

CITY OF NEW ORLEANS



INVESTIGATIVE AUDIT  
ISSUED SEPTEMBER 19, 2018

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

September 19, 2018

**THE HONORABLE LATOYA CANTRELL, MAYOR  
AND MEMBERS OF THE CITY COUNCIL  
CITY OF NEW ORLEANS**  
New Orleans, Louisiana

We have audited certain transactions of the City of New Orleans. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of complaints we received.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the Orleans Parish District Attorney and others, as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/aa

CITYOFNEWORLEANS



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## EXECUTIVE SUMMARY

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### **Inadequate Oversight over City Credit Cards**

City Councilmembers and/or their chiefs-of-staff charged \$378,998 on City credit cards from June 4, 2014 to September 25, 2017. City Councilmembers and/or their chiefs-of-staff appear to be using City credit cards as the Council's procurement system rather than a method of payment, which allows Councilmembers to initiate and approve their own purchases. As such, neither the City Council's chief-of-staff nor its fiscal director can effectively oversee Councilmembers' City credit card usage. Our audit identified the following concerns:

- (1) City Councilmembers and/or their chiefs-of-staff charged at least \$13,747 on City credit cards to pay for celebratory functions and purchase gifts;
- (2) City Councilmembers and/or their chiefs-of-staff did not submit receipts for some of their credit card purchases;
- (3) City Councilmembers and/or their chiefs-of-staff violated existing policies for travel expenses and fixed asset purchases; and
- (4) The City Council lacks sufficient policies for purchasing local meals and grocery items.

By spending City funds on celebratory functions and gifts, City Councilmembers and/or their chiefs-of-staff may have violated the Louisiana Constitution and state law. Additionally, by failing to submit receipts for all credit card purchases, City Councilmembers and/or their chiefs-of-staff may have violated state law.



## BACKGROUND AND METHODOLOGY

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The City of New Orleans (City) was incorporated in 1805. The City's system of government was established by its Home Rule Charter, which became effective in 1954 and was amended effective January 1, 1996. The City operates under a home rule charter. There are seven City Councilmembers, five of whom represent geographical City Council Districts, and two of whom represent the City at-large. The City provides a full complement of public services to its residents, including public safety, health and human services, public works, water and sewerage, urban development and housing, economic development, culture and recreation, airport, and general government services.

The City's operating budget authorizes each Councilmember to spend approximately \$35,000 annually for operating expenses to run his or her Council office. Each Councilmember is issued a City credit card and may obtain a City credit card for his or her chief-of-staff. We reviewed credit card charges for City Councilmembers and their chiefs-of-staff from June 4, 2014 to September 25, 2017. The following table shows the amounts charged on City credit cards during this period by Council office:

<b>Councilmember Office</b>	<b>Credit Card Charges</b>	<b>Percentage</b>
<b>Susan Guidry, District A</b>	<b>\$18,374</b>	<b>4.85%</b>
<b>LaToya Cantrell, District B</b>	<b>93,149</b>	<b>24.58%</b>
<b>Nadine Ramsey, District C</b>	<b>52,422</b>	<b>13.83%</b>
<b>Jared Brossett, District D</b>	<b>32,728</b>	<b>8.64%</b>
<b>James A. Gray, District E</b>	<b>73,403</b>	<b>19.36%</b>
<b>Stacy Head, Council-at-Large</b>	<b>32,856</b>	<b>8.67%</b>
<b>Jason R. Williams, Council-at-Large</b>	<b>76,066</b>	<b>20.07%</b>
<b>Total</b>	<b>\$378,998</b>	<b>100.00%</b>

In November 2017, the Louisiana Legislative Auditor (LLA) received complaints that City Councilmembers used City credit cards improperly. LLA initiated an audit to determine the validity of those complaints.

The procedures performed during the audit included:

- (1) interviewing City officials and employees and other persons as appropriate;
- (2) examining selected City documents and records;
- (3) gathering and examining external parties' documents and records; and
- (4) reviewing applicable state laws and regulations.

In October 2017, a series of newspaper articles reported that Councilmember LaToya Cantrell and her staff used City credit cards to cover almost \$4,350 in purchases she repaid from her campaign funds and \$4,602 in meals and other expenses that she repaid with her own money. During our audit, we confirmed that Councilmember Cantrell reimbursed the City \$4,433 on July 1, 2017, for charges on her City credit card from June 26, 2013 to September 26, 2016. City records indicate that on various dates between September 14, 2014 and October 27, 2017, Councilmember Cantrell reimbursed the City \$9,725 for charges she or her staff made on City credit cards, \$5,850 of which was paid from her personal bank account or money order and \$3,875 of which was paid from her campaign bank account.

During our audit, we found that Councilmember Cantrell's City credit card usage was not unlike that of several of the other Councilmembers and their staff. However, considering the Council's lack of policies, procedures and records, it was not possible for us to determine if these expenditures were improper. As a result, we concluded that it would be unfair to single Councilmember Cantrell out in this report solely because she reimbursed the City for a portion of her expenses. Instead, we are reporting all expenditures made by all Councilmembers and their staffs from June 4, 2014 through September 25, 2017, whether reimbursed or not.

## FINDINGS AND RECOMMENDATIONS

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### **Inadequate Oversight over City Credit Cards**

**City Councilmembers and/or their chiefs-of-staff charged \$378,998 on City credit cards from June 4, 2014 to September 25, 2017. City Councilmembers and/or their chiefs-of-staff appear to be using City credit cards as the Council’s procurement system rather than a method of payment, which allows Councilmembers to initiate and approve their own purchases. As such, neither the City Council’s chief-of-staff nor its fiscal director can effectively oversee Councilmembers’ City credit card usage. Our audit identified the following concerns:**

- (1) City Councilmembers and/or their chiefs-of-staff charged at least \$13,747 on City credit cards to pay for celebratory functions and purchase gifts;**
- (2) City Councilmembers and/or their chiefs-of-staff did not submit receipts for some of their credit card purchases;**
- (3) City Councilmembers and/or their chiefs-of-staff violated existing policies for travel expenses and fixed asset purchases; and**
- (4) The City Council lacks sufficient policies for purchasing local meals and grocery items.**

**By spending City funds on celebratory functions and gifts, City Councilmembers and/or their chiefs-of-staff may have violated the Louisiana Constitution<sup>1</sup> and state law.<sup>2</sup> Additionally, by failing to submit receipts for all credit card purchases, City Councilmembers and/or their chiefs-of-staff may have violated state law.<sup>3</sup>**

Councilmembers and their chiefs-of-staff make purchases on City credit cards, receive monthly statements of charges, compile their receipts to support their charges, and submit the receipts to the Council’s budget analyst. The budget analyst reviews the credit card statements and supporting documentation, and then forwards them to the Council fiscal director. The fiscal director then submits an accounting of the purchases to the City’s finance department to be recorded in the City’s accounting system (general ledger). Payments for the credit card are automatically drafted from a City bank account monthly.

The Council’s fiscal director and chief-of-staff are appointed by, and serve at the pleasure of, the City Council. The Council’s fiscal director told us that he only “approves” the charges on paper, which then allows the transactions to be recorded in the City’s accounting system. He neither approves nor denies Councilmembers’ credit card charges for payment, as credit card payments are automatically drafted from a City bank account. The City Council does not have a formal approval process for credit card purchases of local meals, grocery items, travel expenses, etc. Some Councilmembers acknowledged they did not review their monthly statements or their

chief-of-staff's monthly statements; however, they felt confident that all charges were discussed beforehand. Statements from several Councilmembers indicated that their cards were maintained in desk drawers and used by their staff. We also found that many of the Councilmembers and their chiefs-of-staff's purchases were poorly documented as to the public purpose or public benefit of the charges.

