



**CITY OF LAREDO, TEXAS
INTERNAL AUDIT DIVISION**

To: Honorable Mayor & Members of the City Council

CC: Robert A. Eads, City Manager
Rosario C. Cabello, Deputy City Manager
Kristina L. Hale, Assistant City Manager
Riazul I. Mia, Assistant City Manager
Rene C. Benavides, City Attorney

From: Veronica Urbano-Baeza, Internal Auditor

Date: October 16, 2020

Subject: Friday Packet: Internal Audit Report(s) and/or Update(s)

Enclosed we are pleased to provide the following report(s) for your review and subsequent approval:

1. Consolidated Report (with Executive Summary): Unannounced Cash and Inventory Count Controls Audits with Department Responses (conducted September 2020).

If you should have any questions regarding the enclosed report(s) submitted, please feel free to contact me at my office at (956) 790-1808. Thank you.

City of Laredo, Texas

Internal Audit Division



Consolidated Report (with Executive Summary):
Unannounced Cash and Inventory Count Controls
Audits with Department Responses
(September 2020)

October 14, 2020

City of Laredo
Internal Audit Division

**Consolidated Report: Unannounced Cash and Inventory
Count Controls Audits with Department Responses
September 2020**

Table of Contents

| | | |
|-------------|---|-----------|
| I. | Executive Summary | i |
| II. | Unannounced Cash & Petty Cash Controls Audits September 2020 | |
| | Summary of Unannounced Cash Controls Audits..... | 1 |
| | Response Received from Bridge (Audit # 7343)..... | 2 |
| III. | Unannounced Inventory Count Controls Audits September 2020 | |
| | Transit | 12 |
| | Utilities..... | 14 |
| | Public Works..... | 16 |
| | Fleet Mgmt. / Parts | 18 |
| | Response Received from Fleet..... | 20 |
| | Fleet Mgmt. / Fuel..... | 21 |
| | Response Received from Fleet..... | 23 |
| | Parks / Central Warehouse..... | 24 |
| IV. | Appendix A – Internal Audit Staff Acknowledgment.. | 26 |

I. Executive Summary

EXECUTIVE SUMMARY

Introduction

In accordance with the Fiscal Year (FY) 2020 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 September 2020. A total of twenty-five (25) unannounced cash and inventory audits were conducted in September 2020. The enclosed report also contains any responses required from the affected departments on corrective action. *It should be noted that when these field audits were conducted (September 2020), some of the scheduled audits could not be conducted due to COVID-19 restrictions, as well as maintaining compliance with protocols for the safety of both Internal Audit staff and other departmental staff when conducting 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 September 2020;
- 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 September 2020;
- 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 from September 2020 to October 2020 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 | 19 |
| Unannounced Inventory Count Audits | 6 |

Cash Control Audits

Out of nineteen (19) unannounced cash audits conducted in the month of September 2020, only one (1) audit, or five (5%) 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 one audit noted above,

- There were violations pertaining to the City’s Cash Handling Policy and/or the City’s Petty Cash Policy. Specifically, the cash and policy violation pertained to a collections overage.

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 City department inventory items, out of twenty (20) inventory items randomly selected during the month of September 2020, two (2) items were noted with findings for variances, which equates to ten (10%) 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 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 Internal Audit.

