



INTERNAL AUDIT  
OFFICE  
505 Travis St.  
Suite 450  
Shreveport, LA 71101  
[www.shreveportla.gov](http://www.shreveportla.gov)  
Office: 318-673-7900  
Fraud Hotline: 318-222-5698



**Leanis L. Steward**  
City Internal Auditor

# REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

ANNUAL FOLLOW-UP  
EXTERNAL AUDIT MANAGEMENT LETTER  
AND FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015

INTERNAL AUDIT REPORT  
(IAR) 270117-02

May 16, 2017

---

Report Highlights	Page(s)
• Three findings reported as complete:	2
➤ <i>Password Policy</i>	5
➤ <i>Inaccurate Data Reported</i>	14
➤ <i>Documentation Insufficient for Procurement Testing</i>	16
• Nine findings are incomplete	4-12



The Council  
City of Shreveport

Leanis L. Steward, CPA, CIA  
City Internal Auditor  
P.O. Box 31109  
Shreveport, LA 71130-1109

E-Mail Address:  
Leanis.Steward@shreveportla.gov  
Phone: 318.673.7900  
Fax: 318.673.7911

May 16, 2017

Councilman James Flurry  
Chairman, Shreveport City Council

Dear Councilman Flurry:

Subject: IAR 270117-02 - Annual Follow-Up External Audit Management Letter and Financial Statement Findings for the Year Ended December 31, 2015

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

Sincerely,

Leanis L. Steward, CPA, CIA  
City Internal Auditor

kh

**ANNUAL FOLLOW-UP  
EXTERNAL AUDIT MANAGEMENT LETTER AND FINANCIAL  
STATEMENT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
INTERNAL AUDIT REPORT (IAR) 270117-02**

## **BACKGROUND**

This report covers the results of our annual follow-up on the December 31, 2015, external audit reports including the:

- External Audit Management Letter
- “Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards”
- “Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance”
- Schedule of Expenditures of Federal Awards

During their audit of the City of Shreveport’s 2015 annual financial statements, the external auditors brought to management’s attention certain deficiencies and other matters.

In their report and management letter dated August 31, 2016, the external auditors reported deficiencies, matters, and findings and management’s response to these items.

## **OBJECTIVES**

We have completed the annual follow-up on the 2015 External Audit Management Letter and Financial Statement Findings. The objective of a follow-up is to report on the status of corrective action regarding the report’s findings and recommendations. Procedures we performed do not constitute an audit conducted in accordance with generally accepted government audit standards. Follow-up procedures rely on the department providing the current status and supporting documentation for addressing the recommendations.

## **SCOPE AND METHODOLOGY**

The scope of the follow-up included obtaining a current statement from management explaining the status of each reported response. We limited the scope to actions taken to address the audit recommendations from the issue date of the final report, August 31, 2016.



**IAR 270117-02**  
**March 21, 2017**

---

The methodology of the follow-up included interviewing and requiring appropriate city employees to complete and sign a questionnaire that defined the status as follows:

- ◆ **COMPLETE** - Management's response was implemented.
- ◆ **PARTIALLY COMPLETE** - Management's response was partially implemented.
- ◆ **NO PROGRESS** - No action was taken regarding management's response.

The current status of each response is listed in the following index and the supporting details follow in the report. The detailed report includes the original deficiency/matter and provides, in shaded boxes, a current 2017 status and management response.

***Auditor's Note: Any attachments referenced in 2017 statuses are maintained in the workpaper file in the Internal Audit Office.***





INDEX

<u>TOPIC</u>	<u>STATUS</u>	<u>PAGE</u>
BACKGROUND	N/A	1
OBJECTIVES	N/A	1
SCOPE AND METHODOLOGY	N/A	1
INDEX	N/A	3
<b>FINDINGS:</b>		
<b><i>A. 2015 MANAGEMENT LETTER FINDINGS:</i></b>		
<b>BEST PRACTICES RELATED TO THE IT DEPARTMENT</b>		
1. Formalized Risk Assessment	No Progress	4
2. Formal Change Management Policy	Partially Complete	4
3. IT Strategic Plan	No Progress	4
4. Password Policy	Complete	4
<b><i>B. FINANCIAL STATEMENT FINDINGS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:</i></b>		
1. 2015-001 Untimely Fund Reconciliations	Partially Complete	6
2. 2015-002 Material Adjustments	Partially Complete	7
3. 2015-003 Setup of 2015 Capital Asset Additions	Partially Complete	9
4. 2015-004 Review of Fund Accounting	Partially Complete	10
5. 2015-005 Late Submission	Partially Complete	11
<b>FEDERAL AWARD FINDINGS AND RESPONSES</b>		
6. 2015-006 Schedule of Expenditures of Federal Awards (SEFA)	Partially Complete	12
7. 2015-007 Inaccurate Data Reported on the Consolidated Annual Performance and Evaluation Report	Complete	14
8. 2015-008 Documentation Insufficient for Procurement Testing	Complete	16



