

**CITY OF NEW ORLEANS
OFFICE OF INSPECTOR GENERAL**

**PERFORMANCE REVIEW
A&R - 20090002**



**THE COST AND MANAGEMENT OF PASSENGER
TYPE VEHICLES OF THE
NEW ORLEANS AVIATION BOARD**

LEONARD C. ODOM
INSPECTOR GENERAL

525 St. Charles Avenue, New Orleans, LA 70130-3409

Published: August 31, 2009



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August 31, 2009

Patricia Malone, Interim Director of Aviation
NEW ORLEANS AVIATION BOARD
Kenner, Louisiana

Dear Ms. Malone,

Please find enclosed the Performance Review (A&R-20090002) issued in connection with the Office of the Inspector General's ongoing evaluation of the cost and management of the City of New Orleans's passenger type vehicles. This performance review report is restricted to the portion of the fleet that falls under the management of the New Orleans Aviation Board.

The Office of the Inspector General conducted an exit conference and discussed the findings and recommendations with appropriate management officials before submitting this written report. The Office of the Inspector General findings and recommendations are intended to provide the New Orleans Aviation Board with advice in implementing enhanced business practices. Management's response is included in the Office of the Inspector General's final report.

Based on the observations and analysis of the New Orleans Aviation Board operations, the Office of Inspector General has concluded that management's performance is in partial compliance with the policies that have been established for the passenger vehicles. The New Orleans Aviation Board lacks comprehensive written policies and procedures related to the effective and efficient evaluation of the management and the cost of vehicles, including the monitoring of fuel, insurance, maintenance and repair costs. This performance review has resulted in nine findings, three of which are major findings. One commendation was also noted for a value added business practice. Throughout the engagement, the New Orleans Aviation Board worked in the spirit of cooperation and in a timely manner with the Office of the Inspector General staff.

Sincerely,

A handwritten signature in blue ink that reads "Leonard C. Odom".

Leonard C. Odom
Inspector General

cc. Brenda G. Hatfield Ph. D., Chief Administrative Officer, City of New Orleans
Daniel F. Packer, Jr., Chairman, New Orleans Aviation Board

LCO/le



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Audit and Review Division
Performance Review
A&R -20090002

The Cost and Management of Passenger Type Vehicles of the New Orleans Aviation Board

Prepared by
Laura East, CPA,CFE, CFF, Forensic Auditor
And Susan Brown, CFE, Forensic Auditor

Reviewed by
Neely Moody
Interim First Assistant Inspector General- Audit & Review

August 31, 2009

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted a performance review of the cost and management of passenger type vehicles of the New Orleans Aviation Board (NOAB). This performance review was conducted under the authority contained in Chapter 44 of Title 33 of Louisiana Revised Statutes of 1950 comprised of R.S. 33.9611 through 9614 and the Ordinances of the City of New Orleans, ARTICLE XIII, Sec. 2—1120 (11) (a), (b), and (c) and Sec. 2—1120 (12), which includes the NOAB, functioning under the City Charter, Article V, Chapter 6.

The OIG review was planned and conducted in accordance with *Principals and Standards for Office of Inspector General* and generally accepted government auditing standards for performance reviews.

On March 10, 2009 OIG auditors held an entrance conference with the Deputy Director of Finance and Administration and the In-House Legal Counsel for the NOAB. The OIG informed the NOAB that the objective of the review was to inquire into the efficiency and effectiveness of the management of their fleet and evaluate information about the size and cost of the NOAB's fleet of passenger type vehicles. The OIG review primarily covered 10 critical areas:

- Fuel use and monitoring
- Take-home personal use charge
- Lack of documentation of personal use
- Take-home criteria, assignment and monitoring
- Cost of vehicle maintenance and management
- Vehicles no longer in service
- Driver's license checks
- Abuse or misuse of vehicles
- Storage of vehicles
- Non-employee drivers

The NOAB is an unattached Board of the City of New Orleans and operates as an enterprise fund. The NOAB is required to be self sufficient, generates its revenues from the operation of the airport and receives no City revenue. The NOAB reimburses the City approximately \$1.6 million a year for various services rendered. The NOAB purchases, insures, maintains and operates its own vehicles.