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 UNANNOUNCED CASH CONTROL AUDITS
SEPTEMBER 2020

| Audit Form # | Dept./ Div. Audited | Auditor | Date of Audit | Amount Received | Amount Counted | (Shortage)/Overage | Percentage Shortage/Overage | Change / Petty Cash Fund Audited | Response: Cash Fund Audited | Response: Policy Violation | Comments |
|--------------|---|---------|---------------|-----------------|----------------|--------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------|---|
| | | | | (A) | (B) | (C) | (D) | | | | |
| | | | | | | (B-A) | (C/A) | | | | |
| 1 | 7327 Tax (City Hall Annex) | BM | 9/17/2020 | \$ 3,105.62 | \$ 3,106.16 | \$ 0.54 | 0.02% | | NO | NO | |
| 2 | 7328 Tax (City Hall Annex) | BM | 9/17/2020 | \$ 2,558.50 | \$ 2,558.54 | \$ 0.04 | 0.00% | | NO | NO | |
| 3 | 7329 Tax (City Hall Annex) | BM | 9/17/2020 | \$ 7,103.19 | \$ 7,103.19 | \$ - | 0.00% | | NO | NO | |
| 4 | 7330 Utility Billing | BM | 9/17/2020 | \$ - | \$ - | \$ - | 0.00% | | NO | NO | No Collections Noted at the Time of the Audit. Utility Billing Currently not Processing In-Person Customer Payments (Currently Online Only or Tax Drive-Thru) |
| 5 | 7331 Bridge II (Toll Booth Collections) | BM | 9/18/2020 | \$ 105.00 | \$ 105.00 | \$ - | 0.00% | | NO | NO | |
| 6 | 7332 Bridge II (Toll Booth Collections) | BM | 9/18/2020 | \$ 98.00 | \$ 98.00 | \$ - | 0.00% | | NO | NO | |
| 7 | 7333 Bridge II (Toll Booth Collections) | BM | 9/18/2020 | \$ 238.00 | \$ 238.01 | \$ 0.01 | 0.00% | | NO | NO | |
| 8 | 7334 Bridge II (Customer Svc) | BM | 9/18/2020 | \$ 1,039.50 | \$ 1,039.50 | \$ - | 0.00% | | NO | NO | |
| 9 | 7335 Bridge II (Customer Svc) | BM | 9/18/2020 | \$ 268.80 | \$ 268.80 | \$ - | 0.00% | | NO | NO | |
| 10 | 7336 Building | BM | 9/18/2020 | \$ 2,339.80 | \$ 2,339.80 | \$ - | 0.00% | | NO | NO | |
| 11 | 7337 Airport - Federal Inspection Station (FIS) | BM | 9/18/2020 | \$ - | \$ - | \$ - | 0.00% | | NO | NO | No Collections Noted at the Time of the Audit. |
| 12 | 7338 Animal Care Svcs. | BM | 9/18/2020 | \$ 15.00 | \$ 15.00 | \$ - | 0.00% | | NO | NO | |
| 13 | 7339 Health - Ambulance Billing | BM | 9/22/2020 | \$ 11,989.82 | \$ 11,989.82 | \$ - | 0.00% | | NO | NO | |
| 14 | 7340 Airport | BM | 9/23/2020 | \$ - | \$ - | \$ - | 0.00% | | NO | NO | No Collections Noted at the Time of the Audit. |
| 15 | 7341 CD - Municipal Housing | BM | 9/23/2020 | \$ - | \$ - | \$ - | 0.00% | | NO | NO | No Collections Noted at the Time of the Audit. |
| 16 | 7342 Bridge III (Customer Svc) | BM | 9/28/2020 | \$ 5,334.50 | \$ 5,334.50 | \$ - | 0.00% | | NO | NO | |
| 17 | 7343 Bridge III (Toll Booth Collections) | BM | 9/28/2020 | \$ 52.50 | \$ 56.00 | \$ 3.50 | 6.67% | YES | YES | YES | Cash & Policy Violation(s): Collections Overage Noted |
| 18 | 7344 Bridge IV (Customer Svc) | BM | 9/28/2020 | \$ 15,209.75 | \$ 15,209.75 | \$ - | 0.00% | | NO | NO | |
| 19 | 7345 Bridge IV (Customer Svc) | BM | 9/28/2020 | \$ 8,638.05 | \$ 8,638.05 | \$ - | 0.00% | | NO | NO | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

Memo

To: Veronica Urbano, Internal Auditor

From: Yvette Limon, Bridge Director



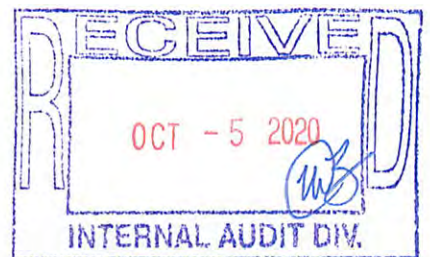
Date: September 29, 2020

Re: Audit # 7343

On September 28, 2020, the City's Internal Audit Staff conducted a surprise cash audit at Bridge III on a Collector located in lane 2; noted below is the response to the audit observation.