## A. 2015 MANAGEMENT LETTER

### 1. ML2015-001 Best Practices Related to the IT Department

**Observations:**

The City has not performed a formalized risk assessment over the IT department to properly identify risks that may be present.

The City does not have a formalized change management policy in place to ensure conversions and changes made are properly tracked, tested and approved.

The City has a high-level strategic plan that encompasses all departments of the city, including the IT department that includes high-level goals. The City does not have a separate plan to describe the processes and procedures in place that would actually achieve the plan.

The City should improve its IT password policy order to meet the best practices standard. Passwords should be at least six characters if passwords expire every ninety days, at least eight characters if passwords expire every 180 days, and there should be no more than five invalid attempts before lockout, and at least one hour of lockout time.

**Recommendation:**

1. We recommend the City develop and perform a formalized risk assessment over IT in order to properly identify and evaluate steps needed to address any identified risks.
2. We also recommend the City develop and adopt a formal change management policy.
3. We also recommend the City develop and adopt a separate IT strategic plan that describes processes and procedures that are in place to actually achieve the high level goals established in the City's strategic plan.
4. We also recommend the City change their password policy to be in accordance with best practices.

**Views of responsible officials and corrective actions:**

A security risk assessment would require the services of a third party consulting group. There is currently no funding for a security risk assessment in the IT budget. The IT Department does have a City of Shreveport Business Resumption Plan. This plan is updated annually.

The City (IT) does have part of this process currently in place - Quality Assurance (to document batch processes move from work to production) and Project Maintenance (to



**IAR 270117-02**  
**March 21, 2017**

---

track projects and allow user sign-offs). 2015 was a year-in-transition due to the move off of the Mainframe. The missing portions to get us back into a complete formal change management application include the currently-in-development Library Transfer application and the replication of the RACF security policy to the MicroFocus platform (to match the previous RACF security policy that was on the Mainframe).

Each department needs to create a 5-year IT strategic plan for their department. Once these plans are complete, the IT Department can create a 5-year IT strategic plan. This may require the services of a third-party consultant.

The City's password policy will be changed to the recommended six characters (currently 5), 90 day expiration (currently 60) and 5 invalid attempts before lockout (currently 3) to coincide with the removal of our Novell environment which will be no later than 10/31/16. Our current lockout time of 30 minutes (recommended 60 minutes) will remain as a matter of user productivity after hours.

◆ **2017 STATUS (Reported by the Deputy Director of IT) – NO PROGRESS**

**1. Management's Response:** A security risk assessment would require the services of a third-party consulting group. There is currently no funding for a security risk assessment in the IT budget. The IT Department does have a City of Shreveport Business Resumption Plan.

◆ **2017 STATUS (Reported by the Deputy Director of IT) – PARTIALLY COMPLETE**

**2. Management's Response:** A Library Transfer process has been developed but not fully tested or implemented.

◆ **2017 STATUS (Reported by the Deputy Director of IT) – NO PROGRESS**

**3. Management's Response:** The IT department needs to work with each department to determine an IT strategic plan for their department. Once these plans are complete, the IT Department can create a 5-year IT strategic plan. This may require the services of a third-party consultant.

◆ **2017 STATUS (Reported by the Deputy Director of IT) – COMPLETE**

**4. Management's Response:** The current password policy – Enforce Password History: 24 passwords remembered, Maximum Password Age: 90 days, Minimum Password Length: 6 characters, Account Lockout Duration: 30 minutes, Account Lockout Threshold: 5 invalid logon attempts, Reset Account Lockout Counter after: 30 minutes.



## **B. Financial Statement Findings Reported in Accordance with Governmental Auditing Standards**

### **1. 2015-001 Untimely Fund Reconciliations**

***Criteria or Specific Requirement:***

Accurate and timely documentation reconciliation of funds should be available.

***Condition:***

The City did not provide timely fund reconciliations along with supporting documentation for a significant number of their funds for the year ending December 31, 2015.

