Construction Fraud Division

Quarterly Status Report

Report Period: 7/1/2019 to 9/30/2019

Issued: October 31, 2019

OIG NEW ORLEANS OFFICE OF INSPECTOR GENERAL

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October 31, 2019

Re: Construction Fraud Division Quarterly Status Report

I certify that the inspector general personnel assigned to this project are free of personal or other external impairments to independence.

Derry Harper
Inspector General

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I. SUMMARY

This report is issued quarterly to provide a periodic status update on the work of the City of New Orleans Office of Inspector General's Construction Fraud Division (CFD) for the New Orleans Aviation Board (NOAB). This report includes a summary of actions and accomplishments of the CFD from **July 1, 2019 through September 30, 2019**.

The CFD created detailed goals and objectives that connect directly to the mission of the Division and serve as a road map for future activities. In the first quarter of 2019, the Assistant Inspector General (AIG) CFD reviewed the Division's goals and objectives to meet the current needs of the program. The results of the review are outlined in a set of planned action items for 2019.

The main headings of this quarterly report are tied to the CFD's established goals and objectives, and the action items will be discussed therein.

II. Development of Goals and Objectives

During the first quarter of 2019, the AIG CFD reviewed the Division's goals and objectives for the past 12 months of work. The review included a year-end assessment of the status of each objective and methods to improve the Division's processes. The AIG CFD updated specific objectives and action items and revised the Division's goals by updating the strategy used to prevent and detect fraud on the North Terminal Airport Project (Project).[1] CFD will include the status of each action item and an update of the Division's goals and objectives in subsequent quarterly status reports.

[1] "2018-2019 Review Goals and Objectives" can be found in Appendix A.

Establish Liaisons: Building relationships with stakeholders on the North Terminal Airport Project continues to be essential. Since the Division's inception in July 2012, CFD team members—through their prior employment, education, and outreach—have been extremely successful at developing a network of stakeholders in the design/construction industry, law enforcement, and public sector oversight communities. These relationships continue to provide useful and worthwhile intelligence and/or input on all CFD deliverables.

CFD team members have been involved in Strategic Project meetings, including progress meetings, internal airport staff meetings, consultant selection committee meetings, NOAB Board meetings, Executive Staff meetings, Strategic Infrastructure Project Coordination meetings, financial feasibility meetings, and Steering Committee meetings.

CFD staff also established positive relationships with the Construction Manager at Risk (CMAR), Project Manager, legal consultants, and the Terminal Design Team. These relationships have proved to be highly useful to airport staff and project consultants. As the North Terminal Airport construction project progresses, CFD has continued to establish relationships with the following:

- contractors and subcontractors who have been or may be selected for airport projects;
- regional representatives from the Federal Aviation Administration and Department of Transportation;

The CFD continued to attend Boh Bros. (CMAR member) bi-weekly compliance meetings. CFD staff believe attendance at these meetings has been beneficial to both parties. The AIG CFD believes that the development of relationships with key participants in the airport's construction will ensure success for all project stakeholders and promote awareness of the CFD.

Quarterly Status Reporting: A continuing task of the CFD is to seek input from the Inspector General and Airport Administration to ensure monthly and quarterly reporting meets their needs. Public awareness about the Division's activities is achieved by posting Quarterly Status Reports directly to the websites of the City

of New Orleans Office of Inspector General (OIG) and Louis Armstrong New Orleans International Airport (LANOIA).

Visibility of CFD: Since its inception, the CFD has been located in NOAB offices and involved in all facets of the North Terminal Airport Project. This access enables the CFD to provide independent oversight that serves not only the NOAB, but contractors, vendors, and the public at large. Effective oversight leads to the elimination of fraud, waste, and abuse and the ethical stewardship of public funds. These efforts translate into improved credibility and trust among credit rating agencies, which result in favorable rates in terms of funding. Improving the visibility of the CFD's oversight efforts should enhance public trust in the Project and ensure that the resulting financial benefits continue.

Prompt Monthly Invoicing: The CFD has been paid timely for all invoices submitted July 2013 through August 2019. An invoice for September 2019 was submitted to the airport on October 9, 2019. The CFD expects to receive these funds within 30 days.

