

BRASS Purchasing & Accounts Payable Internal Controls

Report • April 7, 2022



Edward Michel, Inspector General



April 7, 2022

Re: BRASS Purchasing & Accounts Payable Internal Controls

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

Edward Michel
Inspector General

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In May 2011, the Office of Inspector General (OIG) issued an audit of the internal controls of the City of New Orleans' (City) purchasing and accounts payable (AP) functions (2011 Report).¹ At the time the 2011 Report was issued, the City used several procurement and financial systems. The Advantage Financial Information System (AFIN) maintained the financial records for all the City's grant programs and capital projects. AFIN was a DOS-based general ledger system that was implemented in the 1980s that was used to process expenditures for grants and capital projects. BuySpeed, an internet-based procurement software application, was used to process the City's bids and procurements. It also processed expenditures that were not processed through AFIN. Once the AP Department approved the purchase in AFIN or BuySpeed, it was transferred to Great Plains, a Microsoft general ledger system, for payment processing. The City responded that several of the findings in the 2011 Report would be resolved when they implemented an Enterprise Resource Planning (ERP) system to replace AFIN.

The City's 2018 Comprehensive Annual Financial Report (2018 Financial Statement Audit) also contained findings related to the City's purchasing and AP functions.² The City responded that those findings would also be resolved when it implemented the new ERP system.

On June 28, 2019, the City implemented the Budget, Requisition, and Accounting Services System, an ERP commonly referred to as BRASS. BRASS is the City's critical financial infrastructure. In 2021, the City processed approximately \$1.1 billion through this procurement and accounts payable system. Because of the serious issues in the prior audit reports and the critical nature of BRASS, the OIG deemed it necessary to conduct this audit to determine if BRASS resolved the findings noted in the 2018 Financial Statement Audit and the 2011 Report, and to determine if controls were designed and implemented properly and operating effectively.

To determine if the City resolved the prior findings by implementing BRASS, the OIG obtained a listing of all 6,503 invoices paid from July 1, 2020 through

¹ *City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit (IG-A&R-10PAU005)*, May 12, 2011.

² *City of New Orleans, Louisiana, Comprehensive Annual Financial Report, December 31, 2018 (With Independent Auditors' Report Thereon)*, July 30, 2019.

September 30, 2020 and statistically sampled invoices, requisitions, purchase orders (PO), and contracts as described below:

- Selected and tested 100 percent of 12 high value invoices, and randomly selected 83 of the remaining 6,491 invoices paid during the scope period for a total of 95 invoices;
- Randomly selected 69 requisitions created in BRASS;
- Randomly selected 87 POs issued in BRASS; and
- Randomly selected 78 contracts, amendments, and CEAs that required Tax Clearance Authorization forms.

Because the samples were randomly selected, auditors projected the results to the entire population. Based on our testing, the OIG noted that overall the Purchasing Department made significant improvements and implemented critical internal controls. The OIG noted several positive findings:

- The City implemented proper segregation of duties within BRASS.³ All invoices tested were requested and approved by different employees.
- BRASS contained an appropriate audit trail. BRASS adequately documented when purchases were created and approved, and by whom, throughout the entire purchasing and payables process. Furthermore, contracts, POs, invoices, disbursements, and related documents were maintained in BRASS and easily accessible.
- The Purchasing Department approved all requisitions before it issued the PO. The Purchasing Department approved POs before the vendor uploaded its invoice, and the requesting department approved the invoice. The requesting department and the Accounting Department approved all invoices before disbursements were made. All invoice amounts agreed to the disbursement amounts.
- All contracts and amendments contained Tax Clearance Authorization forms as part of the contract approval, contract amendment, or CEA processes at the initial execution date.

³ Segregation of duties generally entails dividing the responsibility for recording, authorizing, and approving transactions, and handling the related asset.

The OIG noted some areas where the City should strengthen its internal controls or improve its processes. Specifically, the OIG found that:

- The Accounting Department did not have a policies and procedures manual for its employees. OIG also noted that Information Technology & Innovation (ITI) did not have a written policy that documented proper segregation of duties.
- The vendor file contained employees and duplicate vendor accounts. The employees were not distinctly identified or segregated from the vendors. This configuration gave the appearance that the City used employees as vendors.
- The City did not require vendors to submit current Tax Clearance Authorization forms annually for contracts that spanned multiple tax periods.
- The Purchasing Department did not monitor procurement activities to ensure departments did not violate procurement laws and policies.
- The City did not pay 33 of the 95 invoices tested within 30 days of the invoice date. When projected to the population, the City did not pay 2,886 invoices timely.

Based on these findings, the OIG made the following recommendations to the City:

- The City should complete the BRASS role configuration and create a policies and procedures manual for the Purchasing and AP Departments that describe the duties and responsibilities for each role within the departments. ITI should also formally document its roles and responsibilities to ensure proper segregation of duties.
- The City should remove employees and inactive vendors from its vendor file. The City should also develop and document a vendor file maintenance policy which includes a regular interval for removing vendors from its vendor file.
- The City should develop a policy to obtain Tax Clearance Authorization forms, every year, for multi-year contracts.
- The Purchasing Department should develop and document a formal policy to monitor departments' procurement to ensure compliance with Public Bid Law and other procurement policies.

- The City should document its invoice payment terms and revise its invoice payment process to ensure all invoices are paid on or before the due date. If invoices are received late, the City should process the payment as soon as possible.

I. INTRODUCTION

On June 28, 2019, the City implemented the Budget Requisition & Accounting Services System, an Enterprise Resource Program commonly referred to as BRASS. BRASS is the City's critical financial infrastructure. In 2021, the City processed approximately \$1.1 billion through this procurement and accounts payable system.

Prior to implementing BRASS, the City used several procurement and financial systems. AFIN maintained the financial records for all the City's grant programs and capital projects. AFIN was a DOS-based general ledger system that was implemented in the 1980s that was used to process expenditures for grants and capital projects. BuySpeed, an internet-based procurement software application, was used to process the City's bids and procurements. It also processed expenditures that were not processed through AFIN. Once the AP Department approved the purchase in AFIN or BuySpeed, it was transferred to Great Plains, a Microsoft general ledger system, for payment processing. These systems were integral to the City's purchasing and AP internal control processes. Once the City implemented BRASS, it retired those systems and consolidated the functions within BRASS.

