

## EXECUTIVE SUMMARY

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The Office of Inspector General of the City of New Orleans (OIG) conducted an inspection of the City of New Orleans (City) vendor payment practices. The objective of this inspection was to determine if the City made payments to vendors in accordance with State and City laws and City policies.

The City has two methods to make payments from its operating fund: purchase orders made through BuySpeed and Payment Vouchers. Although City law requires personnel to follow a process that includes purchase orders when requesting a good or service, the City approves the use of Payment Vouchers for some specific payments.

The City's only method for issuing purchase orders from operating funds is BuySpeed. BuySpeed's ability to interface with budget allocations and account balances guarantees that purchase orders will only be issued if sufficient funds are available to pay for purchases. In addition, the required approvals for purchase orders ensure segregation of duties and provide six layers of oversight to monitor for errors or fraud. BuySpeed also documents the process, thereby providing an audit trail. When the City makes payments to vendors using Payment Vouchers, there are fewer levels of approval and fewer checks for errors or fraud. Payment Vouchers do not document approval from the Budget Office, Finance, and Purchasing.

Inspectors examined 3,319 payments issued by the City from March 1, 2011 through May 31, 2011 to determine if the City followed the City Code by requiring purchase orders from BuySpeed prior to issuing vendor payments. For the three-month period examined, our inspection produced the following findings.

- During the review period, the City made 26 payments totaling \$1,030,343 to vendors without purchase orders. The City issued these payments in violation of City Code Sections 70-420 and 421, which require a purchase order before making payments to vendors.
- A total of \$4,497,493 in payments to two separate collection agencies was not included in the City's budget.

Based on these findings, we made the following recommendations to bring the City into compliance with the City Code.

- The City should require purchase orders before issuing payments to City vendors in order to ensure adequate financial controls and to comply with the Code of the City of New Orleans.
- The City should include payments made to collection contractors for delinquent property taxes and sanitation fees in its budget.

A draft of this report was provided to the Chief Administrative Office and the Department of Finance for review and comment prior to publication. The City's Response is included in Section V: Official Comments from the City of New Orleans.