Audit # 7343

At the end of the audit, Collecto was found to be over \$3.50. The supervisor verified Ms cash deposit, reviewed her tour of duty report, unusual occurrences report, detailed audit report and exception report. The reason for the overage was the tour of duty report had not been fully updated with the correct expected deposit amount. Due to the toll collection system failure some of the reports are being delayed by a couple of minutes. Attached is the correct tour of duty report making Ms. to be in balance at the end of her audit. Therefore, as per the Laredo Bridge System Shortage/Overage Policy, no further disciplinary action is necessary.



BUSINESS DATE 09/28/2020
 BRIDGE 3
 SHIFT AM
 COLLECTOR ID 351
 CASHIER ID 1000
 28




P.O. Box 7019 Laredo, TX 78040
COLLECTOR DEPOSIT RECEIPT

| US | | | MEX | | | | | |
|---------------------|--------|----------------|---------|--------|---------------|-----------------------|--------|-----------------|
| BILLS | NUMBER | AMOUNT | COINS | NUMBER | AMOUNT | BILLS/COINS | NUMBER | AMOUNT |
| \$ 100 | 0 | \$0.00 | \$ 1.00 | 0 | \$0.00 | \$ 500 | 0 | \$0.00 |
| \$ 50 | 0 | \$0.00 | \$.50 | 0 | \$0.00 | \$ 200 | 1 | \$200.00 |
| \$ 20 | 2 | \$40.00 | \$.25 | 0 | \$0.00 | \$ 100 | 0 | \$0.00 |
| \$ 10 | 0 | \$0.00 | \$.10 | | \$0.00 | \$ 50 | 0 | \$0.00 |
| \$ 5 | 0 | \$0.00 | \$.05 | 0 | \$0.00 | \$ 20 | 0 | \$0.00 |
| \$ 2 | 0 | \$0.00 | \$.01 | 0 | \$0.00 | \$ 10 | 0 | \$0.00 |
| \$ 1 | 8 | \$8.00 | | | | COINS | | \$0.00 |
| Miscellaneous Coins | | \$0.00 | | | | | | |
| TOTAL: | | \$48.00 | | | \$0.00 | TOTAL PESOS: | | \$200.00 |
| | | | | | | US DOLLARS: | | \$8.00 ✓ |
| | | | | | | TOTAL PREPAID: | | \$0.00 |
| TOTAL US BILLS: | | \$48.00 | | | | | | |
| TOTAL US COINS | | \$0.00 | | | | | | |
| TOTAL MEX PESOS | | \$8.00 | | | | | | |
| GRAND TOTAL: | | \$56.00 | | | | | | |

Disclosure

The cash amounts identified in the collection count have been counted, verified, and deposited by me in accordance with the Laredo Bridge System's deposit policy

Cashier Signature



 Gabriel Mata

Date

9-28-20

**CITY OF LAREDO
COLOMBIA BRIDGE
SWIPE CARDS AND AVI SHEET**

NAME _____
 ID# 351
 LANE 4
 SHIFT Am

INVALID SWIPE CARDS

| QTY | | | VALUE |
|-----|---|-------|-------|
| | X | \$ | 9.50 |
| | X | \$ | 14.25 |
| | X | \$ | 19.00 |
| | X | \$ | 23.75 |
| | X | \$ | 28.50 |
| | X | \$ | 33.25 |
| | = | TOTAL | |

SWIPE CARDS

| QTY | | | VALUE |
|-----|---|-------|-------|
| | X | \$ | 9.50 |
| | X | \$ | 14.25 |
| | X | \$ | 19.00 |
| | X | \$ | 23.75 |
| | X | \$ | 28.50 |
| | X | \$ | 33.25 |
| | X | TOTAL | |

TOTAL SWIPE CARDS WITH INVALIDS VALUE
 AVI ONLY

THE SWIPE CARD AMOUNTS IDENTIFIED IN THE COLLECTION COUNT HAVE BEEN COUNTED IN MY PRESENCE AND THEREBY I AGREE TO THE COUNT.