On May 12, 2011, the OIG issued its 2011 Report which revealed that the City's purchasing and AP internal control processes were deficient in certain areas. Those deficiencies created the opportunity for fraudulent purchases and payments. OIG auditors noted seven findings in the 2011 Report. Findings #1, #2, #5 and #6 were within the scope of this audit. Those findings were as follows:

- Prior Finding #1: The Financial Systems Administrator and Chief Accountant had the ability to input and authorize purchases within AFIN.
- Prior Finding #2: AFIN did not provide an adequate audit trail to allow the auditor to determine if purchases were properly approved.
- Prior Finding #5: The City did not determine if the vendor payee was delinquent in City taxes prior to disbursing payment.
- Prior Finding #6: The City did not verify that vendors were current on their tax payments prior to approving contract amendments.

The OIG also noted five observations in the 2011 Report. Observations #4 and #5 were within the scope of this audit. Those observations were as follows:

Prior Observation #4: The City's Accounting Policies and Procedures manual was last revised in February 1998, thirteen years prior to the 2011 Report.

Prior Observation #5: The City's records retrieval process was slow and inefficient.

In the 2018 Financial Statement Audit, the City's external auditors also noted that "certain employees had user access rights that allowed them to approve the same transaction that they initiate...."⁴ They also noted instances in which POs were not approved until after the purchase was made. The City responded that the findings in the 2011 Report and the 2018 Financial Statement Audit would be resolved when it replaced its procurement and financial systems with BRASS.

⁴ *City of New Orleans, Louisiana, Comprehensive Annual Financial Report, December 31, 2018 (With Independent Auditors' Report Thereon), July 30, 2019.*

II. POLICIES & PROCEDURES

In the 2011 Report, OIG auditors noted the “City of New Orleans General Accounting Policies and Procedures and General Accounting User Guide” (1998 Accounting Manual) was last revised in February 1998, thirteen years prior to the 2011 Report.⁵ At the time, the City responded that it would “work to overhaul all its policies and procedures in a comprehensive manner as part of the implementation of the ERP system over the next few years.”⁶

Finding 1: The Accounting Department did not have a policies and procedures manual for its employees. OIG also noted that ITI did not have a written policy that documented proper segregation of duties.

The 1998 Accounting Manual was obsolete and included processes that the City no longer performed. Each employee had a Civil Service job description that provided generalized “kind of work” duties.⁷ However, those job descriptions applied to employees in multiple City departments. They did not provide specific duties to be performed in a specific department. Although the City developed user manuals that explained how to functionally use BRASS, it was still configuring the employee roles in BRASS. Therefore, it did not develop a manual describing the individual responsibilities for Purchasing and AP employees. The Louisiana Legislative Auditor’s best practices stated,

Formal/written procedures are necessary as a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management’s expectations.⁸

Policies and procedures manuals are important because they:

- Facilitate employee training and feedback,
- Guide operations and workflows,

⁵ *City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit (IG-A&R-10PAU005)*, May 12, 2011.

⁶ *Ibid.*

⁷ Refer to Appendix B for an example of a Civil Service job description.

⁸ Louisiana Legislative Auditor *Checklist of Best Practices in Government*. <https://www.lla.la.gov/documents/best-practices/bpchecklist.doc>.

- Establish expectations for employee behavior, and
- Outline the procedures to accomplish the City's goals and objectives.

Even though the BRASS user manuals contained information about what should be done and how it should be done, it did not address which departmental personnel were expected to perform those procedures or when and how quickly the procedures should be performed to meet management's expectations. Without those guidelines, employees could not be certain of what was expected of them. This could have resulted in internal control failures, inefficient procurement processes, or purchases that did not comply with procurement laws. For instance, auditors noted that of the 69 requisitions sampled, the Purchasing Department took more than 30 days to approve 12 of those requisitions (17.4 percent) which resulted in delays in creating the POs.

During testing, OIG auditors noted BRASS would allow one person to have the requestor and approver roles. However, ITI has an unwritten policy to segregate those duties and only allow users to have one or the other.

Recommendation 1: The City should complete the BRASS role configuration and create a policies and procedures manual for the Purchasing and AP Departments that describe the duties and responsibilities for each role within the departments. ITI should also formally document its roles and responsibilities to ensure proper segregation of duties.

III. SEGREGATION OF DUTIES

In the 2011 Report, the OIG noted that the Financial Systems Administrator and Chief Accountant had the ability to input and authorize purchases within AFIN.⁹ In the 2018 Financial Statement Audit, the external auditors noted certain employees had user access rights that allowed them to approve the same transaction they initiated. The City responded that the issue would be resolved once it implemented BRASS.¹⁰

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO),

When selecting and developing control activities management should consider whether duties are divided or segregated among different people to reduce the risk of error or inappropriate or fraudulent actions.... This segregation of duties generally entails dividing the responsibility for recording, authorizing, and approving transactions, and handling the related asset.¹¹

Positive Finding 1: The City implemented proper segregation of duties within BRASS. All 95 invoices tested were requested and approved by different employees.¹²

For the 95 invoices tested, auditors examined the transactions and compared the users that initiated the transactions with the users that approved the transactions. Despite ITI's unwritten policy, the OIG noted the initiation and approval were performed by different users.

⁹ *City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit (IG-A&R-10PAU005)*, May 12, 2011.

¹⁰ *City of New Orleans, Louisiana, Comprehensive Annual Financial Report, December 31, 2018 (With Independent Auditors' Report Thereon)*, July 30, 2019.

¹¹ *Internal Control – Integrated Framework*, Committee of Sponsoring Organizations of the Treadway Commission, May 2013. Principle 10.

¹² For an observed number of zero deviations in a sample of size 95, OIG auditors are 95.0 percent confident that the population deviation rate does not exceed 3.1 percent.