The OIG tested the NOAB practices for compliance with the Internal Revenue Service rules and regulations, Louisiana State Constitution, current City of New Orleans and NOAB policies and procedures. The OIG procedures included interviewing management personnel and evaluation of selected documents, policies and procedures as considered necessary. After analyzing the data, the OIG prepared this written report which includes findings and recommendations for administrative and operational improvement.

The OIG recommendations are intended to provide the NOAB with advice in implementing enhanced business practices. The OIG held an exit conference to discuss the findings and recommendations with appropriate management personnel before submitting this written report. The NOAB had nine findings and one commendation. Management's response is presented in Attachment B.

Background

The NOAB currently follows these policies for their passenger type vehicles: Director of Aviation Policy and Procedure Manual Memorandum (PPM) #19 and #22 and the City of New Orleans Chief Administrative Office (CAO) Policy Memorandum No. 5(R). Further, CAO No. 5(R) indicates that vehicles and equipment shall be operated according to state laws (LA R.S. 49:121), CAO No. 5(R), Policy Memorandum No.40(R) and departmental fleet operation policies.

PPM #19 establishes guidelines for the use of all NOAB vehicles, including shift and take-home vehicles. PPM #22 outlines the procedures to be followed whenever a NOAB employee has an accident on the job or at any time when operating an NOAB vehicle. CAO No. 5(R) applies to all licensed vehicles and other mobile equipment considered property of the City of New Orleans. LA R.S. 49:121 addresses the identification of property. Policy No. 40(R) establishes responsibilities for monitoring fuel use.

The OIG tested the NOAB for compliance with their current vehicle policies in regards to fuel use and monitoring; take-home personal use charge; documentation of personal use; take-home criteria, assignment and monitoring; vehicle inventory; driver's license checks; abuse or misuse of vehicles; storage of vehicles, including emergency event evacuation plans; and non-employee drivers.

Fuel Use and Monitoring

The NOAB has a departmental fueling facility located at its Airfield Maintenance Facility. Self service fueling is provided for authorized vehicles and personnel. The site is monitored via a closed circuit camera. The NOAB has two pumps for fueling at the Airport; one is for diesel fuel and one is for unleaded fuel. The gates to gain access to the facility are open from 7:30 am until 3:30 p.m. At each fueling, the employee is required to manually fill out the daily activity sheet kept at the unmanned fueling station.

Finding #1: The OIG reviewed the closed circuit security camera footage maintained by the NOAB noting no unusual fueling activity. The NOAB provided the OIG with copies of the daily sheets completed by its employees from January 2008 through March 2009. During these 455 days, there were only 45 days when daily sheets were prepared. The NOAB has 98 vehicles in working condition. Of these 98, only 31 vehicles reported their fuel use. There were four additional vehicles which reported fuel use, yet do not appear on the NOAB's vehicle inventory.

The OIG found a lack of internal controls over the fuel dispensing and fuel record keeping system. The fuel system is completed on the honor system and is not being followed by the employees or being reviewed by management.

During the course of the OIG review, the NOAB informed the OIG that the NOAB recognizes the need for improved management of the fuel record keeping function and are currently in the process of searching for a vendor to handle this service. The fueling location is maintained in a

discrete location not normally accessible to the general public; therefore, the OIG deemed the risk of fuel theft by the general public to be low.

Recommendation: The NOAB should conduct research and identify a viable system of fuel dispensing and record keeping, in order to improve documentation and monitoring of fuel needs and activities.

Take-Home Personal Use Charge

The OIG obtained and reviewed the paystubs for all employees assigned a take-home vehicle to verify that the \$1,200 annual personal use charge was deducted from their salary in accordance with the CAO's Circular Memorandum No. 08-06 issued on August 7, 2008. This take-home use amount went into effect with the pay period beginning September 7, 2008. An analysis of the information verified that all employees were effectively charged for the take-home use in accordance with referenced Circular Memorandum.

