



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

**Follow-Up Report: “City of New Orleans Miscellaneous
Donations Fund and America’s New Orleans Fund Report”**

AR12FOL007

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Follow-Up Report: “City of New Orleans Miscellaneous Donations Fund and America’s New Orleans Fund Report” (AR12FOL007)

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Follow-up # 1: The City did not update its Accounting Policies and Procedures Manual and the donations policy was issued after this report was finalized. The City did not implement the donations policy prior to the completion of this report.

Follow-up # 2: The City prepared MDF reports, and asserted that the proper reports were submitted to the CAO and the City Council; however, no evidence to support this assertion was provided by the City.

Follow-up # 3: The donations received were less than \$100; therefore, the auditors did not test donations coded to the General Fund.

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Follow-up Observation #1: ANOF, Inc. was dissolved on August 30, 2011; however, the ANOF bank account was not closed.

Follow-up Observation #2: The City did not provide evidence that reconciliations were performed and did not provide evidence that this report was submitted to the CAO or City Council.

Follow-up Observation #3: The City did not update its Accounting Policies and Procedures Manual and the donations policy was issued after this report was finalized. The City was unable to implement the donations policy prior the finalization of this report.

Follow-up Observation #4: Management guidelines which were to be included in the revised Accounting Policies and Procedures Manual were not developed to adopt this observation because the City failed to update its Manual.

Follow-up Observation #5: The City issued a donations policy on February 22, 2013. This policy was issued after this report was completed. Therefore, the auditors were unable to determine if the policy was effectively implemented. The auditors also noted that donations received and recorded in the General Fund in 2011 were less than \$100; therefore, the auditors did not test donations coded to the General Fund.

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted a review of the accounting and use of nongovernmental donations administered by the City of New Orleans. The objective was to determine whether the City accounted for and expended donations appropriately. A report titled *“City of New Orleans Miscellaneous Donations Fund and America’s New Orleans Fund”* (2011 Report) was issued on September 26, 2011.

The follow-up report revealed that the City issued a donations policy after the report was finalized, but it did not implement any of its other responses submitted in the 2011 Report. The auditors will perform a 2nd follow-up in approximately eighteen months of the release of this report.

I.OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this follow-up was to determine if the City responses in the 2011 Report were adopted and if the controls were operating effectively. The procedures performed were related to the responses submitted by the City to the 2011 Report.

The scope of this follow-up was limited to the City's responses to the three recommendations and 5 observations addressed in the 2011 Report.

The audit methodology was developed in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book)¹, and included the following:

- Conducted interviews with personnel to gain an understanding of the current processes and controls in place; and
- Evaluated the City's responses to the 2011 Report to determine if the City implemented its responses in the 2011 Report.

No computer-processed data was provided or relied on. Therefore, no formal reliability assessment of the computer-processed data was performed.

¹ Association of Inspectors General, 2004.

II. FOLLOW-UP REPORT: “THE CITY OF NEW ORLEANS MISCELLANEOUS DONATIONS FUND (MDF) AND AMERICA’S NEW ORLEANS FUND” FINDINGS

Finding #1: “The City lacked a detailed written donations policy on the proper management and documentation of donations resulting in inadequate management and documentation of donations.”

Recommendation #1: “The City should update its Accounting Policies and Procedures Manual, and develop and implement a detailed policy on the proper management and documentation for the receipt of donations in the [Miscellaneous Donations Fund] MDF...The policy should clearly outline proper use of unrestricted donations...The City should also consider the use of a donation receipt form to assist in the City’s recordkeeping process...The City should consider sending acknowledgement letters upon receipt of a donation....”

City Response #1: “The City will update its Accounting Policies and Procedures and implement a policy on the proper management and documentation for the receipt of donations by the end of 2011.”

Follow-up #1: The City did not update its Accounting Policies and Procedures Manual and the donations policy was issued after this report was finalized. The City did not implement the donations policy prior to the completion of this report.

Finding #2: “The Director of Finance did not make reports on the MDF activities to the CAO and Council as required by Section 70-415² of the City Code.”

Recommendation #2: “The Director of Finance should prepare a quarterly report on the MDF for the CAO and Council along with the other required financial reports as mandated by the City Code. Quarterly reports will help improve the oversight of the MDF.”

City’s Response #2: “The Director of Finance will develop a report on the Miscellaneous Donation Fund for distribution to the CAO and Council. The report will be included with the other financial reports which are presented monthly at the City Council's Budget Committee starting with third quarter of 2011 in October 2011.”

Follow-up #2: The City prepared MDF reports, and asserted that the proper reports were submitted to the CAO and the City Council; however, no evidence to support this assertion was provided by the City.