### Celebratory Functions and Gifts

Councilmembers and their chiefs-of-staff appear to have spent at least \$13,747 in public funds for celebratory functions and gifts, which may have violated the Louisiana Constitution.<sup>1</sup> To determine if an expenditure of public funds complies with Article VII, Section 14 of the Louisiana Constitution, the Attorney General has consistently opined<sup>4</sup> that, "the public entity must have the legal authority to make the expenditure" and must show: (1) a public purpose for the expenditure or transfer that comports with the governmental purpose the public entity has the legal authority to pursue; (2) the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and (3) evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

Our audit revealed the following expenditures may have violated the Louisiana Constitution:

#### *Celebratory Functions*

Records indicate that Councilmembers used their City credit cards for purchases related to celebratory functions. Several Attorney General Opinions<sup>5</sup> address employee meals and parties and generally opine that such expenditures are an improper use of public funds and may violate Article VII, Section 14(A) of the Louisiana Constitution. These opinions state that meals may be provided at meetings and certain business-related functions, but social functions benefiting employees are not an acceptable public purpose. Records indicate that City Councilmembers purchased \$6,754 in meals around the Christmas holidays. The business purpose of these meals was not documented; therefore, we could not determine if those expenses were appropriate.

For example, one Councilmember paid \$814 for a meal at Dooky Chase Restaurant on December 16, 2015. Two days later, the same Councilmember purchased \$972 in food trays at Whole Foods. The business purpose and attendees were not documented for either purchase. According to this Councilmember, the Dooky Chase meal was a Christmas lunch for Council central staff employees and Councilmembers, and the Whole Foods purchase was to cater a Christmas party for Councilmembers and their office staff. The Councilmember told us this was discussed with the former Council chief-of-staff, and it was determined that it was an appropriate expense.

#### *Gifts*

City records indicate that City Councilmembers and their staff spent \$6,993 in public funds for floral arrangements, gift items, gift cards, and food items. The City Council's

credit card policy states that the credit card should not be used to obtain gift cards, but makes no mention of floral arrangements, gifts, or food. City records and statements from Councilmembers indicate the following:

- **Floral Arrangements.** Councilmembers and their staff spent \$2,814 on floral arrangements. One councilmember stated that he thought he reimbursed the City for the floral arrangements purchased with his card and that his staff likely used his City card instead of his personal card by mistake when ordering the flowers. Another councilmember acknowledged that the flowers served no public purpose, but thought she was allowed to send flowers in her position as Councilmember.
- **Gift Items.** Councilmembers spent \$3,142 on gift items, such as money clips, cufflinks, and appreciation gifts. One councilmember stated that he thought he had reimbursed the City for his purchase of money clips and cufflinks, but we were unable to find any records showing this was reimbursed. Another councilmember told us that she purchased appreciation gifts for pastors who delivered the invocation at City Council meetings. She further stated that she did not believe the City should be paying pastors to deliver prayers, so she purchased inexpensive gifts as a token of appreciation.
- **Gift Cards.** Two councilmembers purchased gift cards totaling \$140 with their City credit cards, which is prohibited under City policy. Records indicate that one councilmember purchased gift cards totaling \$110 for community development. Another councilmember stated that she purchased three \$10 gift cards to Chick-fil-A as part of a marketing promotion to have citizens appear in a video to appeal to Chick-fil-A to open a restaurant within the City's limits.
- **Food Items.** One councilmember spent \$897 on turkeys during the holiday season. She stated that she partners with local food banks to hand out turkeys and side items to families in need during Thanksgiving. While Article VII Section 14 (B)<sup>6</sup> of the Louisiana Constitution allows public funds to be used for programs of social welfare for the aid and support of the needy, *Attorney General Opinion 14-0109*<sup>7</sup> has noted that to use this exception, a public entity must have objective criteria under which recipients are determined to be needy, which the City does not have. According to the councilmember, she personally delivered the turkeys to recipients.

### Unsupported Credit Card Purchases

We noted that the City Council offices failed to submit adequate documentation for credit card purchases during our audit period. Even though City Council policies require cardholders to obtain and reconcile all receipts against corresponding credit card statements, we found that City Councilmembers and their staffs had 216 unsupported purchases, totaling \$17,493. The following table summarizes the number of unsupported purchases by Council office.

<b>Councilmember Office</b>	<b>Number of Purchases</b>	<b>Total Amount</b>
<b>Councilmember Guidry, District A</b>	<b>10</b>	<b>\$516</b>
<b>Councilmember Cantrell, District B</b>	<b>80</b>	<b>3,627</b>
<b>Councilmember Ramsey, District C</b>	<b>56</b>	<b>6,280</b>
<b>Councilmember Brossett, District D</b>	<b>1</b>	<b>14</b>
<b>Councilmember Gray, District E</b>	<b>29</b>	<b>4,034</b>
<b>Councilmember Head, Council-at-Large</b>	<b>2</b>	<b>191</b>
<b>Councilmember Williams, Council-at-Large</b>	<b>38</b>	<b>2,831</b>
<b>Total</b>	<b>216</b>	<b>\$17,493</b>

The credit card statements the City received provided vendors' names, purchase dates, purchase amounts, and credit card numbers used to make the purchases; however, it did not show what was purchased or who made the purchases. Without vendor receipts and credit card authorizations, we were unable to ascertain the purchases' business purpose, necessity, or reasonableness; if they benefitted the City; and if authorized persons made the purchases. According to several Councilmembers, they relied on the Council's fiscal director and support staff (central staff) to make sure all of the purchases were sufficiently documented and complied with City Council policy. One Councilmember stated that to his knowledge, any issues that central staff had with his credit card documentation were satisfactorily addressed by his office. According to the fiscal director, if a cardholder does not turn in a receipt after multiple requests, then the transaction remains unsupported.

#### Violation of City Policies

We noted that City Councilmembers and their staff may have violated existing City and City Council policies regarding travel and purchasing. Since the City Council's policy was intended to supplement existing policies, Councilmembers' and their staff's purchases should have followed existing City policies. Our audit revealed the following:

##### *Travel Expenses*

Council credit card records indicate that Councilmembers and their staffs charged \$121,986 in travel expenses for approximately 100 trips. The City Council follows the City's policies for travel. The City's travel policy allows authorized employees to use a City credit card to purchase airline tickets, lodging, transportation, and eligible expenses related to official City business. Employees traveling on City business are required to fill out a Travel Authorization Form indicating the purpose of the travel. Councilmembers and their staff neither completed travel authorization forms nor documented the business purpose of their travels. As such, we are unable to determine if the travel expenses were appropriate. Since the City Council places most of its travel expenses on City credit cards, no one is monitoring the Council's compliance with City policies. Our audit revealed the following:

