

## BRASS Purchasing & Accounts Payable Internal Controls Audit

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### Background

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. Some of those systems were DOS-based and/or implemented in the 1980s and 1990s. In May 2011, the Office of Inspector General (OIG) issued an audit that found poor internal controls, a lack of segregation of duties, and inadequate documentation pertaining to the City's purchasing and accounts payable functions. Those findings indicated the City remained vulnerable to fraud, waste, and abuse. The City's external auditor found similar issues in its 2018 Comprehensive Annual Financial Report. The City asserted that the issues noted in both audit reports would be resolved once it implemented BRASS.

### Purpose of This Report

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 those past issues and if the new internal controls were designed and implemented properly and operating effectively.

### What the OIG Found

The OIG reviewed procurement and disbursements information from July 1, 2020 through September 30, 2020 and found 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 (POs), invoices, etc.) and those approvals were issued by different employees.
- BRASS contained an appropriate audit trail. BRASS adequately documented when purchases were created and approved, and by whom. Contracts, POs, 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 found:

- 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 included employees and duplicate vendor accounts. The employees were not distinctly identified or segregated from the vendors. This configuration 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. This could result in payments to vendors who are delinquent in taxes, and hence, ineligible to receive payments.
- 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. 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.

### What the OIG Recommended

The OIG recommended the City should:

- Complete the BRASS role configuration and develop a policies and procedures manual. ITI should also formally document its roles and responsibilities to ensure recording, authorizing, and approving transactions are divided among different employees.
- Develop and document a vendor file maintenance policy that includes a regular interval for removing inactive vendors from its vendor file.
- Develop a policy to obtain Tax Clearance Authorization forms annually for vendors with multi-year contracts.
- 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.