

May 26, 2021

Response from the New Orleans Office of Inspector General (OIG) to the Quality Assurance Review Advisory Committee

Overall Summary and Assessment

We appreciate the time and effort dedicated by the appointed members of the Quality Assurance Review Advisory Committee (QRC) in preparing the 2020 Annual Report. We recognize that they had a responsibility to provide an independent assessment of OIG operations and appreciate their recommendations for suggested improvements. However, we would be remiss if we did not bring to light factual inaccuracies contained in the report which did not properly represent OIG operations. We understand that the time dedicated to this report represents time taken away from your families and careers. Your commitment to the Ethics Review Board (ERB) and the OIG is significant and admired.

The OIG has operated under strained executive leadership since early 2017 which has impacted the efficiency of our operations. Despite the administrative and personnel issues that plagued the office for several years, the current OIG management and staff produced and released various reports in 2020. It is perhaps equally important to mention that the OIG has approximately 50% fewer staff than in previous years. Hiring essential personnel was simply not a priority for the previous administration as evidenced by the more than \$1M which was returned to the City last year. While we also recognize our productivity is lower than it was in previous years, the OIG released noteworthy Audit, Evaluation, and Investigation reports and returned unspent funds to the City budget. The OIG also identified approximately 22.3 percent return on investment (ROI) through potential savings and questioned costs during 2020. Significant measures have been taken to improve our efficiency and we will continue to combine our resources in an effective manner to ensure we add value as we identify, assess and mitigate fraud, waste and abuse.

Comments and Questions

We appreciate the comments and questions posed by the QRC in the 2020 report and will address those accordingly. In the future, if the OIG and QRC should meet to discuss findings and possible causes, it would better ensure efficiency and accuracy before final publication.

The OIG would like to address the following:

1. Specific Reports:

- Traffic Camera Safety Report – This report was released in late January 2020 and addressed the complexities of the program, including lack of coordination among city entities to ensure the efficiency and effectiveness of the program. Furthermore, we received both community-wide and media inquiries regarding this report, including requests for assistance from residents in applying for refunds from overpayments. While we appreciate the QRC’s observation that we had already reported on this project and cost savings in 2019; rest assured, we did not report the cost savings of \$730,000 in the 2020 Annual Report. We believe this fact could have been both addressed and resolved prior to the release of this report to ensure the accuracy of the report, as well as addressed any “hope” the cost savings were not duplicative.
- ROI-PMD Excessive Overtime – We appreciate the QRC’s acknowledgment of this investigative report, and their sincerity in their recognition of our hard work. We also appreciate their observation that this should have been better profiled in the Annual Report as we intend to ensure all noteworthy investigations are better summarized in future annual reports.
- Sewerage & Water Board (S&WB) Billing Dispute Resolution Process – As previously noted above with the ROI-PMD Overtime investigative report, we appreciate the QRC’s acknowledgement of this evaluation project and the continuous issues that plague the S&WB. We believe our ongoing collaborative work with the S&WB will pay dividends and ensure resolution to their numerous systemic operational deficiencies, many of which have already been identified and documented as part of our system-wide risk assessment of city operations.
- Audubon Commission Audits – Specifically, the QRC noted that the Audubon Use of Funds Audit focused on “outdated data from 2012 – 2014 and question[ed] how informative that data is in a 2020 report.” The QAR also noted that “[i]t would have been worthwhile for the OIG to update the data it relied on.”¹

While the data is from 2012 – 2014, the OIG inquired of the Institute and obtained additional audit evidence to determine if the Institute and/or the Commission resolved the findings. Those changes were documented at the end of each finding as appropriate. Despite some changes, the causes of the improper spending still exist and are still worthy of public scrutiny.

Furthermore, it should be noted that over the three audits of the Audubon Commission and Audubon Nature Institute, the OIG identified over \$3.4 million in questioned costs because of the Institute’s improper spending of public funds. It’s also important to note, that since the OIG’s inception, many entities have disagreed with the OIG’s findings and recommendations. However, disagreements do not negate the findings nor does it diminish the importance of identifying improper use of public funds.

¹ QRC Report, page 4.