- **Meals.** Three Councilmembers purchased 15 meals that exceeded the City’s \$58 per diem while in travel status. However, because the business purpose and names of attendees were not documented, we were unable to determine if the meals otherwise complied with the City’s travel policies. With regards to entertainment expenses, the travel policy states that “official entertainment expenses are reserved for Economic Development purposes and the Mayor and his/her legal spouse while engaged in official city business travel.” This policy does not authorize Councilmembers to expend public funds for entertainment purposes.
- **Lodging.** According to the City’s travel policies, “employees must obtain ‘best rate’ for hotel/motel accommodations. Employees are required to seek the government rate, conference rate, or the lowest possible nightly rate for a standard single occupancy room. Expedia, Travelocity, Hotel.com, etc., using the similar search criteria (such as length of stay, time of arrival, etc.) are acceptable methods of providing price quotes for pre-travel period approval.” City records did not contain lodging quotes or the reason for travel; therefore, the City cannot ensure that Councilmembers and their staff obtained the “best rate” for lodging.
- **Airfare.** City travel policies require employees to find the best rate for airfare. It also requires that airfare quotes and arrangements be obtained at least 14 days prior to departure, except when documented support indicates the inability to comply with the fourteen day advance ticket purchase guideline. City records did not contain airfare quotes; therefore, we could not determine if the airfares paid were the best rates or if quotes and arrangements were obtained 14 days in advance of travel.
- **Cancellation Fees.** Policy states that a change of plans will not be permitted unless there is written support of certain circumstances. We found that one councilmember and one staff person incurred “no show” charges totaling \$631 for not canceling their reservations in time. Reasons for the “no show” charges were not documented.

#### *Asset Purchases*

City records show that City Councilmembers and their staff spent \$17,338 on cameras, refrigerators, office furniture, and computers. The City Council does not have policies regarding tracking and tagging the purchases of electronic devices. However, the City’s fixed asset policy requires the City’s Department of Finance to oversee the tracking and tagging of all City assets if their acquisition costs \$1,000 or more and has a useful life of one year or more. Several Councilmembers stated that they were surprised that there was no listing of items that they signed for when they took office and that there is not an accounting of items that they purchased while in office. The Council chief-of-staff indicated that he was working on an inventory of the items that the Councilmembers purchased during our audit period.

Our audit revealed that two Councilmembers may have violated City Council policies when they purchased computers for their offices. The Council’s procurement card policy states that the credit card is an “alternative to the existing purchasing process for small dollar items with a total value not to exceed \$5,000 per transaction on Councilmember cards...” Records indicate that on December 21, 2016, one Councilmember made two separate purchases totaling \$5,397 for laptop computers. On December 28, 2016, another Councilmember made four separate purchases totaling \$5,276 (\$1,319 each) for tablets for the Councilmember’s staff. By splitting these purchases, these two Councilmembers were able to keep their purchases beneath the \$5,000 per transaction limit.

### Insufficient Written Policies

The City Council has written policies regarding City credit cards. The Council’s policy states that the Council’s policy supplements, but does not replace, existing purchasing policies. The purpose of the credit cards is to “enable Councilmembers and authorized employees of the City Council to purchase approved goods and services.” Each cardholder is responsible for maintaining his or her credit card in a secure location at all times and must not allow other individuals to use the card. The Council’s policy did not address common purchases that Councilmembers and their chiefs-of-staff frequently made such as meals at local restaurants and grocery items for the Councilmembers’ offices.

#### *Local Meals*

City councilmembers and their staff incurred 375 credit card charges, totaling \$36,126, for meals at local restaurants and catering for meetings or events from June 5, 2014 to September 18, 2017. The business purpose of these meals/meetings was noted only 36% of the time, and the attendees of the meals were not always documented. Conversations with Councilmembers and City records<sup>A</sup> we reviewed indicated that these meals were for a variety of reasons, including staff luncheons, Council meetings, constituent meetings, visitors, and business meetings. The Council does not have written policies regarding local meal purchases and we were unable to find anything authorizing individual Councilmembers and their staff to use City funds in this manner. Therefore, even if a business purpose or the attendees were documented, we could not determine whether or not the expense was appropriate. Additionally, City Councilmembers and their staff did not always submit an itemized receipt for their meal expenses. Records indicate that City Councilmembers and their staff purchased 120 meals, totaling \$9,925, for which an itemized receipt was not provided. Since itemized receipts were not always provided, we could not determine if all of the meal expenses were proper. The following table summarizes local meal expenses by Council office:

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<sup>A</sup> See “Unsupported Purchases” section of finding. This is based off of the City records that noted the business purpose of the expense.

Councilmember Office	Number of Purchases	Amount of Local Meal and Catering Purchases
Councilmember Guidry, District A	35	\$3,461
Councilmember Cantrell, District B	146	9,426
Councilmember Ramsey, District C	26	2,765
Councilmember Brossett, District D	21	675
Councilmember Gray, District E	84	9,495
Councilmember Head, Council-at-Large	19	3,808
Councilmember Williams, Council-at-Large	44	6,496
<b>Total</b>	<b>375</b>	<b>\$36,126</b>

**Councilmember Susan Guidry (District A).** Councilmember Guidry had 35 charges totaling \$3,461. Councilmember Guidry acknowledged that she purchased local meals, and stated that she usually purchased meals for outside visitors that she invited to speak or provide training. Councilmember Guidry noted a business purpose on 17 of those occasions; however, she often noted the business purpose as “working lunch.”

**Councilmember LaToya Cantrell (District B).** Councilmember Cantrell’s council office had 146 purchases totaling \$9,426. Councilmember Cantrell stated that she occasionally purchased lunch for herself during Council meetings so that her chief-of-staff could have the lunch provided by the Council clerk. According to several Councilmembers, Council meetings often last for hours and they do not break for lunch.

**Councilmember Nadine Ramsey (District C).** Councilmember Ramsey’s office purchased 26 meals totaling \$2,765. Councilmember Ramsey said she used her card to purchase meals for her and her staff on days that they were busy working out of the office. She further stated that some of these meals may have been on Sundays after church services where she may have been honored or speaking. Councilmember Ramsey did not note business purposes or document attendees on her supporting documentation.

**Councilmember Jared Brossett (District D).** Councilmember Brossett had 21 charges totaling \$675. According to Councilmember Brossett, Councilmembers sometimes charge lunch on their City credit cards during City Council meetings because the meetings go through lunch.

**Councilmember James Gray (District E).** Councilmember Gray’s office had 84 charges totaling \$9,495 for local meals. Councilmember Gray stated that he did not recall using his credit card to purchase many meals and estimated that he used his card 5-10 times for meals over the last five years. He also said that he purchased meals for meetings with constituent groups, business developers and his staff.

**Councilmember Stacy Head (Council-at-Large).** Councilmember Head’s office had 19 charges totaling \$3,808. Councilmember Head stated that she hosted “Lunch and Learn” events for the Councilmembers’ chiefs-of-staff to teach them about City government, and the different functions within the City. According to City records and Councilmember Head, she usually provided pizza and sandwiches for these events.

**Councilmember Jason Williams (Council-at-Large)**, Councilmember Williams' office had 44 charges for meals totaling \$6,496. Councilmember Williams told us that he purchased meals at local restaurants if someone traveled to the City to do a presentation for the Council or if he was hosting some type of initiative.

