



# REPORT TO THE CITY COUNCIL AND LOUISIANA LEGISLATIVE AUDITOR BY THE CITY INTERNAL AUDITOR

## INDEPENDENT INTERNAL AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE YEAR ENDED DECEMBER 31, 2018

### INTERNAL AUDIT REPORT (IAR) 280119-05

August 30, 2019

#### INTERNAL AUDIT OFFICE

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**Leanis L. Steward**  
City Internal Auditor

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#### Report Highlights

#### Page(s)

- Exceptions were reported for 6 of the 20 procedures 3,4,5,7,9,11
- No exceptions were reported for 14 of the 20 procedures 3 - 11



The Council  
City of Shreveport

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August 30, 2019

Councilman Jerry Bowman, Jr.  
Chairman, Shreveport City Council

Dear Councilman Bowman:

Subject: IAR 280119-05 – Independent Internal Auditors' Report on Applying Agreed-Upon Procedures for the Year Ended December 31, 2018

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

Sincerely,

Leanis L. Steward, CPA, CIA  
City Internal Auditor

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## **Independent Internal Auditors' Report On Applying Agreed-Upon Procedures For the Year Ended December 31, 2018**

City of Shreveport City Council Members  
Shreveport, Louisiana  
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by management of the City of Shreveport (City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The City's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with United States generally accepted government auditing standards which incorporate attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

The procedures and associated findings are as follows.



**PROCEDURES TO BE PERFORMED IN CONNECTION WITH  
LOUISIANA LEGISLATIVE AUDITOR STATEWIDE AGREED-UPON  
PROCEDURES**

<b>Agreed - Upon Procedures</b>	<b>Results of Procedures</b>
<b>Written Policies and Procedures</b>	
<p><b>1.</b> Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):</p> <p>a) <b>Budgeting</b>, including preparing, adopting, monitoring, and amending the budget.</p> <p>b) <b>Purchasing</b>, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.</p> <p>c) <b>Disbursements</b>, including processing, reviewing, and approving.</p> <p>d) <b>Receipts/Collections</b>, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).</p> <p>e) <b>Payroll/Personnel</b>, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.</p> <p>f) <b>Contracting</b>, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.</p>	<p>The following was noted during review of the written policies and procedures:</p> <p>a) <b>No exceptions noted in the procedures performed.</b></p> <p>b) <b>No exceptions noted in the procedures performed.</b></p> <p>c) <b>No exceptions noted in the procedures performed.</b></p> <p>d) Procedure needs updating (effective date of procedure 1980). <b>Management Response: On item d) management agrees the revenue collections policies and procedures need to be updated. We have been updating all of the procedures over the last few years. Since we are implementing a new water billing system and tax system and possibly a new cashing system this has been last to be updated.</b></p> <p>e) <b>No exceptions noted in the procedures performed.</b></p> <p>f) <b>No exceptions noted in the procedures performed.</b></p>



<b>Agreed - Upon Procedures</b>	<b>Results of Procedures</b>
<p>g) <b>Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)</b>, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).</p> <p>h) <b>Travel and expense reimbursement</b>, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.</p> <p>i) <b>Ethics</b>, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.</p> <p>j) <b>Debt Service</b>, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.</p>	<p>g) No exceptions noted in the procedures performed.</p> <p>h) No exceptions noted in the procedures performed.</p> <p>i) The City does have a written draft ethics policy, but it does not include the prohibitions or penalties. However, the Personnel Rules and Regulations manual addresses the Code of Governmental Ethics, but it does not include all the prohibitions.</p> <p><b>Management Response: On i) we will work with HR to get the necessary changes made to the City's ethics policy.</b></p> <p>j) No exceptions noted in the procedures performed.</p>
<b>Board (or Finance Committee, if applicable)</b>	
<p>2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:</p> <p>a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.</p> <p>b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.</p>	<p>No exceptions noted in the procedures performed.</p>



<b>Agreed - Upon Procedures</b>	<b>Results of Procedures</b>
<p>Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.</p> <p>c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.</p>	
<b>Bank Reconciliations</b>	
<p><b>3.</b> Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:</p> <p>a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);</p> <p>b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and</p> <p>c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.</p>	<p style="text-align: center;"><b>(For items a and b)</b></p> <p>For the month of April 2018:</p> <p><b>Operating Account</b> reconciliation was prepared over 2 months (August 2, 2018) after the statement closing date.</p> <p><b>Area Transit Account</b> reconciliation did not have evidence of who prepared and date prepared, however it was reviewed June 27, 2018.</p> <p><b>Flexible Spending Account</b> reconciliation did not have evidence of who prepared and reviewed and date prepared and reviewed.</p> <p><b>Library Account</b> reconciliation did not have evidence of who prepared and date prepared, however it was reviewed September 5, 2018.</p> <p><b>Management Response:</b> All bank accounts are reviewed daily for any debits made particularly electronic transactions. While management believes our reconciliations are reviewed properly, we will insure that the preparer and reviewer are properly notated on the reconciliations.</p> <p>c) No exceptions noted in the procedures performed.</p>



<b>Agreed - Upon Procedures</b>	<b>Results of Procedures</b>
<b>Collections</b>	
<p>4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).</p>	No exceptions noted in the procedures performed.
<p>5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:</p> <p>a) Employees that are responsible for cash collections do not share cash drawers/registers.</p> <p>b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.</p> <p>c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.</p> <p>d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.</p>	No exceptions noted in the procedures performed.
<p>6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.</p>	No exceptions noted in the procedures performed.



