that included "righting" the contractual relationships and implementing best practices on procurement side. This was necessary so that recruitment arm of the Board could hire folks with reasonable expectation by the prospective candidates on the perceived longevity of these positions.

The Board together with the community made the decision to not privatize the Airport at the end of 2010 and staff was tasked to build its human capital and provide necessary training on Airport affairs to incoming staff. The Airport worked with New Orleans Civil Service Commission to add staff and by mid-2011 Airport started to fill new positions that included project managers on construction contracts together with procurement staff to handle contracts to strengthen its oversight.

The Director also created a Chief Procurement Officer position that was responsible for all procurement matters at the Airport. The new staff started identifying contracts with problems, contracts that had not been bid for many years and where work was taking place on

month-to-month basis, in some instances where work was taking place without any contracts, and in other instances where work had been completed or was near completion but there was no contract between the Airport and the service providers.

By the end of 2011, Airport had identified most of the contracts that it discussed in public meetings both held by the Board and otherwise. The attached 2012 contracts and solicitation list was publicly disclosed by the Airport as the contracts that were out of order for various reasons and that it committed to work on in 2012.

The Airport shared the above list with the OIG's office on an ongoing basis since 2011. The Airport has situated 153 contracts by February 2013 and continues to reform its procurement matters by implementing best practices. This Audit by the OIG covers partial efforts by the Airport as it reports on procurement only till summer 2012.

Following is the list of all contracts that were situated by February 2013:

