



REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

PERFORMANCE AUDIT OF PROPERTY STANDARDS, CONTRACTOR ROTATION PROCESS

(IAR) 100022-01

March 29, 2022

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Leanis L. Steward
City Internal Auditor

Report Highlights	Page(s)
• No policy and procedures	6
• Weed Abatement contractors exceeded the five-day limit for completing work	6
• Lack of supporting documentation	8



The Council
City of Shreveport

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March 29, 2022

Councilman James Green
Chairman, Shreveport City Council

Dear Councilman Green:

Subject: IAR 100022-01– Audit of Property Standards, Contractor Rotation Process

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

Sincerely,

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

Leanis L. Steward, CPA, CIA
City Internal Auditor

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EXECUTIVE SUMMARY

PERFORMANCE AUDIT OF PROPERTY STANDARDS, CONTRACTOR ROTATION PROCESS

Why We Did This Audit

We have completed an Audit of the Property Standards, Contractor Rotation Process. This audit was conducted as one of our regularly scheduled audits included in the Annual Audit Plan developed by the City Internal Auditor. Our objectives were to answer the following questions: What is the policy for rotating contractors and is it followed? Are contractors compensated according to Property Standards contract payment specifications for each type of violation?

What We Recommended:

- Create a policy and procedure manual
- Ensure all fields on the rotation log are completed
- Evaluate contractors' performance
- Scan hard copy documentation and follow the City's retention policy
- Insert a formula to consistently calculate payments due to contractors

Performance Audit: Property Standards, Contractor Rotation Process

What We Found

Property Standards performs inspections of residential and commercial properties and may contract with private contractors to assist with remedying violations if necessary. There were approximately 47 contractors utilized between 2018 and July 2021 to help remedy property standards violations such as Weed Abatement, Towing, Spraying, Asbestos, Demolition, and Care of Premise.

In conducting this audit, we found that contractors appeared to be rotated and paid according to departmental payment specifications for each type of violation. However, internal controls can be improved. We have identified the following areas that need improvement:

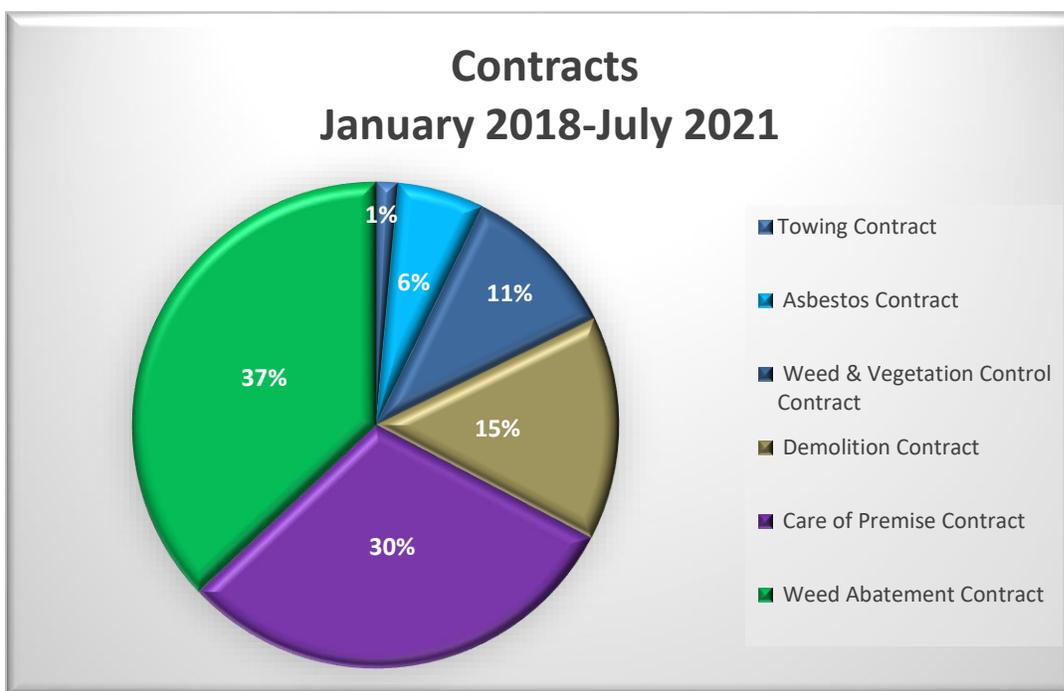
- There are no policies and procedures
- The contractor work order assignment rotation log documentation was incomplete
- Evaluations for contractors' noncompliance was not performed
- Lack of supporting documentation for Weed Abatement invoices
- Calculation of Weed Abatement costs is inefficient

