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City Internal Auditor

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

ANNUAL REPORT ON
OPERATIONS OF THE
INTERNAL AUDIT OFFICE
FOR YEAR 2020

March 31, 2021

Report Highlights	Page(s)
<ul style="list-style-type: none">• Reports highlighted recommendations for improving efficiency and effectiveness in City operations	2
<ul style="list-style-type: none">• Year 2021 goals are to implement audit management system and have more social media presence	5



The Council
City of Shreveport

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March 31, 2021

Councilman James Flurry
Chairman, Shreveport City Council

Dear Councilman Flurry:

Subject: Annual Report on Operations of the Internal Audit Office for Year 2020

This attached Annual Report highlights Internal Audit Office operating activities for year 2020 and goals and objectives for 2021.

Please review the report. Should you have questions or comments, feel free to contact me.

Sincerely,

Leanis L. Steward, CPA, CIA
City Internal Auditor

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INTERNAL AUDIT OFFICE
ANNUAL REPORT

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ANNUAL REPORT ON OPERATIONS OF THE INTERNAL AUDIT OFFICE FOR YEAR 2020

INTRODUCTION

The City Auditor position is established by the City Charter reporting directly to the City Council. Charged with assisting the City Council in its accountability responsibility, the City Auditor supervises appropriate staff in performing audits of City departments, divisions, agencies, boards, commissions, and activities. As outlined in the Code of Ordinances Section 2-35, the Audit & Finance sub-committee of the City Council provides functional oversight of the Internal Audit Office (IAO).

The IAO issues reports on city activities and operations that assist management and the City Council to:

- improve program performance and operations;
- ensure that resources are used efficiently and effectively;
- provide information, analysis, and recommendations to facilitate decision making by parties with responsibility to oversee corrective action;
- contribute to public transparency and accountability.

The IAO follows an annual audit plan to review critical areas of operations and areas that directly impact city residents. The Internal Audit Office applies *Government Auditing Standards* to the audits conducted which require that the office is independent, audits are accurate and objective, and the work is performed by competent staff.

This annual report, divided into three sections, illustrates how the IAO added value to the City through audits and other services for year 2020. It also provides information on the staff, their qualifications to serve the City, and their contributions to the audit profession.

Part I: Audits/Projects: describes reports completed in 2020 and the Annual Operations of the City Report.

Part II: Special Projects and Other Activities: provides information related to special projects completed, Fraud Hotline, staff qualifications and professional development, and peer review.

Part III: Future Goals and Conclusion: provides a conclusion highlighting office accomplishments for the past year and goals for year 2021.

PART I: AUDITS/PROJECTS

The work performed by the IAO is guided by the annual audit plan that outlines audits and other projects for the fiscal year. The following summarizes each completed audit or project that will result in gained efficiencies, improved operations, and reduced risks as management remediation efforts are completed. Our completed publications can be found on our website at <https://www.shreveportla.gov/363/Audit-Reports>.

