

EXECUTIVE SUMMARY

The City of New Orleans (City) disbursed over \$950 million in vendor payments during 2009. The City's Statement of Net Assets reported accounts payables of approximately \$95 million as of December 31, 2009.¹ Due to the volume of payments made by the City on an annual basis, it was critical that purchasing and payables were adequately controlled.

A compliance audit dated May 19, 2010 from the Louisiana Legislative Auditor found instances of payments made for goods that had not been received as well as payments made for invoices that lacked proper documentation. Due to the large amount of money that the City expends each year and the potential for abuse of the purchasing and accounts payable function, the need for adequate controls within the purchasing and accounts payable processes was vital.

The United States General Accounting Office defined internal controls as "an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations."²

The Office of Inspector General conducted a performance audit (audit) of the City's purchasing and accounts payable internal controls for the period January 1, 2009 through December 31, 2009. The objective of this audit was to evaluate the adequacy of the City's internal controls related to budgeting, bids, purchasing, contracts, disbursements, and wire transfer processes. The audit also evaluated the adequacy of access controls for each software program used to process purchases and accounts payable.

Our audit revealed that the City's purchasing and accounts payable internal control processes were deficient in certain areas which could create the opportunity for fraudulent purchases and payments.

The recommendations in this audit report, if adopted, should improve the City's accountability and reduce the opportunity for fraud, waste and abuse.

¹ The most recent period audited by the City's external auditors.

² Obtained from the United States General Accounting Office *Standards for Internal Control in the Federal Government*, dated November 1999.