NOAB Contract Inventory

	Contract Number	ECMS Number	Contract Description	Contract Vendor	Start Date	End Date
1	K12-0985	AV288181	Outside Legal Services - Broussard Baloney	Broussard Baloney Law Firm, APC	8/9/2008	12/31/2012
2	K12-0953	AV288135	Outside Legal Services - Hailey	Hailey, McNamara, Hall, Larman and Papale	8/9/2008	12/31/2012
3	K12-0955	AV288139	Outside Legal Services - LeBlanc Butler	LeBlanc Butler, LLC	2/12/2003	12/31/2012
4	K12-0988	AV288383	Outside Legal Services - McClintchey Stafford	McClintchey Stafford	12/17/2008	12/31/2012
5	K12-0967	AV286183	Outside Legal Services - Roedel Parsons	Roedel, Parsons, Koch, Blache, Balhoff and McCallister	8/9/2008	12/31/2012
6	K12-0948	AV288083	Financial Software Maintenance Amendment - ROSS	Ross Technologies, Inc.	1/1/2012	12/31/2012
7	K12-1137	AV287721	Runway 824 Conversion - Lambert	Lambert Engineers, LLC	3/19/2009	1/15/2013
8	K12-1099	AV287331	Design Services-Phase III Third Amendment - Murray	Murray Architects	12/30/2009	1/18/2013
9	K11-1001	AV158864	Roofing and Waterproofing Maintenance - Crown	Crown Architectural Metal Company, Inc.	2/15/2012	2/15/2013
10	K12-0033	AV157123	Pest Control Services - Fischer	Fischer Environmental Services, Inc.	2/17/2012	2/17/2013
11	K12-1100	AV287338	Design Services-Phase II Second Amendment - Szeler	Szeler Thompson Brown Architects, APC	2/27/2007	2/28/2013
12	K12-0314 (1)	AV280409	Grant-Aircraft Rescue and Fire Fighting Vehicle - LADOTD	LA Department of Transportation & Development	5/7/2012	5/8/2013
13	K12-0281	AV259788	Waste Removal - River Parish	River Parish Disposal, Inc.	5/7/2012	5/7/2013
14	K12-0282	AV259787	Fire Alarm/Protection Systems Maintenance - Simplex	SimplexGrinnell LP	5/7/2012	5/7/2013
15	K12-0315	AV280420	N. Perimeter Road - Lambert	Lambert Engineers, LLC	1/1/2009	5/11/2013
16	K12-0429	AV281207	Materials Testing-Airfield Lighting Project First Amendment - Beta	Beta Testing and Inspection, LLC	10/17/2011	5/23/2013
17	K12-1050	AV288043	Program Management Services Second Amendment - ART	Aviation Resources Team	8/1/2009	5/31/2013
18	K12-0458	AV281589	Runway Sweeper Vehicle - Covington Sales	Covington Sales & Service, Inc.	8/8/2012	8/8/2013
19	K12-0457	AV281583	Res Insp-Phase IV - IMS	IMS Engineers	8/8/2012	8/8/2013
20	K12-0476	AV281768	Materials QC Testing-ARFF Firehouse - Beta	Beta Testing and Inspection, LLC	8/12/2012	8/12/2013
21	K12-0558	AV282432	Survey-GIS Project - SimWright	SimWright, Inc.	7/23/2009	7/9/2013
22	K12-0800	AV283841	Construction Phase IV(A) - McDonnell	The McDonnell Group, LLC	7/13/2012	7/13/2013
23	K13-0138	AV388722	Mutual Aid Parking - Kerner/NOAB	City of Kenner	8/1/2012	7/31/2013
24	K12-0199	AV258880	Program Management Services First Amendment - ART	Aviation Resources Team	8/1/2008	8/19/2013
25	K12-0888	AV283527	Res Insp-Phase I Project - AIMS	AIMS Group, Inc.	8/20/2012	8/20/2013
26	K12-0884	AV283522	Res Insp-Concourse D - Burk Kleinpeter	Burk-Kleinpeter, Inc.	1/1/2010	8/20/2013
27	K12-0881	AV283888	Res Insp-Phase IV(A) - Design Engineering	Design Engineering	8/20/2012	8/20/2013
28	K12-0529	AV281788	Design Services-ARFF Third Amendment - Hegedus	Irre Hegedus & Associated Architects	8/20/2012	8/20/2013
29	K12-0711	AV283883	Grant-Heliport Windsack - LADOTD	LA Department of Transportation & Development	8/20/2012	8/20/2013
30	K12-0882	AV283889	Long Term Project Management - Parsons	Parsons Brinckerhoff	8/20/2012	8/20/2013
31	K12-0895	AV283899	Res Insp-Phase II and III - Rahman	Rahman and Associates, Inc.	8/20/2012	8/20/2013
32	K12-0703	AV283782	Design Service-Phase II First Amendment - Szeler	Szeler Thompson Brown Architects, APC	7/28/2008	8/20/2013
33	K12-0885	AV283525	Airline Reimbursement Agreement - Southwest	Southwest Airlines	8/20/2012	8/20/2013
34	K12-0898	AV283899	Res Insp-1028 Runway Lights - US Forensic	US Forensic, LLC	8/18/2011	8/20/2013

