

EXECUTIVE SUMMARY

Background: The New Orleans Aviation Board (“NOAB”) was established to provide for the operation and maintenance of Louis Armstrong New Orleans International Airport, which is a proprietary component unit of the City of New Orleans (“City”). The Board consists of nine members appointed by the mayor with the approval of the City Council¹.

On January 12, 2011, an analysis of NOAB credit card activity and travel and entertainment transactions for the period January 1, 2008 through October 31, 2010 was released by an independent CPA firm, Harold A. Asher, CPA, LLC. The purpose of the report was to analyze travel and entertainment expenses by airport employees and Board members on NOAB-issued credit cards. The report found there were significant meal, entertainment and travel expenses by cardholding employees and the former Chairman of the Board with little to no documentation of the business purpose of the expense.

On January 24, 2011, the City of New Orleans Office of Inspector General announced it would conduct a review of NOAB credit card activity and all related policies for the period January 1, 2008 through October 31, 2010. The objective of the review was to evaluate the effectiveness of NOAB policies and procedures in place with regard to credit card usage and business expenses.

Summary: During the period January 1, 2008 through October 31, 2010, there were 3,067 credit card transactions incurred by NOAB employees and the former Chairman of the Board² on NOAB-issued credit cards³. These purchases totaled \$562,688. The review revealed that adopted NOAB credit card and business expense policies⁴ were not followed consistently. The former Chairman, Director, and Deputy Directors were not held to the same review standards as other NOAB employees. The auditors also noted that improper travel and meal expenditures, much of which lacked required supporting documentation, were incurred during the period tested. Public funds were spent on alcohol, gifts, and sponsorship of events having little to do with airport operations. The overall lack of documentation and review of employee purchases on NOAB credit cards resulted in waste and abuse of public funds (see summary of abuse in Appendix).

¹ The City of Kenner and the Parish of St. Charles each have input as to the selection of one Board member appointed by the mayor.

² The former Chairman of the Board (“Chairman”) referred to in this report was Chairman until August 2010, and remained on the Board until his resignation on January 24, 2011. During the period tested until his resignation, the Chairman had a personal NOAB credit card in his name. Other Board members were not issued personal NOAB credit cards, but could request temporary use of an NOAB Staff credit card for official NOAB business.

³ During the period covered in this report, there were twelve NOAB credit cards in use. The Director of Aviation (“Director”), Deputy Director of Finance & Administration, and former Chairman each had a personal NOAB credit card in their name. Nine additional NOAB cards were also in use belonging to a single “NOAB Staff” account. In addition to the Deputy Director of Finance & Administration, who was assigned an NOAB credit card in her name, there were four other Deputy Directors, who were assigned NOAB Staff credit cards. The remaining NOAB Staff cards were held by the Deputy Director of Finance & Administration and issued to airport employees after a “Staff Credit Card Usage” form detailing their planned business expenses was submitted and approved.

⁴ The NOAB adopted City of New Orleans policies 9(R) and 116(R) as its Travel and Credit Card policies respectively.

The recommendations in this report, if adopted, should improve the NOAB's internal controls over credit card usage and reduce the opportunity for fraud and the prevalence of waste and abuse of NOAB credit cards.

In its response to this report, the NOAB agreed with all twelve findings and stated that the resulting recommendations will be fully adopted into the NOAB's policies by June 30, 2012. The scope of the review did not go beyond October 31, 2010 and was prior to any revisions to NOAB policy discussed in the NOAB response. These revised policies will be examined as part of a follow-up review to be conducted in 2013.