The CFD now includes a summary sheet in the CFD monthly invoices that lists employee hours per project code to make its invoices clearer and more transparent. The summary sheet includes the hours each employee bills to each project and the corresponding project code. In addition, CFD timesheets have been amended to coincide with the summary sheet.

Continuous Professional Development of CFD Staff: The CFD is committed to the continued training, education, and professional advancement of staff. The new AIG received state ethics training and North Terminal Worksite orientation and safety training within two weeks of hire.

IV. Create and Implement Fraud Deterrence Program

Public Outreach Program

Create Public Awareness of CFD: The first step in creating an effective fraud prevention and detection program for the NOAB was to generate public awareness of the CFD and the mission and vision of the Division. The CFD has a dedicated space on the OIG website introducing the CFD, outlining its mission, and providing all contact information. The CFD also has a link on the Long-Term Development page of the NOAB website. In addition, CFD staff established several methods for receiving anonymous reporting of possible fraud, waste, or abuse of resources dedicated to the NOAB Long Term Strategic Infrastructure Plan, including:

- Hotline (504-303-7630),
- in-person reporting,
- e-mail to CFD@nolaoig.gov
- Access the nolaoig.gov website and complete a complaint form

The CFD Hotline number and CFD e-mail address have also been placed on the website of the Construction Manager at Risk, which can be found at www.HGBM-JV.com.

The website, hotline, e-mail, links, and posters are intended not only to deter fraud, waste, and abuse during the course of the project but also to provide anonymous methods for the public to report suspected questionable activity confidentially.

I. Create Fraud Awareness Training Program: To carry out its mission successfully, the CFD must educate companies and individuals employed on the infrastructure project regarding their duty to comply with established ethical standards. Toward that end, the Division developed a fraud awareness-training program. The CFD has commenced conducting Fraud Awareness Training as part of the new employee orientation for workers newly assigned to the North Terminal Project. Five sessions were conducted in Quarter 3 reaching approximately 38 employees. As the project nears completion, the number of monthly training sessions for new employees will decrease because fewer new employees will need to be hired.

Code of Ethics & Conduct for Vendors & Contractors: A strong set of ethical guidelines are an essential component of an organization's fraud deterrence program. The Code of Ethics and Conduct establishes a baseline of ethical conduct, which all vendors and contractors must meet while under contract with the NOAB to provide services for the North Terminal Airport Project. This document includes a violations and penalties clause with commensurate consequences for vendors or contractors who violate the Code of Ethics and Conduct.

The CFD will continue to work with Airport Executives, the Program Management Team, and the Construction Manager to ensure that all vendors and contractors associated with the Long Term Strategic Infrastructure Project are in compliance with these documents.

Vetting Contractor Responsibility: CFD noted in a previous quarterly report that there was no effort given to determining whether a low bid general contractor possessed the ability, character, or financial capacity to complete construction of the actual project. This omission often resulted in a contractual relationship with a general contractor for work that the company was not qualified to perform for one or more reasons. In these scenarios, the project could suffer and public funds could be misspent.

The NOAB selected the Construction Manager-at-Risk (CMAR) project delivery method in August 2014. The CMAR project delivery method requires a commitment by the Construction Manager to deliver the project under a Guaranteed Maximum Price. The CFD has had ongoing discussions with the Construction Manager regarding implementation of this process. As a result, the Construction Manager has provided the CFD with the "Subcontractor Capabilities Questionnaire." Subcontractors were required to submit this document during the bid process. The CFD continues to review and evaluate the questionnaires in an effort to prevent the aforementioned concerns and determine if those selected are capable of performing the contracted work. The CFD is also reviewing all subcontractor agreements related to the North Terminal Airport Project.