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Contract Number	ECMS Number	Contract Description	Contract Vendor	Start Date	End Date	
35	K12-0740	AV284199	Grant-Perimeter Fence - FAA	Federal Aviation Administration	8/24/2012	8/23/2013
36	K12-0742	AV284297	Grant-Airport Pavement Condition Index Study - FAA	Federal Aviation Administration	8/24/2012	8/23/2013
37	K12-0723	AV283991	Res Insp-Terminal Apron - IMS	IMS Engineers	4/30/2011	8/24/2013
38	K12-0726	AV284018	Long Term Project Design - Crescent City JV	Leo A Daly/Atkins/Crescent City JV	8/24/2012	8/24/2013
39	K12-0883	AV283670	Grant-Award Modification LEOs - TSA	Department of Homeland Security/Transportation Security Administration	8/27/2012	8/27/2013
40	K12-0945	AV285924	ABM Software Maintenance - GCR	GCR and Associates, Inc.	9/1/2012	8/31/2013
41	K12-0789	AV284432	Material QC Testing-Phase IV(A) - Building and Earth Sciences	Building & Earth Sciences, Inc.	9/19/2012	9/18/2013
42	K12-0771	AV284434	Res Insp-CONRAC - ECM	ECM Consultants, Inc.	9/19/2012	9/18/2013
43	K12-0871	AV285124	Grant-Long Term Development - FAA	Federal Aviation Administration	9/19/2012	9/18/2013
44	K12-0739	AV284197	Design Services-AVCOM Ninth Amendment - NY	NY Associates, Inc.	9/19/2012	9/18/2013
45	K12-1088	AV287316	Engineering Services-Lighting Vault First Amendment - MGA	Marrero, Couvillon and Associates	9/20/2012	9/19/2013
46	K12-0702	AV283781	Design Services-Concourse D Ninth Amendment - Sizeler	Sizeler Thompson Brown Architects, APC	11/9/2007	9/19/2013
47	K12-0837	AV283145	Design Services-RWY 10-28 Fifth Amendment - Volkert	Volkert Inc.	2/24/2010	9/19/2013
48	K12-0793	AV284649	Pavement Condition Index - ARA	Applied Research Associates, Inc.	10/1/2012	9/30/2013
49	K12-0799	AV284655	Material QC Testing-Concourse D - Building and Earth Sciences	Building & Earth Sciences, Inc.	10/1/2012	9/30/2013
50	K12-1017	AV288583	Lease-Weather Office - FAA	Federal Aviation Administration	10/1/2012	9/30/2013
51	K12-0988	AV285120	Long Term Land Use - Jones Lang LaSalle	Jones Lang LaSalle Americas, Inc.	10/1/2012	9/30/2013
52	K12-0901	AV284671	Grant-North Perimeter Road Improvements - LADOTD	LA Department of Transportation & Development	10/1/2012	9/30/2013
53	K12-0820	AV284877	Grant-Airfield Lighting Vault - LADOTD	LA Department of Transportation & Development	10/1/2012	9/30/2013
54	K12-0786	AV284431	Design Services-Phase II Second Amendment - Murray	Murray Architects	10/1/2012	9/30/2013
55	K12-1145	AV287789	Mat Testing/QA-CONRAC First Amendment - PSI	Professional Service Industries	10/1/2012	9/30/2013
56	K12-0838	AV284984	Materials Testing-CONRAC - PSI	Professional Service Industries	4/21/2010	9/30/2013
57	K12-0918	AV284840	Long Term-Environmental Assessment - RS&H	Reynolds, Smith and Hills, Inc.	10/1/2012	9/30/2013
58	K12-0822	AV284882	Construction-Perimeter Fence - US Fence	US Fence and Gate, Inc.	10/1/2012	9/30/2013
59	K12-0989	AV288185	Appraisal Services - Argote	Argote, Debes, Graham, Shuffield and Tate of N.O., Inc.	2/24/2010	10/2/2013
60	K12-0989	AV288385	Appraisal Services - Wayne Sandoz	Wayne Sandoz and Associates, Inc.	2/24/2010	10/2/2013
61	K12-1157	AV287918	License Agreement-Screening Operations - TSA	Department of Homeland Security/Transportation Security Administration	10/18/2012	10/17/2013
62	K12-0907	AV285488	Materials Testing QC-Terminal Apron - Eustis	Eustis Engineering Services, LLC	10/28/2009	10/21/2013
63	K12-0968	AV285388	Environmental Services-Crofton Road - URS	URS Corporation	10/22/2012	10/21/2013
64	K12-0284	AV259789	Res Insp-Lighting Vault First Amendment - Design Engineering	Design Engineering, Inc.	10/22/2012	10/22/2013
65	K12-1129	AV287888	Security Guard Second Amendment - ISMG	INTERNATIONAL SECURITY MANAGEMENT GROUP	10/23/2012	10/22/2013
66	K12-0925	AV285879	Construction-Access Road Improvements - Barriere	Barriere Construction Co LLC	10/24/2012	10/23/2013
67	K12-0922	AV285870	Res Insp-Access Road Improvements - ECM	ECM Consultants, Inc.	10/30/2012	10/09/2013
68	K12-0923	AV285871	Materials Testing QC-Access Road Improvements - Eustis	Eustis Engineering Services, LLC	10/30/2012	10/09/2013

