
City of Laredo, Texas

Internal Audit Division



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

April 23, 2021

City of Laredo
Internal Audit Division

**Consolidated Report: Unannounced Cash and Inventory
Count Controls Audits with Department Responses
March 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 **Executive Summary Consolidated Report of Unannounced Cash and Inventory Count Controls Audits** completed by the Internal Audit Division during the time period of March 2021. A total of thirty-three (33) unannounced cash and inventory audits were conducted during the month of March 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 March 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 March 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 from March 2021 through April 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	30
Unannounced Inventory Count Audits	3

Cash Control Audits

Of thirty (30) unannounced cash audits conducted in the month of March 2021, all sample cash audits reconciled, 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.

Those City departments visited for unannounced cash audits during the month of March 2021 should be commended for complying with the City’s Cash Handling Policy and maintaining strong internal controls considering many of the challenges brought on by the COVID-19 pandemic.

Inventory Control Audits

On the audits conducted on a sample of City department inventory items during the month of March 2021, only one (1) item reflected a variance when reconciling the quantity on hand with the quantity reflected on the corresponding department’s inventory listing. 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 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 SURPRISE CASH AUDITS
MARCH 2021**

FORM #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received (A)	Amount Counted (B)	(Shortly)Over (C) (B-A)	% Shortage/Overage (D) (C/A)	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments
1	7383 Bridge II (Toll Booth Collections)	BM	3/5/2021	\$ 122.50	\$ 122.55	0.05	0.04%		NO	NO	
2	7384 Bridge II (Toll Booth Collections)	BM	3/5/2021	\$ 189.00	\$ 189.00	0.00	0.00%		NO	NO	
3	7385 Bridge II (Customer Svc)	BM	3/5/2021	\$ 7,513.00	\$ 7,513.00	0.00	0.00%		NO	NO	
4	7386 Bridge II (Toll Booth Collections)	BM	3/5/2021	\$ 421.75	\$ 421.73	-0.02	0.00%		NO	NO	
5	7387 Bridge II (Customer Svc)	BM	3/5/2021	\$ 160.00	\$ 160.00	0.00	0.00%		NO	NO	
6	7388 Bridge I	BM	3/5/2021	\$ 500.00	\$ 500.00	0.00	0.00%	Petty Cash	NO	NO	
7	7389 Parks - Administration	BM	3/8/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
8	7390 Municipal Court	BM	3/8/2021	\$ 5,520.00	\$ 5,520.00	0.00	0.00%		NO	NO	Municipal Court Currently Processing Online, Mail and Drop Box Payment at Noon Everyday due to COVID-19 Restrictions.
9	7391 Police - Records	BM	3/8/2021	\$ -	\$ -	0.00	0.00%		NO	NO	Unable to Conduct Audit: Supervisor Not Available.
10	7392 Bridge III (Customer Svc)	BM	3/10/2021	\$ 2,219.00	\$ 2,219.00	0.00	0.00%		NO	NO	
11	7393 Bridge III (Toll Booth Collections)	BM	3/10/2021	\$ 246.75	\$ 246.75	0.00	0.00%		NO	NO	
12	7394 Bridge IV (Customer Svc)	BM	3/10/2021	\$ 19,372.18	\$ 19,372.18	0.00	0.00%		NO	NO	
13	7395 Bridge IV (Customer Svc)	BM	3/10/2021	\$ 12,787.01	\$ 12,787.01	0.00	0.00%		NO	NO	
14	7396 Tax (City Hall Annex)	BM	3/11/2021	\$ 5,079.12	\$ 5,079.12	0.00	0.00%		NO	NO	
15	7397 Tax (City Hall Annex)	BM	3/11/2021	\$ 7,229.64	\$ 7,229.63	-0.01	0.00%		NO	NO	
16	7398 Tax (City Hall Annex)	BM	3/11/2021	\$ 8,626.45	\$ 8,626.45	0.00	0.00%		NO	NO	
17	7399 Tax (City Hall Annex)	BM	3/11/2021	\$ 14,775.39	\$ 14,775.54	0.15	0.00%		NO	NO	
18	7400 Information Services & Telecommunications (IST)	BM	3/11/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
19	7401 Utility Billing	BM	3/11/2021	\$ 200.00	\$ 200.00	0.00	0.00%	Change Fund	NO	NO	Utility Billing Currently not Processing In Person Customer Payments due to COVID-19 Restrictions (Currently Online Only or Tax Drive-Thru)
20	7402 Solid Waste - Landfill	BM	3/11/2021	\$ 243.60	\$ 243.60	0.00	0.00%		NO	NO	
21	7403 Budget	BM	3/16/2021	\$ 100.00	\$ 100.00	0.00	0.00%	Petty Cash	NO	NO	
22	7404 Building	BM	3/16/2021	\$ 556.36	\$ 556.36	0.00	0.00%				
23	7405 Public Access Channel	BM	3/16/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
24	7406 Health - Vital Statistics	BM	3/16/2021	\$ 236.00	\$ 236.00	0.00	0.00%		NO	NO	
25	7407 Health - Lab Buena Vida	BM	3/16/2021	\$ -	\$ -	0.00	0.00%		NO	NO	Unable to conduct audit: One (1) Employee Available for Collection and Registration of Patients.
26	7408 Police - Records	BM	3/16/2021	\$ 86.50	\$ 86.50	0.00	0.00%		NO	NO	
27	7409 Animal Care Svcs.	BM	3/16/2021	\$ 50.00	\$ 50.00	0.00	0.00%	Change Fund	NO	NO	No Collections Noted at the Time of the Audit.
28	7410 Airport - Administration	BM	3/16/2021	\$ -	\$ -	0.00	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
29	7411 Parking - Zaragoza Parking Lot	BM	3/24/2021	\$ -	\$ -	0.00	0.00%		NO	NO	Unable to Conduct Audit: Collector Not Available.
30	7412 Health - Lab Buena Vida	BM	3/24/2021	\$ 1,853.02	\$ 1,853.02	0.00	0.00%		NO	NO	