### *Grocery Items*

In addition to using public funds to purchase meals at local restaurants, City records indicate that City Councilmembers and their staff purchased \$21,879 of grocery items for their offices, including snacks, bottled water, coffee, and over-the-counter medicines. The City Council's policies do not address the purchase of these items, which may be considered personal items. Some Councilmembers acknowledged that while their card was used to make these purchases, they typically sent someone from their offices to purchase these items with the cards issued in the Councilmember's name. Additionally, we noted a few instances where the person going to the store also used the City credit card to purchase his or her lunch while at the store.

### Conclusion

City Councilmembers appear to be using their City credit cards as a procurement system rather than a method of payment, which allows them to initiate and approve their own purchases. As such, the City Council's central staff cannot effectively exercise oversight over Councilmembers' City credit card usage. Our audit revealed that City Councilmembers and their staff used City credit cards for celebratory functions and gifts and failed to submit receipts for all of their credit card purchases. We also found that the City Council violated existing policies and lacks sufficient policies for purchasing local meals and grocery items. By spending City funds on celebratory functions and gifts, City Councilmembers and their staff may have violated the Louisiana Constitution<sup>1</sup> and state law.<sup>2</sup> Additionally, by failing to submit receipts for all of their credit card purchases, City Councilmembers and their staff may have violated state law.<sup>3</sup>

### **Recommendations**

We recommend that the City Council:

- (1) adopt detailed policies and purchasing procedures for the use of credit cards, which should prohibit personal use and provide guidance for the business use of City credit cards;
- (2) prohibit the expenditure of City funds for celebratory functions and gifts;
- (3) require timely submission and proper retention of original receipts. Receipts should be submitted before the monthly statement arrives and in time to adequately review the propriety of the expenditure before the payment is drafted;
- (4) require Councilmembers to acknowledge that they have reviewed their office's monthly credit card charges;

- (5) require cardholders to sign an affidavit certifying the public purpose of the expenditure in the event that a receipt is lost;
- (6) require cardholders to provide itemized receipts for meal purchases, a documented business purpose for the meals, and a list of people in attendance;
- (7) document the business purpose of travel expenses;
- (8) require Council staff to fill out the City's Travel Authorization Form when traveling on City business; and
- (9) follow the City's established travel policies and obtain the necessary quotes for airfare and lodging accommodations.



## LEGAL PROVISIONS

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<sup>1</sup> **Louisiana Constitution Article VII, Section 14(A)** states, in part, “Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.”

<sup>2</sup> **Louisiana Revised Statute (La. R.S.) 42:1461(A)** provides that, “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

<sup>3</sup> **La. R.S. 44:36(A)** provides, in part, that, “All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made....”

<sup>4</sup> **Attorney General (AG) Opinion No. 10-0171** states, in part, that, “in order for an expenditure of public funds to be permissible under Louisiana Constitution Article 14 (A), the public entity must have the legal authority to make the expenditure and must show: (i) a public purpose for the expenditure or transfer that comports with the governmental purpose for which the public entity has legal authority to pursue; (ii) that the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and (iii) that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds.”

**AG Opinion No. 14-0112** states, in part, that, “La. Const. art. VII, Sec. 14 prohibits public entities from gratuitously donating public funds or property.”

**AG Opinion No. 15-0095** states, in part, that, “in order for an expenditure of public funds to be permissible under La. Const. art. VII, sec 14(A), the public entity must have the legal authority to make the expenditure and must show: (i) a public purpose of the expenditure or transfer that comports with the governmental purpose for which the public entity has legal authority to pursue; (ii) that the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and (iii) that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds.”

<sup>5</sup> **AG Opinion No. 03-0157** states, in part, “...serving meals at brief meetings, particularly meetings that could be scheduled at times other than meal times appear to be unreasonable ... Opinion Nos. 91-589-A and 76- 1680, both of which determined that public funds cannot be utilized to defray the cost of Christmas parties for public employees... payment or reimbursement for food, drink, or the expenses associated with parties and other types of celebratory functions, from public funds, is improper under the state constitution.”

**AG Opinion No. 08-0328** states, in part, “We are unable to find that a public purpose exists in hosting social gatherings for city employees despite the fact that you believe it likely that at most social gatherings town business will be discussed. Because no public purpose exists, it is unnecessary to continue with the Cabela’s analysis. We have not been provided with any evidence that the city would receive anything at all, and certainly not equivalent

value, for the funds it would spend providing food for its employees at social gatherings. This conclusion is consistent with past opinions of this office dealing with social functions.”

**AG Opinion No. 09-0238** states, in part, “...it is the opinion of this office that the purchase of a moderately priced plaque to honor city employees who provide exceptional service to the City of Opelousas is permissible, but hosting a meal honoring employees and their spouses/guests is not permitted under La. Const. art. VII, Sec. 14...”

<sup>6</sup> **Louisiana Constitution Article VII, Section 14(B)** states, in part, “Nothing in this section shall prevent (1) the use of public funds for programs of social welfare for the aid and support of the needy...”

<sup>7</sup> **AG Opinion No. 14-0109** states, in part, that, “the exception in paragraph (B)(1) is operative as long as those assisted through such a program are screened pursuant to objective criteria to ensure they are, in fact, needy.”

## APPENDIX A

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LaToya Cantrell's Response – A.1  
Jason Williams' Response – A.2



LATOYA CANTRELL, MAYOR  
CITY OF NEW ORLEANS

August 30, 2018

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: LEGISLATIVE AUDIT RESPONSE – CITY CREDIT CARDS**

Dear Mr. Purpera:

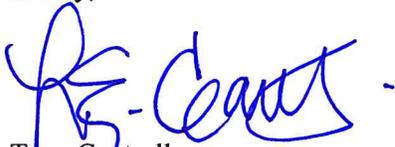
I would like to thank you and your staff for conducting this investigative audit on the use of City credit cards by the City of New Orleans Councilmembers. Initially, it was during the Mayoral campaign where in an attempt to damage my candidacy, I was singularly accused of wrongdoing for my past use of the City credit card. However, once the investigation began it was determined that an audit of the entire Council's use of the City credit card, its policies, procedures, and recordkeeping was necessary to provide the proper context to evaluate my usage of the credit card. I supported that decision and found it necessary to ensure that the conclusions and recommendations of the report are grounded in fact.

The audit determined that my City credit card usage was not unlike several other Councilmembers and their staff. I agree with this finding as it supports my assertion from the beginning that my use of the card was consistent with the then established policies of the City Council.

The conclusion of the audit recommends the adoption of several policies and procedures to clearly define proper usage of City credit cards by councilmembers and staff and I fully support this recommendation. One of my last acts on the Council was to implement several changes to the policy, some of which are identical to those recommended in the final report.

Based on the foregoing, I do not object to the findings of this audit. I would like to thank you for the fair and impartial investigation of this matter as it has affirmed my assertion of no wrongdoing and has provided the City with recommendations for implementing updated policies and procedures governing the use of City credit cards, which I fully support.

Sincerely,



LaToya Cantrell  
Mayor, City of New Orleans





JASON ROGERS WILLIAMS  
COUNCILMEMBER-AT-LARGE

Office (504) 658-1070  
Fax (504) 658-1077  
1300 Perdido Street • Room 2W50  
New Orleans, Louisiana 70112

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*New Orleans City Council*

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August 30, 2018

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

I want to thank you for your efforts with this audit and your continued commitment to review and investigate various financial matters of all agencies and entities subject to such review. It is the dedication of your office that ensures that public funds are appropriately spent for the benefit of the people of New Orleans. Please let this letter serve as my official response to the final audit report.

