
City of Laredo, Texas

Internal Audit Division



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

July 13, 2021

City of Laredo
Internal Audit Division

**Consolidated Report: Unannounced Cash and Inventory Count
Controls Audits with Department Responses
June 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 June 2021. A total of forty-seven (47) unannounced cash and inventory audits were conducted in June 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 June 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 June 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 June 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	44
Unannounced Inventory Count Audits	3

Cash Control Audits

Out of forty-four (44) unannounced cash audits conducted in June 2021, five (5) audits, or eleven (11%) 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; four (4) of the cash policy violations pertained to collection overages, and one (1) of the cash policy violations pertained to a collections shortage.

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 fifty-seven (57) inventory items randomly selected during the month of June 2021, nine (9) items were noted with findings for variances, which equates to sixteen (16%) percent of the total population tested. In all of the instances where variances were found with the inventory items tested, our recommendation was for the affected departments to determine the cause of the variance and, if necessary, make entries into the corresponding inventory systems once the cause of the variance had been determined. In some of the instances we recommended that an evaluation of some of the affected departmental inventory systems be conducted to determine the adequacy of the internal control structure pertinent to inventory. *In all of the above-mentioned instances where findings were noted, responses on corrective action were submitted by the corresponding departments to the Internal Auditor.*

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
JUNE 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	7413 Tax (City Hall Annex)	BM	6/3/2021	\$ 6,407.41	\$ 6,406.41	-1.00	-0.02%		NO	NO	
2	7414 Tax (City Hall Annex)	BM	6/3/2021	\$ 1,232.96	\$ 1,232.96	0.00	0.00%		NO	NO	
3	7415 Tax (City Hall Annex)	BM	6/3/2021	\$ 2,763.06	\$ 2,763.06	0.00	0.00%		NO	NO	
4	7416 Fleet	BM	6/3/2021	\$ 400.00	\$ 400.00	0.00	0.00%	Petty Cash	NO	NO	
5	7417 Health - Ambulance	BM	6/3/2021	\$ 1,466.83	\$ 1,466.83	0.00	0.00%		NO	NO	
6	7418 Health - Immunization	BM	6/3/2021	\$ 510.00	\$ 520.00	10.00	1.96%		YES	YES	Cash & Policy Violation(s): Collections Overage Noted
7	7419 Health - Environmental	BM	6/3/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit
8	7420 Bridge II (Toll Booth Collections)	BM	6/4/2021	\$ 192.50	\$ 192.50	0.00	0.00%		NO	NO	
9	7421 Bridge II (Toll Booth Collections)	BM	6/4/2021	\$ 320.25	\$ 320.72	0.47	0.15%		NO	NO	
10	7422 Bridge II (Toll Booth Collections)	BM	6/4/2021	\$ 491.75	\$ 491.65	-0.10	-0.02%		NO	NO	
11	7423 Bridge II (Toll Booth Collections)	BM	6/4/2021	\$ 469.00	\$ 469.08	0.08	0.02%		NO	NO	
12	7424 Bridge II (Customer Svc)	BM	6/4/2021	\$ 375.00	\$ 375.00	0.00	0.00%		NO	NO	
13	7425 Bridge II (Customer Svc)	BM	6/4/2021	\$ 2,030.00	\$ 2,030.00	0.00	0.00%		NO	NO	