The OIG also considered the NOAB's compliance with the Internal Revenue Service tax treatment of fringe benefits. Internal Revenue Service Publication 15-B indicates that when an employer allows an employee to use a business vehicle to commute to and from work, the employer has provided the employee with a fringe benefit. Per the Internal Revenue Service, a fringe benefit is a form of pay. Any fringe benefit an employer provides is taxable and must be included in the recipient's pay unless the law specifically excludes it. The publication addresses the types of vehicles, nature of the use, methods to compute the "value" and lists exemptions.

The NOAB deducts the take-home use charge from the payroll of all NOAB employees with a take-home vehicle; however, there is no documentation to support that the charge deducted is adequate to cover the appropriate value of the fringe benefit. Under existing Internal Revenue Service guidelines, the taxable value of the fringe benefit for those employees would be any benefit received *in excess of* the current take-home use charge.

Major Finding #2: Prior to Hurricane Katrina, the NOAB was required under Circular Memorandum No. 36-86 to prepare a calculation on a quarterly basis using the Cents-Per-Mile Rule or the Lease Value Rule to determine the amount of the fringe benefit, if any, that should be reported as regular pay on the employees' W-2s. Subsequent to Hurricane Katrina, this amount has not been reported on the W-2s. For all pay periods commencing with the third quarter of 2005 through the present, the NOAB has been not correctly reporting the regular pay and the related payroll taxes for all employees assigned a take-home vehicle.

The take-home use charge in effect prior to Hurricane Katrina and up until the pay period beginning August 24, 2008, was \$600, as established by Circular Memorandum No. 03-22, and accordingly this amount, as well as the subsequent increase to \$1,200 per year, may not be adequate to fully reimburse NOAB for the personal use of the vehicle. The NOAB and the impacted employees may be at risk for, at a minimum, three years of taxes, penalties and interest for under reporting income and failing to properly report and withhold taxes on any vehicle fringe benefit.

Recommendation: The NOAB should quantify the current take-home use cost and personal use benefit for previous and current employees assigned a take-home vehicle for the period commencing with the third quarter of 2005 through the present. For those employees where the value of the fringe benefit exceeds the take-home vehicle use charge the fringe benefit should be added to the regular wages of the employee. Any applicable payroll taxes should be computed, including Federal income, Social Security, and Medicare taxes. In addition, the NOAB must ensure that the City file amended W-2's for all employees affected.

Major Finding #3: In Circular Memorandum No. 36-86 the CAO directed that the Lease Value Rule be utilized to prepare a quarterly calculation to determine the amount of the fringe benefit, if any, that should be reported as regular pay on the employees' W-2. Per Treasury Regulation Sub-Section 1.61-21, the Annual Lease Values Rule does not include the fair market value of the fuel provided by the NOAB to its employees who are assigned a take-home vehicle. Therefore, the fuel should be valued separately and added to the calculation to correctly quantify the take-home use cost and personal use benefit for each employee assigned a take-home vehicle.

Recommendation: For those previous and current employees that utilized the Lease Value Rule, as established in Internal Revenue Service Publication 15-B, to determine the amount of the fringe benefit received by employees with a take-home vehicle, the NOAB should quantify the fringe benefit received by employees as a result of the NOAB providing fuel at no charge to these employees. The value of the fuel is a separate fringe benefit to be added in addition to any benefit calculated under the Annual Lease Value calculation. For those employees where the value of the fringe benefit from the fuel plus the fringe benefit under the Annual Lease Value method exceeds the take-home vehicle use charge the fringe benefit should be added to the regular wages of the employee. Any applicable payroll taxes should be computed, including Federal income, Social Security, and Medicare taxes. In addition, the NOAB must ensure that the City file amended W-2's for all employees affected.

Lack of Documentation of Personal Use

Major Finding #4: The Internal Revenue Service requires employees using take-home vehicles to keep accurate and comprehensive travel records which detail how much mileage is used for work and how much is used for personal needs. The NOAB is not in compliance with the Internal Revenue Service record keeping requirements.

The vehicle policy issued by the CAO No. 5(R), dated March 18, 2002, and revised on April 28, 2009, provides that the *"User employees shall keep a record of any personal use, as personal use of a city vehicle is a taxable fringe benefit."* The OIG interviewed management personnel during the course of field work and the OIG was informed that the NOAB was not in compliance with the record keeping requirements of CAO No. 5(R).