COLLECTORS SIGNATURE *[Signature]*
9-28-20
 DATE

THE SWIPE CARD AMOUNTS IDENTIFIED IN THE COLLECTION COUNT HAVE BEEN COUNTED, VERIFIED AND DEPOSITED BY ME IN ACCORDANCE WITH THE LAREDO BRIDGE SYSTEM DEPOSIT POLICY.

CASHIERS SIGNATURE *[Signature]*
9-28-20
 DATE



BUSINESS DATE: 9/28/2020
 STAFF ID: 351

P.O. BOX 7019 LAREDO, TX 78040
COLLECTOR TOUR OF DUTY (NEW)

TOUR START DATE/TIME: 09/28/2020 08:00:48
 TOUR END DATE/TIME: 09/28/2020 15:03:59
 BUSINESS DATE: 09/28/2020 00:00:00
 SHIFT: AM
 COLLECTOR: 351
 CASH BAG:
 DEPOSIT DATE/TIME: 09/28/2020 15:03:59

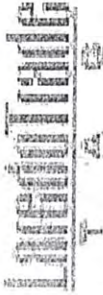
| DATE/TIME OPEN | DATE/TIME CLOSE | BRIDGE | LANE | VER/PEP | AXLES | AXLE/VAR |
|---------------------|---------------------|----------|------|---------|-------|----------|
| 09/28/2020 08:00:48 | 09/28/2020 15:03:59 | Bridge 3 | 4 | 63 | 240 | 4 |
| 09/28/2020 10:06:17 | 09/28/2020 10:40:15 | Bridge 3 | 2 | 7 | 22 | 1 |
| 09/28/2020 11:03:05 | 09/28/2020 12:01:29 | Bridge 3 | 2 | 12 | 32 | 1 |
| 09/28/2020 13:04:09 | 09/28/2020 13:10:53 | Bridge 3 | 2 | 5 | 19 | 0 |
| 09/28/2020 14:28:15 | 09/28/2020 15:03:59 | Bridge 3 | 2 | 12 | 46 | 0 |

TRANSACTIONS CASH PPD AVI NO PAYMENT UO

| CLASS | CASH | NR | CASH SUBTOTAL | PPD | AVI | NR/AVI | AVI SUBTOTAL | AVI | NO PAYMENT | TOTAL TRANS | ADJ | CLASS | IMM | MOB | UNDER CLASS | OVER CLASS | U-TURN |
|-------|------|----|---------------|-----|-----|--------|--------------|-----|------------|-------------|-----|-------|-----|-----|-------------|------------|--------|
| 2 | 12 | 0 | 12 | 0 | 5 | 0 | 5 | 0 | 0 | 17 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| 4 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |
| 5 | 0 | 0 | 0 | 0 | 5 | 0 | 5 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 6 | 0 | 0 | 0 | 0 | 3 | 0 | 3 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | 0 | 0 | 0 | 0 | 35 | 0 | 35 | 0 | 0 | 35 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 14 | 0 | 14 | 0 | 49 | 0 | 49 | 0 | 0 | 63 | 0 | 0 | 0 | 1 | 2 | 2 | 0 |

AXLES

| CLASS | CASH/A | PPD/A | AVI/A | NO PAY/A | TOTAL/A | CASH DT | PPD DT | AVI DT | NO PAY DT | TOTAL DT | AXLE/A/DT | VARIANCE | ADJ |
|-------|--------|-------|-------|----------|---------|---------|--------|--------|-----------|----------|-----------|----------|-----|
| 2 | 24 | 0 | 10 | 0 | 34 | 25 | 0 | 10 | 0 | 35 | -1 | 0 | |
| 4 | 8 | 0 | 0 | 0 | 8 | 4 | 0 | 0 | 0 | 4 | 4 | 0 | |
| 5 | 0 | 0 | 10 | 0 | 10 | 0 | 0 | 9 | 0 | 9 | 1 | 0 | |
| 6 | 0 | 0 | 9 | 0 | 9 | 0 | 0 | 9 | 0 | 9 | 0 | 0 | |