14	7426 Building	BM	6/4/2021	\$ 248.00	\$ 248.00	0.00	0.00%		NO	NO	
15	7427 Planning	BM	6/4/2021	\$ -	\$ -	0.00	0.00%		NO	NO	Unable to Conduct Audit: Supervisor Not Available
16	7428 CD - Municipal Housing	BM	6/4/2021	\$ 3,695.00	\$ 3,695.00	0.00	0.00%		NO	NO	
17	7429 Parking Meters	BM	6/7/2021	\$ -	\$ -	0.00	0.00%		NO	NO	Unable to Conduct Audit: Supervisor on Leave
18	7430 Planning	BM	6/7/2021	\$ 100.00	\$ 100.00	0.00	0.00%	Petty Cash	NO	NO	
19	7431 Solid Waste - Landfill	BM	6/8/2021	\$ 457.10	\$ 457.10	0.00	0.00%		NO	NO	
20	7432 Municipal Court	BM	6/8/2021	\$ 2,467.60	\$ 2,468.00	0.40	0.02%		NO	NO	
21	7433 Police - Records	BM	6/8/2021	\$ 203.60	\$ 203.60	0.00	0.00%		NO	NO	
22	7434 Animal Care Facility	BM	6/8/2021	\$ 15.00	\$ 15.00	0.00	0.00%		NO	NO	
23	7435 Bridge III (Toll Booth Collections)	BM	6/8/2021	\$ 217.00	\$ 216.49	-0.51	-0.24%		NO	NO	
24	7436 Bridge III (Toll Booth Collections)	BM	6/8/2021	\$ 56.00	\$ 59.50	3.50	6.25%		YES	YES	Cash & Policy Violation(s): Collections Overage Noted
25	7437 Bridge IV (Customer Svc)	BM	6/8/2021	\$ 8,756.10	\$ 8,756.10	0.00	0.00%		NO	NO	
26	7438 Bridge IV (Customer Svc)	BM	6/8/2021	\$ 20,528.75	\$ 20,528.75	0.00	0.00%		NO	NO	
27	7439 Tax (City Hall)	BM	6/16/2021	\$ 4,764.21	\$ 4,764.21	0.00	0.00%		NO	NO	
28	7440 Tax (City Hall)	BM	6/16/2021	\$ 4,514.39	\$ 4,514.39	0.00	0.00%		NO	NO	
29	7441 Parks - Inner City Pool	BM	6/16/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit
30	7442 Airport - Federal Inspection Station (FIS)	BM	6/16/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit
31	7443 Bridge IV	BM	6/21/2021	\$ -	\$ -	0.00	0.00%	Petty Cash	NO	NO	Unable to Conduct Audit: Petty Cash Custodian on Leave
32	7444 Transit - El Lift	BM	6/22/2021	\$ 78.75	\$ 85.20	6.45	8.19%		YES	YES	Cash & Policy Violation(s): Collections Overage Noted
33	7445 Transit - Operations	BM	6/22/2021	\$ 4,298.47	\$ 4,279.01	-19.46	-0.45%		NO	NO	
34	7446 Parks - Haynes Pool	BM	6/23/2021	\$ 63.00	\$ 63.00	0.00	0.00%		NO	NO	

**CITY OF LAREDO
INTERNAL AUDIT DIVISION
SUMMARY OF SURPRISE CASH AUDITS
JUNE 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	
35	7447	Traffic - Parking Meters	BM	6/24/2021	\$ -	\$ -	0.00	0.00%		NO	NO	Unable to Conduct Audit: Supervisor on Leave
36	7448	Traffic - Parking Meters (No. SG 805)	BM	6/24/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit
37	7449	Traffic - Parking Meters (No. HI 1120)	BM	6/24/2021	\$ 12.55	\$ 12.55	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit
38	7450	Traffic - Parking Meters (No. IT 938)	BM	6/24/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit
39	7451	Traffic - Parking Meters (No. SA 1101)	BM	6/24/2021	\$ 5.05	\$ 6.20	1.15	22.8%		YES	YES	Cash & Policy Violation(s): Collections Overage Noted
40	7452	Traffic - Parking Meters (No. WS 1603)	BM	6/24/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No collections Noted at the Time of the Audit
41	7453	Parks - North Central Pool	BM	6/25/2021	\$ 80.00	\$ 79.00	-1.00	-1.25%		YES	YES	Cash & Policy Violation(s): Collections Shortage Noted
42	7454	Bridge IV	BM	6/28/2021	\$ 400.00	\$ 400.00	0.00	0.00%	Petty Cash	NO	NO	
43	7455	Parks - Independence Pool	BM	6/29/2021	\$ 3.00	\$ 3.00	0.00	0.00%		NO	NO	
44	7456	Parks - Bartlett Pool	BM	6/29/2021	\$ 95.00	\$ 95.00	0.00	0.00%		NO	NO	



