
City of Laredo, Texas

Internal Audit Division



Consolidated Report (with Executive Summary):
Unannounced Cash and Inventory Count Controls
Audits with Department Responses
(November 2021)

December 14, 2021

City of Laredo
Internal Audit Division

**Consolidated Report: Unannounced Cash and Inventory Count
Controls Audits with Department Responses
November 2021**

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I. Executive Summary

EXECUTIVE SUMMARY

Introduction

In accordance with the Fiscal Year (FY) 2022 approved Annual Audit Plan, enclosed is the **Consolidated Report of Unannounced Cash and Inventory Count Controls Audits** completed by the Internal Audit Division during the time period of November 2021. A total of thirty-two (32) unannounced cash and inventory audits were conducted in November 2021. The enclosed report also contains any responses required from the affected departments on corrective action. *It should be noted that compliance with COVID-19 safety protocols were maintained at all times for the safety of both the departments visited and Internal Audit staff when conducting these field audits.*

Audit Objectives

The enclosed audits conducted consisted of unannounced field audits to test for compliance with reconciliation processes and proper internal controls for payment collections and inventory on-hand as required by any corresponding City policies and procedures.

Audit Scope and Methodology

In order to achieve the audit objectives noted above, we applied the corresponding audit methodologies for cash and inventory control audits.

Cash Audits:

- Conducted unannounced site visits to those department(s)/division(s) scheduled during the time period of November 2021;
- Conducted interviews of pertinent staff at site locations visited;
- Obtained an understanding of the City's Cash Handling Policy and Procedures, as well as any internal department policies on overage(s)/shortage(s);
- Conducted a reconciliation of collections received to receipts issued on a random selection of collections employees; and
- Conducted an assessment for compliance with a sample of internal controls outlined as per the City's Cash Handling Policy

Inventory Audits:

- Conducted unannounced site visits to those department(s)/division(s) with inventory warehouses scheduled during the time period of November 2021;
- Conducted interviews of pertinent staff at site locations visited;
- Obtained an understanding of any pertinent internal department policies and procedures on inventory controls;
- Conducted a reconciliation of randomly selected items on hand with inventory system generated reporting; and,
- Conducted an assessment for proper inventory internal controls.

We conducted this audit in November 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives.

Understanding that resolving all audit findings was the key to assuring future compliance and minimizing the City's traditional and emerging risks; a strong commitment was made to require the departments audited to analyze and implement proper measures to adequately resolve the issues identified. A brief summary of the audit results and recommendations follows below.

Audit Results and Recommendations

The table below reflects the types of audits completed during this time period.

Type of Audits Completed	# of Audits Completed
Unannounced Cash Audits	29
Unannounced Inventory Count Audits	3

Cash Control Audits

Out of twenty-nine (29) unannounced cash audits conducted in November 2021, one (1) audit, or three (3%) percent of the population had findings noted, which conveys that the majority of the population tested is following the City's Cash Handling Policy and maintaining adequate cash handling internal controls. In the audit noted above,

- There was a violation pertaining to the City's Cash Handling Policy, which included a collections shortage.

Based off of the finding(s) noted above, our recommendations consisted of providing guidance on cash handling procedures as outlined in the City's Cash Handling Policy. *In the above-mentioned instance where a finding was noted, a response on corrective action was submitted by the corresponding departments to Internal Audit.*

Inventory Control Audits

On the audits conducted on a sample of City department inventory items, out of six (6) inventory items randomly selected during the month of November 2021, there were no items noted with variances.

A more extensive report of all the audit results and recommendations can be found in the following report along with any corresponding responses on corrective action from the affected departments.

