

To the City of New Orleans Aviation Board
Louis Armstrong International Airport
New Orleans, Louisiana

We have audited the financial statements of the Louisiana Armstrong International Airport (the Airport), a proprietary component unit of the City of New Orleans, as of and for the year ended December 31, 2012, and have issued our report thereon dated June 28, 2013. In planning and performing our audit of the financial statements of the Airport, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

2012 - 01 Theft

Observation

The Airport's procedures for identification badges and fingerprinting receipts did not include a routine independent reconciliation process between the receipt book totals and the subsequent bank deposits that resulted in an exposure totaling approximately \$4,905. The Airport employee responsible for the deposits to the bank account had access to cash amounts included in these deposits. The Airport reported these irregularities to the Louisiana Legislative Auditor, Jefferson Parish District Attorney's Office and City of New Orleans Office of Inspector General for further investigation.

Recommendation

We recommend that the NOAB enhance its procedures to have accounting personnel verify that all receipts, which are pre-numbered, are accounted for, and that the subsequent deposit's beginning ticket number is in sequence with the prior bank deposits ending sequence number. Additionally, someone in either Security or Accounting should reconcile the receipt totals from Security Office to cash received for deposit, and then verify that the amount deposited in the bank agrees to what was received from Security. The bank account should then be reconciled by personnel who do not have contact with cash collected.

We also recommend that a copy of the receipts log should be provided to someone in accounting other than the person responsible for the deposit. This person should verify that the amounts in the log match the validated deposit tickets. Deposits should also be made timely after receipt and duplicate deposit tickets should be provided to the person responsible for checking the logs.

Management's Response

In February 2013, the Airport discovered an irregularity in its controls affecting cash collections and deposits for identification badges and fingerprinting. The Airport promptly reported the matter to the appropriate authorities, including the Louisiana Legislative Auditor, Jefferson Parish District Attorney's Office and City of New Orleans Office of Inspector General.

The Airport responded immediately to the discovery and implemented new procedures to ensure the timely identification of all receipts. The procedures implemented include, discontinuing the acceptance of cash payments and reconciliation procedures to verify that all receipts, which are pre-numbered, are accounted for, and that the subsequent deposit's beginning ticket number is in sequence with the prior bank deposits ending sequence number.

Additionally, the Airport is now reconciling the receipt totals from the Security Office to the deposits made by Accounting, and verifying that the amount deposited in the bank agrees to what was received from the Security Office by an Accounting employee other than the person responsible for the funds received or deposited. As the Airport was implementing these new procedures, the Airport also requested Postlethwaite & Netterville to perform an independent investigative audit, which was completed in March 2013.

During Fiscal Year Ended December 31, 2011, and during Fiscal Year Ended December 31, 2012, recent Airport management uncovered findings of non-compliance and weakness in internal controls and has voluntarily reported its findings to the Auditor, elected officials and enforcement agencies. The Airport is committed to ensure that sufficient internal controls are properly in place and functioning effectively in all areas of its operations and it will continue to implement improvements to its controls wherever necessary to ensure its fiduciary responsibilities as stewards of the public's resources.

This report is intended solely for the information of the Airport, the Airport's management; federal, state and city awarding agencies; and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

The Airport's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



Metairie, Louisiana
June 28, 2013