P.O. BOX 7019 LAREDO, TX 78040

BUSINESS DATE: 9/28/2020

STAFF ID: 351 -

COLLECTOR TOUR OF DUTY (NEW)

| | | | | | | | | | | | | |
|---|----|---|-----|---|-----|----|---|-----|-----|-----|-----|---|
| 7 | 0 | 0 | 4 | 0 | 0 | 4 | 0 | 0 | 4 | 0 | 0 | 0 |
| 8 | 0 | 0 | 175 | 0 | 175 | 0 | 0 | 0 | 175 | 0 | 175 | 0 |
| | 32 | 0 | 208 | 0 | 240 | 29 | 0 | 207 | 0 | 236 | 4 | 0 |

REVENUE

| CLASS | CASH INDICATED | PPD INDICATED | AV INDICATED | TOTAL INDICATED | ADJ |
|-------|----------------|---------------|--------------|-----------------|--------|
| 2 | \$42.00 | \$0.00 | \$16.50 | \$58.50 | \$0.00 |
| 4 | \$14.00 | \$0.00 | \$0.00 | \$14.00 | \$0.00 |
| 5 | \$0.00 | \$0.00 | \$47.50 | \$47.50 | \$0.00 |
| 6 | \$0.00 | \$0.00 | \$42.75 | \$42.75 | \$0.00 |
| 7 | \$0.00 | \$0.00 | \$19.00 | \$19.00 | \$0.00 |
| 8 | \$0.00 | \$0.00 | \$831.25 | \$831.25 | \$0.00 |
| | \$56.00 | \$0.00 | \$957.00 | \$1,013.00 | \$0.00 |



P.O. BOX 7019 LAREDO, TX 78040

COLLECTOR TOUR OF DUTY (NEW)

BUSINESS DATE: 9/28/2020
STAFF ID: 351

TOUR START DATE/TIME: 09/28/2020 08:00:48
TOUR END DATE/TIME: 09/28/2020 15:03:59
COLLECTOR: 351
CASH BAG: 1
BUSINESS DATE: 9/28/2020 12:00:00 AM
DEPOSIT DATE/TIME: 09/28/2020 17:12:52
SHIFT: AM

CASH

COLLECTOR DEPOSIT

| CASH DEPOSITED | CASH INDICATED | VARIANCE | PREPAID DEPOSITED | PREPAID INDICATED | VARIANCE |
|----------------|----------------|----------|-------------------|-------------------|----------|
| \$56.00 | \$56.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |

PREPAID



START DATE: 9/28/2020
 END DATE: 9/28/2020
 BRIDGE: 3
 LANE: All
 COLLECTOR: 351
 BRIDGE: 3

P.O. BOX 7019 LAREDO, TX 78040

UNUSUAL OCCURENCES REPORT

| DATE TIME | LANE | PAYMENT TYPE | AVI TAG NUMBER | ID NAME | CLASS | IA | DT | DIFF | DESCRIPTION | EXPECTED REVENUE | COLLECTED REVENUE |
|------------------------|------|--------------|----------------|---------|-------|----|----|------|------------------------|------------------|-------------------|
| 09/28/2020 10:12:44 AM | 4 | ETCL | LDO.00129147 | 351 | | 5 | 2 | 3 | -1 CLASS:MISCLASS COLL | \$4.95 | \$9.50 |
| 09/28/2020 10:34:15 AM | 2 | CASH | | 351 | | 4 | 4 | 2 | 2 CLASS:MISCLASS COLL | \$3.50 | \$7.00 |
| 09/28/2020 11:06:55 AM | 2 | VIOL | | 351 | | 2 | 2 | 0 | 2 PAY:VTOLL | \$0.00 | \$0.00 |
| 09/28/2020 11:20:30 AM | 2 | CASH | | 351 | | 2 | 2 | 3 | -1 CLASS:MISCLASS COLL | \$5.25 | \$3.50 |
| 09/28/2020 11:53:27 AM | 2 | CASH | | 351 | | 4 | 4 | 2 | 2 CLASS:MISCLASS COLL | \$3.50 | \$7.00 |