2600 Cedar Ave., P.O. Box 2337, Laredo, TX 78044
Tel. (956) 795-4900 Fax. (956) 726-2632

City of Laredo Health Department



Public Health
Prevent. Promote. Protect.

Richard A. Chamberlain, DrPH(c), MPH, RS
Director of Health

Memorandum

To: Elia Rodriguez, Interim Internal Auditor
From: Richard A. Chamberlain, DrPH(c), MPH, RS
XCS: Erika Martinez, Assistant Director of Operations
Date: 06/10/2021
Re: **Surprise Cash Audit No. 7418**

We received your surprise cash audit finding for Immunization collections conducted on June 3, 2021 by cash handler . Below is the response and corrective action that will be taken by the department.

Finding

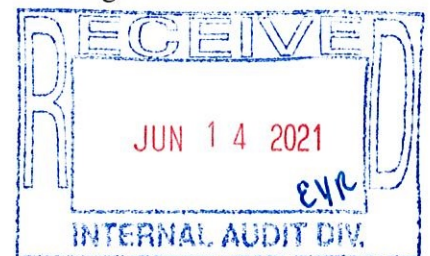
Audit of daily collections identified an overage of \$10.

Review & Corrective Action

A departmental audit review was conducted subsequently after the overage was identified. A review of the deposit identified that credit card terminal receipts totaled \$173 in comparison to the the daily cash drawer report which totaled \$168 in credit card transaction. In addition, the cash on hand was over by \$5 in comparison to the daily cash drawer report cash transactions.

In regards to the credit card overage, it was identified that the clerk did not communicate to the Internal Auditor that the transaction for the Inisight receipt was in the process of being completed when audit was conducted. As a result, her cash drawer report did not reflect that pending transaction which caused the daily cash drawer report to appear to be off balance in comparison to the credit card terminal summary report. The common practice is that the cash handler must first run the credit card transaction through the credit card terminal and then follow with an Inisight receipt. The credit card swipe is done first to ensure credit card goes through. Once it is determined that credit card is approved, then they can generate on Inisight receipt to complete the overall cash handling process.

As for the cash overage, the cashier was unable to identify the source of the overage. She reviewed the transactions that occurred that day and was unsuccessful in identifying a possible source. Possible explanations could be that incorrect change was issued resulting in an overage or a charge and payment transaction was not done.





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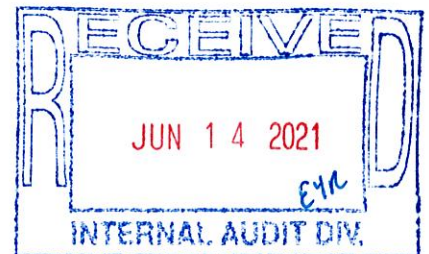
City of Laredo Health Department



Public Health
Prevent. Promote. Protect.

Richard A. Chamberlain, DrPH(c), MPH, RS
Director of Health

As part of the corrective action, Immunization Supervisor will be implementing stricter controls in the handling of credit card transactions. She will also be monitoring and documenting all voids and errors in daily deposits. Verbal and written warnings will be issued to cash handlers who do not follow the cash handling policy. Any other appropriate disciplinary action will be considered by department director if issues persist.