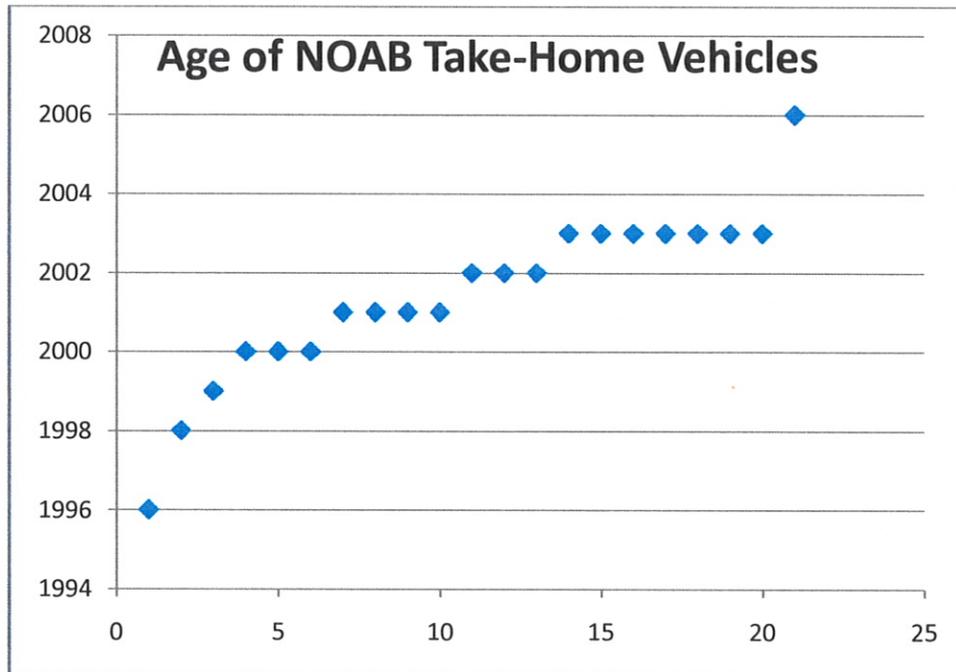
Recommendation: Record keeping requirements are an important issue for take-home vehicle users. According to the Internal Revenue Service, if the employee doesn't do their own

substantiation or meet the requirements, the employee is presumed to have driven the vehicle for their own use and that value will be considered income for tax purposes. If the personal use is not documented and quantified, all use is considered personal. Personal use is taxable and should be included on the employee's W-2. The OIG recommends that the NOAB require all employees who are assigned a take-home vehicle to keep accurate and comprehensive travel records consistent with the Internal Revenue Service rules and regulations.

Take Home Criteria, Assignment and Monitoring

Finding #5: The NOAB follows these policies for management of their passenger type vehicles: PPM #19, PPM #22 and CAO No. 5(R), issued on March 18, 2002. None of these three policies address take-home use criteria and assignment. The NOAB informed the OIG that take-home vehicles are assigned to employees that have duties that require the employee to be on call-back duty 24 hours per day.

The NOAB has 109 employees. Of the 109 employees, 21 or 19.3% are assigned a take-home vehicle. The age of the take-home vehicles range from a 1996 Ford Bronco to a 2006 Ford Explorer. The median age of the vehicles is seven years.



The 21 take-home vehicles are assigned to employees with the following job titles:

- 1 Director of Aviation
- 3 Deputy Directors of Aviation
- 1 Airport Senior Services Manager

- 1 Airport Principal Services Agent
- 2 Airport Senior Services Agents
- 10 Airport Services Managers
- 1 Airport Assistant Services Manager
- 1 Capital Projects Administrator
- 1 Interim Fire Chief

Recommendation: CAO No. 5(R) was recently revised on April 28, 2009. The revised policy memorandum specifically addresses take-home assignment criteria in Section 6 (A). The minimum requirements that must be applied to take-home assignments are:

- The vehicle is used to perform a critical function that contributes to the overall operations and recovery of the City and maintenance of its infrastructure;
- The vehicle is used to respond to critical needs on a 24-hour basis

The NOAB should address the propriety of the assignment for each employee assigned a take-home vehicle and make a determination as to whether it meets the criteria as outlined in the newly revised CAO No. 5(R).