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Introduction

Property Standards' primary mission is to preserve the community's safety and well-being by striving to prevent and reverse property deterioration patterns within the City of Shreveport. Compliance with City Property Standards is achieved by enforcing Chapter 38 of the City Ordinances. Property Standards inspectors inspect residential and commercial properties, and they may outsource a private contractor to assist with curing a city violation. Forty-seven (47) different contractors were utilized between January 2018 and July 2021 for jobs ranging from Asbestos Removal, Care of Premise, Demolition, Towing, Weed & Vegetation Control, and Weed Abatement. The chart below illustrates the percentage of contracts issued by violation type:



Source: The City Financial Accounting System

For this audit, we focused on contractor rotation and payments to contractors. This report contains two findings with five recommendations. [Appendix A](#) contains the risk descriptions for the recommendation risk levels throughout the report.

The objectives of this audit were to answer the following questions:

- What is the policy for rotating contractors and is it followed?
- Are contractors compensated according to Property Standards contract payment specifications for each type of violation?



Scope and Methodology

The scope of this audit was limited to the Property Standards Department review of contractor rotation and payments to contractors. The period reviewed was January 2018–July 2021. To answer our objectives, we reviewed relevant internal controls and developed audit procedures that included, but were not limited to, the following:

- Interviewing staff to enhance understanding of the process
- Reviewing City Ordinances pertaining to Property Standards
- Reviewing and performing test work on files and any other applicable documentation
- Reviewing a sample of invoices to determine compliance with contract specifications

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.

The Internal Audit Office expresses appreciation to the management and personnel of the Property Standards Department for their cooperation and assistance provided during the audit.