II. Unannounced Cash & Petty Cash Controls Audits

**CITY OF LAREDO
INTERNAL AUDIT DIVISION
SUMMARY OF SURPRISE CASH AUDITS
NOVEMBER 2021**

FORM #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received (A)	Amount Counted (B)	(Short)/Over (C) (B-A)	% Shortage/Overage (D) (C/A)	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments
1	7489	Tax (City Hall Annex)	BM	11/10/2021	\$ 6,983.03	\$ 6,983.03	0.00	0.00%	NO	N/A	
2	7490	Tax (City Hall Annex)	BM	11/10/2021	\$ 1,604.45	\$ 1,604.85	0.40	0.02%	NO	N/A	
3	7491	Tax City Hall Annex	BM	11/10/2021	\$ 25,428.01	\$ 25,428.01	0.00	0.00%	NO	N/A	
4	7492	Utility Billing	BM	11/10/2021	\$ 365.00	\$ 365.00	0.00	0.00%	NO	N/A	
5	7493	Information Services & Telecommunications (IST)	BM	11/10/2021	\$ -	\$ -	0.00	0.00%	NO	N/A	Unable to conduct audit: Employee is out of office today.
6	7494	Municipal Court	BM	11/10/2021	\$ 1,042.00	\$ 1,042.00	0.00	0.00%	NO	N/A	
7	7495	Bridge II (Toll Booth Collections)	BM	11/16/2021	\$ 262.50	\$ 262.53	0.03	0.01%	NO	N/A	
8	7496	Bridge II (Toll Booth Collections)	BM	11/16/2021	\$ 280.00	\$ 279.99	-0.01	0.00%	NO	N/A	
9	7497	Bridge II (Customer Service)	BM	11/16/2021	\$ 446.00	\$ 446.00	0.00	0.00%	NO	N/A	
10	7498	Bridge II (Customer Service)	BM	11/16/2021	\$ 305.00	\$ 305.00	0.00	0.00%	NO	N/A	
11	7499	Bridge I (Toll Booth Collections)	BM	11/16/2021	\$ 94.50	\$ 94.50	0.00	0.00%	NO	N/A	
12	7500	Bridge I (Toll Booth Collections)	BM	11/16/2021	\$ 700.00	\$ 700.00	0.00	0.00%	NO	N/A	
13	7501	Public Access Channel	BM	11/16/2021	\$ -	\$ -	0.00	0.00%	NO	N/A	No collections noted at the time of the audit.
14	7502	Bridge III (Toll Booth Collections)	BM	11/16/2021	\$ 372.50	\$ 373.34	0.84	0.23%	NO	N/A	
15	7503	Bridge III (Customer Service)	BM	11/16/2021	\$ 2,444.60	\$ 2,444.60	0.00	0.00%	NO	N/A	
16	7504	Bridge IV (Customer Service)	BM	11/16/2021	\$ 19,076.50	\$ 19,076.50	0.00	0.00%	NO	N/A	
17	7505	Bridge IV (Customer Service)	BM	11/16/2021	\$ 10,030.00	\$ 10,030.00	0.00	0.00%	NO	N/A	
18	7506	Tax (City Hall)	BM	11/17/2021	\$ 9,926.01	\$ 9,926.01	0.00	0.00%	NO	N/A	
19	7507	Tax (City Hall)	BM	11/17/2021	\$ 4,446.33	\$ 4,446.33	0.00	0.00%	NO	N/A	
20	7508	Health - Vital Statistics	BM	11/17/2021	\$ 115.00	\$ 115.00	0.00	0.00%	NO	N/A	
21	7509	Health - Lab Buena Vida	BM	11/17/2021	\$ 2,332.00	\$ 2,332.51	0.51	0.02%	NO	N/A	
22	7510	Police - Records	BM	11/17/2021	\$ 826.45	\$ 826.45	0.00	0.00%	NO	N/A	
23	7511	Transit - El Lift	BM	11/18/2021	\$ 105.50	\$ 105.90	0.40	0.38%	NO	N/A	
24	7512	Transit - Operations	BM	11/18/2021	\$ 7,303.99	\$ 6,948.29	-355.70	-4.87%	YES	YES	Cash & Policy Violation(s): Collections Shortage Noted.
25	7513	Airport	BM	11/18/2021	\$ 3,000.00	\$ 3,000.00	0.00	0.00%	NO	N/A	
26	7514	Parks - Administration	BM	11/22/2021	\$ -	\$ -	0.00	0.00%	NO	N/A	No collections noted at the time of the audit.
27	7515	Information Services & Telecommunications (IST)	BM	11/22/2021	\$ -	\$ -	0.00	0.00%	NO	N/A	No collections noted at the time of the audit.
28	7516	Animal Care Services	BM	11/22/2021	\$ -	\$ -	0.00	0.00%	NO	N/A	Unable to conduct audit; only 1 employee taking payments
29	7517	Animal Care Services	BM	11/24/2021	\$ 12.00	\$ 12.00	0.00	0.00%	NO	N/A	

EL METRO
INTER-OFFICE MEMORANDUM



To: Tina Rodriguez, Internal Auditor
From: Claudia San Miguel, LTMI General Manager
CC: Kristina L. Hall, Assistant City Manager
Date: November 30, 2021
RE: Response to Surprise Cash Audit #7512

This memo is in response to the Surprise Cash Audit that took place at El Metro's money counting room located at 401 Scott Street on November 18, 2021.

Response

Shortage for November 18, 2021 deposit of \$355.70 was due bus 1958 being probed and not dumped into vault, box was jammed in farebox and service men were unable to remove box.

Corrective Action

In order to correct this issue Electronic Technician will perform maintenance on all needed fareboxes.



