

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

May 14, 2013

Andrew Kopplin, First Deputy Mayor and CAO
City of New Orleans
1300 Perdido Street
New Orleans, LA 70112

Dear Mr. Kopplin:

On May 12, 2011, the Office of Inspector General issued "City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit." The report noted that the Financial Systems Administrator and the Chief Accountant had the ability to both enter purchases of goods and services and authorize the same purchases within AFIN. The lack of segregation of duties provided them with the ability to initiate a purchase and approve the same purchase, which could increase the risk of error or fraud. On April 23, 2013, the Office of Inspector General issued "Follow-up Report: City of New Orleans Purchasing and Accounts Payable Internal Control Performance Audit." The report noted in finding # 1 that the Financial Systems Administrator and the Chief Accountant still had the ability to both enter and authorize purchases within AFIN.

The City's response to the finding in the May 2011 report was that the AFIN system dates from the 1980s when "... it was acceptable to supplement system security with paper audit trails to document internal controls. To this day, the City verifies that before any check is printed a paper request with the appropriate signatures is submitted to the Accounts Payable Unit... to improve controls over the system-based features alone." However, the paper verification only required the signature of the department supervisor¹ which could be the Chief Accountant and therefore provided no additional control. The City further asserted that the Financial Systems Administrator and the Chief Accountant were instructed not to enter or authorize purchases in AFIN or to sign the paper request forms, but while they didn't have permission to perform these functions, they still had the ability to do them.

The City also stated that it plans to replace AFIN with a new Enterprise Resource Planning (ERP)² system which would eliminate the segregation of duties issue. However, nearly two years later, the ERP was still in the planning stages due to lack of budgetary approval.

¹ The paper request form only requires one signature, not signatures as stated in the City's response.

² An ERP system integrates information across an entire organization.

Additionally, due to the current financial situation resulting from multiple consent decrees competing for City funding, the City may not be able to obtain budgetary approval for an ERP for several more years.

Because the implementation of the ERP System is unknown and could likely be delayed more than one year, we recommend that the City implement a stronger paper audit trail requiring dual authorizations for the paper request form. This additional paper trail should be implemented immediately in lieu of the current verbal unauditible control as outlined by the finance department.

If you have any questions, please contact Eileen Shanklin-Andrus, First Assistant Inspector General of Audit and Review at (504) 681-3200.

Sincerely,



E.R. Quatrevaux
Inspector General

cc: Norman Foster, CFO