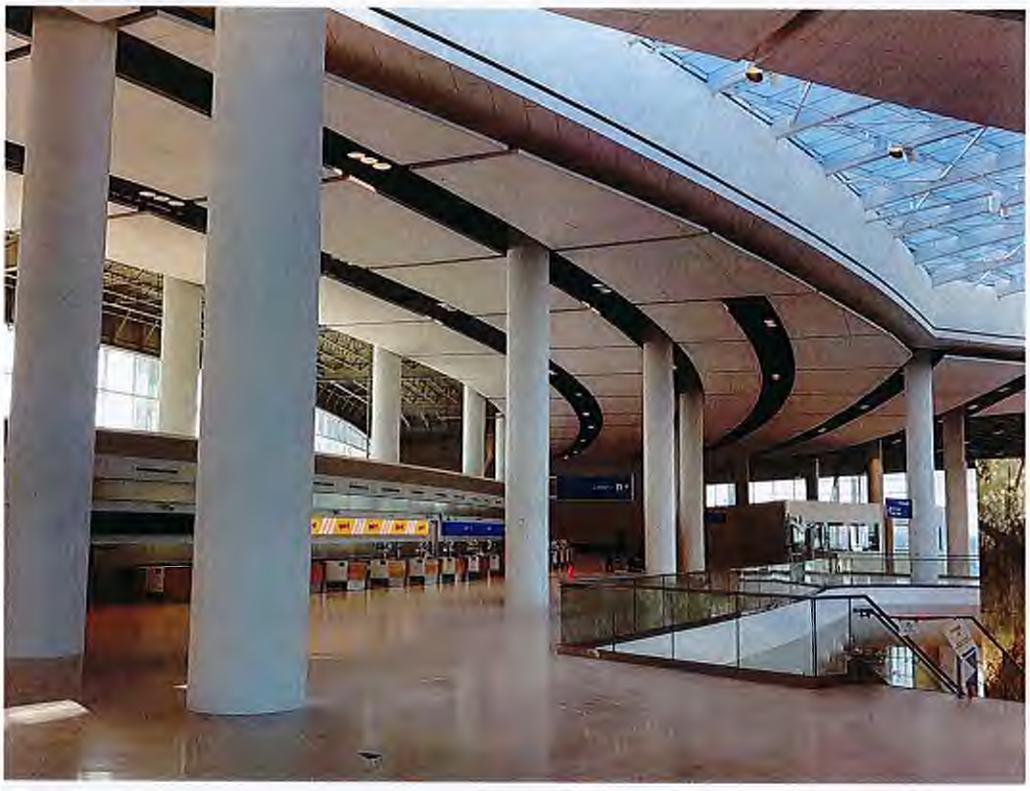
Investigations and/or Audits into Allegations of Fraud, Waste, and Abuse: The CFD utilizes its extensive network of contacts within the law enforcement and construction communities to expand its effectiveness while also promoting awareness. This network lays the foundation for the CFD to conduct any inquiries, investigations, or audits needed for effective oversight. CFD conducted several inquiries into matters relating to the Strategic Infrastructure Project during this reporting period. Since its creation, the CFD has addressed approximately 41 complaints/allegations relating to the Strategic Infrastructure Project, but due to the sensitive nature of those inquiries, no further details will be provided. The CFD maintains constant communication with the NOAB Disadvantaged Business Enterprise (DBE) Liaison Officer, NOAB Legal Department, U.S. Department of Transportation/Office of Inspector General, and the U.S. Department of Justice/Federal Bureau of Investigation.