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Contract Number	ECMS Number	Contract Description	Contract Vendor	Start Date	End Date	
69	K12-0920	AV286884	Design Services-Terminal Apron S0th Amendment - Evans Graves	Evans-Graves Engineers, Inc.	10/09/2012	10/09/2013
70	K13-0052	AV286551	Concessions Lease - LA Tax Free	Louisiana Tax Free Shopping	11/1/2012	10/31/2013
71	K12-1016	AV286561	Antenna Lease-First Amendment - Ongular	New Ongular Wireless POS, LLC	11/1/2012	10/31/2013
72	K12-1065	AV287016	Long Term Financial Feasibility - Bates	Roger H. Bates, Airport Consultant	10/18/2012	10/31/2013
73	K12-0934 (1)	AV285714	Surveyor-ARFF - BFM	BFM Corporation, L.L.C.	2/24/2010	11/6/2013
74	K12-0934 (2)	AV285713	Surveyor-CONRAC - BFM	BFM Corporation, L.L.C.	10/18/2010	11/6/2013
75	K12-0951	AV286131	Commercial Support Activity Permit - FSS	Flight Services and Systems, Inc.	11/14/2012	11/13/2013
76	K12-0957	AV286154	Grant-Runway 824 Conversion - LADOTD	LA Department of Transportation and Development	11/14/2012	11/13/2013
77	K12-0968	AV286182	Aircraft Services Permit - NOLA Aviation	NOLA Aviation, LLC	11/14/2012	11/13/2013
78	K12-0967	AV286392	Res Insp-Perimeter Fence - Shaw	Shaw Environmental, Inc.	8/16/2012	11/13/2013
79	K12-0984	AV286379	LEOs - Jefferson Parish Sheriff's Office	Jefferson Parish Sheriff's Office	11/20/2012	11/19/2013
80	K12-1063	AV287014	Consulting Services-PR - Spears	Spears Consulting Group, LLC	12/7/2012	12/6/2013
81	K12-1081	AV287168	Consulting Services-PR - Cygnel/Bright Moments	Cygnel Inc.	12/12/2012	12/11/2013
82	K12-0990	AV286388	Sky Cap Baggage Services Permit - Huntfeigh	Huntfeigh USA Corp	12/12/2012	12/11/2013
83	K12-1084	AV287225	Financial Consulting Services - Ricordo	Ricordo and Associates, Inc.	12/12/2012	12/11/2013
84	K12-0971	AV286187	Appraisal Services - Stegall	Stegall, Benton and Associates, LLC	2/24/2010	12/11/2013
85	K12-0981	AV286163	Concessions Lease-Shoe Shine East Lobby - Darral Kendrick	Like New Shoeshine/Darral Kendrick	12/19/2012	12/18/2013
86	K12-0982	AV286165	Concessions Lease-Shoe Shine West Lobby - Wayne Kendrick	Like New Shoeshine/Wayne Kendrick	12/19/2012	12/18/2013
87	K12-1086	AV287312	Consulting Services-PR - Peter Mayer	Peter A Mayer Advertising, Inc.	12/19/2012	12/18/2013
88	K12-0956	AV286140	Appraisal Services - Boudousque	Gayle H. Boudousque and Associates	2/24/2010	12/19/2013
89	K12-0710	AV283857	CEA-Access Road Landscaping - Jefferson Parish	Jefferson Parish	12/19/2012	12/19/2013
90	K12-1042	AV286622	Janitorial First Amendment - Jani-King	Ermon Enterprises LLC (DBA Jani-King of New Orleans)	12/24/2012	12/23/2013
91	K13-0209	AV289783	Airline Lease-First Amendment - AirTran	AirTran Airlines	3/13/2013	12/31/2013
92	K12-0774	AV284438	Airline Lease-First Amendment - American	American Airlines	9/14/2012	12/31/2013
93	K13-0208	AV289782	Airline Lease-First Amendment - Continental	Continental Airlines	3/13/2013	12/31/2013
94	K13-0248	AV270126	Airline Lease-First Amendment - Delta	Delta Airlines	3/13/2013	12/31/2013
95	K13-0207	AV289781	Airline Lease-First Amendment - JetBlue	JetBlue Airlines	3/13/2013	12/31/2013
96	K12-0983	AV286378	Property Lease-First Amendment - LaFarge	LaFarge North America	11/1/2012	12/31/2013
97	K13-0170	AV286338	Ground Service Equipment (GSE) Facility Lease Agreement - Southwest	Southwest Airlines	2/19/2013	12/31/2013
98	K13-0186	AV286585	Airline Lease-First Amendment - Southwest	Southwest Airlines	8/16/2012	12/31/2013
99	K13-0185	AV286584	Airline Lease-First Amendment - United	United Airlines	7/21/2012	12/31/2013
100	K13-0268	AV270322	Airline Lease-First Amendment - US Airways	US Airways Airlines	7/1/2012	12/31/2013
101	K12-0770	AV284433	Advertising Concession First Amendment - Clear Channel	In-Ter-Space Services, Inc (licensed as Clear Channel Airports)	1/1/2006	1/1/2014
102	N/A	N/A	Software Licensing and Maintenance - Maintenance Connection	Maintenance Connection	1/1/2008	1/1/2014