IV. BRASS DOCUMENTATION

In the 2011 Report, the OIG noted “AFIN did not provide an adequate audit trail to allow the auditor to determine whether purchases were properly approved,”¹³ and “[t]he records retrieval process was slow and inefficient.”¹⁴ The City responded that the implementation of the new ERP system would resolve the inadequate audit trail finding, and it was working to find funding for a document management system.

Positive Finding 2: All 95 invoices tested contained an appropriate audit trail in BRASS. BRASS adequately documented when purchases were created and approved, and by whom, throughout the entire purchasing and payables process. Furthermore, contracts, POs, invoices, disbursements, and related documents were maintained in BRASS and easily accessible.¹⁵

According to the Louisiana Governmental Audit Guide, “The first and most important requirement of an accounting system is that there be an audit trail. Every transaction in the system must be traceable to supporting documentation.”¹⁶ The Louisiana Legislative Auditor’s best practices stated, “[a]ll documentation (e.g., purchase order, receiving report, invoice) supporting a disbursement should be attached together and be maintained....”¹⁷

As part of the audit, auditors examined the documentation maintained in BRASS for each stage in the procurement and payables process, from the requisition through the payment of the invoice. For all 95 invoices tested, the audit trail was adequate and specified when, and by whom, the process was performed and

¹³ *City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit (IG-A&R-10PAU005)*, May 12, 2011, Finding #2.

¹⁴ *Ibid.* Observation #5.

¹⁵ For an observed number of zero deviations in a sample of size 95, OIG auditors are 95.0 percent confident that the population deviation rate does not exceed 3.1 percent.

¹⁶ Louisiana Governmental Audit Guide, §512.01. https://lla.la.gov/documents/la-gov-audit-guide/lagag_1-31-2016.doc

¹⁷ LLA’s Best Practices for Purchasing & Disbursements. 10/10/2014. <https://lla.la.gov/documents/best-practices/Purchasing%20%26%20Disbursements%20Policy.doc>

approved. Auditors noted each transaction was properly supported and those documents were easily accessible.

The City's previous purchasing software, BuySpeed, required vendors to create their own account which resulted in many vendors having multiple accounts in the vendor file. The City also required employees to create an account in Buyspeed to be reimbursed for employee expenses. All vendor files were transferred from Buyspeed to BRASS.

According to the Journal of Accountancy,

Adding new companies to your vendor master list without proper vetting can expose an organization to compliance risks.... A well-rounded approach to vendor management can be broken down into three steps. First, it begins with a thorough scrubbing of an organization's master list. Second, a robust registration process should guard against potential fraud. Third, continuous monitoring should automatically check the master list to ensure it contains accurate information.¹⁸

Finding 2: The vendor file contained employees and duplicate vendor accounts. The employees were not distinctly identified or segregated from the vendors. This configuration gave the appearance that the City used employees as vendors.

The vendor file was migrated from BuySpeed. Once a vendor was created in BRASS (as part of the migration process) it could not be deleted, only marked as inactive. Due to staffing shortages, the City was unable to perform the vendor and employee clean-up process. This configuration could result in improper payments or fraud.

Recommendation 2: The City should remove employees and inactive vendors from its vendor file. The City should also develop and document a vendor file maintenance

¹⁸ Tueffel, Helen. "Boost the bottom line with accounts payable best practices." *Journal of Accountancy*, November 1, 2016.
<https://www.journalofaccountancy.com/issues/2016/nov/accounts-payable-best-practices.html>.

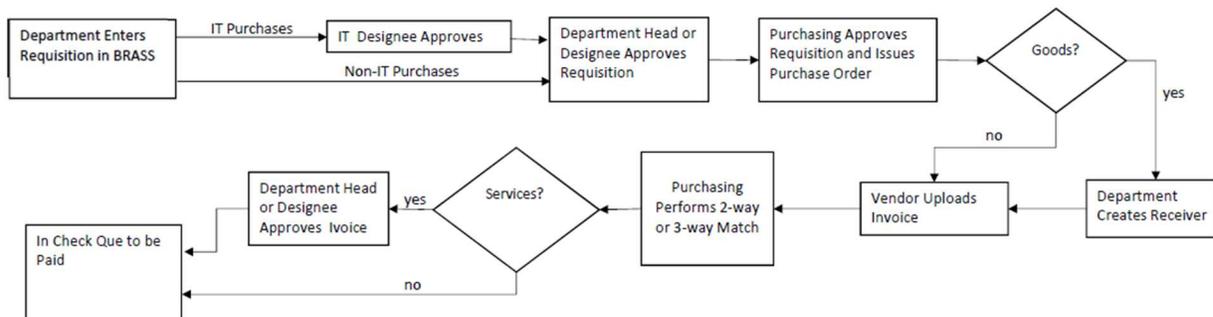
policy which includes a regular interval for removing vendors from its vendor file.

V. APPROVAL CONTROLS

In the 2018 Financial Statement Audit, the external auditors found that “...purchase orders were not approved until after the purchase was made.”¹⁹ In other words, the City received the invoice prior to it approving the PO. The City stated that this finding would be resolved once it implemented BRASS.

The first stage in the procurement process required the requesting department to enter a requisition in BRASS. Once the requesting department’s manager approved the requisition, the Purchasing Department issued/approved the PO. Once the PO was issued, the vendor could provide services and/or goods. Once the services and/or goods were provided, the vendor uploaded the invoice to BRASS. The Purchasing Department performed either a two-way or three-way match, and the requesting department approved the invoice.²⁰ This BRASS procurement process is diagrammed in Figure 1 below.

Figure 1. BRASS Approval Flowchart.



Positive Finding 3: The Purchasing Department approved all 69 sampled requisitions before it issued the PO.²¹ The Purchasing Department approved all 87 POs before the vendor uploaded its invoice and the requesting department

¹⁹ *City of New Orleans, Louisiana, Comprehensive Annual Financial Report, December 31, 2018 (With Independent Auditors’ Report Thereon)*, July 30, 2019. 2018-1 Purchase Order Approval.

