

REPORT TO THE CITY COUNCIL

BY THE CITY INTERNAL AUDITOR

AUDIT OF THE

PUBLIC WORKS DEPARTMENT

ADMINISTRATION DIVISION

INTERNAL AUDIT REPORT 080199-05

MAY 21, 1999



May 21, 1999

**Councilman John David Stewart, Chairman
Shreveport City Council**

Dear Councilman Stewart:

Subject: IAR 080199-05 - Audit of the Public Works Department, Admini

**Attached please find the report mentioned above. Management comments are included
in the report.**

Sincerely,

**Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor**

LG:jm

**EXECUTIVE SUMMARY
AUDIT OF THE
PUBLIC WORKS DEPARTMENT
ADMINISTRATION DIVISION
INTERNAL AUDIT REPORT (IAR) 080199-05**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should be used in conjunction with the entire report.

INTRODUCTION

The Administration Division within Public Works performs coordination and oversight functions for the Public Works Department. With a current staff of seven employees, the division has a 1999 annual operating budget of approximately \$434,0

OVERVIEW OF SIGNIFICANT ISSUES

We believe the division is adequately and effectively performing its duties and responsibilities.

Our audit did, however, identify some areas that management should review to further improve efficiency and internal control over operations. Our comments address the following:

- < The deficient practice of capturing and recording in the CCAR (Constituency Contact and Response) system only one type of service request, not all valid service inquiries.
- < The inefficient process of inputting CCAR requests.
- < Misclassification and inadequate allocation of expenditures.
- < Slow computer response times.
- < An absence of documented policies and procedures that should be included in a manual.

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**AUDIT OF THE
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OBJECTIVES

We have completed an audit of the Department of Public Works, Administration Division. Our objectives included the following:

- < Ascertain whether the control environment was conducive to efficient and effective operations.
- < Determine whether resources were employed efficiently and effectively.
- < Ascertain compliance with established policies, procedures, laws, and regulations.
- < Identify processes or procedures that could be improved to operate more efficiently and effectively.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with applicable generally accepted governmental auditing standards. The scope of the study of internal control was limited to assessing the general control surrounding the specific issues addressed. General audit procedures included:

- < Interviewing division personnel.
- < Observing operations and ongoing activities.
- < Reviewing records, reports, and other applicable documents.

BACKGROUND

Public Works Administration includes the Director of Public Works, his immediate staff, and the dispatchers. Primary responsibilities for employees in the division include directing, supporting, and monitoring overall departmental operations, and coordinating CCAR (Constituency Contact and Response) and other customer service requests with other divisions in the department. The division also provides administrative and budgetary leadership to the Public Works Department.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office appreciates the courtesy and cooperation extended to us by the employees during the audit of this division.

Generally, we believe that internal controls were adequate and the division was operating effectively. We did, however, recommend some actions management should consider which could improve procedural and process efficiency. Our recommendations for the division entail:

- < Recording all appropriate CCAR requests in the system.
- < Installing a computer system in the dispatcher office.
- < Classifying expenditures properly.
- < Allocating an appropriate amount of utility costs to Fleet Services.
- < Upgrading the computer lines.
- < Developing a policies and procedures manual.
- < Complying with contract authorization procedures.
- < Providing sufficient training to personnel.
- < Performing a complete inventory so that the fixed assets listing can be properly updated and maintained.

1. Constituency Contact and Response (CCAR) Procedures

Criteria Customer feedback provides management with a barometer with which to measure the accomplishment of its goals and objectives. One way employees obtain this feedback is by utilizing the City's CCAR system, a formal, automated computer system designed to capture and report citizen complaints and concerns. In order for management to effectively respond to citizens' concerns, however, the CCAR system must capture data and report information completely, timely, and accurately.

Condition: All available CCAR data is not being captured or reported in the CCAR system. Based on our review, we noted that dispatchers, who answer many incoming CCAR calls, document only one specific type of complaint. Other categories of complaints which have established CCAR codes that classify them as valid CCAR entries are never formally documented by the dispatchers and are, therefore, not captured in the system.

<AUDITORS NOTE> Based on CCAR summary reports compiled by the CAO's Office, we noted that the Public Works Department captures and reports more complaints than any other department.

Also, we observed that the process of entering some CCAR complaints was inefficient.

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Because the dispatch office has no computer system, calls are manually documented by dispatchers on a form that is subsequently submitted to other personnel for input into the CCAR system. The dispatchers' familiarity with the details of the concerns, along with the inevitable follow-up status calls they may receive about complaints, justifies the need for the dispatchers to have on-line access to the CCAR system to both enter and review calls.