III. Unannounced Inventory Count Controls Audits

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

AUDIT SCOPE & METHODOLOGY

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

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

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

AUDIT RESULTS & RECOMMENDATIONS

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

PART NAME	PART NUMBER	AVG.UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Rubber Boot #11	N/A	\$15.99	3	3	0	N/A
Key Way Stakes 12"	N/A	\$70.00	6	6	0	N/A
Rugby Leica Level	11956	\$1,200.00	1	1	0	N/A
Wacker Vibroplate	10574952	\$1,935.00	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>3/22/2021</u> Bianca Medellin, Auditor I Date	Reviewed By: <u>Elia G. Rodriguez</u> <u>03-23-2021</u> Elia Rodriguez, Interim Internal Auditor Date
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Report Issued To:	Response Required	Response Due Date
John Orfila, Public Works 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

Unannounced Inventory Count Control Audit Health Department – Pharmacy Division March 24, 2021

AUDIT SCOPE & METHODOLOGY

On March 24, 2021, a Surprise Inventory Count Audit was conducted on the Health Department – Pharmacy Division. Four (4) different inventory items were randomly selected from the inventory reports on hand. Division currently uses "Pharmacy Inventory Control System (PICS)" in order to keep a database of the division'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.) An inventory listing was requested.
- 2.) Random selection of inventory items.
- 3.) Site visit to Health Department – Pharmacy Division.
- 4.) Health Department – Pharmacy 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 finding(s)/observation(s) were noted.

PART NAME	PART NUMBER	AVG. UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Metronidazole Vaginal Gel 0.75%	RAAX	\$10.87	25	25	0	N/A
Nexplanon	S039545, S038467	\$399.00	94	94	0	N/A
Tri Lo Sprintec	100015875, 100016041	\$2.12	195	195	0	N/A
Xulane	3108091, 3105282, 3107553	\$73.84	35	35	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>3/24/2021</u> Bianca Medellin, Auditor I Date	Reviewed By: <u>Elia I. Rodriguez</u> 03-24-2021 Elia Rodriguez, Interim Internal Auditor Date
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Report Issued To:	Response Required	Response Due Date
Richard Chamberlain, Health 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
Kristina L. Hale, Assistant City Manager

**Asset Inventory Count Audit
Max Mandel Municipal Golf Course
March 26, 2021**

AUDIT SCOPE & METHODOLOGY

On March 26, 2021, an Asset Inventory Count Audit was conducted on the Max Mandel Municipal Golf Course (MAX) inventory. Twenty-Eight (28) different items were randomly selected from the Asset Inventory List provided by the City of Laredo's (City) Budget Department. The Budget Department has been given the responsibility of keeping track of all inventoried assets that have been assigned to the MAX; and the Finance Department uses the City's I-Series to record these 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 of items was requested.
- 2.) Random selection of asset(s).
- 3.) Site visit to the MAX.
- 4.) The MAX staff was interviewed.
- 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.