²⁰ A three-way match (PO, receiver, and invoice) was performed for all goods purchased, and a two-way match (PO and invoice) was performed for all services received.

²¹ For an observed number of zero deviations in a sample of size 69, the OIG is 95.0 percent confident that the population deviation rate does not exceed 4.2 percent.

approved the invoice.²² The requesting department and the Accounting Department approved all 95 invoices before disbursements were made. All 95 invoice amounts agreed to the disbursement amounts.²³

The City of New Orleans Code of Ordinances stated:

No person shall sell and deliver to any official, deputy official, employee, agent or other person in the service of the city any materials, supplies or commodities of any nature without having first obtained through the bureau of purchasing a proper purchase order therefor, which has been duly signed by an officer or employee of the bureau having authority to order such purchase.²⁴

Furthermore, the BRASS payables training course stated:

When the City procures goods, a three-way matching procedure must take place to process the vendor's invoice and ensure that the payment is complete and accurate. The goal of three-way matching is to identify discrepancies in three important documents – purchase orders, order receipts/packing lists, and invoices. Performing a three-way match saves the City from overspending or paying for items that were never received.... A matching process also occurs when services are procured, but in this case, a two-way match coupled with an approval process must occur. The vendor's invoice is checked against the purchase order, and the receiving department approves the services rendered. This process helps to ensure that Accounts Payable issues payments for services only if the service provided was requested and acceptable to the receiving department.²⁵

²² For an observed number of zero deviations in a sample of size 87, the OIG is 95.0 percent confident that the population deviation rate does not exceed 3.4 percent.

²³ For an observed number of zero deviations in a sample of size 95, the OIG is 95.0 percent confident that the population deviation rate does not exceed 3.1 percent.

²⁴ City of New Orleans Code of Ordinances §70.420.

²⁵ BRASS Payables Training Course. Payables R2.A. Downloaded June 27, 2019.

The OIG inspected the information in BRASS and noted that the three-way match was properly performed for all goods and a two-way match was performed for all services rendered. Furthermore, all approvals were given before the next stage of the procurement and payables processes. The OIG noted all:

- 69 sampled requisitions were approved before the PO was issued;
- 87 sampled POs were approved before the invoice was approved for payment; and
- 95 sampled invoices were approved before the disbursement was made.

Auditors also compared the amount due on the invoice to the check amount and ensured that the proper amount was approved and disbursed.

As noted in the 2018 Financial Statement Audit, the City received the invoice prior to it approving the PO. Auditors noted that 65 of the 87 invoices sampled were properly dated after the PO approval date. The remaining 22 expenditures contained invoice dates prior to the PO approval date. However, these were not deemed exceptions because of the nature of the procurement (e.g., the invoice was for a subscription renewal and the invoice was used to document the price to obtain the PO, etc.).²⁶

²⁶ Requisitions require documentation of the cost of an expenditure. In the case of a subscription, for example, the department would submit the invoice received for the subscription renewal as part of the requisition. Once the requisition is approved and a PO is created, the vendor could upload the same invoice, with a date before the PO was created, into BRASS for payment.

VI. PROCUREMENT LAWS

In the 2011 Report, the OIG noted “the City did not determine if the vendor payee was delinquent in City taxes prior to disbursing payment.”²⁷ The OIG also noted the City did not require vendors to verify they were current on their tax payments when executing contract amendments.²⁸

Positive Finding 4: All 78 contracts and amendments sampled contained Tax Clearance Authorization forms as part of the contract approval, contract amendment, or CEA processes at the initial execution date.²⁹

The New Orleans Municipal Code stated:

It shall be unlawful for the mayor, the president of the city council, or any designee of either the mayor or the president, to execute a contract or cooperative endeavor agreement with any person, corporation, or entity which owes delinquent taxes to the city. Prior to the execution of any contract or cooperative endeavor agreement, the director of finance shall review such agreement and shall attest by signature on a form to be provided by the chief administrative officer that the person or entity with whom the agreement is to be executed is not delinquent in any taxes owed to the city.³⁰

Auditors examined the documentation attached to the 78 sampled contracts, amendments, or CEAs and found that all 78 contained Tax Clearance Authorization forms at the initial execution date.

Finding 3: The City did not require vendors to submit current Tax Clearance Authorization forms annually for contracts that spanned multiple tax periods.

²⁷ *City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit (IG-A&R-10PAU005)*, May 12, 2011, Finding #5.

²⁸ *Ibid.* Finding #6.

²⁹ For an observed number of zero deviations in a sample of size 78, the OIG is 95.0 percent confident that the population deviation rate does not exceed 3.7 percent.

³⁰ CNO Code of Ordinances §2-8(a).

The New Orleans Municipal Code stated, “No payment shall be made under any contract or cooperative endeavor agreement if the recipient owes delinquent taxes to the city.”³¹

Three of the 78 tested items contained Tax Clearance Authorization forms (3.9 percent) for the year before and/or after the audit period but not for the audit period. Therefore, the City made payments to these contractors without current Tax Clearance Authorization forms when the vendor could have been delinquent in taxes. Although the City requires vendors to submit Tax Clearance Authorization forms prior to executing a new contract, the City did not have a process to obtain Tax Clearance Authorization forms annually for contracts that span multiple periods which could result in payments to vendors who are delinquent in taxes, and hence, ineligible to receive payments.

Recommendation 3: The City should develop a policy to obtain Tax Clearance Authorization forms, every year, for multi-year contracts.

PUBLIC BID LAW AND CEAS

Since the prior findings pertained to deficient internal controls associated with processing expenditures, the overall audit objective was to test internal controls as it pertained to current expenditures paid through BRASS. Due to limitations in BRASS, the OIG could not develop a population that only included current expenditures resulting from procurements made after BRASS’s inception. As such, the OIG designed the population to include current expenditures paid through BRASS even though the initial procurement may have occurred prior to BRASS’ inception. Because of these limitations, the OIG could not develop a statistically based sample to opine on the City’s compliance with Public Bid Law in this audit. However, to the extent the sampled expenditures pertained to contracts awarded after BRASS was implemented, the OIG tested for compliance with Public Bid Law and other procurement policies. Those results are detailed below. The OIG’s conclusions cannot be projected to the population, and the conclusions are not an opinion on the City’s overall compliance with Public Bid Law and/or its procurement policies. The OIG offers no conclusion on the matter.³²

³¹ CNO Code of Ordinances §2-8(a).