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Contract Number	ECMS Number	Contract Description	Contract Vendor	Start Date	End Date	
103	K12-1142	AV287728	State and Local Representation - Roedel	Roedel Parsons Koch Blache Balhoff and McCollister	1/4/2013	1/3/2014
104	N/A	N/A	Annual Maintenance -Higher Ground Voice Recorder - EBS	Electronic Business Systems	1/5/2013	1/5/2014
105	K12-1138	AV287723	Maintenance Contract-AVCOM - JCI	Johnson Controls	1/10/2013	1/9/2014
106	K12-1064	AV287015	Consulting Services-PR - Estopinal	The Estopinal Group	1/10/2013	1/9/2014
107	K12-0970	AV288188	Appraisal Services - Ruello	Ruello Appraisal Services, Inc.	2/24/2010	1/13/2014
108	K13-0027	AV288338	Loading Bridge and Baggage Belt Maintenance - Oxford	Oxford Airport Technical Services	1/23/2013	1/22/2014
109	K13-0060	AV288881	Consulting Services-Airfield Electrical Engineering - Atkins	Atkins North America	1/28/2013	1/27/2014
110	K13-0063	AV388614	Automatic and Overhead Door Maintenance - ASIG	Aircraft Service International Group	2/6/2013	2/5/2014
111	K12-1131	AV287892	NOTAM Agreement ATCT - FAA	Federal Aviation Administration	2/6/2013	2/5/2014
112	K13-0013	AV288253	Design Services-Phase IV First Amendment - URS	URS Corporation	2/24/2011	2/5/2014
113	K13-0151	AV388910	Outside Legal Services - Dwyer	Dwyer, Cambre and Sufferin	2/18/2013	2/17/2014
114	K13-0062	AV288612	Airline Reimbursement Agreement - Frontier	Frontier Airlines	2/18/2013	2/17/2014
115	K13-0129	AV288708	Airfield Painting & Related Services - H Lite	H-Lite Markings, Inc.	2/18/2013	2/17/2014
116	K13-0152	AV388911	Commercial Support Activity Permit - IAS	Integrated Airline Services	2/18/2013	2/17/2014
117	K13-0128	AV288704	Consulting Services DBE - Metro Source	Metro - Source, LLC	2/18/2013	2/17/2014
118	K13-0149	AV388908	Outside Legal Services - Middleberg	Middleberg, Riddle and Gianna	2/18/2013	2/17/2014
119	K13-0091	AV388862	Lighting Supplies-NOTOCO	NOTOCO	2/18/2013	2/17/2014
120	K13-0130	AV288710	Vertical Transport System Maintenance - Schindler	Schindler Elevator Corp	2/18/2013	2/17/2014
121	K13-0126	AV288702	Commercial Support Activity Permit - Gate Gourmet	Gate Gourmet	2/18/2013	2/18/2014
122	K12-1132	AV287893	NOTAM Agreement-ALM - FAA	Federal Aviation Administration	2/22/2013	2/21/2014
123	K13-0214	AV288860	Airline Reimbursement Agreement - Delta	Delta Airlines	3/13/2013	3/12/2014
124	K13-0159	AV388929	Airline Reimbursement Agreement - JetBlue	JetBlue Airlines	3/13/2013	3/12/2014
125	K13-0230	AV370015	Airline Reimbursement Agreement - United	United Airlines	3/13/2013	3/12/2014
126	K13-0251	AV370136	Design Services-CONRAC Third Amendment - Coover Clark	Coover-Clark & Associates, Inc.	3/22/2013	3/21/2014
127	K13-0246	AV370139	Airfield Pavement Condition Study Grant Agreement - LADOTD	LA Department of Transportation and Development	3/22/2013	3/21/2014
128	K13-0267	AV270323	Airline Reimbursement Agreement - US Airways	US Airways Airlines	3/22/2013	3/21/2014
129	K13-0197	AV388627	Software Licensing and Maintenance First Amendment - AAAE	American Association of Airport Executives	4/1/2013	3/31/2014
130	K13-0171	AV388415	Environmental Engineering and Spill Response Services	US Risk Management, LLC	4/2/2013	4/1/2014
131	K13-0176	AV257491	Compliance Agreement-Incinerator - USDA/CBP	USDA/CBP	4/2/2013	4/1/2014
132	K12-0200	AV258861	Consulting Services-Airport Master Planning - TMG	The Mumfrey Group, Inc.	4/2/2012	4/2/2014
133	K12-0474	AV281754	Federal Project Auditing - Kushner LaGraize	Kushner LaGraize, LLC	8/12/2012	8/11/2014
134	K12-0225	AV256258	Shuttle Concession Third Amendment - ASI	Airport Shuttle, Inc.	5/11/2012	6/30/2014
135	K12-0928	AV285708	Concessions Agreement-Secret Shopper - ESP	Evaluation Systems for Personnel, Inc.	10/30/2012	10/29/2014
136	K11-0040	AV154588	Concessions Agreement-Vending Machine Services	Refreshment Solutions, LLC	5/19/2011	5/18/2015

