



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, 2019

INTERNAL AUDIT REPORT (IAR) 280120-02

November 12, 2020

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City Internal Auditor

| Report Highlights | Page(s) |
|--|----------------|
| • Exceptions were reported for 4 of the 13 procedures | 3,4,5,7 |
| • No exceptions were reported for 9 of the 13 procedures | 5 - 8 |



The Council
City of Shreveport

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November 12, 2020

Councilman James Flurry
Chairman, Shreveport City Council

Dear Councilman Flurry:

Subject: IAR 280120-02 – Independent Internal Auditors' Report on Applying Agreed-Upon Procedures for the Year Ended December 31, 2019

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, 2019

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, 2019 through December 31, 2019. 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**

| Agreed - Upon Procedures | Results of Procedures |
|---|---|
| Written Policies and Procedures | |
| <p>1. 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) Budgeting, including preparing, adopting, monitoring, and amending the budget.</p> <p>b) Purchasing, 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) Disbursements, including processing, reviewing, and approving.</p> <p>d) Receipts/Collections, 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) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.</p> <p>f) Contracting, 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>g) Credit Cards (and debit cards, fuel cards, P-Cards,</p> | <p>The following was noted during review of the written policies and procedures:</p> <p>a) No exceptions noted in the procedures performed.</p> <p>b) No exceptions noted in the procedures performed. However, the procedure needs to be revised or rewritten to improve clarity. Management Response: Purchasing policies and procedures were updated as of July 31, 2020; and have now been implemented</p> <p>c) No exceptions noted in the procedures performed.</p> <p>d) No exceptions noted in the procedures performed. However, the procedure needs to be updated. The effective date of the procedure is 1980. Management Response: These policies and procedures are in the process of being updated; and are scheduled for completion by September 30, 2020.</p> <p>e) No exceptions noted in the procedures performed.</p> <p>f) No exceptions noted in the procedures performed.</p> <p>g) No exceptions noted in the procedures performed.</p> |



| Agreed - Upon Procedures | Results of Procedures |
|--|--|
| <p>if applicable), 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) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.</p> <p>i) Ethics, 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) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.</p> <p>k) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.</p> | <p>h) No exceptions noted in the procedures performed.</p> <p>i) Policy does not address a system to monitor possible ethics violations nor a requirement that all employees annually sign attesting they have read the ethics policy.</p> <p>Management Response: HR has implemented a system to track compliance with the State statutes. Additional procedures and policies are being considered to monitor potential violations; and to establish a City ethics policy including annual verification of policy knowledge and adherence.</p> <p>j) No exceptions noted in the procedures performed.</p> <p>k) Policy does not address periodic testing/verification that backups can be restored nor timely application of available system and software updates. Also, the policy needs to be updated.</p> <p>Management Response: We have been in contact with IT regarding the critical need to meet the Recovery and Continuity Plan as outlined in this section.</p> |
| Bank Reconciliations | |
| <p>2. 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</p> | |



| Agreed - Upon Procedures | Results of Procedures |
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| <p>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>a) No exceptions noted in the procedures performed.</p> <p>b) No exceptions noted in the procedures performed.</p> <p>c) The March 2019 Workman's Compensation Bank Reconciliation did not include documentation reflecting research of outstanding checks older than 12 months. However, as of June 11, 2020 checks have been voided.</p> <p>Management Response: Policies and procedures for the Accounting Division are being updated with an expected completion date of September 30, 2020. Timely review and disposition of outstanding items are being included in the updated P & P Manual.</p> |
| Collections (excluding EFTs) | |
| <p>3. 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> | <p>No exceptions noted in the procedures performed.</p> |
| <p>4. 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-</p> | <p>No exceptions noted in the procedures performed.</p> |



| Agreed - Upon Procedures | Results of Procedures |
|---|---|
| <p>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> | |
| <p>5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.</p> | <p>No exceptions noted in the procedures performed.</p> |
| <p>6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #2 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>No exceptions noted in the procedures performed.</p> |



| Agreed - Upon Procedures | Results of Procedures |
|---|--|
| Credit Cards/Debit Cards/Fuel Cards/P-Cards | |
| <p>7. 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>8. 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 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) There was no evidence of review/approval of the December 2019 monthly statements for 2 travel credit cards.</p> <p>There were no exceptions regarding fuel card monthly statement reviewed. However, Internal Audit was made aware of potentially fraudulent transactions that occurred during Year 2019 on a fuel card issued to an employee in the Public Works Department, Solid Waste Division.</p> <p>Management Response: The updated policies and procedures will provide more stringent review and approval regimen for travel card statements. Finance is aware of the fuel card issues; and will include additional oversight over the approval and payment of these bills.</p> <p>b) No exceptions noted in the procedures performed.</p> |
| <p>9. Using the monthly statements or combined statements selected under #8 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>There was no documentation of business/public purposes or receipts for transactions on the December 2019 monthly statements for 2 travel credit cards.</p> <p>Management Response: As noted above, a more stringent approval regimen for travel card expenses is coming; and it will include review of business or public purposes for travel. If the business purpose of the travel or expenditure is not included with the statement and receipts, the accounts payable person will request a statement of purpose from the traveler.</p> |



| Agreed - Upon Procedures | Results of Procedures |
|---|--|
| Payroll and Personnel | |
| <p>10. 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>11. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #10 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>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>No exceptions noted in the procedures performed.</p> |
| <p>12. 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>13. 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>No exceptions noted in the procedures performed.</p> |



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c: Mayor
CAO
City Attorney
City Council
Clerk of Council
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