Finding #6: As part of the evaluation of take-home vehicles, the OIG considered the NOAB's compliance with the Louisiana State statute regarding the legality and proper treatment of a vehicle purchased by NOAB and provided to a NOAB employee as a take-home vehicle.

Based on the OIG analysis of the NOAB take-home vehicle assignments, there is no documentation to support the justification for the take-home assignments. If the vehicles are being driven home when the only apparent reason is to provide a fringe benefit to employees, there may be a conflict with the Louisiana State Constitution.

The propriety of this finding is addressed in the Louisiana Constitution (1974) Article VII Section 14, which contains the constitutional standard for the lawful use of public funds and property. La. Const. Art VII, Sec. 14(A) generally prohibits the state and its political subdivisions from loaning, pledging or donating public funds, assets or property to persons, associations or corporations, public or private.¹

Recommendation: The Louisiana Constitution (1974) Article VII Section 14 contains the constitutional standard for the lawful use of public funds and property. Accordingly, the OIG recommends that the NOAB seek a legal opinion regarding the legality of all take-home vehicle assignments for every NOAB employee assigned a vehicle.

Finding #7: The NOAB's accounting and record keeping system is unable to track maintenance, repairs, insurance and fuel expense by vehicle. Therefore, management is unable to effectively

¹ Office of the Attorney General of Louisiana. Opinion No. 07-0180, September 2, 2007.

gather data to assist in management of the vehicle fleet. Further, as a result, the OIG was unable to analyze specific or overall expenses relative to the vehicle fleet.

Recommendation: The OIG recommends that the NOAB develop the ability to analyze or track expenses associated with all vehicles, including take-home vehicles. Cost outlay considerations are an important aspect of managing these assets. Effective and efficient management of these critical assets drives management to have value added tools to enhance operational readiness. A best business practice for the NOAB would be to transition to an automated vehicle management system. An automated system will provide management with the ability to track any and all parts, repairs, maintenance, provide scheduled preventative maintenance, display down times, and other matters that pertain to service vehicles which would greatly enhance the management of these assets. Institutional management of the vehicle fleet will minimize maintenance cost while increasing asset life, predict assets failures, improve productivity, reduce costly down time, minimize investment inventory and improve operational readiness.

Vehicles no longer in service

Section III of CAO No. 5(R) requires the NOAB to conduct a semi-annual vehicle and equipment inventory. The inventory is to be sent to CAO's Equipment Maintenance Division (EMD) and is to include all vehicles owned or leased and under the control of the individual department.

The OIG obtained the current vehicle reports from the NOAB Vehicle Coordinator. Of the 107 NOAB vehicles, the OIG selected a random sample of 20 vehicles to inspect. The OIG conducted a physical inspection of the 20 vehicles and found the following information agreed to the vehicle reports:

- Asset vehicle number
- Vehicle descriptions (make, model, year and color)
- Vehicle identification numbers (VIN#)
- License plate numbers
- Whether the vehicle was marked or unmarked
- Registration papers located in the vehicle
- No evidence of any political activity or bumper stickers
- Odometer reading

Finding #8: One of the vehicles in the sample size of 20 vehicles was observed to be a "junked" vehicle. As part of the OIG request for documents, we were provided a schedule of "junked" vehicles which were included as NOAB fixed assets on their vehicle reports. The "junked" vehicle report lists a total of nine vehicles that are no longer in service but are still on the NOAB's vehicle report. Maintaining these "junked" vehicles in inventory causes the NOAB books, records and financial statements to be misstated.

Recommendation: CAO No. 5 (R) was recently revised on April 28, 2009. The revised policy amends the departmental vehicle inventory schedule from semi-annual to quarterly in Section 5 (C). Accordingly, the NOAB should conduct a timely quarterly physical inventory count of all vehicles and equipment and submit to EMD in accordance with the new policy. Vehicles and equipment that are deemed to be “junked” and no longer useful should be removed from the fixed asset inventory. NOAB should ensure that adjustments are entered on a timely basis into the financial accounting system, inventory valuation methods are consistently used, and proper disposal procedures are followed. The NOAB should ensure that the vehicles that are no longer in service are not still being insured. Failure to remove “junked” vehicles from the NOAB books and records can result in the misstatement of NOAB financial statements.