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Contract Number	ECMS Number	Contract Description	Contract Vendor	Start Date	End Date	
137	K12-0819	AV284874	Non Disclosure Agreement-Transportation Security Clearing House	American Association of Airport Executives	10/1/2012	9/30/2015
138	K12-1158	AV287919	Terminal Space Lease - TSA	Department of Homeland Security/Transportation Security Administration	10/19/2012	10/19/2015
139	K12-1159	AV287924	Lease Amendment - TSA	Department of Homeland Security/Transportation Security Administration	11/09/2012	10/18/2015
140	K13-0026	AV288316	IT Network Cabling Services-A.J.Labourdette	A.J. Labourdette, Inc.	1/23/2013	1/22/2016
141	K11-0728	AV153065	Grant-Taxiway Golf - FAA	Federal Aviation Administration	9/9/2011	9/9/2018
142	K11-0729	AV153133	Grant-FSD and Law Enforcement - DHS/TSA	Department of Homeland Security/Transportation Security Administration	9/12/2011	9/12/2018
143	K11-0727	AV153031	Grant-Airport Fire Truck (must be approved before 9/14/11) - FAA	Federal Aviation Administration	9/12/2011	9/12/2018
144	K12-0085	AV157577	Agreement with Federal GSA-TSA	Department of Homeland Security/Transportation Security Administration	12/19/2011	12/19/2018
145	K12-0555	AV282431	Permit-Off Airport Parking - NOLA Parking	NOLA Airport Parking	2/18/2012	2/15/2017
146	K12-0263	AV259788	Concessions Lease-Bank - Whitney	Whitney Bank	6/3/2012	9/25/2017
147	K13-0084	AV388815	Off Airport Parking Permit - Ennis (US Park)	Ennis (DGA US Park)	10/1/2012	9/30/2017
148	K12-0973	AV288191	Permit to Transport Passengers On and Off Airport - PNF	Park N Fly Inc.	10/1/2012	9/30/2017
149	K12-0943	AV289119	Concessions Lease-Post Office Boxes - USPS	United States Postal Service	1/9/2013	1/8/2018
150	K13-0081	AV288608	Airline Lease Agreement - Frontier	Frontier Airlines	2/18/2013	2/17/2018
151	K10-0385	AV153789	Concessions Lease-Long Term Parking Garage First Amendment - PFC	Parking Facilities Corporation	7/1/2010	6/30/2018
152	K12-0275	AV258901	Concessions Lease-Food and Beverage Second Amendment - DNC	Delaware North Companies	7/13/2012	12/31/2018
153	K12-0208	AV256038	Concessions Lease-News and Gifts Fifth Amendment-NOAV	Hudson Group/NOAV	5/23/2012	12/31/2018