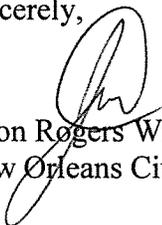
As you are aware, the last City Council engaged in substantial reforms to credit card and spending policies which had not been so addressed in decades prior. To that end, on May 3, 2018 the City Council unanimously passed Motion M-18-165 with attached exhibit entitled "City Council Procurement Card Policies and Procedures Manual." This legislation implemented new policies and protocols with respect to credit card use which are designed to eliminate occurrences of improper use and increase transparency to limit any appearance of impropriety.

Under this policy, one card is authorized for each councilmember's office. The councilmember or authorized procurement card user must sign a "Procurement Card Agreement" acknowledging receipt of the card and new policies and procedures manual. Additionally, a new "Expense Justification Form" was instituted, which requires a statement on the legitimate City business purpose for each purchase. Finally, a "Missing Receipt Form" was added to be completed for a rare instance where any New Orleans City Council Purchasing Card transaction does not have documentation from the merchant at the time of purchase reconciliation. Among other things, this form requires a detailed explanation of the expense and contains a certifying statement by the purchaser that details are accurate, purchases were legitimate and that repeated lack of documentation could result in revocation of the purchasing card. Each document referenced has been attached to this response for ease of access.

I believe it necessary to address, with some specificity, a particular portion of the report. With regard to the reported 44 charges for meals totaling \$6,496 noted on page 10 of 13, I think it is important to note that the lion's share of the listed total was for meals for local high school students. During the term reviewed, I hosted a Young Leaders Series in partnership with Kids Rethink New Orleans for two (2) years. Students from a variety of schools across the City participated in the leadership program. My office found free space to hold the sessions and paid for lunch for the students who missed their regular lunch hour due to the sessions. I do believe this to be an important and prudent expenditure. Further, my office maintained records to support these costs.

You all have done a great job in a short period of time, and I personally appreciate your work and approach to this endeavor. I am available should you have further questions or concerns and I look forward to your final report.

Sincerely,



Jason Rogers Williams  
New Orleans City Council President

**CITY OF NEW ORLEANS - CITY COUNCIL  
PROCUREMENT CARD  
POLICIES AND PROCEDURES MANUAL**

**I. INTRODUCTION**

The purpose of the City of New Orleans - City Council's Procurement Card Program is to expedite purchases and/or leverage cost-savings for office-related transactions including City-related travel. The card will be primarily used in place of petty cash. This card policy will supplement, not replace existing purchasing policies. Under no circumstances may an employee or elected official use a government issued credit card for personal expenses.

The success of the Procurement Card Program and its continuing use depends on the participation and cooperation of all Councilmembers and Council staff who are issued Procurement Cards. Please read and follow the program guidelines as specified in this manual.

**II. PURPOSE**

The Procurement Card is a credit tool that is issued by a bank. This credit tool is intended to provide a manner for expedited purchases and/or leveraged cost-savings for office-related transactions including City-related travel not to exceed \$5,000 per transaction on Councilmember cards and \$1,000 per transaction on staff cards.

The Procurement Card shall enable Councilmembers and authorized employees of the City Council to purchase approved goods and services by telephone, on the Internet, or in person direct from the vendors. The Procurement Cards shall be issued in the employee's name and the appropriate "Council office" name shall be clearly indicated on each card.

All purchases made with the Procurement Card shall be paid by the bank that the City of New Orleans - City Council contracts with for the Procurement Card Service. The bank on contract will then electronically bill the City of New Orleans.

**III. GENERAL INFORMATION**

The City of New Orleans - City Council's Procurement Card Program shall be utilized and/or administered by Council employees in one of the following three (3) designations:

**CARDHOLDER** – The Councilmember or employees will utilize the Procurement Card for daily purchases of authorized goods and services in strict compliance with the City of New Orleans - City Council's Procurement Card Policies and Procedures.

**DEPARTMENT LIAISON** – Each Council office shall assign one (1) Department Liaison. These liaisons shall be responsible for administering the Procurement Card Program for each office. They (Liaisons) shall keep all documentation for the Procurement Card activities within their respective offices and reconcile monthly statements between the Cardholder and Procurement Card Program Administrators. Department Liaisons shall be completely knowledgeable about the program. If questions or problems should arise about the program, the Department Liaison shall be the first person that cardholders contact. The Department Liaison shall then answer the question(s), correct the

problem or, if necessary, refer the question or potential problem to the Procurement Card Program Administrator.

**PROCUREMENT CARD PROGRAM ADMINISTRATOR** – The Council Chief of Staff shall designate two (2) persons as Program Administrators. The Program Administrators shall be the first point of contact for the Department Liaisons, shall assign account codes to transactions and answer any questions with respect to proper use of the procurement card, reconciliation and/or verification of purchase activities and/or correct any potential problems in respect to accounts, codes, disputes, etc. The Program Administrators shall be completely knowledgeable in every aspect of the program and as such shall be responsible for the proper training of all Department Liaisons and Cardholders in understanding and utilizing the reports, statements, forms, reconciliations and/or reports, as needed.

#### **IV. ISSUANCE OF PROCUREMENT CARDS**

Cards may be issued in the name of an individual Councilmember, or one designated full-time employee who has been selected by the Councilmember, the Chief of Staff of the Council, the Council Utilities Regulatory Office Chief of Staff, the Council Fiscal Officer, and the Clerk of Council for an agency maximum total of eleven (11) cards. A Procurement Card may be issued to one of the above designated full-time employees to perform the duties of procuring goods and/or services for that department in strict compliance with the existing Purchasing and Contracting Policies and Procedures Manual set forth by the City Council.

##### **Criteria to receive a Procurement Card:**

1. Applicant must be a full time employee who is either a Councilmember, an employee selected to be an authorized purchaser on behalf of a Councilmember, the Chief of Staff of the Council, the Council Utilities Regulatory Office Chief of Staff, the Council Fiscal Officer, or the Clerk of Council. The agency-maximum shall be a total of eleven (11) cards.
2. Applicant must be assigned to a Department Liaison selected by his/her Council office.
3. Employee must attend a purchasing and purchase card training session before he/she may be issued a Procurement Card.
4. Each individual cardholder must sign a Cardholder Agreement (see attachment "A") in the presence of the Procurement Card Administrator.

#### **V. CARDHOLDER RESPONSIBILITIES**

- A. Ensure the Procurement Card is used only for legitimate city business purposes.
- B. Maintain the Procurement Card in a secure location at all times.
- C. Must not allow other individuals to use their Procurement Card.
- D. Must use the Procurement Card within its purchase limits and restrictions.
- E. Obtain and reconcile all receipts against corresponding bank statement.

- F. Submit reconciled bank statement to Department Liaison along with receipts within 5 days of receipt of the billing statement. The Department Liaison is responsible for submitting all receipts for each cardholder to the Program Administrator before a payment will be authorized.
- G. Must never use the Procurement card to obtain cash, gift cards, money orders or certificates in lieu of credit.
- H. Immediately notify Department Liaison and Program Administrator of a lost or stolen Procurement Card. If the Procurement Card was stolen, a copy of the police report must be forwarded to the Program Administrator.
- I. Resolve disputes or billing errors, if any, with the vendor.
- J. Report erroneous transactions to the Department Liaison and Program Administrator.
- K. Return Procurement Card to Program Administrator immediately upon termination of employment.