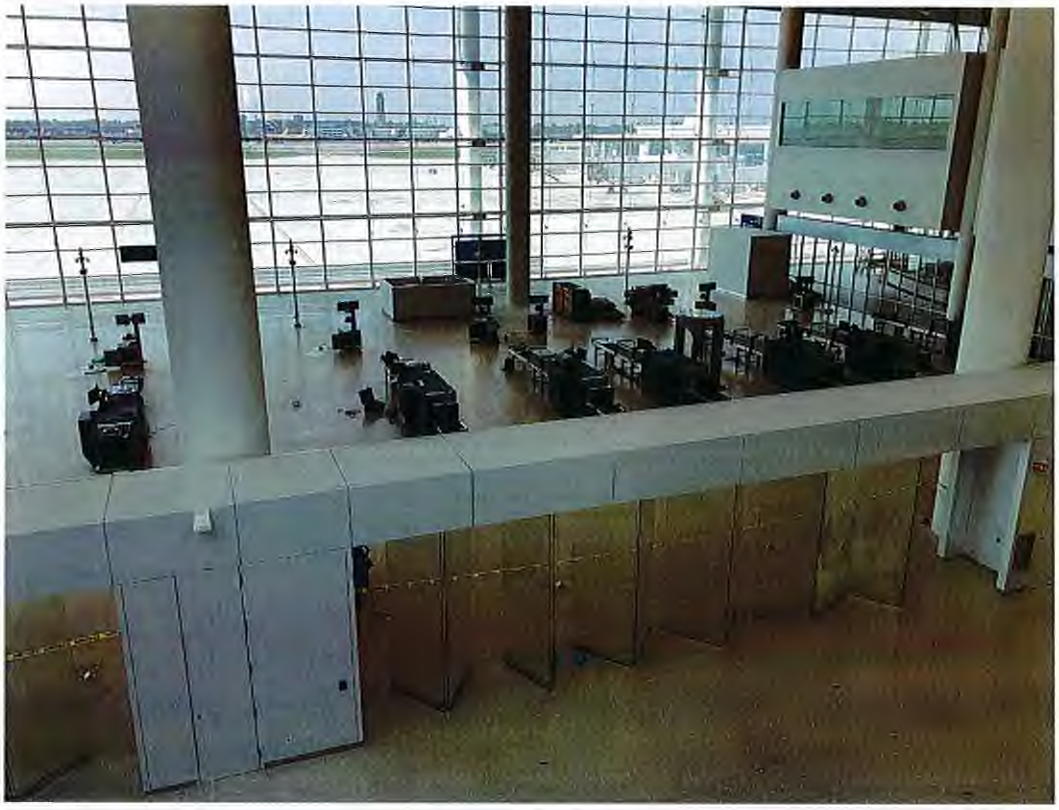
Review Project Documentation: The OIG-NOAB Resolution states that the OIG will "audit and review data, invoices, and other materials related to consultants and contractors performing work to implement the Plan." Throughout the reporting period, this assignment has taken the majority of the Division's focus, energy, and time. Documentation reviewed includes contracts, Letters of Authorization, Invoicing, Change Orders, etc. Since its inception, the CFD has reviewed approximately 894 invoices with an approximate value of $932 million. Change Orders totaling $250,492,385 have also been reviewed.

The CFD has obtained access to the QuickBase Invoice tracking database and the Textura Payment Manager database. These two databases provide real time information on all project invoices, Letters of Authorization, and Contracts of both the CMAR and their prime subcontractors.

Use of Surveillance: It is widely believed that the use of electronic/video surveillance, and more importantly the knowledge of this surveillance, deters various types of illegal activity such as theft and fraud. Due to the advanced state of completion of the new terminal, the exterior video surveillance equipment has been disabled. The NOAB will install a permanent video surveillance system prior the opening of the new terminal in the fall 2019.

CFD obtained the following photographs during regular site visits and from the Construction Manager at Risk. The following photographs were taken on September 1, 13, and 27, 2019.





SHAKE SHACK
FLOATS BEER WINE
FROZEN CUSTARD FRIES SHAKES HOT DOGS

DBE Integrity Monitors: Metro-Source, LLC, a DBE integrity monitor firm contracted by the NOAB, provides independent monitoring services to ensure all work is performed in compliance with appropriate DBE requirements. Metro-Source employs monitors and analysts who work under the supervision of the DBE Liaison Officer and address DBE compliance, which is an area of risk for fraud, waste, and abuse within the North Terminal Project. The CFD works closely with Metro-Source and participates in DBE compliance meetings and site visits. The CFD routinely meets with the Program Management Team regarding these services as well as the overall status of the project.

Site Visits: The CFD continues to make regular, unscheduled site visits to the construction site in an effort to increase awareness of the CFD and provide enhanced monitoring and oversight services.

VI. CFD Supplemental Construction Oversight

In fulfilling its commitment to prevent fraud, waste, and abuse at Louis Armstrong New Orleans International Airport, the CFD is providing oversight and assistance on the following matters outside of the Long Term Strategic Infrastructure Plan.

- The AIG CFD maintains regular interaction with the OIG Investigations Division on airport matters; however, due to the sensitive nature of those matters, no further details will be provided.
- CFD reviewed contracts and Letters of Authorization documenting ongoing NOAB construction projects outside of the Strategic Plan scope.

This document summarizes the status of the work performed by the Office of Inspector General's Construction Fraud Division from July 1, 2019 through September 30, 2019.

