



**Office of Inspector General  
City of New Orleans**

**Follow-up Report: A Performance Audit of the New Orleans  
Aviation Board Month-to-Month Contracts  
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# Follow-up Report: A Performance Audit of the New Orleans Aviation Board Month-to-Month Contracts

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## EXECUTIVE SUMMARY

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In 2013 the Office of Inspector General (OIG) conducted a performance audit of the New Orleans Aviation Board's (NOAB) contract payment process. The purpose of the audit was to determine if the NOAB had effective controls in place related to maintenance and service contracts.

In October 2013, a report titled "A Performance Audit of the New Orleans Aviation Board Month-to-Month Contracts" (2013 Report) was issued.

The 2013 Report documented the following findings:

1. "Prior to 2013, the NOAB allowed contracts to operate on a month-to-month basis for extended periods of two to eight years."
2. "The NOAB approved the payment of invoices with labor rates that were in noncompliance with contract terms."
3. "The NOAB approved payment of invoices that lacked proper support and documentation."
4. "The NOAB paid Capital Project expenditures greater than \$15,000 without proper approval by the Board of Directors."

The 2013 Report also included the following observation: "The NOAB should document its rationale for entering into outsourced maintenance and service contracts."

Recommendations to these findings and observation were made in the 2013 Report. The purpose of this follow-up report was to determine if the NOAB implemented the corrective actions it identified in the 2013 Report.

Note: The NOAB commenced the process of soliciting proposals and/or bids prior to the release of the 2013 Report and implemented its corrective actions within months of the Report's issuance.

The management of NOAB is to be commended for their willingness to make the necessary improvements needed in this area of their operations.

## I. OBJECTIVES, SCOPE, AND METHODOLOGY

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The objective of the follow-up was to determine if the NOAB implemented the corrective actions indicated in its responses to the 2013 Report.

The scope of the follow-up report included service and maintenance contracts in place during the period of April 1, 2013 through December 31, 2013. The follow-up was limited to the NOAB's corrective actions indicated in its responses in the 2013 Report.

The following procedures were performed to accomplish the follow-up objective:

- Conducted interviews with personnel to gain an understanding of the current processes and controls in place;
- Evaluated the NOAB's responses to the 2013 Report to determine if the recommendations were adopted;
- Reviewed board meeting minutes to verify NOAB Board approval;
- Reviewed requests for proposals and bid solicitations;
- Reviewed contracts;
- Reviewed purchase orders; and
- Reviewed invoices, supporting documentation, and payments.

This follow-up was conducted in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book).

Computer-processed data was provided and relied upon. A formal reliability assessment of the computer-processed data was not performed. Hard copy documents reviewed supported the information contained in the computer-processed data.

## II. FOLLOW-UP: CORRECTIVE ACTIONS

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**Recommendation 1:** “The NOAB should begin the bid solicitation process prior to the expiration of an existing contract, and it should verify that contracts are re-bid in a timely manner. NOAB internal policies and contracts should include a provision for the maximum duration of a month-to month contract.”

*Recommendation Accepted by the NOAB. “Concur...By December 2012, the Airport competitively bid all former month-to-month contracts. The Airport situated 153 contracts by 2013, except limousine services, parking garage management, business center and luggage cart...The Airport now monitors contracts to insure that they are renewed, as may be allowed by the terms of the contract, or new contract procured in a timely manner.”*

**Finding #1 Corrective Action:** NOAB competitively bid or requested proposals for all former month-to-month contracts and monitored contracts to ensure that they were renewed and/or procured in a timely manner.

**Recommendation 2:** “The NOAB should review each invoice and verify that labor rates are in accordance with the contract before payment is made.”

*Recommendation Accepted by the NOAB. “Concur. Staff is now required to review each invoice against the corresponding contract for compliance with contract terms. Rates and scope outside of the contract are rejected. There are now multiple levels of review in place including the Maintenance Contract Manager and the Department representative.”*

**Finding #2 Corrective Action:** NOAB reviewed the selected invoices and verified that the labor rates were in compliance with the contract terms prior to approving the invoice for payment. NOAB also updated its Contract Invoice Processing Procedure Policy<sup>1</sup> to include multiple levels of review.

**Recommendation 3:** The NOAB should require each vendor to submit adequate supporting documentation with each invoice in order to receive payment. The NOAB should review and only approve invoices with adequate supporting documentation.”

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<sup>1</sup> Effective as of April 20, 2012.

*Recommendation **Accepted** by the NOAB. "Concur. The Airport requires each vendor submit supporting documentation for each invoice. If at any time, a member of the staff does not believe the supporting documentation is adequate, the invoice will be returned to the vendor for clarification and additional supporting documentation. Invoices will not be processed unless adequate supporting documentation is included."*

**Finding #3 Corrective Action: All invoices tested were properly supported and contained sufficient documentation prior to payment from the NOAB.**

**Recommendation 4:** "The NOAB should enforce its policy that requires approval from the Board prior to payment for all Capital Project invoices greater than \$15,000."

*Recommendation **Accepted** by the NOAB. "Concur. The cited examples in the Audit took place during the period from November 2005 until June 2010, which is before the new management got involved. Capital investments exceeding \$15,000 are now brought to the Board for approval and ratification."*

**Finding #4 Corrective Action: All tested capital project invoices greater than \$15,000 were approved by the Board of Directors prior to payment from the NOAB.**

### III. FOLLOW-UP: OBSERVATION

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**Observation 1:** “Per Louisiana Legislative Auditor Best Practices, ‘a cost/benefit analysis for all service contracted out should be done before considering contracting and before existing contracts are renewed.’”<sup>2</sup>

The NOAB should document its rationale for entering into outsourced maintenance and service contracts.”

*Observation **Accepted** by the NOAB. “Concur with comments...The former management of the work order system and maintenance contract processing was outsourced to The Mumphrey Group costing the Airport over \$674,000, [but] it is now being performed by in-house staff as part of their other work duties and assignments.”*

**Observation #1 Corrective Action:** NOAB staff maintained management of the work order system and maintenance contract processing that was previously performed by The Mumphrey Group.<sup>3</sup>

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<sup>2</sup> Louisiana Legislative Auditor “Contracting Out Services”: <http://www.la.state.la.us/userfiles/files/contractingout.pdf>.

<sup>3</sup> The Mumphrey Group continues to perform specialized technical services for the NOAB.