
City of Laredo, Texas

Internal Audit Division



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

September 7, 2021

**City of Laredo
Internal Audit Division**

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

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I. Executive Summary

EXECUTIVE SUMMARY

Introduction

In accordance with the Fiscal Year (FY) 2021 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 August 2021. A total of thirty-four (34) unannounced cash and inventory audits were conducted in August 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 August 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 and Petty Cash Policies.

Inventory Audits:

- Conducted unannounced site visits to those department(s)/division(s) with inventory warehouses scheduled during the time period of August 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 August 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 & Petty Cash Audits	32
Unannounced Inventory Count Audits	2

Cash Control Audits

Out of thirty-two (32) unannounced cash audits conducted in August 2021, two (2) audits, or six (6%) percent of the population had findings noted, which conveys that the majority of the population tested is following the City's Cash Handling and Petty Cash Policies and maintaining adequate cash handling internal controls. In the audits noted above,

- There were violations pertaining to the City's Cash Handling Policy; one (1) of the cash policy violations pertained to collection overages, and one (1) of the cash policy violations pertained to a policy violation.

Based off of the finding(s) noted above, our recommendations consisted of providing guidance on cash handling and petty cash procedures as outlined in the City's Cash Handling and Petty Cash Policies. *In all of the above-mentioned instances where findings were noted, responses on corrective action were 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 eight (8) inventory items randomly selected during the month of August 2021, there were no items noted with findings for 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
AUGUST 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	7457	Bridge II (Toll Booth Collections)	BM	8/23/2021	\$ 451.50	\$ 451.54	0.04	0.01%	NO	N/A	
2	7458	Bridge II (Toll Booth Collections)	BM	8/23/2021	\$ 301.00	\$ 301.48	0.48	0.16%	NO	N/A	
3	7459	Bridge II (Toll Booth Collections)	BM	8/23/2021	\$ 723.25	\$ 724.04	0.79	0.11%	NO	N/A	
4	7460	Bridge II (Toll Booth Collections)	BM	8/23/2021	\$ 766.50	\$ 766.35	-0.15	-0.02%	NO	N/A	
5	7461	Bridge II (Customer Service)	BM	8/23/2021	\$ 2,041.80	\$ 2,041.80	0.00	0.00%	NO	N/A	
6	7462	Bridge II (Customer Service)	BM	8/23/2021	\$ 2,171.00	\$ 2,171.00	0.00	0.00%	NO	N/A	
7	7463	Bridge III (Toll Booth Collections)	BM	8/23/2021	\$ 197.75	\$ 197.76	0.01	0.01%	NO	N/A	
8	7464	Bridge III (Toll Booth Collections)	BM	8/23/2021	\$ 49.00	\$ 49.00	0.00	0.00%	NO	N/A	
9	7465	Bridge IV (Customer Service)	BM	8/23/2021	\$ 49,608.23	\$ 49,608.23	0.00	0.00%	NO	N/A	
10	7466	Bridge IV (Customer Service)	BM	8/23/2021	\$ 10,126.15	\$ 10,125.15	-1.00	-0.01%	NO	N/A	
11	7467	Transit - El Lift	BM	8/24/2021	\$ 98.00	\$ 99.15	1.15	1.17%	YES	YES	Cash & Policy Violation(s): Collections Overage Noted
12	7468	Transit - Operations	BM	8/24/2021	\$ 5,493.63	\$ 5,494.06	0.43	0.01%	NO	N/A	
13	7469	Library - Inner City Branch	BM	8/24/2021	\$ 5.30	\$ 5.30	0.00	0.00%	NO	N/A	
14	7470	Solid Waste - Landfill	BM	8/24/2021	\$ 1,118.90	\$ 1,119.15	0.25	0.02%	NO	N/A	
15	7471	Municipal Court	BM	8/24/2021	\$ 750.00	\$ 750.00	0.00	0.00%	NO	N/A	
16	7472	Library - Fasken	BM	8/24/2021	\$ -	\$ -	0.00	0.00%	NO	N/A	Unable to conduct audit: Supervisor Not Available
17	7473	Tax (City Hall Annex)	BM	8/25/2021	\$ 9,025.25	\$ 9,025.25	0.00	0.00%	NO	N/A	
18	7474	Tax (City Hall Annex)	BM	8/25/2021	\$ 7,895.43	\$ 7,896.15	0.72	0.01%	NO	N/A	
19	7475	Tax (City Hall Annex)	BM	8/25/2021	\$ 1,840.63	\$ 1,840.63	0.00	0.00%	NO	N/A	
20	7476	Utility Billing	BM	8/25/2021	\$ 160.00	\$ 160.00	0.00	0.00%	NO	YES	Policy Violation(s): Receipt Policy Notice Not Posted
21	7477	Police - Records	BM	8/25/2021	\$ 161.70	\$ 161.70	0.00	0.00%	NO	N/A	
22	7478	Animal Care Facility	BM	8/25/2021	\$ 300.00	\$ 300.00	0.00	0.00%	Petty Cash	NO	N/A
23	7479	Police - Financial Task Force	BM	8/25/2021	\$ 5,000.00	\$ 5,000.00	0.00	0.00%	Petty Cash	NO	N/A
24	7480	Library - Main Branch	BM	8/25/2021	\$ 94.85	\$ 94.95	0.10	0.11%	NO	N/A	
25	7481	Transit - El Metro	BM	8/26/2021	\$ 5,040.00	\$ 5,037.59	-2.41	-0.05%	NO	N/A	
26	7482	Transit - Lobby Teller	BM	8/26/2021	\$ 196.26	\$ 196.26	0.00	0.00%	NO	N/A	
27	7483	Tax (City Hall)	BM	8/27/2021	\$ 2,389.19	\$ 2,389.08	-0.11	0.00%	NO	N/A	
28	7484	Tax (City Hall)	BM	8/27/2021	\$ 5,018.80	\$ 5,018.80	0.00	0.00%	NO	N/A	
29	7485	Building	BM	8/27/2021	\$ 481.00	\$ 481.00	0.00	0.00%	NO	N/A	
30	7486	Library - MOS Branch	BM	8/28/2021	\$ 1.30	\$ 1.30	0.00	0.00%	NO	N/A	
31	7487	Sisters of Mercy Water Park	BM	8/28/2021	\$ 28.00	\$ 28.00	0.00	0.00%	NO	N/A	
32	7488	Library - Fasken	BM	8/30/2021	\$ 2.00	\$ 2.00	0.00	0.00%	NO	N/A	