III. Unannounced Inventory Count Controls Audits

Unannounced Inventory Count Control Audit Transit Department - Maintenance Division September 16, 2020

AUDIT SCOPE & METHODOLOGY

On September 16, 2020, 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. |
|----------------------------|-------------|----------------|-----------------------|--------------------|----------|------------------|
| Clutch A/C Assy 09 GLG | 01-224 | \$ 529.99 | 1 | 1 | 0 | N/A |
| Drum Brake Front 09 11 GLG | 13-398 | \$ 209.87 | 8 | 8 | 0 | N/A |
| Pump Water BB 03 06 | 21-502 | \$ 613.81 | 1 | 1 | 0 | N/A |
| Motor Blower 09 GLG | 32-056 | \$ 1,600.00 | 2 | 2 | 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> 9/17/2020 | | <u>Veronica UB Baeza</u> 9-18-2020 | |
| Bianca Medellin, Auditor I Date | | Veronica Urbano-Baeza, 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. | | | |
| <p>Report Distribution:</p> <p>Robert A. Eads, City Manager Kristina L. Hale, Assistant City Manager</p> | | | |

Unannounced Inventory Count Control Audit

Utilities Department

September 16, 2020

AUDIT SCOPE & METHODOLOGY

On September 16, 2020, 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.

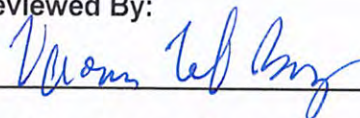
- 1.) An inventory items listing was requested.
- 2.) Random selection of items.
- 3.) Site visit to the Utilities Service Center Warehouse.
- 4.) Utilities Service Center staff interviews.
- 5.) Physical count of selected items.

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. |
|------------------------------|---------------|-----------------|-----------------------|--------------------|----------|-------------------------------|
| Angle Compression 2" | 890-070-1280 | \$ 338.81 | 11 | 11 | 0 | N/A |
| Cross Brass STD 2 inches | 890-070-1445 | \$ 17.99 | 11 | 11 | 0 | N/A |
| 2 PVC Comp X FIP Coup | 890-070-00404 | \$ 114.98 | 9 | 9 | 0 | N/A |
| 6" Megalugs for Ductile Iron | 890-070-8326 | \$ 77.77 | 19 | 19 | 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>9/17/2020</u> Bianca Medellin, Auditor I Date | | Reviewed By:  <u>9-18-2020</u> Veronica Urbano-Baeza, Internal Auditor Date | |
| Report Issued To: | | Response Required | Response Due Date |
| Arturo Garcia, Jr., Utilities 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 Humberto Delgado, Accounting Supervisor, Financial Services | | | |

Unannounced Inventory Count Control Audit Public Works Department – Warehouse Division September 16, 2020

AUDIT SCOPE & METHODOLOGY

On September 16, 2020, 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. |
|-----------------------|--------------------|----------------|-----------------------|--------------------|----------|------------------|
| Milwaukee Metal Shear | A8ODD13251097 | \$158.76 | 1 EACH | 1 EACH | 0 | N/A |
| Miller Welder | 10783 LJ070355H | \$3,917.22 | 1 EACH | 1 EACH | 0 | N/A |
| Honda Power Washer | 1020642459 | \$339.88 | 1 EACH | 1 EACH | 0 | N/A |
| Bomag Jumping Jack | 101-54036 | \$3,200.00 | 1 EACH | 1 EACH | 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> 9/17/2020 | | <u>Veronica Urbano Baeza</u> 9-18-2020 | |
| Bianca Medellin, Auditor I Date | | Veronica Urbano-Baeza, 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. | | | |
| <p>Report Distribution:</p> <p>Robert A. Eads, City Manager Riazul Mia, Assistant City Manager</p> | | | |