Driver’s License Checks

Section IV (B) of CAO No. 5(R) requires that employees be properly licensed for the type of vehicle being operated. NOAB requires all applicants for positions requiring a driver’s license to sign a release form authorizing the NOAB to secure driving records from the State Division of Motor Vehicles. NOAB’s automobile insurance carrier requires that NOAB check the driver’s license of every new hire and conduct periodic rechecks after a person is hired. The purpose is to mitigate employment related risks such as negligent hiring and potential negligent entrustment liability that may result from putting the wrong person behind the wheel of a NOAB vehicle.

NOAB utilizes the services of First Advantage ADR to access an applicant’s driving record. The NOAB accesses this information through the internet by entering the individual driver’s license number. The cost to access this information through the web site is approximately \$9.50 per occurrence (person/transaction), but it may be higher if the applicant has an out-of-state license. The NOAB began this subscription with First Advantage ADR in 2006. To date, the total expense incurred is \$462.00 or approximately 48 transactions.

NOAB’s procedure is to check the driving record at the time of hire and at the time of promotion. In addition, NOAB periodically receives requests from their insurance carrier if an employee’s driving record has not recently been checked.

Finding #9: The NOAB’s procedure to only check driving records at the time of hire and at the time of promotion leads to the risk that an employee could go years with no promotion and, therefore, the employee’s driving record would remain unchecked. Currently, the NOAB relies on the insurance carrier to review the length of time between driving record checks and wait for the insurance company’s request to run the driving record.

Recommendation: The NOAB should revise the policy regarding driver’s license checks of employees authorized to operate an NOAB vehicle to include scheduled periodic checks of all employees to ensure that they have adequate oversight of employee licensing and driving records.

The NOAB maintains the driving records obtained through First Advantage ADR within the employee personnel file. The OIG obtained and reviewed all of the 2008 driving records for employees that were either hired or promoted during this time period. The analysis of this information verified that all employees were properly licensed for the vehicle they operate and that each employee had an insurable driving record.

Commendation: NOAB's process for ensuring that all employees are properly licensed for the vehicle they operate in accordance with Section IV (B) of CAO No. 5(R) provides the additional benefit, or desired outcome, of continual monitoring employees driving records to mitigate the risk of potential negligent entrustment liability that may result from putting the wrong person behind the wheel of a NOAB vehicle. The accomplishment of this task is done with minimal expense and effort. The CAO should review this practice for potential application in other City departments, boards, agencies and commissions.

Abuse or Misuse of Vehicles

Section IV (A) of CAO No. 5(R) states that employees shall be responsible and held accountable for vehicles and equipment assigned or operated by them. Abuse or misuse may result in disciplinary action.

The OIG obtained and reviewed instances of reported abuse or misuse of NOAB vehicles. In the past five years there have been only two instances of reported vehicle misuse.

In the first instance, an NOAB employee who was not authorized to operate a NOAB vehicle took the supervisor's assigned vehicle without authorization. Subsequently the employee was involved in an automobile accident, arrested for improper lane change and not having a valid driver's license. The employee was suspended without pay for ten working days in accordance with Civil Service Rules.

In the second instance, an NOAB employee was driving an NOAB vehicle and was observed by an off-duty Kenner police officer urinating in the street while stopped at a traffic light. The officer administered a breath alcohol test and the driver was charged with driving while intoxicated. The employee was suspended for a period not to exceed 90 days while the ongoing investigation of this incident was completed. The employee resigned from NOAB during this 90 day suspension period.

No finding, recommendation or observation.

Storage of Vehicles

The OIG inquired into the procedures for monitoring the use and storage of vehicles in an emergency event. The NOAB provided the OIG with a copy of The Louis Armstrong New Orleans International Airport (LANOIA) Hurricane Preparedness Plan. This plan was created by the LANOIA, the NOAB, and the City of New Orleans. The two key objectives are to operate

and maintain an airport that best services the passengers in all weather conditions and to best prepare the airport to protect its staff and facilities from catastrophic hurricane events.