***Effect:***

Auditors were not able to perform the audit timely.

***Cause:***

There were various factors that contributed to the untimely fund reconciliations, along with supporting documentations. The City implemented a new accounting software early in 2015, and it appeared the system's setup and lack of training contributed to the delay. The City also delayed in assigning various fund and reconciliations that were previously handled by a key accountant who passed early in 2016. The City also experienced significant delays in obtaining actuary reports that were needed to establish year end balances.

***Recommendation:***

We recommend the City Controller take steps to ensure accountants are cross-trained in key areas and to develop a contingency plan to ensure similar delays do not occur. We also recommend accountants are given adequate training in the new accounting system so they can more efficiently perform their duties. We also recommend that management work more closely with actuaries, supply information they require more timely, and request they provide their reports as early in the year as possible.

***Views of responsible officials and corrective action plan:***

We will implement procedures to ensure fund financial statements and corresponding supporting documentation is accurate and complete and available in a timely fashion.

***Person responsible for corrective actions:***

David Creswell, City Controller



◆ 2017 STATUS (Reported by the City Controller) – **PARTIALLY COMPLETE**

**Management's Response:** Accountants are to provide controller the final financials prior to them being released to the auditors. Several funds have been reviewed and signed-off on to date. The expectation is that all final financials are completed prior to the auditors returning the week of March 20th. Information for actuaries was tested with auditors before being sent to actuaries to ensure accurate data was being sent.

## 2. 2015-002 Material Adjustments

### **Criteria or Specific Requirement:**

The internal controls of an organization should be designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

A deficiency in internal controls is defined as a condition where the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. It defines a material weakness as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements may not be prevented, or detected and corrected on a timely basis.

The identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the City's internal control is an indicator of a material weakness in internal control.

### **Condition:**

During the performance of audit procedures, we noted various funds and accounts that required material adjustments.

There was a cash clearing account with a balance of approximately (\$1,100,000) that had not been analyzed and adjusted at December 31, 2015. Various revenue, liability and receivable accounts were understated by approximately \$1,100,000.

Liability and claims expense on the retained risk fund were overstated by approximately \$11,100,000 due to errors noted in the underlying database for claims.

Liability and claims expense on the Employees Healthcare Fund were overstated by approximately \$3,200,000 due to the City not using the correct IBNR data.



**IAR 270117-02**  
**March 21, 2017**

---

An accrued interest account included in treasury group cash had a misstatement of approximately \$1,300,000 due to the City not investigating and reconciling the account. Cash was overstated by approximately \$1,300,000, fund balance was overstated by approximately \$1,200,000, and accrued interest was overstated by approximately \$100,000.

Revenue and accounts receivables were understated approximately \$1,100,000 in the Water and Sewerage Fund due to an interface error between the billing system and the general ledger software.

Therefore, certain audit adjustments were necessary to correct misstatements that were material to the City's financial statements.

***Cause:***

The cause of the condition is failure by management to design and implement effective internal controls such that there is a reasonable possibility that a material misstatement will be prevented or detected and corrected on a timely basis by management or employees, in the normal course of performing their assigned functions. The City does not have a policy in place regarding adequate and timely review and approval of bank and other account reconciliations.

***Effect:***

The financial statements required significant adjustments. The adjustments were material to the financial statements.

***Recommendation:***

The City should develop and implement procedures to ensure that material misstatements in the financial statements are identified and corrected in a timely manner. We also recommend the City implement a policy requiring bank and other fund reconciliations be reviewed and signed off once completed by an appropriate individual. We also recommend that all accounts are reviewed and adjusted properly on the general ledger.

***Views of responsible officials and planned corrective actions:***

We will implement procedures to ensure bank and other fund reconciliations are reviewed and approved monthly. We will also implement procedures to ensure timely, accurate, and complete preparation of the City's financial statements.



**Person responsible for corrective actions:**  
David Creswell, City Controller

◆ 2017 STATUS (Reported by the City Controller) – **PARTIALLY COMPLETE**

**Management's Response:** Bank reconciliations being reviewed as they are completed for 2016. The expectation will be going forward that bank and other account reconciliations are performed and reviewed monthly.

### 3. 2015-003 Setup of 2015 Capital Asset Additions

**Criteria or Specific Requirement:**

Accurate and proper documentation should be available to support balances audited.

**Condition:**

We noted that the City did not properly set up the majority of the 2015 capital asset additions in the fixed asset system, causing the asset cost to be reflected as 2016 additions. Majority of the assets were added in the system after year-end.