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Effect:

- < Management does not have complete data to fully evaluate constituency concerns
- < Adverse publicity may occur.
- < Inefficient operations due to forms being needlessly transferred between employees
- < The potential for errors or mistakes may be reduced if dispatchers input their own calls.

Cause:

- < Dispatchers were directed to enter only one particular type of complaint, because it was felt this was the only legitimate complaint.
- < The benefits of installing computers within the dispatcher office had not been fully considered.

Recommendation: We recommend that management review the active list of CCAR codes and determine all complaint types that should be entered into the CCAR system. Thereafter, all of these complaints should be entered to ensure complete data is captured. Recording the nature of all appropriate customer service inquiries provides for better follow-up (less chance of forgetting an unresolved inquiry) and enables management to better summarize and review why citizens are calling. This may help management to identify and resolve potential problems at an early

Additionally, the dispatcher offices should have at least one computer with CCAR capability and any other necessary applications (eg, electronic mail for sending or receiving messages) that would enable dispatchers to perform their work more efficiently and effectively.

AUDITOR'S NOTE: Computerization efforts for the dispatcher offices should be delayed until the computer lines are upgraded as noted in Finding

Management's Plan of Action: Management agrees and this will be done over the next twelve (12) months pending the relocation of the dispatchers and budget constraints.

Timetable: 12 months.

2. Expenditure Misclassification and Apportionment

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CriteriaIn a good system of internal controls, basic standards require that transactions shall be properly classified and reported. To comply with this requirement, the City of Shreveport has established a written chart of accounts containing a description of each account and the types of expenditures that constitute appropriate charges to a particular account.

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In addition, good internal controls necessitate that accounts should be maintained with proper segregation according to accountability and respon

Condition: Based upon our review of financial records, we found that expenditures in 1998 of approximately \$58,000 were misclassified. Of this amount, about \$43,000 was charged to incorrect account codes (ie, charged to one account but should be charged to another account in Public Works Administration as defined by the chart of accounts) The remaining \$15,000 was charged to the administration division but constituted administrative and operational expenditures for other Public Works divisions (eg, Solid Waste, Engineering, Streets and Drainage) and, therefore, should have been charged to these other divisions.

We also noted that Public Works Administration is paying all utility costs (electricity, gas and water) for the Public Works building although Fleet Services is housed on the second floor of the Public Works facility. Because Fleet Services is now an internal service fund, these costs should be properly apportioned to this cost center, not paid from the general fund.

Effect:

- < Financial reporting may be unreliable.
- < Increased potential for fraudulent transactions to occur.
- < Management decisions may be based on erroneous information.

Cause:

- < Inadequate review and oversight of account code charges.
- < Funding did not appear to be available in the correct account codes so charges were made to accounts with available funds.
- < Absence of an established process for allocating utility costs to c

Recommendation: We recommend that management ensure that expenditures are properly classified and reflected in the financial records by index code (division) and subject (line item). If funds are overspent, management may need to request a budget amendment.

Moreover, management should request that Fleet Services begin paying the proper allocation of expenditures for utilities they consume in the Public Works facility.

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Management should consider placing additional meters for Fleet Services. If installing meters does not prove cost-beneficial, another alternative to consider is requesting reimbursement of utility costs from Fleet Services based upon the percentage of square-foot space occupied by Fleet Services in the building.

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Management's Plan of Action: Management does not have a budget or accounting type position. This is needed and will be looked into. Management does agree that items do not need to be misclassified and will work to change this trend immediately. Management will work with Fleet Services to review the best way to delegate costs.

Timetable: 12 months

3. Inefficient Computer System Response Times

Criteria One aspect of a computer's power is derived from its capability of performing operations with speed. Computer information processing that is performed at satisfactory rates of speed enable users to perform their tasks more efficiently and effectively.

Condition: Certain computer applications within the division perform instruction processing at extremely slow rates. For example, simple functions, such as opening or closing any city network application, or retrieving records from computer files may require up to several minutes to perform because of the slow response.

Moreover, other complex operations, such as producing reports, require progressively more processing time. As a result, although the system has the capability to process reports on the results of CCAR activities, they are not generated at the division due to the prolonged periods required to produce them by the system.

Effect:

- < Inefficiencies in job performance.
- < Delays in tracking, monitoring and evaluating activities, because operations' reports must be processed elsewhere and then delivered to the

Cause: Public Works Administration is in a remote location. The transmission media (i.e., cables, lines) required to connect the computer to the City's mainframe is inadequate; therefore, the processing of information is slow.

Recommendation: We recommend that Public Works Administration continue to coordinate with Data Processing to upgrade the transmission media. Some discussions have resulted in the recommendation that a T1 or fiber optics line will speed up the

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processing times. A faster line should be installed as expediently as

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Management's Plan of Action: Management concurs.