Prior to the most recent revision of CAO No. 5(R), dated April 28, 2009, the issue of hurricane and natural disaster preparedness for the vehicle fleet was not specifically addressed. However, the events leading up to and after Hurricane Katrina underscored the importance of having an updated hurricane preparedness plan. Accordingly, the CAO issued Circular Memorandum 07-07, on September 13, 2007, which requires all departments, boards, agencies and commissions to provide specific information to the Office of Emergency Preparedness. The information requested is as follows:

- Vehicle storage/evacuation plans and procedures
- A list of what vehicles (make and model) will remain in the City during an evacuation
- The site location and listing of any vehicles that already have secured parking

On April 28, 2009 the CAO issued the revised CAO No. 5(R) and it specifically addresses hurricane and natural disasters preparedness in Section 10(F). The memo states “Employee/operator must comply with Circular Memorandum 07-07.”

No finding, recommendation or observation.

Non-Employee Drivers

Section IV (F) of CAO No.5(R) states that only employees may operate City vehicles and equipment. Family members are prohibited from operating City vehicles and equipment. Parking lot attendants are an allowed exception. The OIG inquiry disclosed that there were no non-employee drivers operating NOAB vehicles.

No finding, recommendation or observation.

ATTACHMENT A

**CITY OF NEW ORLEANS
OFFICE OF INSPECTOR GENERAL**

525 St. Charles Avenue
New Orleans, La 70130-3409
504-681-3200



July 28, 2009

Patricia Malone, Interim Director of Aviation
NEW ORLEANS AVIATION BOARD
Kenner, Louisiana

Dear Ms. Malone,

Please find enclosed the Performance Review (A&R-20090002) issued in connection with the Office of the Inspector General's ongoing evaluation of the cost and management of the City of New Orleans's passenger type vehicles. This performance review report is restricted to the portion of the fleet that falls under the management of the New Orleans Aviation Board.

The Office of the Inspector General conducted an exit conference and discussed the findings and recommendations with appropriate management officials before submitting this written report. The Office of the Inspector General findings and recommendations are intended to provide the New Orleans Aviation Board with advice in implementing enhanced business practices. Management has 30 days to respond. Management's response will be included in the Office of the Inspector General's final report.

Based on the observations and analysis of the New Orleans Aviation Board operations, the Office of Inspector General has concluded that management's performance is in partial compliance with the policies that have been established for the passenger vehicles. The New Orleans Aviation Board lacks comprehensive written policies and procedures related to the effective and efficient evaluation of the management and the cost of vehicles, including the monitoring of fuel, insurance, maintenance and repair costs. This performance review has resulted in nine findings, three of which are major findings. One commendation was also noted for a value added business practice. Throughout the engagement, the New Orleans Aviation Board worked in the spirit of cooperation and in a timely manner with the Office of the Inspector General staff.

Sincerely,

Leonard C. Odom
Interim Inspector General

cc. Brenda G. Hatfield Ph. D., Chief Administrative Officer, City of New Orleans
Daniel F. Packer, Jr., Chairman, New Orleans Aviation Board

ATTACHMENT B



C. Ray Nagin
Mayor
City of New Orleans

**New Orleans
Aviation Board:**

Daniel F. Packer, Jr.
Chairman

David B. Campbell
Vice Chairman

Douglas M. Evans

Ti Adelaide Martin

Lea Polk Montgomery

Nelita Manego-Ramey, R.N.

Nolan V. Rollins

Henry A. Smith

Sean C. Hunter
Director of Aviation

August 26, 2005

Mr. Leonard C. Odom
Interim Inspector General
City of New Orleans
Office of Inspector General
525 St. Charles Avenue
New Orleans, LA 70130-3409

Dear Mr. Odom,

This is to acknowledge receipt of the Performance Review issued in connection with the Office of Inspector General's ("OIG") evaluation of the City of New Orleans passenger type vehicles regarding fleet of the New Orleans Aviation Board. In addition, I write to thank you for conducting the exit conference to discuss the findings and recommendations before submitting the written report.

The airport's response is attached and contained herein. We have carefully reviewed the OIG findings and are implementing recommendations to enhance business practices accordingly. I trust the OIG will conclude that implementation of the same will result in full compliance with relevant policies.