³² *Government Auditing Standards, Chapter 9.21*; U.S. Government Accountability Office, 2021.

For the sample selected, auditors determined the type of purchase that the invoice represented (e.g. materials and supplies, public works, professional service, etc.) and determined if the transactions complied with:

- Louisiana Revised Statutes 38:2211,³³ 33:9029.2³⁴
- CAO Policy Memoranda 8(R),³⁵ 24(R),³⁶ 113(R),³⁷ and 119(R),³⁸ and
- Executive Order LC 20-01.³⁹

See Figure 2 below for a breakdown of the types of invoices tested.

Figure 2. Summary of Contract Procurements Tested.

Type of Invoice	Total Tested
Materials & Supplies	4
Public Works & Construction	8
Professional Services	2
CEA	4
Total	18

Positive Finding 5: All purchases tested were properly procured under Louisiana Public Bid Law and City procurement policies. All CEAs tested contained the required elements.

The OIG reviewed four materials and supplies purchases and found that the piggyback purchases included a copy of the contract from the other municipality. Furthermore, items procured under the state of emergency were obtained using the competitive bidding process.

³³ Effective August 1, 2014.

³⁴ Effective July 1, 2003.

³⁵ Revised September 24, 2014.

³⁶ Revised September 3, 2019.

³⁷ Revised December 14, 2016.

³⁸ Revised June 28, 2013.

³⁹ Issued April 28, 2020.

The OIG reviewed eight public works contracts and found that all purchases over \$150,000 were procured using the formal bid process, and all contracts tested were awarded to the lowest responsive and responsible bidder.

The OIG reviewed two professional service contracts and found that the purchases, exceeded \$15,000, contained a Request for Proposal (RFP) or a Request for Quote (RFQ), an advertisement to request the proposals or qualifications from the contractors, at least three proposals (or justification for fewer than three proposals), and documentation of the purchasing committee's evaluation of each proposal.

The OIG reviewed four CEAs and found that these agreements contained explanations of the City's obligations as well as the expectations of the benefits to be received by the City.

The basic function of a governmental procurement/purchasing department is to ensure that the user departments comply with procurement laws and policies. Although auditors did not note any exceptions to the procurement limits during testing, the Purchasing Department did not have the ability to monitor purchases to ensure that departments comply with procurement rules. According to COSO, "Monitoring activities are selected, developed, and performed to ascertain whether each component continues to be present and functioning or if change is needed."⁴⁰

Finding 4: The Purchasing Department did not monitor procurement activities to ensure departments did not violate procurement laws and policies.

BRASS did not have mechanisms (controls) to notify the Purchasing Department when departments may be trying to evade purchasing limits, i.e. splitting purchases over \$15,000 into two or more smaller POs to avoid following the competitive selection process. As part of the year-end closing process, the Purchasing Department asserted it reviewed each department's purchasing patterns to determine if the department could perform better. However, the

⁴⁰ *Internal Control – Integrated Framework*, Committee of Sponsoring Organizations of the Treadway Commission, May 2013. Chapter 9.

Purchasing Department did not implement a formalized process to search for violations. Without proper monitoring, Public Bid Law could be circumvented.

Recommendation 4: The Purchasing Department should develop and document a formal policy to monitor departments' procurement to ensure compliance with Public Bid Law and other procurement policies.

The City does not accept paper invoices from vendors because BRASS is a paperless, electronic system. Every vendor must upload a copy of the invoice directly into BRASS through the vendor portal to receive payment. Therefore, it is incumbent upon the vendors to upload each invoice timely. After the invoice is uploaded, the department requesting the good and/or service and the AP Department must approve the invoice for payment before a disbursement can be made. Once all approvals have been issued, the invoice is put into the payment queue to be paid. The City's payment terms are Net 30.⁴¹

Finding 5: The City did not pay 33 of the 95 invoices tested within 30 days of the invoice date. When projected to the population, the City did not pay 2,886 invoices within 30 days of the invoice date.⁴²

To determine if the invoice was paid timely, the OIG inspected the invoice date, calculated the due date, and compared the due date to the payment date for each invoice selected for testing. For invoices that were not paid on or before the due date, auditors determined the date the vendor uploaded the invoice to BRASS. The City did not have a documented policy for how quickly these invoices should be paid in the event the vendor uploaded the invoice close to or after the due date. In those instances, using auditor judgement, the OIG concluded the invoice was paid timely if the City paid the invoice within 15 days of the upload date.

As shown in Figure 3, 33 of 95 invoices tested were not paid timely. When projected to the population, the City did not pay 2,886 invoices within 30 days of the due date.

⁴¹ Net 30 means that payment is due 30 days after the invoice date. "Doing Business with the City of New Orleans" issued by the Procurement Office. <https://nola.gov/purchasing/doing-business-with-the-city-of-new-orleans/>.

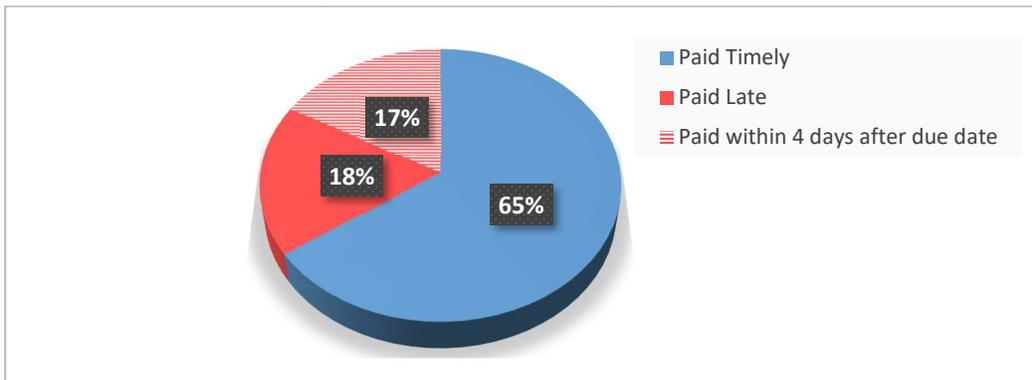
⁴² For an observed number of 29 deviations in a sample of size 83, the OIG is 95 percent confident that the population deviation rate does not exceed 2,886 invoices.