The QAR also “question[ed] whether the OIG’s findings concerning Human Resource matters, including compensation, are fair and appropriate.”²

I would like to stress that the OIG performed a benchmarking analysis using assets and revenues to determine the reasonableness (a.k.a. fairness) of salaries. Secondly, because payroll is typically an organization’s largest expenditure, the OIG has issued a number of audits pertaining to payroll since 2011 (see below). Identifying wasteful salaries and/or compensation that may violate the Louisiana Constitution is appropriate and completely within the OIG’s authority of “preventing and detecting fraud, waste, and abuse”.

Title	Issue Date
Payroll Internal Controls	10/28/2011
Payroll Liabilities	2/5/2013
Follow Up: Payroll Internal Controls	7/2/2014
New Orleans Police Department Payroll	8/6/2014
Follow Up: Payroll Liabilities	2/4/2015
Sewerage and Water Board of New Orleans Payroll	8/9/2015

The QRC stated:

“Prior to reaching a conclusion of excessive executive pay, the OIG should demonstrate the compensation comparisons cover factors such as length of service and past accomplishments as well as pay amounts. Those factors seemed to be missing from the OIG’s executive compensation comparisons in its report.”³

This statement is factually incorrect, because the OIG considered a number of intangibles and accomplishments which were included on pages 55-57 of the Audubon Payroll report. As an example, the OIG compared Mr. Foreman’s salary to a number of individuals, including the very well-renowned, Jack Hanna.⁴ We determined that Mr. Foreman’s salary exceeded that of Mr. Hanna by almost \$400,000 and yet the Columbus Zoo’s assets are \$22 million more than those managed by Mr. Foreman.

2. Productivity:

The QRC stated:

“the matters investigated by the OIG in 2020 were essentially the same matters investigated by the OIG in 2019 or seemed to be continuations of

² QRC Report, page 5.

³ QRC Report, page 5.

⁴ Audubon Payroll report, page 55 of 57.

those matters. It seems there are likely other targets, subjects, or organizations which could have been investigated to achieve greater efficiencies or eliminate fraud and waste than the Sewage & Water Board, the Traffic Safety Program, and the Audubon Commission.”⁵

It is perhaps inappropriate for the QRC to determine which entities the OIG reviews. There are also audit and evaluation processes the QRC did not consider before reaching their conclusion. The OIG focuses on multiple processes within an entity to identify entity-wide/systemic problems. Additionally, the QRC fails to note that the S&WB has \$3.4 billion in assets and approximately \$266 million in revenues, which accounts for approximately 41 percent of the City’s total assets.⁶ The S&WB also provides a critical service. Due to its size and mission, it will always be a high-risk entity subject to scrutiny. Can we really put a price on the value of drinkable water and the essential services provided by the S&WB to ensure the existence of our City?

Furthermore, the Audubon Commission is the third largest component entity and we believe is worthy of the resources we expended to review their operations and its organizational structure is complex and structurally flawed. Over the course of three audits, the OIG identified more than \$3.4 million of questioned costs, most of which may have violated the Louisiana Constitution prohibition on donating public funds. The OIG believes these reports are very substantive, properly supported, and very thorough. We believe the peer review team will agree with our findings.

The QAR also noted “There is also very little substance to the ‘new’ findings involving these three organizations in the 2020 Report compared to the 2019 Report.”⁷ However, we would like to stress that these reports demonstrate entity-wide mismanagement and represents potentially millions of dollars in improper expenditures.

3. Potential Cost Savings:

Our reporting of \$3.5 million in questioned costs/savings is both justified and supported by the following sources:

- a. \$1,693,923 - Audubon Payroll Audit
- b. \$ 995,831 - Audubon Use of Funds Audit
- c. \$ 790,312 - Property Management Reduction in Overtime Costs
- d. \$ 48,452 - Orleans Parish Assessor’s Office Property Tax Reassessments

We acknowledge this omission, and thank the QRC for this observation to ensure all future annual reports should include this information.

⁵ QRC Report, page 5.

⁶ Information obtained from the 2018 City of New Orleans Comprehensive Annual Financial Report (CAFR). The 2019 CAFR has not been issued due to the 2019 cyber-attack.

⁷ QRC Report, page 5.

4. OIG Mission:

After stating its mission is to promote efficiency and detect “fraud, waste and abuse,” the OIG should explain how it accomplished these goals in 2020. The purpose of the Annual Report is to show the public how it accomplished its goals in 2020 and is retrospective in nature.