**Effect:**

The capital asset reports were materially misstated due to the fact that the majority of the cost of 2015 additions was not reflected in the asset reports.

**Cause:**

Proper procedures for setting up new assets in the fixed asset system were not followed causing the majority of the 2015 additions to be improperly setup, which produced materially misstated capital asset reports.

**Recommendation:**

We recommend the City ensure that all accountants are adequately trained in the Logos software and that proper procedures are followed to ensure that all assets are properly recorded in the system. We recommend that the City ensure the capital asset records are updated timely throughout the year. We also recommend that there is an adequate and timely review of the supporting capital asset reports performed by the city controller.



***Views of responsible officials and corrective action plan:***

We will implement procedures to ensure the fixed asset records are accurate and complete including 1) periodically reviewing the fixed assets records and 2) agreeing those records to the general ledger.

***Person responsible for corrective actions:***

David Creswell, City Controller

◆ 2017 STATUS (Reported by the City Controller) – **PARTIALLY COMPLETE**

**Management's Response:** A reconciliation of fixed assets was performed for October and November 2016, and this reconciliation process was demonstrated to the fixed assets accountant. Going forward, the expectation will be to reconcile the fixed assets records (both governmental and proprietary) monthly.

**4. 2015-004 Review of Fund Accounting**

***Criteria or Specific Requirement:***

Proper review of accounting for various funds, supporting documentation and journal entries should be performed.

***Condition:***

The City did not have procedures in place to adequately review year-end fund accounting, supporting documentation and journal entries prepared by the accountants.

***Effect:***

The funds could have material misstatements.

***Cause:***

The City Controller had been working part-time during the year and was not able to devote adequate time to monitor and review the fund reconciliations, supporting documentation and journal entries posted to the system.



**Recommendation:**

We recommend the new City Controller develop procedures to adequately monitor and review fund financials statements, supporting documentation and all journal entries proposed by the accountants.

**Views of responsible officials and corrective action plan:**

We will implement procedures to ensure the general ledger is properly reviewed for accuracy and completeness.

**Person responsible for corrective actions:**

David Creswell, City Controller

◆ 2017 STATUS (Reported by the City Controller) – **PARTIALLY COMPLETE**

**Management's Response:** The accountants provided the Controller the final financials along with all supporting documentation for review prior to them being released to the auditors.

**5. 2015-005 Late Submission**

*Year of Origination: December 31, 2015*

**Criteria or Specific Requirement:**

Louisiana revised statute 24:513 A (5)(a)(i) requires that audits of government agencies shall be completed within six months of the close of the entity's fiscal year. Audit reports are required to be filed with the Louisiana Legislative Auditor within this time restriction.

**Condition:**

The City's audit was not completed timely because the City's actuarial calculations necessary to record other post-employment benefit liability were not provided timely by the actuary. The City was unable to provide fund reconciliations to the auditors in order for them to complete the audit timely. The City also was delayed in providing various fund reconciliations to the auditors. As a result, the audit report for the City of Shreveport was not submitted to Legislative Auditor by June 30, 2016.

**Effect:**

The City is not in compliance with Louisiana revised statute 24:513 A (5)(a)(i).



**Cause:**

The City's audit was not completed timely because the City's actuarial calculations necessary to record other post-employment benefit liability were not provided timely by the actuary, and there were various fund reconciliations that were not timely prepared. As a result, the audit report for the City of Shreveport was not submitted to Legislative Auditor by June 30, 2016.

**Recommendation:**

We recommend the City obtain actuarial information prior to the beginning of auditor fieldwork and ensure funds are timely reconciled.

**Views of responsible officials and corrective action plan:**

We will implement procedures to ensure the City is in compliance with state audit law.

**Person responsible for corrective actions:**

David Creswell, City Controller

◆ 2017 STATUS (Reported by the City Controller ) – **PARTIALLY COMPLETE**

**Management's Response:** During 2017, we worked with the auditors and submitted the data to the actuaries as soon as we could after the year's end. We also provided the actuarial data to the auditors prior to submitting the data to the actuaries. We are currently awaiting the actuaries' responses.

## **Federal Award Findings and Responses**

### **6. 2015-006 Schedule of Expenditures of Federal Awards (SEFA)**

Program Name and CFDA #  
Pervasive across multiple programs

**Criteria or Specific Requirement:**

According to the Code of Federal Regulations Title 2 Grants and Agreement Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F-Audit Requirements, it is the auditee's responsibility to prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards. The schedule should be complete and accurate.