III. Unannounced Inventory Count Controls Audits

**Unannounced Inventory Count Control Audit
Transit Department - Maintenance Division
November 22, 2021**

AUDIT SCOPE & METHODOLOGY

On November 22, 2021, a Surprise Inventory Count Audit was conducted on the Transit Department (Transit Maintenance Division). Four (4) different parts were randomly selected from the parts inventory on hand. Department currently uses "Transit Management Software", in order to keep a database of the department's inventory and to serve as a measure of control of assets.

Our audit is limited to the physical count of randomly selected items in order to determine if results coincide with quantity showing on system. The following steps were taken to analyze all the data collected.

- 1.) A parts inventory listing of items over \$50 was requested.
- 2.) Random selection of part(s).
- 3.) Site visit to Transit Management-Maintenance Division.
- 4.) Transit Maintenance staff interviews.
- 5.) Physical count of selected items.

AUDIT RESULTS & RECOMMENDATIONS

Based upon the physical count performed and as shown in the table below, the following results were noted.

PART NAME	PART NUMBER	AVG.UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
S/A PCB Control Trim2 (w/obat socket)	22-126	\$ 725.45	2	2	0	N/A
S/A Print Head	22-673	\$ 393.72	1	1	0	N/A
S/A Alarm Box	22-916	\$ 674.55	1	1	0	N/A
Kit Hyd Pump Gillig	15-024	\$ 46.95	18	18	0	N/A

Internal Audit found no audit findings. Items inventoried were in balance; therefore, no written response is required on this report.

Prepared By:		Reviewed By:	
<u>B. Medellin</u> <u>11/22/2021</u>		<u>Tina Rodriguez</u> <u>11/24/2021</u>	
Bianca Medellin, Auditor I Date		Tina O. Rodriguez, Internal Auditor Date	
Report Issued To:		Response Required	Response Due Date
Claudia San Miguel, Transit General Manager		No	Not Applicable
<p>All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant/Deputy City Manager and City Manager, and include the following:</p> <ol style="list-style-type: none"> 1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations; 2. A description of the progress in resolving findings noted or plans for addressing findings noted; and, 3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken. 			
Report Distribution:			
Robert A. Eads, City Manager Kristina L. Hale, Assistant City Manager			

**Unannounced Inventory Count Control Audit
Public Works Department – Warehouse Division
November 22, 2021**

AUDIT SCOPE & METHODOLOGY

On November 22, 2021, a Surprise Inventory Count Audit was conducted on the Public Works - Warehouse Division. Four (4) different inventory items were randomly selected from the inventory reports on hand. Division currently uses “Excel worksheet-based system” in order to keep a database of the division’s inventory and to serve as a measure of control of assets.

Our audit is limited to the physical count of randomly selected items in order to determine if results coincide with quantity showing on system. The following steps were taken to analyze all the data collected.

- 1.) An inventory listing was requested.
- 2.) Random selection of inventory items.
- 3.) Site visit to Public Works - Warehouse Division.
- 4.) Public Works – Warehouse staff interviews.
- 5.) Physical count of selected items.

AUDIT RESULTS & RECOMMENDATIONS

Based upon the physical count performed and as shown in the table below, the following results were noted.

PART NAME	PART NUMBER	AVG. UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Diamond Concrete Blade 14"	N/A	\$125.00	22	22	0	N/A
French Perforated Pipe 8" x 20'	N/A	\$12.50	17	17	0	N/A
Guard Rail Beam 12/25/6'3"	N/A	\$114.00	19	19	0	N/A
Husqvarna Tile Matic	1322972006	\$2,000.00	1	1	0	N/A

Internal Audit found no audit findings. Items inventoried were in balance; therefore, no written response is required on this report.

Prepared By:		Reviewed By:	
<u>Bmedellin</u> <u>11/22/2021</u>		<u>Tina Rodriguez</u> <u>11/24/2021</u>	
Bianca Medellin, Auditor I Date		Tina O. Rodriguez, Internal Auditor Date	
Report Issued To:		Response Required	Response Due Date
John Orfila, Public Works Director		No	Not Applicable
<p>All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant/Deputy City Manager and City Manager, and include the following:</p> <ol style="list-style-type: none"> 1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations; 2. A description of the progress in resolving findings noted or plans for addressing findings noted; and, 3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken. 			
Report Distribution:			
Robert A. Eads, City Manager Riazul Mia, Assistant City Manager			

Fleet Department Fuel Inventory Audit December 1, 2021

AUDIT SCOPE & METHODOLOGY

On December 1, 2021, Internal Audit initiated an Inventory Audit of the City's fuel supply housed at the fueling facilities adjacent to Public Works and the Landfill. The objective of this audit was to determine whether or not the fuel supply could be reconciled at any given point in time with the current reporting mechanisms in place. The scope of our audit consisted of a review of the monthly fuel usage reports (Fuel Master Plus and Veeder-Root systems), as well as the vendor invoices submitted for June 2021 (original records, as well as scanned copies, were obtained and verified through examination). The following steps were taken to analyze all the data collected.