Memo

To: Elia Rodriguez, Interim Internal Auditor

From: Yvette Limon, Bridge Director

Date: June 9, 2021

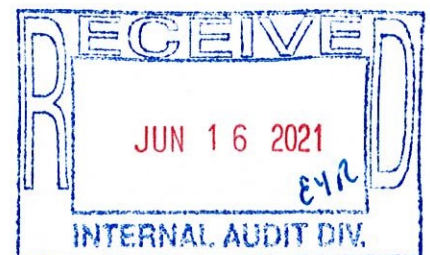
Re: Audit # 7436

On June 8, 2021, the City's Internal Audit Staff conducted a surprise cash audit at Bridge III on Collector in lane 2; noted below is the response to the audit observation.

Audit # 7436

At the end of the audit, Collector _____ was over \$3.50. The shift supervisor verified Mr. _____ cash deposit and tour of duty report. The reason for the variance is Mr. _____ charged a class 2 vehicle \$3.50 instead of class 4 vehicle \$7.00 causing Mr. _____ to be over \$3.50. Mr. _____ actual outcome is even after correction.

The Laredo Bridge System Shortage/Overage policy was followed. A misclassification report was prepared, signed by the collector and placed in the employee file. Therefore, as per the Laredo Bridge System Shortage/Overage Policy, no further disciplinary action is necessary.



EL METRO
INTER-OFFICE MEMORANDUM



To: Elia Rodriguez, Acting Internal Auditor
From: Claudia San Miguel, LMI General Manager
CC: Kristina L. Hale, ACM
Date: June 24, 2021
RE: Response to Surprise Cash Audit #7444

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 June 22, 2021.

Response

Part of the overage (\$4.00) on the El Lift revenue occurred because information was not entered; El Lift assistant riders were not registered as paying customers causing the overage. The rest to the overage (\$2.45) was over payment of riders.

Corrective Action

In order to correct this issue Operators and El Lift Dispatcher will have to verify, identify discrepancies, and address mistakes done to be corrected before the end of their work-shift.





City of Laredo Parking Division

MEMORANDUM

To: Ms. Elia Y. Rodriguez, Internal Audit Office
Ms. Bianca Medellin, Auditor

From: Mrs. Norma Ramirez, Parking/Vehicle for Hire Superintendent

Thru: Danny Magee, Traffic Director *Dymse*

Cc: Riazul I. Mia, Assistant City Manager

Subject: Surprise Cash Audit # 7451 – SA1101

Date: July 1, 2021

Parking Division maintenance 1,032 parking meters, 590 are IPS meters and 442 are Duncan.

IPS meters accept coins and credit cards; these are called smart meters because they are able to communicate back to the IPS system, give text alerts, and they have backup solar batteries. They give alerts on malfunctions, and technician is able to attend these alerts to fix meter malfunctions on a timely manner.

Duncan meters accept coins only; these meters are more than 20 years old and are not able to communicate nor give text alerts. Duncan meters do not have a backup battery when the V9 alkaline batteries start getting low they start malfunctioning. One of the main malfunctions is that they randomly do not recognize coins; this is the reason for meter overage.

SA1101 is a Duncan meter. Duncan meters get batteries replaced on collection days, but some batteries last less due to meter activity. We would be able to avoid this overage if we would be able to buy IPS meters. Approximately \$225K is needed to replace all Duncan meters.

Please let me know if you have any questions.







CITY OF LAREDO
PARKS AND LEISURE SERVICES DEPARTMENT



MEMO

TO: Elia Y. Rodriguez, Internal Auditor
From: Jose Renteria, Aquatics Manager 
Thru: Juan J. Gomez, Parks & Recreation Director 
Date: June 30, 2021
Subject: Surprise cash audit

In response to the No.7453 memo received, regarding the surprise cash audit that occurred on June 25, 2021. The custodian had a total prepaid amount of \$79.00 dollars inside the collection box which the custodian should have had \$80.00 dollars and the custodian was actually \$ 1.00 dollar short during the time of audit.

We will be providing additional training in order to avoid future mistakes. We apologize for the inconvenience if you have any questions please feel free to call (956)-794-1765.



