



Final Report

New Orleans East Hospital Credit Card Audit

May 16, 2024

Edward Michel, CIG

Inspector General





May 16, 2024

Re: New Orleans East Hospital Credit Cards Audit

I certify that the inspector general personnel assigned to this project are free of personal or other external impairments to independence.

A handwritten signature in blue ink that reads 'Edward Michel'. The signature is written in a cursive style.

Edward Michel, CIG
Inspector General

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The City of New Orleans Office of Inspector General (OIG) conducted a performance audit of the New Orleans East Hospital (NOEH).

The objectives of the audit were to determine if:

- NOEH credit card purchases complied with relevant NOEH policies and other best practices; and
- NOEH credit card purchases were business-related and complied with state law.

The scope of the audit included all NOEH credit card transactions during the period January 1, 2022 through December 31, 2022.

The audit of NOEH credit card purchases resulted in the following positive findings:

- All selected NOEH credit card purchases appeared business-related and allowable per NOEH policy and state law.
- All selected NOEH credit card purchases were supported by an itemized original receipt and documentation of the business purpose.

However, the OIG noted some areas where NOEH should strengthen its policies and procedures related to the use of NOEH credit cards. The audit of NOEH credit card purchases resulted in the following findings:

- NOEH employees did not receive written approval prior to the issuance and use of NOEH credit cards for 27 percent of the selected transactions, totaling \$15,914.
- NOEH did not maintain written logs for its credit cards to account for who had possession of the credit cards at all times.

Based on these findings, the OIG made the following recommendations:

- NOEH should provide training to employees to ensure compliance with policies concerning the issuance and use of NOEH credit cards.
- NOEH should maintain written logs for the issuance and return of each NOEH credit card in compliance with best practices.

I. INTRODUCTION

NOEH is a public hospital that provides essential hospital services to the residents of New Orleans East. NOEH is operated by the Parish Hospital Service District for the Parish of Orleans - District A (District), which is a component unit of the City of New Orleans (City).¹ The District is a Louisiana hospital district created by La. R.S. 46:1094 whose mission is to operate a state-of-the-art hospital that provides emergency and other essential hospital services to the residents of New Orleans East. The District opened NOEH in July 2014.²

To fulfill its mission of operating NOEH, the District entered into a Cooperative Endeavor Agreement (CEA) with Louisiana Children's Medical Center (LCMC) and Touro Infirmary (the Joint Parties) on April 1, 2014. The CEA outlined that Joint Parties were responsible for the day-to-day operations of NOEH.³ The Joint Parties' obligations under the CEA included employing the necessary personnel to operate NOEH, as well as providing comprehensive administrative, professional, operational, revenue cycle, and financial management for NOEH.

In 2022, the OIG conducted a City-wide Risk Assessment to systematically assess risk within City departments, agencies, and component units. Based on the risk-assessment results, the OIG included NOEH among the top ten high-risk entities within the City and included it in its 2023 Annual Work Plan.⁴ The OIG identified NOEH as a high-risk entity based partially on concerns raised by the District's external auditors in its audited financial statements for the year ended December 31, 2021.⁵ The external auditor's findings included the following concerns related to the usage of NOEH credit cards:

¹ Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

² LaPorte, APAC. Financial Report Parish Hospital Service District for The Parish of Orleans - District A (A Component Unit of the City of New Orleans) Audits of Financial Statements December 31, 2021 and 2020. Issued June 24, 2022.

³ City of New Orleans Parish Hospital Service District, *Special Services Cooperative Endeavor Agreement*, April 1, 2014.

⁴ New Orleans Office of Inspector General. 2023 Annual Work Plan. Issued September 1, 2022. https://nola.oig.gov/wp-content/uploads/2022/12/Annual_Work_Plan_2023.pdf.

⁵ LaPorte, APAC. Financial Report Parish Hospital Service District for The Parish of Orleans - District A (A Component Unit of the City of New Orleans) Audits of Financial Statements December 31, 2021 and 2020. Issued June 24, 2022.

- NOEH was unable to provide written documentation of the business purpose of the expense for 100 percent of the credit card transactions tested.
- NOEH was unable to provide evidence of review and approval by someone other than the preparer for 40 percent of the monthly credit card statements tested.