To list some of the reforms, staff identified the need for protocols and procedures for the management and monitoring of maintenance contract. As an initial step to provide greater accountability and oversight of maintenance work performed by contractors, all contractors were given new invoice templates and advised of new contractor check-in procedures and required sign-off by Airport staff when work was performed (see attached email of March 22, 2011 by Maintenance Contract Manager). To provide further accountability and transparency in the processing of maintenance contracts, a "Maintenance Contract Invoice Processing Procedure" was established in April 2012 (copy attached). The Procedure clarified both staff and contractor responsibilities for maintenance invoice processing.

As staff was hired throughout 2011, it became apparent that there was a lack of executed contracts in place for most of the professional relationships. At first, it was believed there were only approximately 20 missing contracts. As is clear from the February 2013 list, as staff continued to look for contracts, the number grew to over 150 contracts that needed to be situated. Given the gravity of the situation, coupled with the finding that many contracts had not been competitively bid in many years as noted in the Executive Director's 100-day report, the Board, the Federal Aviation Administration, City of New Orleans Administration, beside constant communication with the New Orleans Office of Inspector General.

Attached is a copy of the information provided to the FAA concerning the federal grants that had no underlying contracts, a copy of the meeting minutes from the December 2011 Board meeting where this contract situation was disclosed, a copy of the relevant slides from the Executive Director's presentations given to many local, state, federal and community stakeholder groups.

In June 2012, the Airport established October 2012 as the goal to complete all contracts for pre-existing and current projects and December 2012 was established as the goal to have all other contracts publically bid and contact in process. To keep keen focus on this issue, staff began bi-weekly meetings in an effort to resolve the contract issues. Staff also worked very closely with the City New Orleans Procurement Department and New Orleans City Attorney's Office, as all solicitations for the Airport were issued by the City Procurement Department and the City Attorney's Office had to review and sign off on all contracts before execution by the Mayor.

The Airport insured that the Board and public were kept abreast of the progress by having the Airport's in-house legal counsel provide periodic Board updates at monthly Board meetings. The first update occurred at the August 2012 Board meeting (see attached Board meeting minutes). In November and December 2012 and January 2013, the Board was given contract status briefings (see attached Board meeting minutes).

Through a concerted effort by Airport staff, Board's keen interest in righting procurement, guidance and support from City Hall, the Airport was able to solicit contracts requiring solicitation or to initiate contracts that were missing. In addition, all solicitations were reviewed by the OIG in accordance with the three day review period to insure the public interest is being met. By the goals of October and December 2012, the Airport situated missing contracts, completed public solicitations and initiated the contracting process.

Staff now maintains a list of all contracts with annual renewal or expiration dates. A process has been set to address all contracts in a timely and efficient manner. The list currently contains 99 on-going contractual relationships (see attached list). Staff meets weekly to review the list and identify any issues related to routing contracts for execution with City. The list is updated as necessary to reflect current status. Staff also routinely coordinates and meets with City of New Orleans Procurement and City of New Orleans legal folks on contracting and procurement matters. The Director is briefed at a minimum of monthly on current status of contracts and procurements.

Response to Findings

The response to the OIG's findings and its observation contained in the "Performance Audit of the New Orleans Aviation Board Month-to-Month Contracts" (Audit) is taken in the order in which they were presented.