DESCRIPTION	ASSET NUMBER	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO
Assets \$250 - \$4,999						
Computer Desktop (Dell)	14133	\$644.00	1	0	1	F1
Desk w/Return	14132	\$459.00	1	1	0	N/A
Safe Depository	14152	\$437.80	1	1	0	N/A
Sink Unit 3 Tub	14113	\$675.00	1	1	0	N/A
Refrigerator Draft Beer	14160	\$2,530.12	1	1	0	N/A
Printer Receipt	14162	\$300.00	1	1	0	N/A
Printer Receipt	14163	\$300.00	1	1	0	N/A
Cash Register w/Scanner & Swipe Reader	NT	\$545.00	1	1	0	O1
Computer Desktop (Ava Direct)	14146	\$1,148.34	1	0	1	N/A
Computer Desktop (Ava Direct)	14207	\$1,148.35	1	1	0	N/A
Table Round 48" Granite Top w/4 Iron Grid Chairs	14172	\$986.15	1	1	0	O1
Table Square 36" Mesquite	14192	\$1,200.00	1	1	0	N/A
Reel Grinder	14123	\$4,500.00	1	1	0	N/A
Debris Blower	NT	\$3,500.00	1	1	0	O1
Assets \$5,000 & Greater						
Router Sonicwall TC105 & Communication Equipment plus Consulting Fee	14204	\$5,787.14	1	1	0	N/A
Sound System for Club House	14180	\$13,571.00	1	1	0	N/A
Refrigerator Chef Base (Under Grill)	14103	\$5,528.30	1	1	0	O1
Mower Turf Sidewinder	10365	\$11,000.00	1	1	0	N/A

DESCRIPTION	ASSET NUMBER	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO
Mower Front	NT	\$13,000.00	1	1	0	O1
Cart Utility	10375	\$8,500.00	1	1	0	O1
Mower	10378	\$12,000.00	1	1	0	N/A
Cutter Sod 18 IN	10512	\$5,620.00	1	1	0	N/A
Aerator	10514	\$16,996.50	1	1	0	N/A
Mower Fairway	10519	\$57,370.34	1	1	0	O1
Cart Utility	10521	\$8,960.84	1	1	0	N/A
Cart Utility	10523	\$8,960.84	1	1	0	N/A
Three Wheeler Bunker & Field Rake	10524	\$11,656.63	1	1	0	N/A
Cart Utility	10525	\$20,978.67	1	1	0	N/A

Finding #1:

Asset No. 14133, a Dell Computer Desktop, with a unit cost of \$644.00 was not found during the audit.

Recommendation

Internal Audit recommends the Max Mandel Municipal Golf Course staff review their inventory listings for accuracy in order to determine cause of variance and make any necessary corrections, if needed.

Observation #1

On the table reflected below, the following items were found, but did not have a corresponding asset tag number attached.

ASSET ITEM DESCRIPTION	ASSET NUMBER
Cash Register w/scanner & Swipe Reader	NT
Table Round 48" Granite Top w/(4) Iron Grid Chairs	14172
Debris Blower	NT
Refrigerator Chef Base (Under Grill)	14103
Mower Front	NT
Cart Utility	10375
Mower Fairway	10519

Recommendation

Internal Audit recommends that these items be tagged with a corresponding asset tag number if Financial Services deems these items to meet the threshold standards criteria required as per the City's Capital Asset Policy and Procedures.

A written response is required on this report for finding(s)/observation(s) noted no later than ten (10) days after receipt of this report. Response should indicate how findings would be corrected, by whom and by when. If you have any questions, please feel free to contact me at the Internal Audit Office (956) 790-1809.

Prepared by:

B Medellin

Bianca Medellin, Auditor I

Date: 3/31/2021

Reviewed by:

Elia Rodriguez

Elia Rodriguez, Interim Internal Auditor

Date: 03-31-2021

To: Dennis Gutierrez, MAX General Manager

Cc: Robert A. Eads – City Manager
Rosario C. Cabello – Deputy City Manager
Gilberto Sanchez, Jr., Budget Director

4-12-21



ER
Elin Rodriguez

Hello Bianca , the pending item was a desktop in the maintenance barn . The computer had the toro sprinkler system software on it. What seems to have happen is when toro upgraded the sprinkler system software toro took the old computer and replaced it with a newer computer that was newer and stronger to run the new sprinkler system software.

A handwritten signature in black ink, appearing to read "Dennis Gutierrez".

Dennis Gutierrez

GM@TheMax

9566124851



IV. Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Elia Y. Rodriguez, Interim Internal Auditor

Bianca V. Medellin, Auditor I