

EXECUTIVE SUMMARY

In June 2011, the Office of Inspector General (OIG) issued a report titled “*City of New Orleans Fixed Asset Internal Control Performance Audit*” (2011 Report). The 2011 Report evaluated the City’s internal controls over fixed assets for the period January 1, 2009 through December 31, 2009. A follow-up review was conducted to determine if the City implemented the corrective actions it agreed to in its response to the 2011 Report.

The follow-up report revealed that the City resolved one finding and partially resolved three of the nine findings noted in the 2011 Report. The remaining five findings and the two observations were unresolved.

The City did not update its policies and procedures relating to fixed asset internal controls, despite committing to implement and distribute new policies and procedures in its responses to the 2011 Report. The lack of new and revised fixed asset policies resulted in assets not being placed in service at the time of purchase or completion. Although the City did perform an annual inventory count, fixed assets were still retired without the proper approval. Furthermore, the Bureau of Accounting was not notified in a timely manner when an asset was disposed. This resulted in assets being removed from the fixed asset register in the wrong accounting period.

Although the City recorded meaningful descriptions for asset additions, it neither tagged new asset additions nor did it implement a City-wide tagging system. Failure to implement a tagging system that corresponded with each asset’s identification prevented verification of the existence of asset. The City was also unable to identify which department owned assets selected for testing.

Lack of budgetary approval prevented the City from implementing a new Enterprise Resource Planning system. The City also failed to add audit verification to its existing program. Additionally, the City did not correct the lack of segregation of duties between its ordering and receiving functions.

The auditors were unable to determine if certain projects were completed prior to transfer from the Construction in Progress account to the Fixed Asset account because the City did not require a Certificate of Substantial Completion for assets under \$150,000. An asset was also transferred prior to its completion.

Although the City did not update its policies relating to impairment analysis, an impairment analysis was performed in 2012 after Hurricane Isaac. However, the Bureau of Accounting was not notified in writing until a year later.