

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

September 17, 2014

Norman Foster, Chief Financial Officer
City of New Orleans
1300 Perdido St.
New Orleans, LA 70112

Dear Mr. Foster:

On July 2, 2014, the Office of Inspector General issued *Follow-up Report: The Payroll Internal Control Performance Audit*. As part of the audit's testing procedures, user access controls for the payroll system were evaluated.

The following condition was noted during testing of access controls:

Background: HRTS was an internet based payroll system used by the City. Seven Payroll Department employees were given the ability to approve payroll for all City employees within HRTS.

What Happened: Two of the seven users no longer worked in the Payroll Department. One of the two was still employed by the City in a different department but did not need the approval authority provided to her. The other user was terminated on 4/17/11, but her access was not terminated until the OIG auditors questioned her access in 2014, three years later.

What is Required: The City has an informal IT policy of modifying and terminating access rights for employees on a weekly basis based on a list of terminated or transferred employees received from Civil Service.

Why it Happened: The City's informal IT policy was not followed.

Impact: Since HRTS was an internet based software package, the users had the ability to access the payroll system and approve time for all employees for as many as three years after the need was eliminated.

The HRTS payroll processing was replaced with ADP on May 16, 2014; however, ADP is also an internet based system. If controls over user access rights are not strengthened, the same potential for former employees to maintain access to ADP and approve payroll after termination of employment may occur.

Recommendation: The City should strengthen the policies over modifying and terminating users' access rights.

The following condition was noted as a result of testing unclaimed checks:

What Happened: As of November 1, 2013, the City had three payroll checks totaling \$2,695, issued prior to July 1, 2012, that had not been escheated to the state as required by Policy Memorandum No. 117 and Louisiana State Law.

What is Required: CAO Policy Memorandum No. 117 requires all checks of \$50 or more, issued one year prior to July 1st be escheated to the State no later than November 1st of that year.

Why it Happened: In response to Finding #10 regarding outstanding payroll checks in the 2011 report the City stated, "With the hiring and retention of appropriate staff and the implementation of the new ERP system the city will be able to fully comply with Policy Memorandum No. 117 and Louisiana State Law for any amounts which should actually be escheated to the State."

Impact: Postponing the process of escheating the checks until "implementation of the new ERP system" is a violation of state law.

Recommendation: The City should escheat all checks according to Policy Memorandum No. 117 and Louisiana State Law regardless of the "implementation date of the new ERP system."

If you have any questions, please contact Eileen Shanklin-Andrus, Assistant Inspector General of Audit and Review at (504)681-3200.

Sincerely,



E.R. Quatrevaux
Inspector General

cc: Andy Kopplin, First Deputy Mayor & CAO
Derrick Muse, Deputy Director of Finance
Ed Kerkow, Interim CIO