Figure 3. Error Projected to the Population

Population Description	# Invoices Tested	# Invoices Paid Late	Known % Error	Projected # Invoices Paid Late
High Value Invoices	12	4	33.3%	N/A
Random Sample	83	29	34.9%	2,882
Total	95	33		

The City processed invoices for payment twice a week, usually on Tuesdays and Thursdays. To select invoices to be paid, the AP manager selected all unpaid and approved invoices that had a due date on or before that check processing day. Therefore, any invoices due on or before that check processing day were paid on that check run. Any invoices that were due between the check processing days were paid on the next check processing day, which resulted in a late payment. The City asserted it has 30 days to pay an invoice after it is accepted into BRASS. However, this policy is undocumented. See Figure 4 below for a breakdown of the payment status of the 95 invoices tested.

Figure 4. Invoice Payment Status



Late payments can damage vendor relationships and the City’s creditworthiness. Consistent late payments could cause vendors to cease business with the City and reduce competitive bidding, which can lead to the City paying higher prices. Also, paying bills on time is a good business practice.

Recommendation 5: The City should document its invoice payment terms and revise its invoice payment process to ensure all invoices are paid on or before the due date. If invoices are received late, the City should process the payment as soon as possible.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

The OIG conducted a performance audit of the internal controls in BRASS. The objectives of the audit were to determine if:

- Management designed and implemented appropriate purchasing and disbursement controls within BRASS and if those controls were operating effectively.
- The BRASS functionality remediated and resolved the findings noted in the 2018 Financial Statement Audit and the 2011 Report.

The scope of the audit was from July 1, 2020 through September 30, 2020 and included all invoices paid through BRASS during that period. To accomplish the audit objectives, auditors:

1. Conducted interviews with managers to obtain an understanding of the internal controls and the approval, purchasing, and payables processes in BRASS;
2. Requested a copy of the policies and procedures manual to determine if it was up-to-date;
3. Obtained a listing of all 6,503 invoices paid during the scope period totaling \$124,736,018 and sampled invoices as described below:
 - a. Selected and tested 100 percent of 12 high value invoices.
 - b. Randomly sampled 83 of the remaining 6,491 invoices paid during the scope period. Because the sample was randomly selected, auditors projected the results to the entire population. See Figure 5 for the sampling methodology.

Figure 5. Sampling Methodology

Population	Confidence Level	Tolerable Error	Expected Error	Sample Size
1	100%	N/A	N/A	12
2	95%	5%	1%	83
Total Number of Invoices Tested				95

4. Used the listing of 6,503 invoices paid during the scope period and randomly selected the three samples as shown in Figure 6. Because the samples were randomly selected, auditors projected the results to the entire population. See Figure 6 for the confidence levels and expected deviation rates for these samples.

Figure 6. Confidence Levels and Expected Deviation Rates

Population	Sample Size	Confidence Level	Expected Deviation
Requisitions created in BRASS	69	95%	4.2%
POs issued in BRASS	87	95%	3.4%
Tax Clearance Authorization forms	78	95%	3.7%

5. Inspected various documentation in BRASS to determine if:
 - a. Purchases were properly approved during each stage of the procurement process and there was proper segregation of duties;
 - b. Purchases and disbursements were supported, accurate, and timely;
 - c. Tax Clearance Authorization forms were obtained for all contracts and amendments; and
 - d. BRASS provided an adequate audit trail for each process.
6. Since the prior findings pertained to deficient internal controls associated with processing expenditures, the overall audit objective was to test internal controls as it pertained to current expenditures paid through BRASS. Due to limitations in BRASS, the OIG could not develop a population that only included current expenditures resulting from procurements made after BRASS’s inception. As such, the OIG designed the population to include current expenditures paid through BRASS even though the initial procurement may have occurred prior to BRASS’ inception. Because of these limitations, the OIG could not develop a statistically based sample to opine on the City’s compliance with Public Bid Law in this audit. However, to the extent the sampled expenditures pertained to contracts awarded after BRASS was implemented, the OIG tested for compliance with Public Bid Law and other procurement policies. The OIG’s conclusions cannot be projected to the population, and the conclusions are not an opinion on the City’s overall compliance with Public Bid Law and/or its procurement policies. The OIG offers no conclusion on the matter.⁴³

We assessed the reliability of the BRASS data by (1) interviewing officials knowledgeable about the data, (2) comparing data to source documents for reliability, and (3) reviewing selected system controls. Auditors determined that the data were sufficiently reliable for the purposes of this report.⁴⁴

⁴³ *Government Auditing Standards, Chapter 9.21*; U.S. Government Accountability Office, 2021.

⁴⁴ GAO-20-283G *Assessing Data Reliability*. December 2019.

Auditors used the following criteria for this performance audit:

- Louisiana Legislative Auditor Best Practices;
- Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework;
- Louisiana Revised Statutes;
- New Orleans, LA Code of Ordinances;
- City of New Orleans Executive Orders; and
- CAO Policy Memoranda.

AUDITING STANDARDS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.⁴⁵

Auditors also conducted this performance audit in accordance with the *Principles and Standards for Offices of Inspector General*.⁴⁶

LEGAL AUTHORITY

The authority to perform this audit is established in La. R.S. 33:9613 and in City Code Sec. §2-1120 of the City of New Orleans.

⁴⁵ *Government Auditing Standards, Chapter 9.03*; U.S. Government Accountability Office, 2021.

⁴⁶ "Quality Standards for Audits by Offices of Inspector General," *Principles and Standards for Offices of Inspector General* (Association of Inspectors General, 2014).