Finding/Recommendation #1

Finding #1: Prior to 2013 the NOAB allowed contracts to operate on a month-to-month basis for extended periods of two to eight years.

Recommendation: The NOAB should begin the bid solicitation process prior to the expiration of the existing contract, and it should verify that contracts are re-bid within a timely manner. NOAB internal policies and contracts should include a provision for the maximum duration of a month-to-month contract.

Concur. The Director identified that the lack of personnel resulting in loss of operational control in his 100-day report in September 2010. Once staff was retained, the Airport began situating all contracts. By December 2012, the Airport competitively bid all former month-to-month contracts. The Airport situated 153 contracts by 2013, except limousine services, parking garage management, business center and luggage cart for the reasons discussed below. The Airport now monitors contracts to insure that they are renewed, as may be allowed by the terms of the contract, or new contract procured in a timely manner.

The Parking garage and limousine public solicitations each received one proposal and business center and luggage cart public solicitations received no response. Business center and luggage cart were both re-advertised and responses were received in May 2013. The Board awarded both of these contracts and negotiations are ongoing. The limousine service contract was re-advertised in July 2013 and two (2) submittals were received. A recommendation to the Board is scheduled for the September 2013 meeting. The parking garage management solicitation is currently being re-advertised with submittals due on October 23, 2013.

Finding/Recommendation #2

Finding #2: The NOAB approved the payment of invoices with labor rates that were in noncompliance with contract terms.

Recommendation: The NOAB should review each invoice and verify that labor rates are in accordance with the contract before payment is made.

Concur. Staff is now required to review each invoice against the corresponding contract for compliance with contract terms. Rates and scope outside of the contract are rejected. There are now multiple levels of review in place including the Maintenance Contract Manager and the Department representative. Please see the attached Maintenance Contract Invoice Processing Procedure.

Finding/Recommendation #3

Finding #3: The NOAB approved payment of invoices that lacked proper support and documentation.

Recommendation: NOAB should require each vendor to submit adequate supporting documentation with each invoice in order to receive payment. NOAB should review and only approve invoices with adequate supporting documentation.

Concur. The Airport requires each vendor submit supporting documentation for each invoice. If at any time, a member of the staff does not believe the supporting documentation is adequate, the invoice will be returned to the vendor for clarification and additional supporting documentation. Invoices will not be processed unless adequate supporting documentation is included. Please see the attached Maintenance Contract Invoice Processing Procedure.

Finding/Recommendation #4

Finding #4: The NOAB paid Capital Project invoices greater than \$15,000 without proper approval by the Board of Directors.

Recommendation: NOAB should enforce its policy that requires approval from the Board prior to payment for all Capital Project invoices greater than \$15,000.

Concur. The cited examples in the Audit took place during the period from November 2005 until June 2010, which is before the new management got involved. Capital investments exceeding \$15,000 are now brought to the Board for approval and ratification.

Observation #1

Observation #1: The NOAB should document their rationale for entering into outsourced maintenance and services contracts.

Concur with comments. The Airport in terms of deciding the prudence of outsourcing work considers many factors. The factors include if it is prudent to engage a person to perform the task and will it take up a 40 hour work week, the limitations of New Orleans Civil Service in providing the appropriate workforce for the job, and business risk. Examples include bringing in-house many aspects of landscaping work that formerly cost the Airport over \$500,000 and now the contract is for \$154,000; and the former management of the work order system and maintenance contract processing was outsourced to The Mumfrey Group costing the Airport over \$674,000, it is now being performed by in-house staff as part of their other work duties and assignments. Another factor considered is business continuity risk to the airlines. For example, it would not be prudent for the Airport to assume in-house responsibility for maintenance of jet bridges or baggage

belts. If there were failures of these devices and equipment, it can lead to impact to the airlines and lost revenue for missed/delayed flights and claims by ticket holders that could potentially file claims against the Airport.

While the Airport has taken on more responsibilities, its Operation and Maintenance budget has decreased by the millions.

As a response to this Observation, please also see response to Finding #3 for new procedures on details required for invoices.