**Unannounced Inventory Count Control Audit
Fleet Department – Warehouse Division
September 17, 2020**

AUDIT SCOPE & METHODOLOGY

On September 17, 2020, 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 on manual journal. 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/ OBSERVATION NO. |
|-----------------------------------|-------------|-----------------|-----------------------|--------------------|----------|----------------------------------|
| LED Work Light | WLF220016RT | \$25.53 | 5 | 7 | 2 | F1 |
| Brake Pads, Front | MKD1083 | \$33.27 | 7 | 7 | 0 | N/A |
| Brakes, Front Rotors | 145341 | \$25.27 | 5 | 3 | -2 | F2 |
| Case, Battery 580M, Dodge Charger | BAT94R | \$93.99 | 3 | 3 | 0 | N/A |

Finding #1

(F1) Overage of two (2) LED Work Light was discovered during physical count. Dollar average amount of overage equals to a total of \$51.06.

Finding #2

(F2) Shortage of two (2) Brakes, Front Rotors was discovered during physical count. Dollar average amount of shortage equals to a total of \$50.54.

Recommendation

Internal Audit recommends that Fleet review their inventory listings for accuracy in order to determine cause of variances and make any necessary corrections, if needed. Regular updates of inventory purchased and issued out should be done to the Fleet inventory system, Fleet Management Software.

| | |
|--|---|
| Prepared By: <u>Bmedellin</u> <u>9/21/2020</u> | Reviewed By: <u>Veronica Urbano-Baeza</u> <u>9-22-2020</u> |
| Bianca Medellin, Auditor I Date | Veronica Urbano-Baeza, Internal Auditor Date |

| Report Issued To: | Response Required | Response Due Date |
|---|-------------------|--|
| Ronald W. Miller, Fleet Management Director | YES | 10 working days from receipt of report |
| | | |
| | | |

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



City Of Laredo Fleet Management

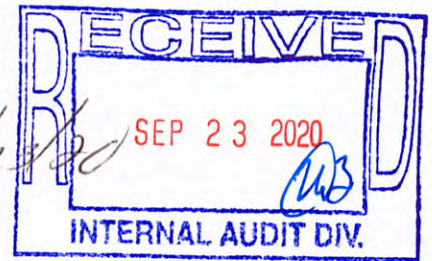


9/23/2020

To: Veronica Urbano

From: Ron Miller Fleet Management Director

Subject: Unannounced Inventory Count Control Audit



This is a response to finding F1 and F2.

F1 Overage was a set of light that where charged to unit 6235 on 8/8/2020 work order 153361. The light where left in hands of the parts staff and where never pick up. The staff place them back in the parts bend next to the LED light wlf220016rt which were not the same part#. The lights belonging to unit 6235 are the 9 WLED light. The Inventory Wlf22016rt is a 24LED. This caused the overage and has been corrected and light have been moved to avoid the confusion. (Staff has been directed next time to parts that are not pick up to email the fleet supervisors to make sure they are pick up and avoid this mix up. If the part is not needed on the assigned unit reverse the parts back into inventory.)



F2 Shortage of two brakes rotors. The rotors where located four parts down to the left. Staff had put two labels in different area. Staff has been told that this issue needs to be resolved and to check bend locations to make sure no duplications occur again.



This shows the two parts with the same part number in to location within the same shelf. Staff has been told that all parts need to be reviewed and assure they are in correct bends. The Superintendent and warehouse Supervisor have been assigned to perform a weekly random check of the inventory.

If you have any question feel free to contact me.

Fleet Department
 Fuel Inventory Audit
 July 7, 2020

STATEMENT OF SCOPE & METHODOLOGY

On July 7, 2020, 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 (WinCC and Veeder-Root systems), as well as the vendor invoices submitted for the month of November 2019 (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.
- WinCC 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 the month of November 2019 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 the month of November 2019

INTERNAL AUDIT FINDINGS, OBSERVATIONS & RECOMMENDATIONS

(F1) After reviewing the WinCC and Veeder-Root system reports, the vendor invoices provided by Fleet, and the opening and ending fuel balances for the month of November 2019 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 (-11.40%).