As a result of these findings related to credit card usage, the OIG deemed it necessary to include an audit of NOEH in its 2023 Annual Work Plan to determine if current NOEH policies and procedures for credit cards were effectively implemented and compliant with best practices.

II. PURCHASE APPROVALS

The NOEH credit card policy summarized the types of expenses that may be charged to NOEH credit cards, as shown in Figure 1. The NOEH credit card policy stated, “If an expense/item is not listed below, then contact CFO for further guidance.”⁶

Figure 1. Allowable NOEH Credit Card Purchases⁷

EXPENSE	Can I charge on the HSD Card?	Can I seek a PO or reimbursement from the HSD	Can I seek a PO or Reimbursement from LCMC
Approved Business Gifts	No	No	Yes
Employee/Clinician Appreciation Expenses	No	No	Yes
Holiday decorations	No	No	Yes
Business Meals/Entertainment/Catering WITHOUT ALCOHOL	Yes	Yes	No
Business meals/Entertainment/Catering WITH ALCOHOL	No	No	Yes
Economy class business travel (for approved business trips)	Yes	Yes	No
Business car rentals	No	No	Yes
Recruitment expenses (travel expenses)	Yes	Yes	No
Marketing, including sponsorships	No	Yes	No
Credentialing Expenses (background checks, etc.)	Yes	Yes	No
Business Software	No	Yes	No
Flowers/Floral Arrangements	No	No	Yes
Birthday cakes/cards	No	No	Yes
Service award certificates and frames	Yes	Yes	No
Retirement parties	No	No	Yes
PROHIBITED PURCHASES			
Cash advances	No	No	No
Alcoholic beverages	No	No	Yes
Tobacco Products	No	No	No
Prescriptions and drugs	No	No	No
Capital Equipment and Upgrades over \$1,000	No	Yes	No
Personal expenses (such as pop-a-lock, uniforms, dry cleaning, etc.)	No	No	No

During the scope period, NOEH had one Visa credit card, one Home Depot store card, and three Shell fuel cards (NOEH credit cards). The Executive Assistant to the NOEH CEO was responsible for maintaining custody of the NOEH credit cards, as well as maintaining all documentation in connection with their use. NOEH credit card transactions during the scope period totaled \$68,043. The OIG selected a sample of 66 NOEH credit card purchases incurred during the scope period, totaling \$41,921, in order to test compliance with NOEH credit card policies and best practices.

⁶ NOEH Business Expenses & Credit Card Use – Operational Standard. Effective May 1, 2018.

⁷ Ibid.

Finding 1: NOEH employees did not receive written approval prior to the issuance and use of NOEH credit cards for 18 of the 66 transactions tested (27 percent), totaling \$15,914.

The Louisiana Legislative Auditor’s (LLA) best practices for credit cards recommended “a supervisor’s signature approving the issuance of the card...” for each expense incurred on a local government entity’s credit card.⁸ The NOEH credit card policy required employees to obtain written approval for all credit card purchases prior to obtaining NOEH credit cards in compliance with best practices. The NOEH credit card policy required the following for all NOEH credit card purchases:

- a. The expense must be an approved expense and comply with NOEH purchasing policies.
- b. Either the CFO or the CEO must approve using the [NOEH] Card to pay the expense. The approval must be in writing.
- c. The above approvals must be in writing and must be provided to the Custodian before the [NOEH] Card can be used or checked-out.⁹

Although not stated in the written NOEH credit card policy, NOEH affirmed to OIG auditors that the CFO and CEO used a “Credit Card Approval Form” to document their approval of purchases prior to the issuance and use of the NOEH credit card. The auditors determined NOEH employees did not submit written approval to the Custodian before NOEH credit cards were issued and used for 18 of the 66 transactions tested (27 percent), totaling \$15,914. Therefore, NOEH credit cards were issued to employees despite the fact they did not submit the required written approval to the Custodian which violated NOEH policy and best practices.

The lack of written approvals prior to the issuance and use of NOEH credit cards increased the potential for purchases that were not business related and/or prohibited by NOEH policy. NOEH management acknowledged that written approval was not consistently submitted to the Custodian prior to the issuance and use of NOEH credit cards as required by NOEH policy, as well as best practices. However, NOEH management stated that verbal approval was given by the CFO

⁸ Louisiana Legislative Auditor. Best Practices - Cards. Revised October 2018.
<https://www.la.gov/resources/local-government-reporting/best-practices>.