- Interviews were conducted with the Fleet Maintenance Superintendent.
- Fuel Master Plus and Veeder-Root reports were obtained from Fleet and Solid Waste staff, and an evaluation of the monthly fuel usage reports was conducted. Beginning and ending balances for June 2021 were provided.
- Vendor delivery receipts and statements (invoices) were obtained from Fleet and Solid Waste staff, and an evaluation of fuel replenished and billed was conducted.
- Verified the total gallons used and delivered for June 2021.

AUDIT RESULTS & RECOMMENDATIONS


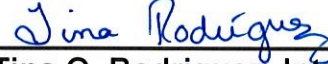
Finding #1

After reviewing the Fuel Master Plus and Veeder-Root system reports, the vendor invoices provided by Fleet, and the opening and ending fuel balances for June 2021 we were unable to reconcile the fuel inventory for the month, as indicated in the table below. The Average Percentage Change in Variance across all fueling locations came out to (-3.05%).

	FUELING LOCATIONS					
	Fleet Unleaded Tank 1	Fleet Unleaded Tank 2	Fleet Diesel Tank 3	Landfill Diesel	Landfill DEF	Landfill D Diesel Tank 3150
Beginning Balance (in gallons as per Inventory Report)	5,764.00	5,540.00	8,828.00	4,136.00	716.00	554.00
Gallons Delivered	37,468.68	33,141.32	29,597.00	41,528.00	1,300.00	2,502.00
Gallons Dispensed	38,615.60	34,228.90	30,059.90	39,951.20	1,457.00	2,809.00
Ending Balance Calculated	4,617.08	4,452.42	8,365.10	5,712.80	559.00	247.00
Ending Balance (in gallons) as per Inventory Report	5,023.00	4,609.00	8,636.00	5,786.00	573.00	247.00
Variance	(405.92)	(156.58)	(270.90)	(73.20)	(14.00)	0
Percentage Change in Variance per Location	-8.08%	-3.40%	-3.14%	-1.27%	-2.44%	0.00%
Average Percentage Change in Variance						-3.05%


Recommendation(s)

While we understand that many factors can affect the reconciliation of the fuel supply and that a zero variance may be difficult to achieve considering those factors, we continue to recommend that the Fleet Department and Solid Waste Department continue printing out Fuel Master and Veeder-Root receipts respectively as close as possible to the receipt of the fuel delivery received from the vendor. This should be done to close the variance reflected in the reconciliation process.

Prepared by:  12/2/2021 <hr/> Bianca Medellin, Auditor I Date		Reviewed By:  12/3/2021 <hr/> Tina O. Rodriguez, Internal Auditor Date	
Report Issued to: Ronald W. Miller, Fleet Management Director		Response Required YES	Response Due Date Ten (10) Working Days from Receipt of Audit Report
<p>All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant/Deputy City Manager and City Manager, and include the following:</p> <ol style="list-style-type: none"> 1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations; 2. A description of the progress in resolving findings noted or plans for addressing findings noted; and, 3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken. 			
Report Distribution: Robert A. Eads, City Manager Rosario Cabello, Deputy City Manager			



City Of Laredo Fleet Management

To: Tina O. Rodriguez
From: Ronald W. Miller 
CC: Robert Eads, Rosario Cabello, Riazul I. Mia, Kristina L. Hale
Date: 12/3/2021
Re: Fleet Inventory Audit

The finding #1 : The factors that cause variances is time of delivery of fuel, temperature and number of units fueling during delivers of fuel. Fleet Management staff will follow all recommendations given by Internal Auditor to reduce any variances in fuel reconciliation process.

To find ways to improve reconciliation Fleet Management is working with JF Petroleum solution. We are trying to find ways to upgrade our present Veeder- Root Tank monitor to reduce some factors that affect for delivery reconciliations. We have been in contact with Veeder-Root to see how we can implement our present equipment with this Business Inventory Reconciliation opinion the reconciliation system. Statement below is what where working for the future to reduce variances.

Accurately calculate delivery reports, even if the site remains active

Using Business Inventory Reconciliation you can keep your site running, verify delivery amounts, and continuously have accurate, adjusted inventory reports. The Adjusted Delivery Report calculates the amount of fuel dispensed during the delivery to provide an adjusted delivery amount and verify the actual amount delivered

We will look into cost and do everything possible to improve the Fuel reconciliation factors.

IV. Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Tina O. Rodriguez, Internal Auditor

Bianca V. Medellin, Auditor I