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City of New Orleans Makes Significant Improvements with BRASS Implementation, But More Improvements are Needed

As detailed in the BRASS Purchasing & Accounts Payable Internal Controls report released today, the Office of Inspector General (OIG) conducted a performance audit of the procurement and accounts payable processes for the period of July 1, 2020 through September 30, 2020.

On June 28, 2019, the City of New Orleans (City) implemented the Budget, Requisition, and Accounting Services System (BRASS). BRASS replaced and consolidated the City's general ledger, procurement, and accounts payable systems that dated back to 1980s and 1990s. In previous audits, the OIG and the City's external auditor found poor internal controls, a lack of segregation of duties, and inadequate documentation pertaining to the City's purchasing and accounts payable functions. These findings indicated the City remained vulnerable to fraud, waste, and abuse.

BRASS is 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 conducted the audit to determine if BRASS resolved those issues and if the new internal controls were implemented properly and operating effectively.

Overall, the City made significant improvements and implemented critical internal controls that operated effectively. The OIG noted:

- The City implemented proper segregation of duties within BRASS. The Purchasing and Accounts Payable Departments properly approved the necessary procurement and disbursement documents (e.g. requisitions, purchase orders, invoices, etc.) and those approvals were issued by different employees.
- BRASS adequately documented when purchases were created and approved, and by whom. Contracts, purchase orders, invoices, disbursements, and related documents were maintained in BRASS and easily accessible.

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

- The City did not have a policies and procedures manual for its employees, and Information Technology & Innovation (ITI) did not have a written policy that documented proper segregation of duties. Policies and procedures manuals are important so that employees know what is expected of them and how to accomplish the City's goals and objectives.
- The vendor file contained employees and duplicate vendor accounts which could result in improper payments or fraud.
- The City did not require vendors to submit current Tax Clearance Authorization forms, annually, for contracts that spanned multiple tax periods which could result in payments to vendors who are delinquent in taxes, and hence, ineligible to receive payments.
- The City did not pay an estimated 2,886 invoices timely. 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.

“Protecting the integrity and security of the City’s financial infrastructure is paramount to ensuring all expenditures are allowable. We are pleased the City made significant improvements, but it must accomplish more to ensure all expenditures are made to eligible vendors and paid timely.”

- *Edward Michel, Inspector General*

In addition to today’s report, the OIG released a brief with highlights. Go to www.nolaog.gov to view all OIG reports.