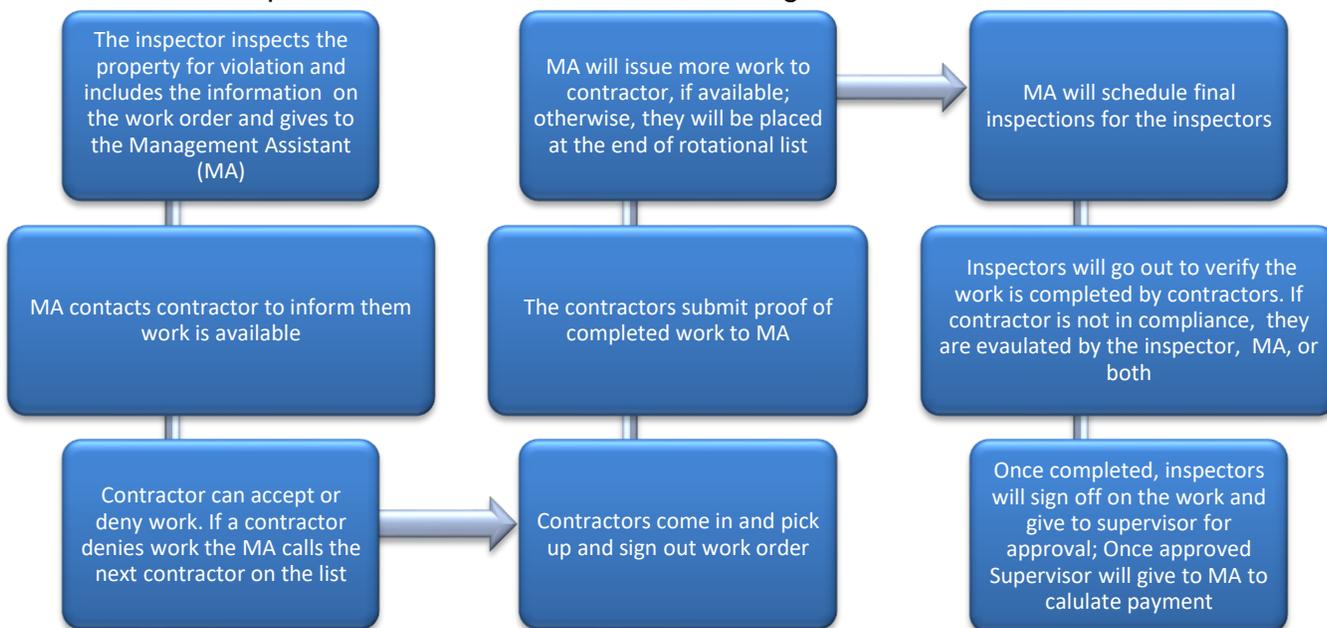
FINDINGS AND RECOMMENDATIONS



Objective: What is the policy for rotating contractors and is it followed?

Finding: Contractor Rotation Practice

The contractor rotation process is a practice and not a formal policy. Contractors are added to the rotation log as they submit their award letters received from the Purchasing Department to Property Standards. The inspectors generate the violations, and the management assistants rotate the work among contractors. Once a contractor has submitted their assigned work, and if Property Standards has additional work, they will give that contractor more work; otherwise, that contractor goes to the end of the rotation list. See illustration of the process for Weed Abatement, Towing, Care of Premises, and Demolition:



Although it appears that contractors were rotated in an equitable manner, processes can be improved.

Policies and procedures are beneficial to help establish a standard of performance and consistent practices for the department and provide guidance for employees. We identified that there are no written policies and procedures for the department or the contractor rotation process.

Additionally, we found that the rotation logs documentation was incomplete. For example, staff did not always document work order pickup and return date(s) into the Weed Abatement Log for contractors arriving to pick up work and returning proof of completed work. The Weed Abatement Contract stipulates contractors must complete work within five (5) business days of receipt of the work order. If not, written documentation must be provided as to why the work was not completed within five (5) business days by the contractor. The Weed Abatement Log showed that 50 out of 56 work order occurrences exceeded the five (5)



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business day limit between January and June of 2021; the most days exceeded by a contractor was 26 days. The management assistant can evaluate contractors for noncompliance for delays, or availability. There was no documentation of a written notice, extension, or an evaluation form for contractors who held work longer than five business days. Evaluating and rating contractors' overall performance will hold them accountable for complying with the contract. Maintaining complete and accurate documentation will allow management to identify when and why violations are not remediated in a timely manner.

Recommendation 1: Create written policies and procedures for the department and define the contractor rotation process and communicate and issue these policies to Property Standards' staff. **Risk: Medium**

Recommendation 2: Consistently complete all the fields on the rotational log and include the dates that contractors pick up work and return proof of work. **Risk: Medium**

Recommendation 3: Require contractors to provide a written explanation as to why they did not or could not meet the five (5) business day deadline per contractual agreement. Keep an electronic copy of contractors' written explanations to document whether the delay(s) comply with the contract and document each time a contractor's work is not in compliance with the contract. Evaluate all contractors at the end of the contract period to determine eligibility to work with the City of Shreveport the next year. **Risk: Medium**

Management Response:

Recommendation 1: We will have the written policies and procedures completed no later than February 28, 2022.

Due Date: In Progress

Recommendation 2: Supervisor will make sure that staff is adhering to the policies that will be in place on February 28, 2022 and make weekly checks on the progress.

Due Date: In Progress

Recommendation 3: We will have better documentation on the contractors with proof of the evaluation or extension being granted.

Due Date: In Progress



Objective: Are contractors compensated according to Property Standards contract pay specifications for each type of violation?

Finding: Payment to Contractors

Documentation should be verifiable, precise, and consistent. According to the Government Accountability Office (GAO), efficient documentation serves as a means of retaining organizational knowledge, mitigating the danger of such knowledge being limited to a few employees, and communicating that knowledge to external parties, such as auditors, as needed.