Timetable: Currently ongoing.

4. Standard Operating Procedures Manual

Criteria: A standard operating procedures manual can improve operations by providing uniformity in practices establishing clear lines of responsibility, enhancing accountability, and lessening the threat to continuity posed by employee turnover.

Condition: Public Works-Administration does not have centralized, standard, operational procedures that clearly communicate and define authority and responsibility to its employees.

Effect:

- < Operations may not be in accordance with mission.
- < Existing laws and regulations may be violated.

Cause: Management has not considered the benefits of a written policies and procedures manual.

Recommendation: We recommend that a policies and procedures manual be developed for the Administration Division. The manual should include administrative and operational policies and procedures for areas such as training, reporting, fixed assets, CCAR, customer service, and other recurring operations. The manual should be numbered and indexed, and a copy should be provided to each employee for training and reference purposes.

Furthermore, management should require other divisions within the department to develop centralized, documented policies and procedures for the

Management's Plan of Action: Management totally agrees with this item and the findings. Depending on resources, this will be done. Also, we may ask for help from City Auditor's office in setting it up.

Timetable: 24 months

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5. Contract Execution

Criteria The City Charter, Section 502(c), requires that the mayor shall "sign all contracts, bonds or other instruments or documents requiring the assent of or execution by the City..."

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Condition: The 1998 and 1999 maintenance contracts for the copier in the division were not signed by the mayor. The contracts were signed by the division manager.

Effect:

- < Violation of city law.
- < Potential for increased liability exposure to the City.

Cause: Inadequate review and understanding of city contracting procedures.

Recommendation: We recommend that management comply with the City Charter and ensure that only authorized individuals sign contracts.

Management's Plan of Action: Management agrees and this will be documented.

Timetable: Immediately.

6. Training

Criteria: Employees should be afforded opportunities for training to ensure that the objectives of economy, efficiency, and effectiveness for an organization are attained.

Condition: Administration Division employees have not received adequate training to maintain and update their job skill levels. Five employees in the seven-member division have received no type of formal training within the last two years.

Effect:

- < Possibility of inadequately and improperly trained employees.
- < Possible inefficiencies in job performance.
- < Potential for inadequate evaluation of training and development.

Cause: Management had developed no formal procedure for personnel training.

Recommendation: We recommend that management:

- < Evaluate the skills and qualifications of current employees in order to identify training needs.

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current and future training needs of individuals, groups, and the division as a whole. For example, computer training for the dispatchers will be necessary if some of their operations are automated.

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- < Maintain a centralized record of training statistics for employees so that this information can be used to adequately analyze, assess, and evaluate training needs
- < Develop a written policy on personnel training and development to be included as part of the policies and procedures manual. At a minimum, the training should provide the necessary instructions to carry out a particular job assignment. However, the training may also be of a broader nature and pertain to the development of additional skills and responsibilities required for job advancement and job promotion.

Management's Plan of Action: Management concurs as it relates to employees within the division or Administration.

Timetable: Within 12 months.

7. Fixed Assets

Criteria For not-for-profit organizations, assets are crucial and in most cases represent a substantial investment for the organization. Control over these items is necessary if management is to make an effective contribution to resource management. Therefore, it is important that evidential matter provides sufficient and competent assurance that assets physically exist and are properly reflected in

Condition: Reasonable assurance did not exist to ensure that all fixed assets assigned to the administration division were accounted for properly and adequately. From a sample of 11 assets traced from the fixed assets listing to the floor, we could not account for 7, or 64% of the fixed assets. We also attempted to trace 11 assets from the floor to the fixed assets listing and discovered that 2 (18%) had no fixed asset tags and 2 (18%) additional assets were not identified on the listing.

We also questioned the reliability and accuracy of the fixed assets listing. For example, the location coding on the listing identifying where and to what department/division an asset was assigned, was incorrect for all the assets found.

Finally, an annual physical inventory of fixed assets assigned to the administration division was not performed in 1998.

Effect:

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- < **Fixed assets records are inaccurate and unreliable.**
- < **Fixed assets are not identified as belonging to the City.**
- < **Fraud, errors, or theft of assets may occur and not be detected**

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Cause: A complete physical inventory had not been performed and the fixed assets listing had not been properly updated.

Recommendation: We recommend that management perform a complete physical inventory of the administration division and coordinate with the Accounting Department to make the requisite changes to the fixed assets listing to ensure its reliability and accuracy.

Management's Plan of Action: Management concurs.

Timetable: Within 12 months.

Prepared by:

Leanis L. Graham, CIA, CPA
Staff Auditor

Approved by:

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

LG:jm

c: Mayor
CAO
City Attorney
City Council
Clerk of Council
External Auditor