⁹ NOEH Business Expenses & Credit Card Use – Operational Standard. Effective May 1, 2018.

or CEO in any instances where their approval was not documented prior to the issuance and use of NOEH credit cards. Additionally, NOEH management stated their written approval was eventually documented when the CFO documented their approval of all purchases on the monthly credit card statements. As discussed in Positive Findings 1 and 2 of this report concerning allowable expenses, the auditors did not note any misuse of NOEH credit cards during testing.

Recommendation 1: NOEH should provide training to employees to ensure compliance with policies concerning the issuance and use of NOEH credit cards.

Employee training should be held on a regular and reoccurring basis to ensure all employees are aware of and follow the most current NOEH written policy as it relates to credit card usage. The Custodian of the credit cards should not distribute the cards to employees if they are unable to provide written approval from the CEO or CFO as required by NOEH policy. As policies are updated, NOEH should continue to ensure that those policies align with best practices¹⁰ and that employees receive training on the updated policies. NOEH employees should sign an acknowledgement that they have read and understand the NOEH policy at the conclusion of each training.

¹⁰ The LLA provides best practices to help governmental entities create their own written policies and procedures. These best practices can be found online: <https://lla.la.gov/resources/local-government-reporting/best-practices>.

III. CREDIT CARD ISSUANCE

Prior to testing NOEH credit card transactions for compliance with NOEH policies, OIG auditors reviewed the policies to determine if they were adequate and complied with best practices. The Executive Assistant to the NOEH CEO acted as the Custodian of the Visa credit card and the Facilities Supervisor acted as Custodian of the Shell Wex and Home Depot credit cards.

Finding 2: NOEH did not maintain written logs to account for who had possession of its credit cards at all times.

The LLA's best practices recommended the following for non-fuel credit cards:

The custodian should maintain a written log for each card to account for the issuance and return of cards, including (1) the business purpose for using the card; (2) the purchase order number; (3) a supervisor's signature approving the issuance of the card; (4) dates and times of issuance and return; and (5) signatures of both the clerk and employee upon issuance and return of the card... . The log should clearly show who has the card at all times, and the card should be returned to the custodian as soon as practical after use.¹¹

OIG auditors verified NOEH reconciled the monthly Visa and Home Depot credit card statements to the receipts submitted by NOEH employees for all purchases. However, the auditors noted NOEH did not maintain a written log documenting the issuance and return of the Visa or Home Depot credit cards in compliance with best practices for non-fuel cards. As previously noted in Finding 1, NOEH did not consistently document the CFO's or CEO's approval of the issuance of the non-fuel credit card as required by NOEH policy.

¹¹ Louisiana Legislative Auditor. Best Practices - Cards. Revised October 2018. <https://www.la.la.gov/resources/local-government-reporting/best-practices>.

The LLA's best practices specific to fuel cards recommended the Custodian should maintain a written log that contained the following information:

- Date the credit card is issued;
- Credit card number;
- Name/signature of the employee who is receiving/using the card;
- Name/signature of the employee who is issuing the card;
- Description of vehicles/equipment receiving the fuel;
- Date the credit card is returned; and
- Names/signatures of the employees acknowledging the cards' return.¹²

OIG auditors verified NOEH reconciled the monthly vendor statement for its three Shell fuel cards to the receipts submitted. Each fuel card receipt documented the fuel card number as well as the vehicle's odometer. However, the auditors noted NOEH did not maintain a written log documenting the issuance and return of fuel cards in compliance with best practices.

Due to the lack of written logs for its credit cards, NOEH did not maintain sufficient records of who had possession of the Visa credit card, Home Depot card and fuel cards. Because there was no written log clearly showing who had access to each NOEH credit card at all times, this increased the opportunity for misuse of those cards, which could include personal purchases and other expenses that were forbidden by NOEH policy and best practices. NOEH management acknowledged that they did not consider it necessary to maintain written logs for their credit cards due to the small number of monthly transactions. NOEH management stated it would revise NOEH policies and procedures to include the use of written logs for NOEH credit cards in compliance with best practices. As discussed in Positive Findings 1 and 2 in Section four of this report, the auditors did not identify any misuse of NOEH credit cards during testing.