We reviewed a total of 26 invoices to determine if contractors were compensated according to the department contract pay specifications. There were no exceptions in the following categories: Towing, Spraying, Demolition, and Care of Premise. However, Internal Audit could not validate four out of ten invoices reviewed for Weed Abatement due to missing square footage on the invoices or a lack of supporting documentation (workorder or plat). Additionally, documentation was not maintained consistently. When we reviewed the record associated with the address for some invoices in MyGovernmentOnline (MGO), the work order documentation was not attached; therefore, hard copy documents were reviewed instead. MGO is an automated software utilized by Property Standards for inspections, workorders, and document management.

We also found that once the contractor submits an invoice, the payment is computed by the management assistant using a calculator. The total is added to a spreadsheet and submitted to Accounting as an attachment to the contractor's invoice. Transferring data from the calculator to a spreadsheet increases the risk of human error by mis-keying a number. Payment to contractors for a Weed Abatement lot is based upon the following chart:

Weed Abatement Lot Category

<u>LIGHT:</u>	Use of tractor mower to cut grass, weeds, and overgrowth not exceeding 24 inches in height. Requires relatively little equipment and utilization of relatively simple cleaning processors. Requires removal of debris generated by contractor work activity. (\$7.50 Per 1,000 Square Ft.)
<u>MEDIUM:</u>	Use of tractor mower to cut grass, weeds, and overgrowth exceeding 24 inches in height but not greater than 4 feet and trim the fence row to same height of finished grass cut. Generally requires the use of a front-end loader and trucks to clean up existing debris and contractor generated debris. (\$8.50 Per 1,000 Square Ft.)
<u>HEAVY:</u>	Use of heavy industrial type mowing equipment to cut grass, weeds, and overgrowth exceeding 4 feet in height. Generally requires the removal of small 6" circumference trees, large amounts of trash and debris. Requires the use of a front-end loader and a dump truck to clean up existing debris and contractor generated debris. (\$11.00 Per 1,000 Square Ft.)

Source: Property Standards Specifications for Weed Mowing and Debris Removal



The amount paid to the contractor is the total square ft. (length x width) times the height rate of grass (lot category) divided by 1,000. The Property Standards spreadsheet does not contain square footage or lot category. Formulas or functions can be added to spreadsheet cells to calculate data consistently and correctly. The sections of the spreadsheet containing formulas can also be password protected to prevent removal or distortion.

Recommendation 4: Develop policies and procedures and require electronic documentation and indicate what should be posted to MGO to ensure consistency. Additionally, we recommend following the City’s documentation retention policy to prevent a document from being lost or destroyed prematurely. **Risk: High**

Recommendation 5: For the Weed Abatement payment process, we recommend inserting the formula and lot category based on contract payment specification within the invoice spreadsheet to calculate payments and save time. **Risk: High**

Management Response:

Recommendation 4: We will adhere to the policies and procedures that will be in place by February 28, 2022.

Due Date: In Progress

Recommendation 5: We will change the payment process and add to the policies and procedures that will be in place by February 28, 2022 and adhere to them accordingly.

Due Date: In Progress

Prepared by:

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Staff Auditor

Approved by:

Leanis L. Steward, CPA, CIA
City Internal Auditor

nd:ts

- c: City Council
- Clerk of Council
- Mayor
- Chief Administrative Officer
- Carr Riggs and Ingram
- City Attorney
- Property Standards Director



Appendix A: Findings Risk Ranking Criteria

The chart below summarizes our evaluation of risk for the recommendations outlined in the report. Each recommendation was assessed at a high, medium, or low risk level based on a qualitative assessment of exposure and/or corrective action priority.

Risk Levels	Risk Description
High Risk	Represents a significant level of risk exposure to city assets, public safety, or achievement of objectives or mission. Corrective action should have the highest priority.
Medium Risk	Represents a moderate level of risk exposure to the city from extensive operating inefficiencies or high-level non-compliance issues. Corrective action should occur expeditiously.
Low Risk	Represents a minimal level of risk exposure to the city from inefficiencies or low-level non-compliance issues. Corrective action should occur as appropriate.