III. Unannounced Inventory Count Controls Audits

**Unannounced Inventory Count Control Audit
Parks & Recreation Department – Central Warehouse Division
June 16, 2021**

AUDIT SCOPE & METHODOLOGY

On June 16, 2021, a Surprise Inventory Count Audit was conducted on the Parks & Leisure Services Department – Central Warehouse. Four (4) different items were randomly selected from the inventory on hand. Department currently uses an access based system in order to keep a database of the department's inventory and to serve as a measure of control.

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 material and equipment inventory listing was requested.
- 2.) Random selection of material (s) or equipment.
- 3.) Site visit to Parks & Recreation – Central Warehouse.
- 4.) Parks & Recreation 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.

ITEM NAME	ITEM NUMBER	AVG.UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING/OBSERVATION NO.
Weedeater Stihl S#186973665	PR-EQ-3665	\$ 557.99	1	1	0	N/A
Blower Stihl BR450 S#517737795	PR-EQ-7795	\$ 489.99	1	1	0	N/A
Chainsaw Stihl MS250 S#52484194	PR-EQ-4194	\$ 319.99	1	1	0	N/A
Prunner Stihl S#520768845	PR-EQ-8845	\$ 579.99	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: <u>Bmedellin</u> <u>6/16/2021</u>		Reviewed By: <u>Elia Y. Rodriguez</u> <u>06-16-2021</u>	
Bianca Medellin, Auditor I Date		Elia Y. Rodriguez, Interim Internal Auditor Date	
Report Issued To:		Response Required	Response Due Date
Juan J. Gomez Jr., Parks & Recreation 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. 			
<p>Report Distribution:</p> <p>Robert A. Eads, City Manager Riazul Mia, Assistant City Manager</p>			

Unitrade Stadium Asset Inventory Count Audit June 17, 2021

AUDIT SCOPE & METHODOLOGY

On June 17, 2021, an Asset Inventory Count Audit was conducted at the Unitrade Stadium. Fifty-three (53) different assets were randomly selected from the Asset Inventory List provided. The division currently uses an "Excel worksheet-based system" to keep a database of the division's asset inventory and to serve as a measure of control of assets.

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

- 1.) An inventory listing was requested.
- 2.) Random selection of equipment.
- 3.) Site visit to Unitrade Stadium.
- 4.) Unitrade Stadium Staff interviews.
- 5.) A physical count of selected items.

We were advised by City staff that the criteria established by the City and currently followed for asset tagging at the Unitrade Stadium requires that all items purchased with City funds be tagged with an asset number for identification purposes. The only exception would be for smaller items (i.e. utensils, etc.). It should be noted that in some instances an asset number is reflected as "Not Tagged (NT)" because the item is a component of a larger item.

AUDIT RESULTS & RECOMMENDATIONS

Based upon the physical count performed and as shown in the table below, the following finding(s) and observation(s) were noted.

DESCRIPTION	ASSET NUMBER	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO
Table Picnic 8 FT.	9614	\$607.00	1	1	0	N/A
Table Picnic 8 FT.	9618	\$607.00	1	1	0	N/A
Table Picnic 8 FT.	9619	\$607.00	1	1	0	N/A
Projector LCD	9180	\$550.00	1	1	0	N/A
Printer Ticket	NT	\$374.00	1	0	1	F1
Computer	9686	\$300.00	1	0	1	F1
Cash Register w/Printer	9265	\$2,435.00	1	N/A	N/A	O1
Refrigerator 1 DR	9186	\$2,700.00	1	1	0	N/A
Ice Machine	9138	\$10,000.00	1	1	0	N/A
Table Round Iron	NT	\$350.00	2	2	0	N/A
Television	9645	\$488.00	1	0	1	F1
Shelving Unit Plastic	NT	\$400.00	3	3	0	N/A
Cart Rack Bun Pan	NT	\$230.01	13	13	0	N/A
Can Opener	NT	\$139.60	1	1	0	N/A
Hood Exhaust	9226	\$5,000.00	1	1	0	N/A
Ice Machine	9242	\$10,000.00	1	1	0	N/A
Table Work S/S	9663	\$3,300.00	1	1	0	N/A
Oven Pizza	9332	\$550.00	1	1	0	O3
Warming Drawer	9308	\$5,200.00	1	1	0	N/A
Fryer Deep – 3 Section	9315	\$3,300.00	3	1	0	O4
Hood Exhaust	9317	\$5,000.00	1	1	0	N/A