Agreed - Upon Procedures	Results of Procedures
<p>7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:</p> <p>a) Observe that receipts are sequentially pre-numbered.</p> <p>b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.</p> <p>c) Trace the deposit slip total to the actual deposit per the bank statement.</p> <p>d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).</p> <p>e) Trace the actual deposit per the bank statement to the general ledger.</p>	<p style="text-align: center;"><i>(For items a through e)</i></p> <p><b>Airports:</b> Amount collected of \$6,519.61 was made within 2 business days.</p> <p><b>Transit:</b> Amounts collected over 3 days totaling \$1,416.38 were deposited within 2 to 4 business days.</p> <p><b>Library:</b> Amount collected of \$585 was made within 3 business days. Two checks for \$25 each were made within 10 to 11 business days not within 1 week.</p> <p><b>Management Response:</b> Management will reinforce the need to deposit all cash and checks within a timely manner.</p>
<p><b>Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)</b></p>	
<p>8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).</p>	<p>No exceptions noted in the procedures performed.</p>
<p>9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:</p> <p>a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an</p>	<p>No exceptions noted in the procedures performed.</p>



<b><i>Agreed - Upon Procedures</i></b>	<b><i>Results of Procedures</i></b>
<p>order/making the purchase.</p> <p>b) At least two employees are involved in processing and approving payments to vendors.</p> <p>c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.</p> <p>d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.</p>	
<p><b>10.</b> For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:</p> <p>a) Observe that the disbursement matched the related original invoice/billing statement.</p> <p>b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.</p>	<p>No exceptions noted in the procedures performed.</p>
<b><i>Credit Cards/Debit Cards/Fuel Cards/P-Cards</i></b>	
<p><b>11.</b> Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.</p>	<p>No exceptions noted in the procedures performed.</p>
<p><b>12.</b> Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a</p>	



<b>Agreed - Upon Procedures</b>	<b>Results of Procedures</b>
<p>debit card, randomly select one monthly bank statement), obtain supporting documentation, and:</p> <p>a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]</p> <p>b) Observe that finance charges and late fees were not assessed on the selected statements.</p>	<p>a) The monthly Fuel Card report for the Fire Maintenance Department is monitored; however, there was no evidence that it was reviewed.</p> <p><b>Management Response: Management will remind all departments that fuel card statements should be reviewed and initialed to verify that it has been reviewed and exceptions noted.</b></p> <p>b) <b>No exceptions noted in the procedures performed.</b></p>
<p><b>13.</b> Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).</p>	<p>Two Travel credit cards did not document the business/public purpose for the transactions.</p> <p><b>Management Response: Management will review the policy and procedure for travel cards to ensure that proper backup is turned in. Occasionally the traveler may turn in proper back up with the travel statement explaining a charge but may only turn in receipt with the statement and do not explain reason for charge.</b></p>
<p><b>Travel and Travel-Related Expense Reimbursements (excluding card transactions)</b></p>	
<p><b>14.</b> Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:</p>	



<b>Agreed - Upon Procedures</b>	<b>Results of Procedures</b>
<p>a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).</p> <p>b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.</p> <p>c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).</p> <p>d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.</p>	<p>No exceptions noted in the procedures performed.</p>
<b>Payroll and Personnel</b>	
<p>15. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.</p>	<p>No exceptions noted in the procedures performed.</p>
<p>16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #15 above, obtain attendance records and leave documentation for the pay period, and:</p> <p>a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)</p>	<p>No exceptions noted in the procedures performed.</p>



<b><i>Agreed - Upon Procedures</i></b>	<b><i>Results of Procedures</i></b>
<p>b) Observe that supervisors approved the attendance and leave of the selected employees/officials.</p> <p>c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.</p>	
<p><b>17.</b> Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.</p>	<p>No exceptions noted in the procedures performed.</p>
<p><b>18.</b> Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.</p>	<p>Exceptions were found by external auditors. Payroll tax forms were not always filed by required deadlines.</p> <p><b>Management Response: All state tax deposits are made on timely basis. One quarter was filed 3 months late, two others were filed 1 day late. There have been new procedures instituted to make sure all filings are done timely. All penalties incurred have been abated and returned to City. Federal tax are remitted the next day after payroll is paid.</b></p>
<b><i>Other</i></b>	
<p><b>19.</b> Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.</p>	<p>No exceptions noted in the procedures performed.</p>



Prepared By:

A handwritten signature in blue ink that reads "Tamika Ford".

Tamika Ford, CIA  
Staff Auditor III

A handwritten signature in blue ink that reads "Nadia Dunams".

Nadia Dunams, CIA  
Associate Auditor

Approved By:

A handwritten signature in blue ink that reads "Leanis L. Steward".

Leanis L. Steward, CIA, CPA

City Internal Auditor

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c: Mayor

CAO

City Attorney

City Council

Clerk of Council

Carr, Riggs & Ingram

Director of Finance