Finding #3: “The City of New Orleans was in noncompliance with its internal policy by placing grants that were subject to specific regulatory conditions in the General Fund.”

² City Code Section 70-415.227 stated, “The director of finance shall keep detailed and accurate books in the administration of the fund shall make reports to the chief administrative officer and the council, giving a complete accounting of the revenues and expenditures of the fund as often as requested, but not less than quarterly.”

Recommendation #3: “The City should determine the original source of grant funds prior to coding into the general ledger system and account for any proceeds of specific revenue sources (other than those identified as excluded) that are legally restricted in a special revenue fund. All donations received by a specific department should be reconciled to verify that all funds are accounted for and used appropriately.”

City Response #3: “The city will determine the source of funds prior to coding grants into the general ledger system.”

Follow-up #3: The donations received and recorded in the General Fund in 2011 were less than \$100; therefore, the auditors did not test donations coded to the General Fund.

III. FOLLOW-UP REPORT: "CITY OF NEW ORLEANS MISCELLANEOUS DONATIONS FUND AND AMERICA'S NEW ORLEANS FUND" OBSERVATIONS

Observation Follow-up #1:

Observation #1: The ANOF [America's New Orleans Fund] had a remaining balance that was dormant and incurring bank fees. All ANOF board members resigned in April of 2010. Without a board to appropriate the money, donation money remained unused and inaccessible to anyone. As of June 30, 2010, the ANOF had \$4,863 remaining in its bank account.

Recommendation #1: The City should appoint a new board to transfer or appropriate the money remaining in the ANOF and properly dissolve the corporation, if necessary.

City's Response #1: "The City will take necessary steps to resolve this concern."

Observation Follow-up #1: ANOF, Inc. was dissolved on August 30, 2011; however, the ANOF bank account was not closed³. The City did not take the necessary steps to close the ANOF bank account.

Observation Follow-up #2:

Observation #2: The donations process was decentralized, which resulted in restricted funds going unused to complete authorized projects.

Recommendation #2: The City should reconcile donations received by the departments with the donations documented by the Accounting Department to verify that all funds are being used for authorized projects.

City's Response #2: "The City will reconcile donations received and submit a report to the CAO and City Council on a quarterly basis."

Observation Follow-up #2: The City did not provide evidence that reconciliations were performed and did not provide evidence that this report was submitted to the CAO or City Council.

Observation Follow-up # 3

Observation #3: Certain donation disbursements appeared to be a questionable use of funds.

Recommendation #3: The City should develop and implement a detailed policy on the proper management and documentation of the expenditures of donations from the MDF which should include expenditures specifically disallowed.

³ The funds were not transferred out of the bank account.

City's Response #3: "The City will ensure that expenditures from the MDF are in line with policies and procedures beginning in January 2012."

Observation Follow-up #3: The City did not update its Accounting Policies and Procedures Manual and the donations policy was issued after this report was finalized. The City was unable to implement the donations policy prior the finalization of this report.

Observation Follow-up # 4

Observation #4: City employees failed to input or incorrectly input donor information.

Recommendation: The City should develop and implement a detailed policy on the proper management and documentation of the expenditures of donations from the MDF which should include recording the donor's name.

City's Response: "The City will include management guidelines in its Accounting Policies and Procedures beginning in January 2012."

Observation Follow-up #4: The City did not update its Accounting Policies and Procedures Manual.

Observation Follow-up #5

Observation #5: The City of New Orleans was in violation of the City Code by placing donations that were not subject to specific regulatory conditions in the General Fund and not the MDF...⁴ Expenditures from the fund shall be made to fund the purposes for which the donations were made and through the department responsible for such undertaking, unless unrestricted donations to the general fund."

Recommendation: The Code Section is unclear. However, as a best practice, all donations should be placed in the MDF.

City's Response: "City Code Section 70-415.226 stated, "All miscellaneous donations received by the city that are not subject to specific regulatory conditions shall be placed in the fund." Section 70 415.226 goes further to allow "unrestricted donations to the general fund." The City will follow the code as stated by placing miscellaneous donations in the Miscellaneous Donation Fund."

Observation Follow-up #5: The City issued a donations policy on February 22, 2013. This policy was issued after this report was completed. Therefore, the auditors were unable to determine if the policy was effectively implemented. The auditors also noted that donations received and recorded in the General Fund in 2011 were less than \$100; therefore, the auditors did not test donations coded to the General Fund.

⁴ City Code Section 70-415.226 stated, "All miscellaneous donations received by the city that are not subject to specific regulatory conditions shall be placed in the [MDF] fund.