Recommendation 2: NOEH should maintain written logs to account for the issuance and return of the credit cards in compliance with best practices.

¹² Louisiana Legislative Auditor. Fuel Policy and Procedures. Revised October 10, 2014. <https://www.la.la.gov/resources/local-government-reporting/best-practices>.

NOEH should update its written policy to include the use of written logs to document the chain of custody for each NOEH credit card. The written logs should comply with best practices, including but not limited to the following information:¹³

1. The business purpose for using the card for non-fuel cards or description of vehicles being fueled for fuel cards;
2. Dates and times of issuance and return; and
3. Signatures of both the Custodian and the employee upon the issuance and return of the card.

The log for each NOEH credit card should be maintained by the Custodian and should identify who had the credit card at all times.

¹³ The LLA provides an example “Credit Card Issuance Log” template on its website: <https://lla.la.gov/resources/local-government-reporting/best-practices>.

IV. ALLOWABLE BUSINESS EXPENSES

The objective of the audit was to verify that purchases on NOEH credit cards were business-related and allowed by NOEH policy and complied with best practices, including state law. Any credit card purchases that did not appear business-related and/or allowable by NOEH policy may have violated the Louisiana Constitution's prohibition of the donation of public funds, which stated the following:

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.¹⁴

OIG auditors did not note any misuse of NOEH credit cards during testing. As discussed in the below positive findings, all NOEH credit card expenses tested appeared business-related and allowable by NOEH policy as well as the Louisiana Constitution.

Positive Finding 1: All selected credit card purchases appeared business-related and allowable per NOEH policy and state law.

LLA Best Practices for credit cards recommended that a local government entity's policies and procedures should clearly state that the following purchases are prohibited:

- Any personal purchase (including purchases that are subsequently reimbursed),
- cash advances,
- alcohol or tobacco,
- prescriptions and drugs, and
- donations.¹⁵

As shown in Figure 1, the NOEH credit card policy included a table that summarized allowable business-related expenses that employees could charge to NOEH cards, as well as prohibited purchases. The NOEH credit card policy clearly stated the following purchases were prohibited in compliance with best practices:

¹⁴ La. Constitution Art. VII, Section 14(A).

¹⁵ Louisiana Legislative Auditor. Best Practices - Cards. Revised October 2018.
<https://www.la.la.gov/resources/local-government-reporting/best-practices>.

personal purchases, cash advances, alcohol or tobacco products, prescriptions and drugs, and donations.¹⁶

For each credit card purchase tested, OIG auditors examined supporting documentation provided by NOEH to determine the permissibility of credit card purchases under the Louisiana Constitution’s prohibition of the donation of public funds for personal use, as well as NOEH policy.¹⁷ The auditors concluded that all credit card purchases tested appeared business-related and allowed by NOEH policy. Because the expenses were allowable by NOEH policy and appeared business-related without exception, they also complied with the Louisiana Constitution’s prohibition of the donation of public funds.

Positive Finding 2: All selected credit card purchases were supported by an itemized original receipt and documentation of the business purpose of the expense.

The NOEH credit card policy required employees to submit the following documentation to support the business purpose for each credit card purchase: “The itemized original receipt for the expense and documentation of the business purpose on the receipt.”¹⁸

For each credit card purchase tested, OIG auditors examined supporting documentation provided by NOEH to verify cardholders submitted an itemized original receipt and provided documentation of the business purpose of the expense. The auditors concluded that NOEH cardholders provided an itemized original receipt and sufficient documentation of the business purpose for all credit card purchases tested.

¹⁶ NOEH Business Expenses & Credit Card Use – Operational Standard. Effective May 1, 2018.

¹⁷ La. Constitution Art. VII, Section 14(A).

¹⁸ NOEH Business Expenses & Credit Card Use – Operational Standard. Effective May 1, 2018.

APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine if:

- NOEH credit card purchases complied with relevant NOEH policies and other best practices; and
- NOEH credit card purchases were business-related and complied with state law.

The scope of the audit included all transactions posted to NOEH credit card statements during the period January 1, 2022 through December 31, 2022.