A. REPORTS COMPLETED 2020

Report Name	Report Summary
<p>IAR 040120-01</p> <p><i>Audit of the Parks and Recreation Department (SPAR), Building Grounds and Maintenance Division</i></p>	<p>We recommended a robust work order system to manage maintenance operations. The system in place is outdated with no capability for management to be able to sort, compare, or analyze maintenance job information for parks and buildings. The current system can only provide static information on the jobs performed during a period of time. We reviewed the condition of selected parks and noted some maintenance issues such as fallen tree limbs, grass high, and worn out playground area. We were told this information is documented manually, but we believe with a more robust work order system to provide more insight, issues like this can be followed up more timely so citizens can have optimal parks experience during their usage. As well, inventory at one of the warehouses was being maintained with a pen and paper process. Inventory processes would benefit from the work order system to better manage resources. We also recommended the website be updated with current features available at the parks (e.g., who is offering swimming pools). Finally, we documented planning needed to prepare for the new refrigerant system regulations in 2030.</p>
<p>IAR 280120-02</p> <p><i>Independent Internal Auditors' Report on Applying Agreed Upon Procedures (AUP) for the Year Ended 12/31/2019</i></p>	<p>As required by the Legislative Auditor, all organizations in state who receive more than \$500,000 in public funds must complete the AUP report. The procedures are intended to improve accountability and transparency, and over time yield cost savings, as the potential for fraud, waste, and abuse is reduced.</p> <p>Matters reported as exceptions in the AUP report included:</p> <ul style="list-style-type: none"> • Policies and procedures for purchasing, receipts/collections, ethics, and testing of restoring computer backups were needed or required updating. • No timely follow up on reconciling items that were outstanding for over 12 months for one bank account. • No evidence of review/approval of two monthly statements for travel credit card purchases. • Two sampled travel cards did not document the business/purpose for the selected transactions. <p>Management will work to correct exceptions.</p>
<p>SR 290020-03</p> <p><i>Disclosure Statement Reporting for Board and Commission Members (2019)</i></p>	<p>To aid in transparency, city ordinance requires members of any board, commission, or other body appointed by the Mayor and confirmed by the Council must disclose business contracts with the city to the City Auditor.</p> <ul style="list-style-type: none"> • 5 of about 120 board members reported having business with the City for year 2019. • There were seven inactive boards. <ul style="list-style-type: none"> ○ We recommended Administration review the status of seven inactive boards to assess their continued significance. If the boards or commissions are not fulfilling their established functions, the governing authority should consider their abolishment.

B. ANNUAL OPERATIONS OF THE CITY REPORT

The Charter of the City of Shreveport, 1978, Section 4.25, states "... The City internal auditor shall ... (b) Issue a report to the council at least annually on all operations of the City." Our audits determine whether operations of the City are:

- Being properly conducted in accordance with standards for governmental accounting and generally accepted accounting controls;
- Operating within their budgetary controls;
- Complying with the Louisiana Constitution, City Charter, City Ordinances, and all other applicable laws and regulations;
- Being managed and utilized in an economical and efficient manner;
- Adequately insuring timeliness and reliability of information in the management information system, administrative procedures and organizational structures;
- Properly accounting for and safeguarding city property from loss; and
- Achieving objectives or benefits.

Exceptions for those issues are noted in Section A above for referenced audits and special reports issued by the IAO. Additionally, deficiencies are detailed in the most recent external auditor report categorized as follows:

- **Material Weakness**-deficiency in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis. Issues reported included: lack of controls for cash and investment account reconciliations and review; materially understated claim liabilities; material unrecorded liabilities and emergency work contracts; lack of controls over the preparation and review of the schedule of federal expenditures (SEFA)
- **Significant Deficiency** – issues less severe than material weakness yet important enough to merit attention by those responsible for oversight of the company's financial reporting. Issues reported included: journal entry made by Director of Finance without support; grant revenue misstated
- **Misappropriations** – City W&S resources and equipment were used on at least two employees private residences

PART II: SPECIAL PROJECTS AND OTHER ACTIVITIES

A. Timely Information for City Council

In addition to our audits, in 2020 we provided reports and other information to City Councilmembers to make informed decisions on important issues. Staff is assigned to research information and provide independent reviews. The resulting work is distributed to the requestor(s), generally by email/memorandum. The following summarizes the special projects completed or researched by the IAO for year 2020.

- ◆ Evaluate legislation for proposed changes to Pratt and Recycle Contracts
- ◆ Reviewed Mayor's Office 2019 Travel Expenses
- ◆ Analysis of RFP process for On-Demand Repair Services
- ◆ Sales Tax Collections Process
- ◆ Research on financial statement submission deadlines
- ◆ 2020 Budget Cuts/Reductions Analysis
- ◆ SPD Information Requests for selected logs, reports, tapes, etc.
- ◆ Research question on Caddo Housing entity
- ◆ Research on Republic management contract for landfill
- ◆ Follow Up Review on 2020 Budget Cuts
- ◆ Research on Overtime Pay for Exempt Employees
- ◆ Analysis of Proposed \$50 million W&S Bond Refunding
- ◆ Additional Analysis of Proposed \$50 million W&S Bond Refunding
- ◆ Research on retiree healthcare and Medicare questions
- ◆ Administered the independent auditor contract, stipulated by City Charter Section 4.28, for the City Council
- ◆ Research on Economic Development personnel and Lobbyist
- ◆ Research legal counsel for consent decree
- ◆ Report on legal representation for SPD
- ◆ Coordinated online streaming for three (3) Audit and Finance Committee Meetings held during 2020. Presented outstanding audit reports during two meetings.