If there are any questions or additional information is needed, please call the Office of Inspector General Construction Fraud Division at (504) 303-7553.

Attachment "A"

CONSTRUCTION FRAUD DIVISION

OFFICE OF INSPECTOR GENERAL CITY OF NEW ORLEANS

2018 - 2019 Review of Goals and Objectives

2018 - Year in Review and 2019 - Planned Actions

GOAL #1: BUILD & MAINTAIN EFFECTIVE OVERSIGHT UNIT				2018 - YEAR IN REVIEW		2019 - PLANNED ACTIONS	
No.	Objective	Description of CFD Task	Target Conclusion	2018 Status	2018 Status Remarks	2019 Items to Discuss/Questions	2019 Action Items
1	Establish Liaisons	Identify those groups and individuals that will be closely linked to the implementation and success of the design and building of the new airport. Establish, develop and maintain a trusting relationship with these individuals.	Establishment of robust and productive relationships with LANOIA employees and contracted professionals involved with the process for design and building of the new airport.	Good	The CFD has been very successful in building effective relationships with consultants related to the airport Infrastructure Project including WSP (Project Managers), CCAT (Design Team), HGBM-JV, along with many subconsultants and subcontractors of these entities; The OIG has also made contact with many outside agencies and personnel to strengthen liaison contacts.	• How to strengthen existing relationships? What existing relationships need strengthening? • What groups/Whom to target for relationship building? • What "outside" agencies/groups to target for contact?	Target the following: • HGBM-JV Team - in 2019; • Contractors & Subs for New Terminal; • FAA - Local representative; • DOT - Local/State representatives;
2	Quarterly Status Reporting	Development & delivery of quarterly status reports to LANOIA documenting CFD performance of deliverables.	Timely submission of status report to LANOIA offering comprehensive documentation on CFD Oversight Measures including status on all established goals and objectives.	Good	All quarterly status reports for 2018 have been promptly delivered to the airport Director and his Deputy. These reports may be found on the City of New Orleans OIG website: nolaoig.gov	• How to make format of report more robust? • Ideas for changing format to provide easier reading and public understanding? • Revise G&O:	• Seek input from New OIG and Airport Administrators to ensure reporting meets their needs. • Prepare and distribute (including online publication) Quarterly Reports in the month following the end of the quarter.
3	Visibility of CFD	Identify regular meetings, work sessions, assemblies or gatherings regarding the building of the new terminal. The CFD shall customarily attend all functions to promote the mission of the CFD and emphasize the focus of the CFD on the LANOIA Long Term Strategic Plan.	All Board Members, LANOIA employees and all contracted professionals involved with the long term strategic infrastructure plan will be educated on the existence and mission of the CFD.	Good	The CFD representative attends all coordination meetings associated with the Infrastructure Project including: Design Meetings, NOAB Board Meetings, HGBM-JV Meetings, Steering Committee Meetings, and Project Status meetings.	• How to increase airport visibility of CFD? • How to increase public awareness of existence of CFD at airport?	• Conduct frequent unscheduled visits to the NTP construction site wearing OIG CFD branded shirts, jacket, and PPE. • Conduct OIG fraud, waste, and abuse presentations at new employee orientation training sessions.
4	Prompt Monthly Invoicing	Development & delivery of monthly invoices to LANOIA documenting work performed during invoice period.	Timely submission of monthly invoices to LANOIA offering comprehensive documentation regarding CFD work performed.	Good	All invoices from July, 2013 through December 2018 have been submitted and paid.	• CFD IS consistently prompt at monthly invoicing.	• Continue prompt monthly invoicing and deposit of CFD invoice checks via AFIN.
5	Continuous Development of CFD Staff	Identify opportunities and commit to the continuing education, training and advancement of CFD staff.	Gain knowledge of Construction Fraud industry trends to support deterrence and detection of fraud at the NTP.	Good	The CFD has taken advantage of several educational opportunities during the past year including: State Ethics Training and Information Security Training.	• Development of CFD... new industry trends?	• Identify continuing education & training opportunities for CFD