**Condition:**

The SEFA prepared by the auditee did not contain all of the required information and included inaccurate information. The total amount provided to subrecipients from each federal program was not identified in the schedule or related notes. Loan guarantees



**IAR 270117-02**  
**March 21, 2017**

---

were not included in the schedule with the correct amounts. Clusters of programs were not properly identified and reported in the schedule.

***Effect:***

The City is not in compliance with the auditee responsibilities per the Code of Federal Regulations.

***Cause:***

Policies and procedures are not in place to ensure complete and accurate reporting in the SEFA. The schedule is not independently reviewed by an appropriate individual other than the preparer. Responsibility for federal awards reporting is not centralized.

***Recommendation:***

We recommend the City design and implement policies and procedures for preparation and review of the SEFA to ensure the schedule is complete and accurate. In addition, we recommend that the policies and procedures include independent review of the prepared schedule by an appropriate individual other than the preparer. We also recommend that one individual be assigned the responsibility for gathering data and reporting federal awards. This individual should receive proper training on preparing the SEFA.

***Views of responsible officials and corrective action plan:***

At the time it was submitted to the auditors, we were not aware the schedule was non-compliant. After the schedule was submitted, new accounting management (Controller) started, and after being notified of the errors, the schedule was redrafted. Going forward, we will put proper procedures in place (e.g. reviews and reconciliations) to ensure a timely, accurate, and complete schedule. The Controller will prepare the schedule after proper review of the internally-generated schedule.

***Person responsible for corrective actions:***

David Creswell, City Controller

◆ **2017 STATUS (Reported by the City Controller) – PARTIALLY COMPLETE**

**Management's Response:** During 2016, we took measures to address the SEFA finding. The first thing we did was to have a City-wide meeting on October 12th with different departments to discuss the SEFA finding and what steps we would need to take to correct the finding for 2016. Attached is the sign-in sheet and meeting packet that was presented. After the meeting, we prepared an interim (three quarters ended 9/30/2016) SEFA that the auditors were able to use to gauge how far we had come since the audit. The Controller has also attended a webinar on current standards of reporting for federal awards, and have attached the slide deck for that presentation, as well as reviewing other available guidance. For the 2016 SEFA, the auditors have already noted that the SEFA process is running better this year.



## **7. 2015-007 Inaccurate Data Reported on the Consolidated Annual Performance and Evaluation Report**

Program Name and CFDA #

HOME Investment Partnerships Program, CFDA# 14.239

Community Development Block Grants/Entitlement Grants, CFDA# 14.218

### ***Criteria or Specific Requirement:***

According to the Code of Federal Regulations 24 CFR 91.520, each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan. The performance report must include a description of families and persons assisted (including the racial and ethnic status of persons assisted). For HOME participating jurisdictions, the report shall include the results of on-site inspections of affordable rental housing assisted under the program to determine compliance with housing codes and other applicable regulations. For CDBG recipients, the report shall include a description of the use of CDBG funds during the program year and the number of persons served by each activity. The report will include a comparison of the proposed versus actual outcomes for each outcome measure submitted with the consolidated plan and explain, if applicable, why progress was not made toward meeting goals and objectives.

### ***Condition:***

During review of the 2015 Consolidated Annual Performance and Evaluation Report (CAPER), inaccurate data was noted. It was noted that the table of assistance to racial and ethnic populations by source of funds, the number of persons served, and inspections reported for the Home Investment Partnerships Program were not in agreement with supporting documentation and therefore not accurately reported. It was noted that for the Community Development Block Grant reporting, the actual number of Household Housing Units served by the Emergency Repair Program and the Number of Households Supported through Rehab of Existing Units reported for the Community Development Block Grant were not in agreement with supporting documentation and therefore not accurately reported.

### ***Effect:***

The City submitted inaccurate data to HUD. The data provided in the CAPER is justification of federal funding received. Inaccuracy of this information could reduce future entitlements from HUD or require reimbursement, by the City, for failing to accomplish goals and comply with the terms and conditions of federal awards.



**IAR 270117-02**  
**March 21, 2017**

---

***Cause:***

The cause of the inaccurately reported description of families and persons assisted by the Home Investment Partnerships Program is unknown. The inspection information for the Home Investment Partnerships Program was not updated from the prior year (2014) CAPER. The Emergency Repair Program included a unit which was transferred to a different grant and the project was not paid with Community Development Block Grant funds. The reason the number of households supported through rehab of existing units for the Community Development Block Grant was not reported accurately is unknown. Policies and procedures are not in place to ensure accurate preparation and reporting in the CAPER.