**VI. DEPARTMENT LIAISON RESPONSIBILITIES**

- A. Complete and submit an Expense Justification Form (Attachment 1”) accompanied by original receipts for each credit card statement as prescribed on the form.
- B. Coordinate meetings with cardholder(s) within the department for the purposes of reconciling receipts against bank statements.
- C. Keep all necessary documentation with respect to all transactions for audits by the internal and external auditors.
- D. Immediately notify Procurement Card Administrator and Council Chief of Staff of any purchase violations, lost or stolen cards.
- E. Advise Procurement Card Administrator to cancel a Cardholder’s card (i.e., termination of employment, department transfer, loss of Procurement Card privileges due to misuse/violations, etc.) with the approval of the Councilmember or Council Chief of Staff.
- F. Collect all canceled cards and turn same into the Procurement Card Administrator.
- G. Resolve any disputes not resolved by Cardholder.
- H. Advise the Procurement Card Administrator of any unresolved disputes, noting the reason(s) for dispute(s).

**VII. PROCUREMENT CARD ADMINISTRATOR RESPONSIBILITIES**

- A. Review all applications for Procurement Cards turned in by the Council office for completeness of required information.

- B. Submit all approved applicants to the Bank and receive all Procurement Cards.
- C. Train Department Liaisons and Cardholder(s) as to the proper use of the Procurement Card before releasing Procurement Cards.
- D. Obtain Cardholders' signatures on the Cardholder Agreement signifying agreement with the terms of the Procurement Card Program.
- E. Secure all canceled Procurement Cards and advise Bank.
- F. Train Department Liaisons and Cardholders in the proper way of reconciling all transactions against bank statements.
- G. Understand the electronic media that the City will use to communicate with the Bank on contract. Be familiar with all report formats to be used with the program.
- H. Resolve disputes not resolved by Cardholders or Department Liaisons.
- I. Review all statements received from the Bank on contract.
- J. Apply accounting codes to transactions on monthly statement for submission to bureau of accounting for payment.
- K. Process electronic upload of bill to accounting.
- L. Prepare bill for electronic payment to the Bank on contract.
- M. Reconcile hard copy of bank's bill against bank's electronic file and to the transaction totals posted to the City's accounting system.
- N. Review all Cardholder transactions on the monthly Department Report distributed by the Procurement Card Administrator.
- O. Make any necessary corrections to accounting codes for transactions on the monthly Department Reports prior to the monthly cut-off date established by the Procurement Card Administrator.

**VIII. RECORDS & REVIEW PROCESS**

- A. Upon receipt of the monthly statement, the Cardholder, working with the Department Liaison, shall compile all original receipts for the corresponding statement period and list each transaction on the Expense Justification Form (EJF).
- B. The Cardholder, working with the Department Liaison, shall provide a description of each transaction containing the legitimate city business of said transaction.
- C. The Missing Receipt Form (MRF) shall be completed for any transaction that does not have documentation from the merchant.

D. The Cardholder, working with the Department Liaison, shall submit the monthly transaction package (comprised of the EJF, all original receipts and MRF, as required) to the Procurement Card Administrator by the second Tuesday of each month. A copy of each month's transaction package shall be maintained in the office of the cardholder.

E. Upon receipt of the transaction package, the Procurement Card Administrator shall review the EJF for completeness. In the event of missing receipts, insufficient information, or evidence of engagement in prohibited uses, the Card Administrator(s) shall notify the Chief of Staff in writing that more information is required, identifying the specific transaction(s), and the information required.

F. The Chief of Staff shall review findings of the Card Administrator(s), and, if more information is required, notify the Cardholder that more information is required. The Chief of Staff may designate certain transactions as "requiring more information," and/or "may be subject to reimbursement." If such designation is made, the cardholder shall provide additional information and, if a transaction was made in violation of the policy, may provide reimbursement for such transactions.

G. Continued misuse of the card, refusal to provide additional information and/or the continued practice of reimbursing the City for personal or prohibited activity may result in a suspension or removal of the user from the program.

## **IX PROHIBITED USES OF PROCUREMENT CARD**

Cardholders **MAY NOT**:

- A. Use the procurement card for personal or unauthorized purposes.
- B. Use the Procurement Card to purchase alcoholic beverages or any substance, material, or service, which violates the City's Purchasing and contracting Policies & Procedures, ordinances or regulations pertaining to the City of New Orleans.
- C. Use the procurement card to obtain cash, gift cards or certificates in lieu of credit.
- D. Allow the card to be used by another individual.
- E. Split a purchase to circumvent the card limits.
- ~~F.~~ Use another Cardholder's card.
- G. Refuse and/or fail to provide Department Liaison with required receipts.
- H. Refuse and/or fail to provide information about any specific purchase.

## **X. STATEMENTS AND BILLING**

- A. Statements are provided monthly. Paper copies will also be provided. The statement cutoff date is on the 26<sup>th</sup> of each month. If the 26<sup>th</sup> falls on a weekend, then the cutoff date will be the preceding business day.

B. Payment to Chase Bank is made via Electronic Funds Transfer each month following the cutoff date. Copies of all receipts for charges made during each billing cycle **must** be provided to the Program Administrator by the 10<sup>th</sup> of each month.

## **XI. STAFF CARDHOLDER DISCIPLINARY ACTION**

### Disciplinary Action

The City of New Orleans - City Council shall exercise a "ZERO TOLERANCE" policy toward the improper use of the Procurement Card. Severe disciplinary action, which may include termination of employment, shall be taken by the City when the Cardholder knowingly, willingly and intentionally misuses and/or abuses the use of the City of New Orleans - City Council's Procurement Card. Less severe disciplinary action, which may include verbal reprimand, written reprimand, suspension without pay, or deduction of amount from pay shall be taken by the City when the Cardholder uses a Procurement Card for purchases that are not in line with the City of New Orleans - City Council's Procurement Card Program Policies and Procedures.

**CITY OF NEW ORLEANS - CITY COUNCIL  
PROCUREMENT CARD EMPLOYEE AGREEMENT  
(ATTACHMENT "A")**

The City of New Orleans - City Council is allowing you the privilege of being presented with a Procurement Card. This privilege represents trust in you as a responsible agent of the City capable of protecting the City's assets.

I, (print name) \_\_\_\_\_, on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, as a cardholder, agree to comply with the terms and conditions of this Agreement, Procurement Card Policies and Procedures as well as the Purchasing and Contracting Policies and Procedures of the City of New Orleans. I understand that the Procurement Card purchase limit per transaction shall be \$1,000.00 or less for employees and \$5,000 or less for Councilmembers. I also understand that I am not to split any transaction(s) in an attempt to circumvent the single transaction limit. I also understand that all transactions with a potential of exceeding \$1,000.00 must be submitted to the Purchasing Department to be processed through the regular purchasing procedures.

I acknowledge that I have received orientation in respect to the City's Purchasing Policies and Procedures regarding the Procurement Card.

I acknowledge that I have been furnished a written copy of the City's Purchasing Policies and Procedures regarding the Procurement Card.

I acknowledge that I have training in the proper use of the Procurement Card.

I acknowledge that the Procurement Card will not affect my personal credit rating.

I acknowledge that the City of New Orleans - City Council may terminate my right to use this card at any time for any reason.