EL METRO
INTER-OFFICE MEMORANDUM



To: Elia Rodriguez, Acting Internal Auditor
From: Claudia San Miguel, LTMI General Manager
CC: Kristina L. Hale, Assistant City Manager
Date: August 30, 2021
RE: Response to Surprise Cash Audit #7467

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 August 24, 2021.

Response

Overage for August 23, 2021 deposit of \$1.15 was caused by over payment by riders.

Corrective Action

In order to correct over payments by Customers, Bus Operators will be asked to remind Clients to pay with exact fare. Fare payment will be included as a topic for review in the next immediate Safety & Training Meeting.





CITY OF LAREDO
UTILITIES DEPARTMENT
BILLING DIVISION-CUSTOMER SERVICE CENTER



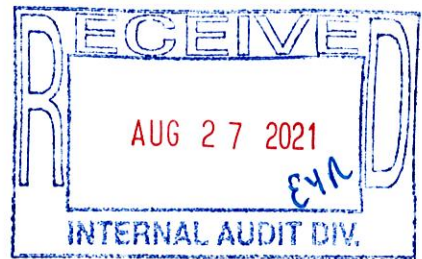
1102 Bob Bullock Loop
Laredo, Texas 78043
Tel. (956) 727-6402
Fax (956) 727-6427