DESCRIPTION	ASSET NUMBER	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO
Counter Ticket	9701	\$500.00	1	1	0	N/A
Cart Ice Smartcart Gray (2/6)	NT	\$400.00	6	5	1	F1
Table Work S/S	9665	\$1,500.00	1	1	0	N/A
Switch Network	9270	\$1,500.00	1	1	0	N/A
Tiller	NT	\$350.00	1	0	1	F1
Tarp 18 FT.	NT	\$235.00	1	1	0	N/A
Cabinet Warming UDR CTR	9652	\$2,800.00	1	1	0	N/A
Cabinet Warming UDR CTR	9653	\$2,800.00	1	1	0	N/A
Cabinet Warming UDR CTR	9655	\$2,800.00	1	1	0	N/A
Cabinet Warming UDR CTR	9656	\$2,800.00	1	1	0	N/A
Generator	9867	\$800.00	1	0	1	F1
Cart Utility	9684	\$7,000.00	1	1	0	O3
Sprayer Boom	9872	\$900.00	1	1	0	N/A
Table Picnic 8 FT.	9583	\$607.00	1	1	0	N/A
Table Picnic 8 FT.	9587	\$607.00	1	1	0	N/A
Table Picnic 8 FT.	9596	\$607.00	1	1	0	N/A
Table Picnic 8 FT.	9601	\$607.00	1	1	0	N/A
Server SQL Open License	9296	\$2,090.00	1	1	0	N/A
Charger Battery – Cradle 4 Slot Kit	9675	\$620.00	1	1	0	O3
Switch Network	9174	\$1,000.00	1	1	0	O3
Cash Register w/Printer	9231	\$885.00	1	N/A	N/A	O1
Cash Register w/Printer	9341	\$885.00	1	N/A	N/A	O1
Table Square with Granite Top Tall 36X36X42	NT	\$995.00	1	N/A	N/A	O2
Chair Lounge Side Arm – Black Vinyl	9479	\$825.00	1	1	0	N/A
Table Coffee Round w/Wood Top	9483	\$575.00	1	1	0	N/A
Chair Lounge Side Arm – Black Vinyl	9498	\$825.00	1	1	0	N/A
Table Coffee Round w/Wood Top	9514	\$575.00	1	1	0	N/A
Tables Retail Display	NT	\$304.00	8	0	8	F1
Computer – License Quest	9297	\$1,000.00	1	0	1	F1
Shelving Unit Plastic	NT	\$400.00	5	5	0	N/A
Hydroculator	9279	\$1,500.00	1	0	1	F1
Table Treatment	9639	\$500.00	1	1	0	N/A

Finding #1

Internal Audit was unable to verify the following selected Asset Inventory items since they did not have their corresponding asset tag number attached; in addition, we did not have the exact location of these selected items, or the items were not found in the location on our Asset Inventory List.

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE
Printer Ticket	NT	\$374.00	1	0	1
Computer	9686	\$300.00	1	0	1
Television	9645	\$488.00	1	0	1
Cart Ice Smartcart Gray (2/6)	NT	\$400.00	6	5	1
Tiller	NT	\$350.00	1	0	1
Generator	9867	\$800.00	1	0	1

Tables Retail Display	NT	\$304.00	8	0	8
Computer – License Quest	9297	\$1,000.00	1	0	1
Hydroculator	9279	\$1,500.00	1	0	1

Recommendation(s)

Internal Audit recommends that the locations of each item listed in the Unitrade Asset Inventory List be updated frequently for better identification and these items be tagged with their corresponding asset tag numbers for identification purposes. If the items referenced above have been disposed of, then a City Asset Disposition Form must be prepared for each item and forwarded to City Management for approval.