GOAL #2: CREATE & IMPLEMENT FRAUD DETERRENCE PROGRAM				2018 - YEAR IN REVIEW		2019 - PLANNED ACTIONS	
No.	Objective	Description of OIG Task	Target Conclusion	2018 Status	2018 Status Remarks	2019 Items to Discuss/Questions	2019 Action Items
1	**Public Outreach Program**			**Public Outreach Program**			
	Create Public Awareness of CFD	Utilize CFD Website, hotline & email for the reporting of Fraud, Waste & Abuse during the LANOIA Infrastructure Plan. Posters will be utilized to promote awareness of CFD Oversight and informing individuals of their duty to report fraud, waste and abuse.	Utilization of Website, hotline & email as an effective tool for reporting fraud, waste or abuse during LANOIA Infrastructure Plan. Posters shall be plainly and prominently visible at all design studios, PM and CM offices and Construction sites. Info on Posters shall advertise the CFD and instructions for the simplicity of reporting.	Good	The CFD website, dedicated hotline and email has been established. Many posters have been distributed within the airport and to several consultants, HGBM-JV, and Subs offices working on the infrastructure project.	• How to gain more public awareness of these tools?	• Examine other options/places for installing CFD posters. Posters have been placed in the DBE trailer and orientation trailer at the NTP trailer city.
	Create Fraud Awareness Training Program	Develop and implement an educational and training program regarding fraud, waste & abuse within design & construction projects. This program shall target the understanding of opportunities and consequences of fraud, waste and abuse and elaborate on the duty to report such activities. This program will also address the expected ethical conduct of all LANOIA vendors and contractors.	Educational & Training programs shall occur on a quarterly basis and be tailored directly and specifically toward the group of individuals being trained. Targeted groups will include: NOAB staff, PM team, Design Team, CM team, General Contractors and Prime Contractors.	Good	The Fraud & Ethical Awareness Education program and presentation was fully developed and administered to relevant groups from 2014 through 2018.	• Given the progress of the North Terminal project from design to construction, what is the target audience now for fraud awareness training?	• Continue to conduct OIG fraud, waste, and abuse presentations at new employee orientation training sessions.
2	**Code of Ethics & Conduct for Vendors & Contractors**	Develop and coordinate the successful implementation of a comprehensive Vendor/Contractor code of Ethics that will detail expected conduct and behavior of all LANOIA contracted professionals. This document shall be utilized as standard practice during the realization of the Infrastructure Plan.	All LANOIA contracted professionals will acknowledge and understand expected Code of Ethics and Conduct along with penalties for violations of this policy. This document will be issued as a part of the executed contract.	Good	The Code of Ethics & Conduct has been developed by the CFD. The Code of Ethics, as well as the Louisiana Code of Governmental Ethics, was issued to all members of the HGBM-JV and numerous subs. It has been incorporated into contract language for all lower tier subs.	• Where does the value of the Code of Ethics lie? • Ideas for implementation of the Code where it will be MOST effective?	• Emphasis with Contractors/Sub-contractors & CMAR will be continued.
3	**Vetting Contractor Responsibility**			**Vetting Contractor Responsibility**			
	Evaluate Vetting Methods	CFD and LANOIA shall appraise in detail the two proposed structures of vetting the responsibility of contractors that may be performing contracted work on the long term infrastructure plan. CFD and LANOIA shall offer consideration to all pros and cons of each method of evaluation.	Selection of a method of Vetting the Responsibility of Contractors based on the mutual benefit of the Owner and the proposed contractor. Begin exercising the accountability of a public entity to defend the effective & efficient expending of funds.	Good	The OIG has received from the CMAR/HGBM-JV all required bid documents submitted to date, including the Subcontractor Suitability Questionnaire for vetting purposes.	• Continue to work with HGBM-JV on pre-qualifying sub-contractors	• CFD believes that the Subcontractor Suitability Questionnaire has brought valuable intelligence to the OIG;
	Create Comprehensive Action Plan for Contractor Vetting	Based on the selected method of vetting, a step-by-step action plan will be developed to assure successful implementation of the system. The plan will include all work necessary, identify expected obstacles, include all required support, etc.	Development of an action plan that will be thorough and will expedite progress toward successful contractor vetting.				
	Develop Contractor Evaluation System	• Develop Contractor Information Form (CIF) • Develop Evaluation Standards & Review Procedures • Implement CIF via Web form for Maximum Access	Development of an evaluation system that is fully researched and based on proven techniques of vetting the capability of contractors to perform specified work. This system shall be mindful and inclusive of industry protocols and trepidation with such systems of evaluation.				
	Build & Maintain Vendor Database	Based on the selected structure of vetting, a Vendor Database may be necessary to organize and maintain all vendor information. This tool could be critical to the success of Vetting vendors/contractors.	Established database promoting ease of information contribution, evaluation of contractors, organization of information, and reporting/sharing of information.				