I further acknowledge that I understand that improper use of this card may result in forfeiture of card use or disciplinary action, up to and including termination of employment. Should I fail to use this card properly, I authorize the City of New Orleans - City Council to deduct from my salary an amount equal to the total of the discrepancy. I also allow the City of New Orleans - City Council to collect any amounts owed by me even if the City of New Orleans - City Council no longer employs me.

I agree to return the card to the City of New Orleans - City Council immediately upon request or upon cessation of employment.

I acknowledge receipt of said Agreement and confirm, by my original signature below, that I fully understand all requirements, term and conditions, in respect to the Procurement Card Program.

**Cardholder:**  
Employee Signature: \_\_\_\_\_

**Procurement Card Administrator:**  
Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_  
Department: \_\_\_\_\_

Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_



# MISSING RECEIPT FORM

### CERTIFICATION OF UNAVAILABLE DOCUMENTATION

This form should be completed for any New Orleans City Council Purchasing Card transaction that does NOT have documentation from the merchant. This should be provided to Card Administrator as part of monthly reconciliation paperwork, and should only be submitted accompanying an Expense Justification Form.

**MERCHANT NAME:** \_\_\_\_\_

**TRANSACTION DATE:** \_\_\_\_\_

**TRANSACTION AMOUNT:** \_\_\_\_\_

### Description/Quantity/Cost Per Item/Total Cost per line (Add an additional sheet if necessary)

\$\$ _____	\$\$ _____
\$\$ _____	\$\$ _____
\$\$ _____	\$\$ _____

### REASON ORIGINAL DOCUMENTATION IS NOT AVAILABLE

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### CARDHOLDER CERTIFICATION SIGNATURE

I attest the information provided is true and an accurate description of the details of the purchase. I confirm that every attempt to obtain a duplicate receipt by contacting the vendor has been made, but have been unable to do so and also hereby certify the following:

- All items purchased on this Credit Card transaction were for Legitimate City Council use. No personal purchases were made.
- The Cardholder will not seek reimbursement from the City of New Orleans in any other manner for this transaction.
- Original documentation is not in Cardholder's possession for the reasons stated above.
- Cardholder acknowledges that repeated lack of documentation could result in revocation of their New Orleans City Council Purchasing Card.

**Cardholder Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

### SUPERVISOR/REVIEWER:

I have accepted the cardholder's explanation of the loss and inability to obtain a duplicate receipt; therefore, I am authorizing payment of the receipt or invoice in light of the circumstances involved.

**Procurement Card Admin. Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

REVISED – 03/16/18



# EXPENSE JUSTIFICATION FORM

NET CHARGE: \_\_\_\_\_

CITY COUNCIL OFFICE: \_\_\_\_\_

STATEMENT DATE: \_\_\_\_\_

CARDHOLDER: \_\_\_\_\_

SUBMISSION DATE: \_\_\_\_\_

**PROHIBITED USES:** Personal expenses, alcoholic beverages, cash cards, cash advances, money orders or gift cards, splitting purchases to circumvent card limits.

**NOTE ON MEALS:** Legitimate City business should be identified when offering a description for meal expenses; information included should be number of city employees present, numbers of others present, general description of reason for meeting, etc.

**REIMBURSEMENTS:** Personal expenses are prohibited on City credit card, however, if inadvertent use of the card occurs, the charges should be identified and are subject to reimbursement. Make checks payable to City of New Orleans, which are to be submitted with this form.

**INVENTORY:** Portable office supplies that have a value of \$200 or more should be presented to the Council Chief of Staff for inclusion in Moveable Asset Inventory. All such purchases are the property of the City of New Orleans.

**LOST RECEIPTS:** Please complete and submit a "Missing Receipt Form" to provide certification of unavailable documentation.

**List Description of All Expenses**

Date	Vendor/Merchant	Amount	Legitimate City Business

SIGNATURE OF CARDHOLDER: \_\_\_\_\_

**\*\*PLEASE ATTACH THIS FORM TO THE ORIGINAL CHASE CREDIT CARD STATEMENT/RECEIPTS. INCLUDE ONE (1) COMPLETE (STAPLED) COPY OF THE CREDIT CARD STATEMENT & RECEIPTS**

**\*\*DUE DATE: SECOND (2<sup>ND</sup>) TUESDAY OF EACH MONTH.**

REVISED – 03/16/18





## APPENDIX B

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James Gray's Response – B.1  
Susan Guidry's Response – B.4  
Nadine Ramsey's Response – B.5



*Email received from James Gray on August 30, 2018, at 3:13 PM*

Which transactions are you talking about? Are you saying every credit card transaction is unsupported? If so that is a place to start. But I assume that you are not saying that. If not how do I know which ones to ask about if you have not identified the ones that are unsupported? If I were told that "On march 5Th 2015 your credit card was used at Wendy's and the supporting documentation was not present" then I would have something to check. But your letter does not give me that kind of information. Based on what you said above I am going to ask [REDACTED] for the list that you gave her. But why can't you give me the same list. You had a list when you gave her a list. Why can't I have the same list.

**By the way all of my e-mails on this topic are part of my response.**

James Gray

Does anyone know [REDACTED] e-mail.

*Email received from James Gray on August 16, 2018, at 7:39 PM*

You need to give me an itemized list of any particular deficiency that you are claiming. For example without a list of the alleged 84 meal purchases giving me the time and place there is no way that I can respond. Except of course to say that your letter is either inaccurate or at the least misleading. Also to respond we would need access to the records that we turned into the central staff. I did not run a separate accounting office. It would seem that a more appropriate process would be to allow the central office to first give a response and then to allow the council persons to review their response and give further response if needed. Your letter does not give me enough information to respond. I am sure for example that your number per meal is really per occasion. You have not indicated how many people were at each meal. Without that information how do you know how much per meal was spent.

James Gray

*Email received from James Gray on August 28, 2018, at 10:49 AM*

I have requested an itemized accounting of all purchases that fall in any of the noted categories. I do not believe that we spent any money on celebrations. If you think that we did please give the particular expense that you believe falls in that category so that we can respond. I do not believe that we had any undocumented expenses. If you think that we did please show me which ones and give me a real opportunity to respond. My staff assures me that we documented all expenses. We had monthly confirmations with the central office on this fact. You now come five years later and say that some were undocumented without saying which ones so that I can go back and check.

Let me repeat. The information in your draft letter gives me no opportunity to respond. If I don't know the date, time and expense referred to how am I able to respond.

In my interview your people noted that in some cases you failed to note or the central office failed to copy all of the information on each expense. Did you get that straight? Which ones were you talking about?

At the minimum I need to know what charges you are referring to, when they were made, and who signed for them. I need to see what information was turned in to the central office.

James Gray

*Email received from James Gray on August 29, 2018, at 9:45 AM*

I am repeating the request made to what I took to be someone working at your direction. If so I would think that a request to them is a request to you. But in any case I hereby repeat the following:

You need to give me an itemized list of any particular deficiency that you are claiming. For example without a list of the alleged 84 meal purchases giving me the time and place there is no way that I can respond. Except of course to say that your letter is either inaccurate or at the least misleading. Also to respond we would need access to the records that we turned into the central staff. I did not run a separate accounting office. It would seem that a more appropriate process would be to allow the central office to first give a response and then to allow the council persons to review their response and give further response if needed. Your letter does not give me enough information to respond. I am sure for example that your number per meal is really per occasion. You have not indicated how many people were at each meal. Without that information how do you know how much per meal was spent.