APPENDIX B. EXAMPLE OF A CIVIL SERVICE JOB DESCRIPTION

Job Bulletin



CITY OF NEW ORLEANS
invites applications for the position of:

MANAGEMENT DEVELOPMENT ANALYST I (CLASS CODE 0361)

SALARY:	\$40,896.00 Annually
OPENING DATE:	01/13/17
CLOSING DATE:	Continuous
KIND OF WORK:	

Responsible professional analytical, technical and administrative work in one or more areas of municipal government administration; and related work as required.

MINIMUM QUALIFICATIONS:

A Bachelor's Degree from an accredited college or university.*

*Prior to appointment, the hiring agency is required to verify education claimed by the applicant to qualify for this classification. If selected for hire, applicants must provide original documents of their qualifying credentials to the hiring agency prior to their start date in this job classification.

Note: This position requires a one (1) year probationary period.

KIND OF EXAMINATION:

A written test, weighted 100%.

The Management Development Analyst I examination is a written test designed to measure: Basic Management Principles, Decision-Making & Organizing, Interpersonal Skills, Written Communication and Mathematics.

This is an original entrance examination.

GENERAL INFORMATION:

THE CITY OF NEW ORLEANS IS AN EQUAL OPPORTUNITY EMPLOYER AND DOES NOT DISCRIMINATE ON THE BASIS OF RACE, COLOR, RELIGION, NATIONAL ORIGIN, GENDER, AGE, PHYSICAL OR MENTAL DISABILITY, SEXUAL ORIENTATION, CREED, CULTURE, OR ANCESTRY. REQUESTS FOR ALTERNATE FORMAT OR ACCOMMODATIONS SHOULD BE DIRECTED TO SHELLY STOLP AT (504) 658-3516 OR TTY/VOICE AT (504) 586-4475 or (504) 658-4020.

DOMICILE REQUIREMENTS FOR EMPLOYMENT: Domicile requirements are currently waived for the purpose of application. However, all new full time employees hired into this classification on or after January 1, 2013 must be domiciled in Orleans Parish within 180 days of hire. Airport and public safety employees are excluded from this provision.

BACKGROUND CHECK: The hiring department will conduct interviews of qualified individuals prior to requesting a criminal background check, and no job application submitted prior to such interview shall inquire into an applicant's criminal history. If this position is subject to a background check for any convictions related to its responsibilities and requirements, employment will be contingent upon successful completion of a background investigation including criminal history. **Criminal history will not automatically disqualify a candidate.**

APPLICATIONS: Applications will not be accepted if received after the closing date or after the stated maximum number of applications has been received, as specified on this announcement. All minimum qualification requirements for examinations must be met by the final filing date unless otherwise specified on this announcement. **PAPER APPLICATIONS** must be submitted on the official application form **AND MUST BE RECEIVED IN THE DEPARTMENT OF CITY CIVIL SERVICE, 1340 POYDRAS STREET, SUITE 900, NEW ORLEANS, LOUISIANA, BEFORE THE CLOSE OF BUSINESS ON THE FINAL FILING DATE.**

Job Bulletin

DELAY IN THE MAIL: The Department of City Civil Service cannot be responsible for failure of the applicant to receive an admission slip to an examination or for failure of the Department to receive material mailed by the applicant. Applicants should notify the Department of City Civil Service in writing of any address changes.

The minimum age limit is 18 years for any class of work requiring hard physical labor, operation of or proximity to hazardous machinery, exposure to hazardous chemicals, or participation in any other processes or procedures which are prohibited or limited by the Louisiana State Child Labor Law.

WORKING TEST PERIOD: The working test (probation) period for most positions in the classified service is six months unless otherwise specified. Any working test period may be extended to a maximum of one year at the request of the appointing authority. Positions in the Inspector General's Office, Fire Department, Mosquito Control and Police Department as well as all positions in the classes of Institutional Counselor II & III (original entrance), Librarian I-IV, Management Development Analyst I & II, and Management Development Specialist I & II (original entrance), require a one year working test period.

SUBSTANCE ABUSE TESTING: The City of New Orleans has a comprehensive program of substance abuse testing. Candidates for employment for certain positions where the health, welfare and/or safety of the public, co-workers and the individual employee is at risk will have to undergo pre-employment substance abuse screening. Candidates for all other original entrance positions will have to undergo an unannounced substance abuse screening during their working test period. For further information, see Civil Service Rule V, Section 9.

A **MEDICAL EXAMINATION** is required for all original entrance probationary appointments to ACTIVE classifications, and may be required for re-employment, promotions and/or transfers. A **MEDICAL SCREENING**, which may result in a medical examination, is required for all original entrance probationary appointments to non-active classifications.

GOOD MORAL CHARACTER is required of all applicants. Any applicant may be disqualified if his/her character or past employment record is found to be unsatisfactory as determined by the Department of City Civil Service. Forgery, misrepresentation of facts, or cheating on examinations is punishable by disqualification, fine and other penalties.

IMPORTANT: Applicants who are licensed to drive should have a current license on their person for purposes of identification during all phases of an examination. In lieu of such license, the Department of City Civil Service may require that applicants have some form of picture identification.

VETERANS PREFERENCE: On original entrance examinations, veterans (as defined in Article X, Section 10(2) of the Constitution of the State of Louisiana), disabled veterans, certain spouses and parents of veterans shall receive additional credit if claimed as provided on the Veterans Preference claim form which can be obtained in this office. To obtain credit, this form must be submitted with the required proof (at the minimum, a DD214) before the final filing date.

HIGH SCHOOL DIPLOMA AND GENERAL EQUIVALENCY DIPLOMA (GED) must be issued by a state Department of Education or an institution recognized by a state Department of Education. Certificates of completion, high school diplomas and GED from institutions not recognized by a state Department of Education, and high school diplomas from foreign countries are not acceptable.