Observation #1

On the table reflected below, the following items have been disposed of the City of Laredo Fixed Assets Disposition Forms were collected by Internal Audit.

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE
Cash Register w/Printer	9265	\$2,435.00
Cash Register w/Printer	9231	\$885.00
Cash Register w/Printer	9341	\$885.00

Recommendation(s)

Internal Audit recommends removing the items from the Inventory List, providing a more accurate list for future audits.

Observation #2

The following item is listed on the Asset Inventory List as “broken in storage”. It should be noted there are three (3) of the items listed below which do not have tag numbers, but the notes on the Asset Inventory List state the same, “broken in storage.”

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE
(2) Table Square with Granite Top Tall 36X36X42	NT	\$995.00
(1) Table Square with Granite Top Short	NT	\$970.00

Recommendation(s)

Internal Audit recommends Disposition Forms be filled out for these items, and the items are removed from the Inventory List, providing a more accurate list for future audits.

Observation #3

On the table reflected below, the following assets were found; however, no corresponding City of Laredo asset tag number was attached.

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE
Oven Pizza	9332	\$550.00
Cart Utility	9684	\$7,000.00
Charger Battery – Cradle 4 Slot Kit	9675	\$620.00
Switch Network	9174	\$1,000.00

Recommendation(s)

Internal Audit recommends that these items be retagged in accordance with the City’s Capital Asset Policy and Procedures.

Observation #4

The following item is listed on the Asset Inventory List showing a quantity of three (3); however, it is a single item with a single asset tag number.

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE
Fryer Deep – 3 Section	9315	\$3,300.00

Recommendation(s)

Internal Audit recommends the Inventory List be updated to properly reflect the quantity of this item. Internal Audit also recommends the Inventory List be updated frequently for better identification of items for future audits.

Observation #5

Further investigation was done by the Internal Audit Division and it was found there are items on the Asset Inventory List which have been disposed of, but have not been removed from the list. Internal Audit received disposition forms from 2018, 2019, and 2020 listing items that have been disposed of but are still on the current Asset Inventory List.

Recommendation(s)

Internal Audit recommends the Inventory List be updated by the respective department to properly reflect asset inventory that is working and in use. Additionally, we would strongly recommend that a full inventory of items housed at Unitrade be conducted to ensure the Asset Inventory List reflects the most accurate information for future audits.

Prepared By: <u>Bmedellin</u> <u>06/24/2021</u> Bianca Medellin, Auditor I Date		Reviewed By: <u>Elia Y. Rodriguez</u> <u>06-24-2021</u> Elia Y. Rodriguez, Interim Internal Auditor Date	
Report Issued To: Juan J. Gomez Jr., Parks and Recreation 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 Riazul I. Mia, Assistant City Manager			



CITY OF LAREDO

Parks & Recreation Department



MEMO

To: Internal Audit Division
From: Juna J. Gomez Jr., Director, Parks & Recreation
Cc: Daniel Gonzalez; Elia Y. Rodriguez
Date: July 1, 2021
Re: Uni-Trade Asset Inventory Count Audit

The following Asset Inventory Count Audit was conducted on June 17, 2021.

Findings 1: Internal Audit was unable to verify nine (9) items since they did not have their corresponding asset tag number attached; in addition, nor exact location of the selected items.

The nine items not found, four (4) had a variance between the quantities on hand and the inventory report generated from the Uni-Trade inventory program.

- **Part Name (1) "Printer Ticket"**
- **Part Name (1) "Computer"**
- **Part Name (1) "Television"**
- **Part Name (1) "Computer -License Quest"**

Response: Due to the version that the department has on the inventory program, items were relocated. At the time of the inventory listing, the items above don't appear; however, after further inspection they were located.