| | 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 | 6,579 | 5,976 | 4,486 | 6,571 | 303 | 900 |
| Gallons Delivered | 30,535 | 27,523 | 28,820 | 34,356 | 1,200 | 2,531 |
| Gallons Dispensed | 35,198 | 28,499 | 22,726 | 31,574 | 1,219 | 1,819 |
| Ending Balance Calculated | 5,666 | 5,000 | 10,580 | 9,354 | 284 | 1,612 |
| Ending Balance (in Gallons) as per Inventory Report | 5,548 | 6,958 | 9,953 | 9,406 | 548 | 1,612 |
| Variance | 118 | (1,958) | 627 | (53) | (264) | 0 |
| Percentage Change in Variance per Location | 2.13% | -28.14% | 6.30% | -0.56% | -48.14% | 0.00% |
| Average Percentage Change in Variance | | | | | | -11.40% |




Response to the Fuel Audit Report for Month of November 2019

The reconciling of the fuels system as always be a challenge. Many factors affected the variances. After the cyber-attack in May of 2019 the Trak System never work the way it was supposed to operate. Every month after that we had to do many manual correction because of system failures. On June 1, 2020 we were able to upgrade the old fuel system to new Fuel Master System. The only manual transaction we installed where three days that the upgrade was being done. We have been on the new system for two months and we have not seen any of the problems that we had seen with the prior system transactions. The month of July will be our first month with zero system transaction failures. We have adjusted to the new system and feel comfortable with its performance so far. Furthermore, we will be intergrading the Veeter-root storage tank monitoring system to the fuel master program in the near future. This will bring together the receiving of fuel and dispensing to reconcile the fuels for each month to help with the balancing of the fuel system.

In reference to the November 2019 Audit we had similar problems prior months and months leading up into the new system. Now with the new system is up and going . We will intergrade the monitoring system together to improve monthly reconciliations reports.

Thank you


Fleet Management Director

7/31/2020




**Unannounced Inventory Count Control Audit
Parks & Recreation Department – Central Warehouse Division
September 22, 2020**

AUDIT SCOPE & METHODOLOGY

On September 22, 2020, 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.

| | | | | | | |
|--|------------|-----------|---|---|---|-----|
| Blower Stihl BR450 | PR-EQ-1710 | \$ 229.99 | 1 | 1 | 0 | N/A |
| Prunner Stihl HT-131 Supervisor's Assigned Equipment | PR-EQ-1613 | \$ 578.49 | 1 | 1 | 0 | N/A |
| Concrete Saw EK - 7301 Makita | PR-WH-4584 | \$ 995.00 | 1 | 1 | 0 | N/A |
| Weedeater SRM280T - Supervisor's Assigned Equipment | PR-EQ-5733 | \$ 399.00 | 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: <u>Bmedellin</u> <u>9/23/2020</u> Bianca Medellin, Auditor I Date | Reviewed By:  <u>9-24-2020</u> Veronica Urbano-Baeza, Internal Auditor Date | | | | | | | | | | | | |
|--|--|-------------------|-------------------|-------------------|--|----|----------------|--|--|--|--|--|--|
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Report Issued To:</th> <th style="width: 25%; padding: 5px;">Response Required</th> <th style="width: 25%; padding: 5px;">Response Due Date</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Juan J. Gomez Jr., Parks & Recreation Director</td> <td style="text-align: center; padding: 5px;">No</td> <td style="text-align: center; padding: 5px;">Not Applicable</td> </tr> <tr> <td style="padding: 5px;"> </td> <td style="padding: 5px;"> </td> <td style="padding: 5px;"> </td> </tr> <tr> <td style="padding: 5px;"> </td> <td style="padding: 5px;"> </td> <td style="padding: 5px;"> </td> </tr> </tbody> </table> | | Report Issued To: | Response Required | Response Due Date | Juan J. Gomez Jr., Parks & Recreation Director | No | Not Applicable | | | | | | |
| 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. | | | | | | | | | | | | | |
| 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

Veronica Urbano-Baeza, Internal Auditor

Bianca V. Medellin, Auditor I