ACCREDITED COLLEGES AND UNIVERSITIES: An accredited college or university is an institution that is accredited as a college or university by an organization that is recognized by the USDE (United States Department of Education). College diplomas from foreign countries will be accepted if the applicant submits a statement of educational equivalency from one of the evaluation services accepted by the Department of Civil Service. A list of the accepted evaluation services can be found on the National Association of Credential Evaluation Services (NACES) website (www.naces.org).

EXPERIENCE:
Applicants will not receive credit for unpaid work unless specified on the job announcement. Partial credit only will be given for related part time employment.
Civil Service reserves the right to determine which degrees, education, or other credentials are related or closely related.
Experience credit will be granted for related provisional appointments (Internal applicants).
PROFESSIONAL ADMINISTRATIVE EXPERIENCE: The Civil Service Department defines this experience as experience gained in a position that required a Bachelor's Degree upon entrance.

OFFERS OF EMPLOYMENT OR PROMOTION:
Prior to appointment, the hiring agency is required to verify education, driver's license, and/or professional licenses/certifications claimed by the applicant to qualify for this classification. If selected for hire, applicants must provide original documents of their qualifying credentials to the hiring agency prior to their start date in this job classification.
Offers of employment or promotion are required to be withdrawn for applicants who are found to have misrepresented their credentials during the application process.

Revised 1/91, 4/03, 7/05, 2/07, 8/10, 2/12, 8/15, 6/16, 1/17, 1/19.

OFFICIAL COMMENTS FROM CITY OF NEW ORLEANS

City of New Orleans Ordinance, §2-1120(8)(b) provides that a person or entity who is the subject of a report shall have 30 days to submit a written explanation or rebuttal of the findings before the report is finalized, and that such timely submitted written explanation or rebuttal shall be attached to the finalized report.

On February 18, 2022, the OIG distributed an Internal Review Copy of this report to the entities who were the subject of the audit so they would have an opportunity to comment on the report prior to the public release of this Final Report. The OIG received the City's comments on March 21, 2022. The OIG attached these comments to the report.

CITY OF NEW ORLEANS

LATOYA CANTRELL
MAYOR

NORMAN L. WHITE
CHIEF FINANCIAL OFFICER

March 21, 2021

Inspector General Edward Michael
New Orleans Office of Inspector General
525 St. Charles Ave.
New Orleans, LA 70130

Dear Inspector General Michel,

Thank you for giving us the opportunity to review and comment on your report examining the BRASS Purchasing Controls Audit Report.

The City of New Orleans Finance Divisions of Procurement and Accounting are very encouraged by this major OIG report conducted on the BRASS ERP System. Not only did the implementation of BRASS mitigate 5 previous findings, but it also identified a few more areas that we are still configuring, to mitigate the remaining 5 findings. This report truly identifies the forward progress the Department of Finance has made to ensure the City of New Orleans has a world-class ERP system, which enables the community to receive payments in a more efficient & timely manner.

Recommendation # 1 (*The City should complete the BRASS role configuration and create a policies and procedures manual for the Purchasing and AP Departments that describe the duties and responsibilities for each role within the departments. ITI should also formally document its roles and responsibilities to ensure proper segregation of duties.*)

Response: The Department of Finance agrees to this finding. Although major components of the city' s ERP BRASS system have been implemented, we are currently adding several modules including projects, grants, and accounts receivables. Once these modules are completed, the Bureaus of Purchasing and Accounting, and the Office of Information Technology and Innovation will complete all appropriate policies. Our timeline is to have the remaining modules of Projects/Grants, and AR Module configured by the end of 2023, including all policies.

Recommendation # 2 (*The City should remove employees and inactive vendors from its vendor file. The City should also develop and document a vendor file maintenance policy which includes a regular interval for removing vendors from its vendor file.*)

Response: The Bureau of Purchasing agrees to this finding. The corrective action will consist of developing and implementing a vendor file maintenance policy by the end of 2022. The creation of said policy will be the result of efforts launched by the Bureau of Purchasing at the beginning of 2022 to review the supplier and vendor files as well as the file from the Office of Police Secondary Employment (OPSE). Reserve New Orleans Police officers (employees) who provide details under the Secondary Employment program managed by OPSE will remain part of the vendor file as the city uses purchase orders to pay their services.

DEPARTMENT OF FINANCE

CITY OF NEW ORLEANS

LATOYA CANTRELL
MAYOR

NORMAN L. WHITE
CHIEF FINANCIAL OFFICER

Recommendation # 3 (*The City should develop a policy to obtain Tax Clearance Authorization forms, every year, for multi-year contracts.*)

Response: The Department of Finance agrees to this finding. The corrective action will consist of developing and implementing a policy by the end of 2022. In addition, the Bureau of Purchasing will insert in city contracts a new provision requiring vendors to submit a new tax clearance form to the departments administering their contracts.

Recommendation # 4 (*The Purchasing Department should develop and document a formal policy to monitor departments' procurement to ensure compliance with Public Bid Law and other procurement policies.*)

Response: The Bureau of Purchasing has controls in place in BRASS to monitor procurement activities but agrees to strengthen the review of departments' activities below \$15,000 through its audit process. The corrective action consists of the audit of 2021 purchase orders that the said bureau conducted in January of this year. This audit step is memorialized in CAO Policy No. 24 for movables.

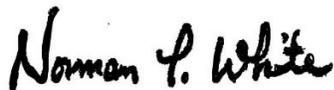
Recommendation # 5 (*The City should document its invoice payment terms and revise its invoice payment process to ensure all invoices are paid on or before the due date. If invoices are received late, the City should process the payment as soon as possible*)

Response: The City's Bureau of Accounting agree to this finding. The corrective action this division will immediately implement the following procedures: invoices paid on Tuesdays are pulled from the previous Thursday through Wednesday, and the invoices paid on Thursdays are pulled from Thursday through the following Monday; thus eliminating the late payment of invoices.

Thank you again for undertaking this review and for your continued support of these transformational reforms of purchasing and accounts payable functions in the City of New Orleans

Should you have any questions or need additional information, please contact my office at 504-658-1500, or through email at norman.white@nola.gov.

Sincerely,



Norman L. White
Chief Financial Officer
City of New Orleans