We will inquire about a new inventory system program to reflect better accountability of materials and/or equipment.

Should you have any questions, please feel free to contact our office at (956) 729-4610

Thank you,

Juan J. Gomez Jr.
Director



Fleet Department Fuel Inventory Audit June 18, 2021

AUDIT SCOPE & METHODOLOGY

On June 8, 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 December 2020 (original records, as well as 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 December 2020 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 December 2020

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 December 2020 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 (-3.47%).

	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)	5,629.00	5,430.00	8,209.00	6,013.00	316.00	662.00
Gallons Delivered	39,515.44	29,217.56	25,891.00	38,095.00	1,330.00	2,500.00
Gallons Dispensed	37,926.20	26,814.80	25,497.70	36,954.10	1,322.10	204.00
Ending Balance Calculated	7,218.24	7,832.76	8,602.30	7,153.90	323.90	2,958.00
Ending Balance (in gallons) as per Inventory Report	7,862.00	7,841.00	8,805.00	7,116.00	363.00	2,958.00
Variance	(643.76)	(8.24)	(202.70)	37.90	(39.10)	0
Percentage Change in Variance per Location	-8.19%	-0.11%	-2.30%	0.53%	-10.77%	0.00%
Average Percentage Change in Variance						-3.47

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:  <u>6/24/2021</u> Bianca Medellin, Auditor I Date		Reviewed By:  <u>06/24/2021</u> Elia Y. Rodriguez, Interim 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**

6/25/2021

To: Elia Y. Rodriguez

Cc. Robert Eads, Rosario Cabello, Riazul I. Mia

Subject: Audit response

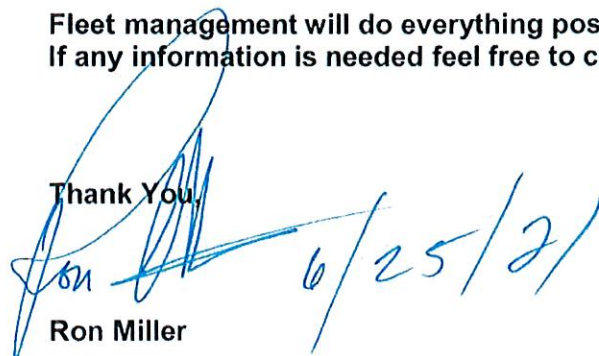
The finding of audit of December 2020 continues to be the same issue we face for every Audit with the fuel system. We have up upgraded our system to one of the top systems. But, there are factors that keep it from factoring out certain fuel process that are practiced.

1. Fuel Master is our fuel dispensed system that authorizes all fuel transactions. (The fuel dispensed must will authorized fuel if assigned fuel key and if Employee password is in system. Otherwise the transaction will be denied)
2. Veeter- Root tank monitoring system keep inventory of all fuel dispensed and received.
3. Both system are poll every night at midnight. Reports are available for all transactions after each polling of sites.
4. Staff will review all transactions on delivery and vendor invoice to balance.

All recommendation will be followed has recommendations given by Auditing Department. We can get a more exact balance if we stop all fueling during deliveries. We don't stop at this time at Main fuel station because of emergency vehicles needing fuel. This is one of the main factors that causes balance errors. During deliveries fuel is being balance by the intake of fuel. But the tank monitor is unable to monitor fuel being withdraw during vehicles fueling. So once the delivery is completed it only measure the inches of fuel delivered. Any fuel pumped during this time will affect the delivery amount.

Fleet management will do everything possible to balance our inventory and transactions. If any information is needed feel free to contact me.

Thank You,


6/25/21

Ron Miller

Fleet Management Director



IV. Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Elia Y. Rodriguez, Interim Internal Auditor

Bianca V. Medellin, Auditor I