With respect to our overall productivity and as noted in the Annual Report, the OIG identified \$3,528,518 in questioned costs. The OIG received \$2,876,868 in public funds. The return on investment (ROI) is 22.3%. We believe this was especially significant given the leadership and personnel challenges we had to endure as well as Covid-19 restrictions.

Use of Allocated Funds:

As mentioned above, our mission is to promote efficiency and detect and prevent fraud, waste, and abuse, which includes assessing and evaluating our own operations. The OIG produced reports which were substantive but with a 50% decline in personnel, we were unable to produce the same number of reports as we had in the previous years.

Recommendations:

Below are our initial responses to the following recommendations offered by the QRC:

1. For the year 2021, the QRC would like to see more productivity from the OIG and a diversity in investigated targets. There are other organizations within the City’s ambit that are worthy of investigation besides the Audubon Institute and the Sewerage & Water Board.

Response: The OIG will continue to scrutinize the governance structure and operations of the Sewerage & Water Board because improving the Board’s performance is vital to the future well-being of both the agency and the citizens of New Orleans. As the OIG acquires additional personnel, it will utilize their limited resources in an efficient and effective manner. Please keep in mind OIG staffing levels are down approximately 50% compared to 2016 and we must utilize these limited resources where they will have the most impact. The S&WB has \$3.4 billion in assets and approximately \$266 million in revenues, which accounts for approximately 41 percent of the City’s total assets.

2. In future reports, the OIG should disclose the source of the “costs recovered.” We also ask that the OIG provide a breakdown of the costs recovered in either its written reply to the QRC report or at the QRC’s public meeting scheduled for May 26, 2021.

Response: The OIG will include a breakdown of the cost saving details, questioned costs, revenue generated and the potential economic loss prevented in future editions of our annual report. Also, please refer back to #3, Potential Cost Savings. This year's Annual Report contained more graphics to assist with documenting the true value the office added to improve efficiencies. Next Year we will incorporate more illustrations to ensure we capture the cost recovered by the OIG.

As previously mentioned, our reporting of \$3.5 million in questioned costs/savings is both justified and supported by the following sources:

- a. \$1,693,923 - Audubon Payroll Audit
- b. \$ 995,831 - Audubon Use of Funds Audit
- c. \$ 790,312 - Property Management Reduction in Overtime Costs
- d. \$ 48,452 - Orleans Parish Assessor's Office Property Tax Reassessments

We acknowledge this omission, and thank the QRC for this observation to ensure all future annual reports include this information. Please note that costs recovered do not fully represent or capture the value of the OIG. We will strive to identify other positive forms and measurements to further illustrate how our findings and observations promote efficiency and effectiveness.

3. Similarly, we ask the OIG to provide an explanation as to why the OIG again included the Traffic Safety Program in its 2020 Annual Report, without any acknowledgment that it had already included the report in the 2019 Annual Report, and failed to include the ROI-PMD Excessive Overtime in its 2020 Annual Report.

Response: The OIG will include a separate reference to each published report in future editions of our annual report. The omission of the PMD report was an accidental omission, and we agree with the board that it was a substantive and worthwhile report and we appreciate the boards observation of such.

4. We think it would be useful for the OIG to include in its Annual Reports a high-level breakdown of how its budget was allocated during the year.

Response: We agree with the board and under the new leadership, effective January 2021, the OIG initiated the monthly reporting of our financial position at ERB meetings and now closely monitor our budget. However, based on the nature of our operations, the OIG is inclined to retain the discretion as to the use of our allocated funds as operational needs and requirements may fluctuate during the course of a budgeted year.

5. Since the Ordinance requires the OIG to identify "costs recovered" and "costs incurred" in its Annual Report, the QRC suggests that the OIG include that information in one spot, like the OIG did in its 2016 Report:

Response: The OIG will include a breakdown of the cost saving details, questioned costs, revenue generating and the potential economic loss prevented in future editions of our Annual Report as recommended by the QRC. We will incorporate this in the next report.

Conclusion

Although the OIG requested that the QRC give them the opportunity to review their report prior to publication, the QRC refused to do so. The OIG asks that the QRC adhere to the requirements that the OIG is required to follow with regards to issuing reports as described in Section 8, paragraph (b) of the Ordinance which reads:

(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.

Sincerely,

A handwritten signature in blue ink that reads "Edward Michel". The signature is written in a cursive style with a small dot above the letter 'i' in "Michel".

Edward Michel
Interim Inspector General