GOAL #3: MANAGEMENT & CONTINUATION OF OVERSIGHT				2018 - YEAR IN REVIEW		2019 - PLANNED ACTIONS	
No.	Objective	Description of OIG Task	Target Conclusion	2018 Status	2018 Status Remarks	2019 Items to Discuss/Questions	2019 Action Items
1	**Investigations and/or Audits into allegations of Fraud, Waste and Abuse**	Upon discovery, or receipt of a complaint or allegation of Fraud, Waste or Abuse, CFD will refer the matter to the Investigations Division for appropriate follow-up.	Ensure all reviews, investigations, and inquiries are conducted in a thorough and effective manner and all matters are resolved appropriately. Referrals to Federal, State, and Local Law Enforcement will be made when warranted. Maintain integrity of all on-going investigations or audits.	Good	The CFD has received several allegations of fraud, waste or abuse, and has referred them to the Investigations Division of New Orleans OIG for follow-up where warranted..	• How to continue effective investigations, evaluations, reviews or audits? • Where to direct CFD attention during different phasing?	• Implement OIG "Scorecard" Process to identify vulnerabilities and weaknesses wherein exploitation is most likely to occur. Develop solutions/suggestions on how to "fix" it.
2	**Review Project Documentation**	Assess review standards and processes for typical documentation, offer feedback for the improvement of set standards and processes. Random analysis, as deemed necessary, of typical documentation. Documents including: Invoicing, Construction Change Directives, Change Proposals, Change Orders, Request for Information, etc.	Improvement of standards and processes for reviewing project documentation resulting in the thorough and expeditious assessment of project documents.	Good	During the CFD's tenure at the airport, the majority of the Division's time has been dedicated to reviewing numerous contracts, Letters of Authorization and invoices related to the Infrastructure Project. The 800 invoices reviewed to date have totaled over $853 million dollars.	• Discuss current process for reviewing documentation • Opportunity for Improvement? OR anything we do that we should change for better? • Is CFD review timing ok?	• This function will be on-going and timing of OIG reviews is viewed as acceptable; • With the initiation and implementation of: Invoice & LOA Process review Coversheet; - Invoice, Contract & LOA review checklists; These documents currently provide enhanced visibility and a faster overall process.
3	**Use of Surveillance**	Determine use and design for surveillance application on construction jobsite. The plan should be inclusive of all security measures promoting the deterrence of fraud, waste and abuse during active construction.	Development of a successful "Team designed" surveillance and security plan that is to the satisfaction of all stakeholders including LANOIA, security team and CFD. Plan shall actively deter attempts at any type of fraud, waste and abuse.	Good	The CFD had discussed with HGBM-JV and PM the need for increased surveillance at the new terminal location, and as a result two on- site cameras have been installed with restricted access. The CFD has access to the on-site cameras.	• Are the two cameras enough? What is the criteria for additional cameras?	• Due to the advanced state of completion of the new terminal, the exterior video surveillance equipment has been disabled. Permanent video surveillance will be initiated by airport security personnel upon the opening of the new terminal in the fall 2019.
4	**Use of Integrity Monitors**	Use of an on-site independent organization with legal, auditing, investigative, environmental, safety and loss prevention skills to ensure compliance with relevant laws, regulations and contracts. Also to deter, prevent, uncover and report unethical or illegal conduct.	Evaluation of existing internal controls. Recommend best practices to minimize fraud risks. Act as conduit from construction jobsite to CFD.	Good	The CFD staff has been providing this service during the actual construction of the airport terminal along with QA/QC and DBE monitors employed by the Program Manager.	• Best method to document & compile site visits	Construction Site Visits will continue and documentation through photos will be provided.