James Gray

I said earlier that the period was five years and maybe it is only three. But that points up the problem that these general findings create. How does one respond if they do not know what you are talking about? I have double checked with my staff and they assured me that we routinely included the documentation that you say was often missing. It was routinely checked by the central staff and on occasion when they were not satisfied they came back to us and we supplemented our submissions. I can not respond without knowing which transaction to which you are referring. If it is credit card use I need to know who signed for the transaction. Over the course of time I had more than one person authorized to sign and I need that information to know who to go to for clarification.

*Email received from James Gray on August 29, 2018, at 5:15 PM*

But your report has no meaning for me if I can not know what transactions that you are talking about. For example I am sure that every meal had more than one person. Without knowing what meal you are talking about and who was present how can I answer the suggestion that more than the proper amount was spent. You seem to take the number of transactions for the meals and divide that into a total number. But as I understand the rules the dollar amount allowed is per person. So you need to say how many people were at the meal. Or maybe I need to say how many people were at the meal. But without you telling me which one you are talking about I can not respond. You talk about spending money on celebrations. How do I answer that without been told when and where. With that information I can indicate the purpose of the event. I assure you that I spent no money celebrating. Celebrating what? I can go on and on. The bottom line without that information your report does not give an opportunity for a response.

Think about it. Unless you are claiming that all of us had a lot of meals alone, your price per meal has to be wrong.

James

*Email received from James Gray on August 30, 2018, at 3:31 PM*

█ this is really a request to you. If you read the attached e-mails you will see that █ of the Legislative Auditor says that █ informed him that various credit card uses were not supported by documentation. I would like a list of all of the Div. E transactions during my time in office that █ said were not supported. █ calls █ the "City Council's Budget Analyst". Did she hold that office during my term in office and is she the person who told us along the way that we had submitted adequate documentation? If someone changed their minds about the adequacy or existence of documentation it would seem that they would have shared that with the responsible parties in each council office at some point. Please help me with this request.

By the way. I hope that you are doing well.

James Gray

Susan G. Guidry  
New Orleans City Council, District A, ret'd.

*Via email only*  
Mr. Daryl G. Purpera  
Louisiana Legislative Auditor  
1600 North 3rd St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397  
Att'n: Ms. Amy Dees

August 30, 2018

Response to Louisiana Legislative Auditor Report  
Regarding City Council Credit Card Expenditures

Dear Mr. Purpera:

The legislative audit pointed out the need to have more detailed reporting of council credit card use. In direct response, the council passed Motion M-18-165 on May 3, 2018, by which we adopted a City Council Procurement Card Policies and Procedures Manual that addressed the issues of the audit. Unless the auditor's final report is changed from the draft I presently have, the report fails to acknowledge the council's responsiveness. Perhaps there is some auditor's rule that permits this, in which case I point it out here for the record.

It is not that the council was without rules and procedures before this audit was conducted. Prior to the audit, I assumed that state ethics law and city procurement policies directed the council as to each member's expenditures. If there were a few instances in which I failed to follow the existing rules or procedures, these were accidental, and I apologize for them.

Unfortunately, the legislative auditor's office refused my request to view the paperwork for the "unsupported purchases" and the local meals I am said to have charged without sufficient documentation. I was informed that the office is exempt from the public records law in this regard, and that I should obtain these records from the council. I am no longer on the council, and even if I obtained and reviewed all of my expenditures over the three plus years covered by the audit, I would not know to which expenditures the audit report refers. I will state that I believed it to be acceptable under existing law that I use the term "working lunch" when I used the city card to purchase lunch when one or more of my staff and I were working during lunch, and I thought I always listed their names to show that the expense per person was within state law.

Sincerely,

Susan G. Guidry

# SPEARS & SPEARS

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IKE SPEARS  
DIEDRÉ PIERCE KELLY

September 7, 2018

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**Re: Response of Nadine Ramsey to the  
Investigative Audit Report on the  
New Orleans City Council**

Dear Mr. Purpera:

The Louisiana Legislative Auditor should conduct audits in accordance with the Generally Accepted Government Auditing Standards for the Professional Practice of Internal Auditing. Those standards require that the Legislative Auditor plan and perform the audit to obtain sufficient and reliable evidence to provide a reasonable basis for the findings and conclusions based on audit objectives.

Investigative audits are not isolated technical exercises, but are an integral part of the governance process and, thus, a properly conducted internal audit must:

- be based on provable facts;
- summarize its mission and methodology during the audit process;
- clearly report its findings and observations; and
- offer recommendations for prevention and correction based on the findings.

An Investigative Audit Report is a formal document that should be objective and free from distortions and bias. It must be fair, impartial, and unbiased and the result of a fair minded and balanced assessment of all relevant facts and circumstances.

Adverse findings should be described in detail, and each finding *must be provable*. Auditor beliefs, without proper documentation should never be included in the report.

An Internal Audit Report, apart from disclosing the findings about the audited agency, also helps the users to evaluate the performance of the auditors themselves. More often than not, the report

becomes a statement of the auditor's credibility, competence and integrity. It is a major factor by which the reputation of the Louisiana Legislative Auditor is established.

With this in mind, we offer the following responses on behalf of former City Councilmember Nadine Ramsey to the Draft Investigative Audit Report of the New Orleans City Council dated August 16, 2018:

#### **Response to Unsupported Credit Card Purchases**

At no time were any personal expenses ever charged by Councilmember Nadine Ramsey on her City Council credit card. For each and every credit card purchase made by Councilmember Ramsey or her staff, receipts and documentation were timely submitted to the Council's fiscal director and/or central staff.

It would be the responsibility of the fiscal director to maintain those records, and to follow up with councilmembers or staffers whenever those receipts and documentation were not timely submitted to allow for the regular reconciliation of the City Council credit card statements.

Your report makes reference to fifty-six (56) unsupported credit card purchases charged by her office during the relevant time period; however, you have not provided us with any of the documentation that you have relied on in reaching that number.

#### **Response to Local Meals and Catering**

Any meal charged by Councilmember Ramsey on her City Council credit card were in connection with either staff meetings or city related work. Again, at no time were any personal meals charged by Councilmember Nadine Ramsey on her City Council credit card. For each and every meal purchased on the City Council credit card, receipts and documentation were timely submitted to the Council's fiscal director and/or central staff.

In the event the documentation was insufficient or incomplete, Councilmember Ramsey was never notified of such by the central staff.

Your report makes reference to twenty-six (26) meals being charged by her office during the relevant time period; however, you have not provided us with any of the documentation that you have relied on in reaching that number of local meals and catering being assigned to my office.

#### **Recommendations**

Councilmember Ramsey is in agreement with the nine recommendations set made in the Investigative Audit and hope that they will be enacted and followed by the current and future City Councils.

After you have had an opportunity to review our response, I would welcome the opportunity to discuss this matter in greater detail before submission of your final report.

Please feel free to contact me should you have any questions or concerns.

With kind regards, I remain

Very truly yours,

**SPEARS & SPEARS**

A handwritten signature in cursive script that reads "I. Spears". The signature is written in black ink and is positioned above the printed name "IKE SPEARS".

**IKE SPEARS**

IS:gjj

cc: Mr. Roger W. Harris, J.D., CCEP, CFI  
Assistant Legislative Auditor and  
Director of Investigative Auditor