If you have any questions or concerns and/or require additional information, please feel free to contact me.

Sincerely,

Patricia C. Malone

Patricia C. Malone
Interim Director of Aviation
Louis Armstrong New Orleans
International Airport

cc:
Brenda G. Hatfield Ph. D.,
Chief Administrative Officer
City of New Orleans

Daniel F. Packer, Jr., Chairman
New Orleans Aviation Board



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C. Ray Nagin
Mayor
City of New Orleans

**New Orleans
Aviation Board:**

Daniel F. Packer, Jr.
Chairman

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Henry A. Smith

Sean C. Hunter
Director of Aviation

**New Orleans Aviation Board Itemized Response to
Office of Inspector General ("OIG") Performance
Review dated July 28, 2009**

**The Cost and Management of Passenger Type Vehicles
of the New Orleans Aviation Board**

Response to Finding #1: The recommended research is currently underway.

Response to Finding #2: The Airport acknowledges this OIG recommendation. The City of New Orleans administers this process, and it likewise administers the computation of fringe benefits and the issuance of W-2's for all airport employees. The Airport will forward to relevant City officials a request to coordinate compliance in this regard. A draft request is attached as Exhibit 1.

Response to Finding #3: Please see response to No. 2.

Response to Finding #4: The Airport is currently requiring all Airport employees to complete records received from the City of New Orleans in August 2009. Said records maintain accurate and comprehensive travel records consistent with IRS rules and regulations.

Response to Finding #5: The Airport confirms that it uses the criteria outlined in CAO No. 5 (R) when making a determination regarding the assignment of each take-home vehicle.

Response to Finding #6: Please see response to No. 5. The Airport will seek a legal opinion if an issue of legality arises.

Response to Finding #7: The Airport acknowledges the OIG recommendation. It is currently researching cost efficient options to analyze or track expenses associated with all vehicles.



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Response to Finding #8: The Airport acknowledges the OIG recommendation. It is the Airport's intention to implement in the near future a process to conduct a timely quarterly physical inventory count of all vehicles and equipment and submit the same to the Airport's equivalent of EMD. The Airport is likewise consulting with the Louisiana Office of Motor Vehicles to properly remove and discontinue insurance of junked vehicles.

Response to Finding #9: The Airport acknowledges this OIG recommendation. As such, the Airport will coordinate with its insurance consultant to review and/or revise our current practice.



C. Ray Nagin
Mayor
City of New Orleans

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Sean C. Hunter
Director of Aviation

EXHIBIT 1

August 26, 2009

Dr. Brenda G. Hatfield
Chief Administrative Officer
City of New Orleans
1300 Perdido Street, Suite 9E01
New Orleans, LA 70112

Dear Dr. Hatfield:

The Office of Inspector General ("OIG") issued a Performance Review evaluation regarding the New Orleans Aviation Board ("NOAB") vehicle fleet. As such, the OIG identified findings and made recommendations in an effort to enhance business.

The report identified findings in the following areas:

- Take-Home Personal Use Charge
- Lack of Documentation of Personal Use

The same relates specifically to the current City of New Orleans and NOAB policies and procedures. In each instance, the OIG requires the NOAB to ensure compliance with the City of New Orleans. To the end, I would like to schedule a meeting with appropriate City and NOAB staff to coordinate the same.

Sincerely,

Patricia C. Malone
Interim Director of Aviation



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Fax 504.463.1049
www.flymsy.com

A copy of this report has been made available for public inspection at the Office of Inspector General for the City of New Orleans and is posted on the Office of Inspector General's website at www.nolaog.org. Reference should be made to File No. A&R – 2009004. If you need any assistance relative to this report, please contact Leonard C. Odom, Inspector General for the City of New Orleans at (504) 681-3200.

REPORT FRAUD, WASTE, AND ABUSE

To report alleged fraud, waste, abuse, or mismanagement relative to City programs or operations, use one of the following methods:

- Complete complaint form on web site at www.nolaog.org
- Write to Office of Inspector General for the City of New Orleans, 525 St. Charles Avenue, New Orleans, LA 70130-3409
- Call the Office of Inspector General for the City of New Orleans at (504) 681-3200