***Recommendation:***

We recommend the City design and implement policies and procedures for preparation and review of the CAPER to ensure that accurate and complete information is reported to HUD. In addition, we recommend that the policies and procedures include review of the CAPER by an employee independent of the report preparation to verify its accuracy prior to submission to HUD. We recommend that the review include ensuring data reported to HUD, including data obtained from summary schedules used for reporting, agrees to underlying program data and is evaluated for reasonableness, accuracy and completeness.

***Views of responsible officials and corrective action plan:***

The department assents that information pertaining to number of HQS inspections performed was inadvertently reported. The department acknowledges that it failed to update the report to include 2015 information regarding the inspections. The CAPER is being amended to reflect the correct information.

The Emergency Repair project in question was not funded with Community Development Block Grant or HOME Investment Partnership funds; therefore, it was not required to be reported in the CAPER.

The department utilizes and has adopted policies and procedures developed by HUD for development of its CAPER. The CAPER undergoes two levels of internal review before submission to HUD. However, because HUD utilizes the information reported in the Integrated Disbursement System (IDIS) as their mechanism for evaluating the CAPER, the staff person responsible for IDIS has been included as a part of the review process.

***Person responsible for corrective actions:***

Bonnie Moore, Director of Community Development



◆ 2017 STATUS (Reported by the Director of Community Development)  
**COMPLETE**

**Management's Response:** The Community Planning and Development Representative for HUD, Ms. Dianne Moore, was informed on October 4, 2016 by e-mail regarding the deficiencies cited in our 2015 CAPER by Carr, Riggs, & Ingram CPA Firm. The adjustments were identified in section CR-50-HOME 91.520 (d) of the document and on the attached e-mail. See attachment Number One.

The Community Planning and Development representative was also informed on October 17, 2016 concerning the error with our Emergency Repair Program. The adjustments were identified in the CAPER Report under section CR-05 Goals and Objectives. The adjustments were also listed in our e-mail to Dianne Moore. See attachment Number Two.

### **8. 2015-008 Documentation Insufficient for Procurement Testing**

Program Name and CFDA #

HOME Investment Partnerships Program, CFDA# 14.239

**Criteria or Specific Requirement:**

According to the Code of Federal Regulations 2 CFR 200.318 General procurement standards, the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

**Condition:**

During procurement testing for the grant, the City was unable to provide documentation supporting contractor selection for home reconstruction projects.

**Effect:**

The City is not in compliance with the General Procurement Standards included in the Office of Management and Budget Uniform Guidance for Federal Award Requirements.

**Cause:**

Documentation supporting the procurements was not maintained on file.

**Recommendation:**

We recommend the City design and implement policies and procedures to ensure procurement records including documentation supporting contractor selection are maintained on file.



**IAR 270117-02**  
**March 21, 2017**

---

**Views of responsible officials and corrective action plan:**

It is the policy of the department to bid out all reconstruction projects in accordance with 24 CFR 85.36 and any applicable law. We concur that files had not been properly merged in the official file of record. However, the appropriate procurement process was conducted.

Bids packets were made available to all interested parties who attended the pre-bid conference on May 5, 2015. To receive consideration for bid, certified contractors must be bondable and have no more than three open contracts with the department. Three certified contractors attended the pre-bid conference. Of the three bidders in attendance, only two met the requirements. Consequently, invitations to bid were sent to the two bidders that qualified under the requirements.

We shall review and update our current procurement procedures to ensure that we have an adequate system in place, including policies, procedures, and purchasing practices that comply with all applicable laws and regulations.

**Person responsible for corrective actions:**

Bonnie Moore, Director of Community Development

◆ **2017 STATUS (Reported by the Director of Community Development)**  
**COMPLETE**

**Management's Response:** We are now ensuring that all documents are merged in the official file. We have reviewed our current procedures with the Purchasing Division and the Legal Department.

Prepared By:

Handwritten signature of Nadia Dunams in black ink.

Nadia Dunams, CIA  
Associate Auditor

Approved By:

Handwritten signature of Leanis L. Steward in blue ink.

Leanis L. Steward, CIA, CPA  
City Internal Auditor

kh

c: Mayor  
CAO  
City Attorney  
City Council  
Clerk of Council  
Carr, Riggs & Ingram  
Director of Finance