MEMORANDUM

TO: Elia Y. Rodriguez, Interim Internal Auditor
FROM: Karla Robles, MPA, CPM, Customer Service Assistant Superintendent
THROUGH: Dora Maldonado, RTA, CPM, Tax-Assessor Collector
DATE: August 27, 2021
SUBJECT: Surprise Cash Audit #7476

The Surprise Cash Audit #7476 was conducted on August 25, 2021, and it was found that the customer service representative did not have a copy of the Receipt Policy posted in her cubicle. This was due to the fact that the employee had previously been rotating stations and just recently was assigned to this new empty cubicle.

To remediate the finding, a copy of the Receipt Policy was posted immediately at the station after a copy was provided by the auditor. In addition, all other stations were inspected to ensure that all had a copy of the policy, and only the affected station was missing the copy. All customer service staff have been advised that the Receipt Policy must remain posted at every station for public notice.



III. Unannounced Inventory Count Controls Audits

**Unannounced Inventory Count Control Audit
Fleet Department – Warehouse Division
August 25, 2021**

AUDIT SCOPE & METHODOLOGY

On August 25, 2021, a Surprise Inventory Count Audit was conducted on the Fleet Management Department. Four (4) different items were randomly selected from the parts inventory on hand. Division currently uses "Fleet Management Software" 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 in system. The following steps were taken to analyze all the data collected.

- 1.) A tire/parts inventory listing was requested.
- 2.) Random selection of part(s).
- 3.) Site visit to Fleet Management-Maintenance Division.
- 4.) Fleet 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.
Filter, Air	46418	\$10.62	4	4	0	N/A
Brakes, Front Rotors	680508P	\$112.33	18	18	0	N/A
Seal Beam Headlight	H4651	\$10.81	10	10	0	N/A
Ford, Ele, Alternator	3W1Z10346CA	\$190.02	3	3	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: <u>Bmedellin</u> <u>8/26/2021</u>	Reviewed By: <u>Elia Y. Rodriguez</u> <u>08-27-2021</u>
Bianca Medellin, Auditor I Date	Elia Y. Rodriguez, Interim Internal Auditor Date

Report Issued To:	Response Required	Response Due Date
Ronald W. Miller, Fleet Management Director	NO	N/A

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:

- 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 C. Cabello, Deputy City Manager

Unannounced Inventory Count Control Audit Utilities Department August 25, 2021

AUDIT SCOPE & METHODOLOGY

On August 25, 2021, the Internal Audit Division visited the Utilities Department to conduct an unannounced inventory audit of a random selection of items on hand. The audit methodology followed for this type of audit consists of obtaining an inventory report from the Sungard HTE Select Version 4.0, selecting a random sample of inventory items to test and conducting a physical count of the items selected for reconciliation.

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

- 1.) An inventory items listing was requested.
- 2.) Random selection of items.
- 3.) Site visit to the Utilities Service Center Warehouse.
- 4.) Utilities Service Center 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/OBSERVATION NO.
Curb Stop 1 Compression x FNPT 1"	890-070-1250	\$ 62.27	23	23	0	N/A
EZ Flange 8"	890-070-00429	\$ 345.39	25	25	0	N/A
6" Megalugs for Ductile Iron	890-070-8326	\$ 90.97	20	20	0	N/A
6" DI Companion Flange 6 in Di Flange	890-070-00143	\$ 33.50	16	16	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: <u>Bmedellin</u> <u>9/2/2021</u>	Reviewed By: <u>Elia Y. Rodriguez</u> <u>09-02-2021</u>
Bianca Medellin, Auditor I Date	Elia Y. Rodriguez, Interim Internal Auditor Date

Report Issued To:	Response Required	Response Due Date
Arturo Garcia, Jr., Utilities Director	No	Not Applicable

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:

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

IV. Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Tina O. Rodriguez, Internal Auditor

Bianca V. Medellin, Auditor I