

## EXECUTIVE SUMMARY

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The City of New Orleans (City) had a significant amount of fixed assets<sup>1</sup> (also referred to as capital assets) as of December 31, 2009. The City's Statement of Net Assets reported fixed assets as having a net book value of \$1,327,057,675, approximately 80% of the City's total assets. The significance of the fixed asset balance makes it critical that they be adequately recorded, reported, disposed of and monitored.

The 2009 audit report<sup>2</sup> by the City's external auditors, Postlethwaite & Netterville (P&N), found that the City "did not have adequate policies, procedures, and internal controls in place to ensure all capital assets were fairly stated in its financial statements on a timely basis." The finding noted that the City dedicated significant additional resources to improve tracking of fixed assets compared to the previous year's finding. However, P&N stated that the:

- "City included non-capital expenditures in the Construction in Progress (CIP) balance;
- City did not perform a complete inventory of its non-street assets, including buildings and other infrastructure that are included in their capital asset listing; and
- City's detailed fixed asset registers did not always include sufficient information to specifically identify fixed asset items."

P & N's finding indicated that the City's internal controls over fixed assets were inefficient and ineffective.

The United States General Accounting Office defines internal controls as "an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations."<sup>3</sup>

The Office of Inspector General conducted a performance audit (audit) of the City's fixed asset internal controls for the period January 1, 2009 through December 31, 2009. The objective of this audit was to evaluate the effectiveness of the City's internal controls related to recording, reporting and safeguarding the City's fixed assets. In addition, the audit evaluated the process for managing such assets at the departmental level.

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<sup>1</sup> City Policy Memorandum No. 48 defined a fixed asset as "any tangible property having a useful life of more than one year and a cost of \$500 or more for personal property and \$5,000 or more for real property... Fixed assets generally may be categorized as moveables (furniture, fixtures and equipment), and immovables (land, land improvements, buildings and extraordinary renovations)."

<sup>2</sup> The most recent period audited by the City's external auditors.

<sup>3</sup> Obtained from the United States General Accounting Office *Standards for Internal Control in the Federal Government*, dated November 1999.