B. Fraud Hotline

The IAO maintains a fraud hotline to report allegations of fraud, waste, and abuse. Hotline allegations may be made by phone, through the internet, or in person. During the reporting period, five allegations of possible fraud, waste, and abuse were recorded. Four allegations were closed out, with one pending allegation as of December 31, 2020.

[Please refer to the Fraud Hotline Activity Report for the period January 1, 2020 through December 31, 2020 for the summary report on this activity.]

C. Staff and Professional Development

The staff of the IAO provides the City of Shreveport with experienced professionals who are knowledgeable in governmental operations. There are seven budgeted auditor positions and one administrative staff position. During 2020, one auditor position was vacant all year due to the hiring freeze; another auditor vacancy is expected in March 2021 from retirement. Both positions are expected to be filled in 2021.



Professional degrees and certifications held by the staff include: seven Bachelor's degrees, four Master's degrees, four Certified Internal Auditors (CIA), one Certified Public Accountant (CPA), two Certified Fraud Examiners (CFE), one Certified Information Systems Auditor (CISA), one Certified

Governmental Financial Managers (CGFM), and one Certified Law Enforcement Auditor (CLEA). Certifications have rigorous standards and minimum requirements that include comprehensive written exams assessing technical knowledge and skills, along with verified education and experience requirements. Certifications also carry stringent ethical standards. Staff members acquire continuing training and education annually in order to ensure that they maintain proficiency and competency in the internal auditing field.



D. Quality Control and Peer Review

As a part of overall quality control and assurance, according to *Government Auditing Standards*, the IAO should perform an internal quality control review to analyze and summarize the results of monitoring procedures for its operations at least annually. The review identifies any systemic issues needing improvement, along with recommendations for corrective action. Internal Audit performed this assessment for activity occurring in 2020, noting no systemic issues for corrective action. Some administrative issues were documented and addressed with staff members.

Additionally, the IAO undergoes an external peer review process to ensure our office is performing high-quality audit work with competence, integrity, and independence. *Government Auditing Standards* requires external peer reviews be performed every three years. The IAO passed its most recent peer review in 2019 receiving a certificate of compliance. Our next review will occur in 2022.

PART III: FUTURE GOALS AND CONCLUSION

The Covid-19 pandemic presented some challenges to our overall audit productivity in 2020, while also exposing the value of utilizing the most current technology for our work. For year 2021, we will seek to expand our use of technology to improve and increase the depth of our audits. The City Council authorized our purchase of an audit project software management system, and our office contracted with [AuditBoard](#) in late 2020 to provide this cloud-based system. We are currently in the onboarding process, with full implementation of the system expected in May 2021. Some of the benefits of this system include: standardize audit planning, scoping and scheduling; manage finding and issue tracking; more efficiently communicate with auditees; improve reporting for time management; and help create detailed, targeted and actionable reports automatically. The AuditBoard system will be used in conjunction with data analytic tools. We are continuing to ramp up this technology as well to help identify areas in need of audit focus by pinpointing opportunities for additional revenue enhancements, as well as, isolating potential problem transactions for detailed review.

Also, our office will engage the citizens more through social media. You can currently follow us on Twitter @Shreveport_IA, and we will establish a Facebook presence in the future. We will use these communication tools to keep the public informed about our audits and *upcoming activities, where to find our reports online, and how to submit audit suggestions.*

During the year, we will continue efforts to encourage additional professional certifications for staff and expand auditor's capabilities, fortifying our commitment to delivering the highest quality work product.

We hope this report has provided helpful information to those interested in gaining an understanding of the performance of the Internal Audit Office. We look forward to offering services to the City Council and our citizens that will strengthen public accountability, improve efficiency and effectiveness of city government, and provide information to facilitate decision making. We welcome suggestions for future work our office could perform.

Prepared and approved by:



Leanis L. Steward, CPA, CIA
City Internal Auditor

ls:ts

c: Audit and Finance Committee
City Council Members
Clerk of Council
Carr, Riggs and Ingram