To accomplish the audit objectives, OIG auditors performed the following planning procedures:

1. Conducted interviews with NOEH employees to obtain an understanding of the procedures related to credit cards.
2. Verified NOEH policies and procedures complied with best practices.
3. Obtained copies of the credit card statements for all transactions posted during the scope period for NOEH’s Visa credit card, Home Depot store card and three Shell fuel cards.
4. Verified the data in the credit card statements, which totaled 927 transactions during the scope period, were complete for the purposes of this audit.
5. Removed 42 refunds and other transactions from the population prior to selecting a sample for testing. The remaining population consisted of 885 transactions, totaling \$68,043, during the scope period, as shown in Figure 2.

Figure 2. NOEH Credit Card Transactions During Scope Period

Credit Card	# of Cards	# of Transactions	\$ Amount of Transactions
Visa	1	720	\$ 57,062
Home Depot	1	27	\$ 3,431
Shell	3	138	\$ 7,550
Card Totals	5	885	\$ 68,043

6. Selected a sample for testing. The auditors selected and tested 100 percent of the 15 high-value transactions from the testing population and randomly sampled 51 of the remaining transactions in the population, as shown in Figure 3.

Figure 3. Sampling Methodology

Population	Confidence Level	Tolerable Error	Expected Error ¹⁹	Sample Size	Sample Value
High Value	100%	N/A	N/A	15	\$29,616
Random Sample	95%	5%	1%	51	\$12,305
Total NOEH Credit Card Transactions Tested				66	\$41,921

The auditors performed the following procedures for each of the 66 credit card transactions selected for testing:

1. Verified the expense was approved in accordance with NOEH policy and best practices.
2. Verified the required supporting documentation was submitted in compliance with NOEH policy and best practices.
3. Verified the business purpose of the expense was clearly documented in compliance with NOEH policy and best practices.
4. Verified the description of the expense provided by the NOEH employee was consistent with the nature of the expense, as evidenced by supporting documentation.
5. Verified the expense was business-related and permitted by NOEH policy and best practices.
6. Verified the expense was compliant with applicable local and state law.

Auditors used the following criteria for this performance audit:

- Louisiana Constitution;
- LLA Best Practices; and
- NOEH Policies.

¹⁹ The OIG judgmentally selected one percent for the expected error based on findings reported on previous NOEH Annual Financial Reports.

AUDITING STANDARDS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.²⁰

Auditors also conducted this performance audit in accordance with the *Principles and Standards for Offices of Inspector General*.²¹

LEGAL AUTHORITY

The authority to perform this audit is established in La. R.S. 33:9613 and in City Code Sec. §2-1120 of the City of New Orleans.

²⁰ *Government Auditing Standards, Chapter 9.03*; U.S. Government Accountability Office, 2021.

²¹ "Quality Standards for Audits by Offices of Inspector General," *Principles and Standards for Offices of Inspector General* (Association of Inspectors General, 2014).

OFFICIAL COMMENTS FROM NOEH

City of New Orleans Ordinance, §2-1120(8)(b) provides that a person or entity who is the subject of a report shall have 30 days to submit a written explanation or rebuttal of the findings before the report is finalized and that such timely submitted written explanation or rebuttal shall be attached to the finalized report.

On April 30, 2024, the OIG distributed an Internal Review Copy of this report to NOEH so they would have an opportunity to comment on the report prior to the public release of this Final Report. The OIG received NOEH's comments on May 9, 2024. The OIG attached these comments to the report.

NOEH agreed with the OIG's findings and recommendations in this report and was responsive to OIG's requests throughout the audit.

May 8, 2024

Edward Michel, CIG Inspector General
New Orleans Office of Inspector General
525 St. Charles Avenue
New Orleans, LA 70130

RE: NOEH Credit Card Audit Draft Report - via email & U.S.P.S.

Dear Mr. Michel:

Thank you for sharing the NOEH Credit Card Audit Draft Report. We appreciate the opportunity to work with your team and identify opportunities to strengthen our credit card policy.

The Orleans Parish Hospital Service District A d/b/a/ New Orleans East Hospital does not have any comments or concerns regarding the draft report. Therefore, this letter serves as our official notification to waive the offer to attend an exit conference.

Please contact my Executive Assistant, Rhonda Parker at (504) 592.6611 or rhonda.parker@lcmchealth if you have any questions.

Sincerely,



Takeisha C. Davis, MD, MPH
President & Chief Executive Officer

c: Ronald V. Burns, Sr.
Bernard L. Charbonnet, Jr.