



Annual Report on Operations of The Internal Audit Office for Year 2022

March 21, 2023

Report Highlights

Page(s)

- Won a National Award for our audit report 5
- Successfully passed our triennial peer review 6
- Utilize technology to streamline and standardize work activities 6



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

March 21, 2023

Councilman James Green
Chairman, Shreveport City Council

Dear Councilman Green:

Subject: Annual Report on Operations of the Internal Audit Office for Year 2022

This attached Annual Report highlights Internal Audit Office operating activities for year 2022 and goals and objectives for 2023.

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 2022

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 city Administration and the City Council to:

- improve program performance and operations;
- ensure that resources are used efficiently and effectively;
- facilitate decision making by providing information, analysis, and recommendations to 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 2022. It also provides information on the staff and their qualifications to serve the City.

Part I: [Audits/Projects](#) describes reports completed in 2022 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 2023.

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 chart summarizes each completed audit or project for year 2022 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 the links below.

REPORTS COMPLETED YEAR 2022

Audit Report Name	Report Summary
<p>IAR 22-01</p> <p><u>Property Standards, Contractor Rotation Process</u></p>	<p>Property Standards used approximately 47 contractors during the review period to help remedy property standards violations, such as weed abatement, towing, and demolition. For distribution of the work, management rotates contractors to assist in remedying these violations. We reported the following areas to improve:</p> <ul style="list-style-type: none"> • No written policy and procedures for the contractor rotation process. • Weed Abatement contractors exceeded the five-day limit for completing work. • In some cases, work order pick up and return dates were not always filled in on the rotational log. • Square footage cut was not shown for some weed abatement invoices to ensure payment accuracy.
<p>IAR 22-02</p> <p><u>Disclosure Statement Reporting for Board and Commission Members (2021)</u></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 to the City Auditor any business contracts with the city.</p> <ul style="list-style-type: none"> • 6 of 120 board members reported having business with the city for year 2021. • There were four inactive boards. <p>We recommended Administration review the status of four 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.</p>
<p>Audit No. 22-03</p> <p><u>Independent Internal Auditors' Report on Applying Agreed Upon Procedures (AUP) for the Year Ended 12/31/2021</u></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>Exceptions in the AUP report included:</p> <ul style="list-style-type: none"> • Documented policies and procedures needed for system to monitor ethics violations, also, specify use of antivirus software and timely application of software patches/updates. • Duties not divided for reviewing bank reconciliations and posting to ledger for two bank accounts. Also, untimely bank reconciliation and review of W&S account. • Duties not divided for collecting and depositing cash at SPAR Event Services. Also, two exceptions for not depositing cash within one day; or one week, if more than 10 miles from collection location. • No evidence of review/approval of one monthly statement for two procurement cards, and documentation did not state public purpose for three cards. • Two employees received minor incorrect retroactive pay amounts and one employee did not have documented approval for leave. • LLA Online Fraud Report Submission Form direct link does not provide context or explanatory information for completing form. • The annual Sexual Harassment Report required by RS 42:341 was not written and dated on or before February 1st. • Management will follow up on exceptions and appropriate measures will be taken.

Audit Report Name	Report Summary
<p>Audit No. 22-04</p> <p><u>Public Records Request Process</u></p>	<p>State law regulates the release of public records. For this audit we focused on the Police Public Records Request and the fulfillment of request through the City Attorney's Office. We reported the following:</p> <ul style="list-style-type: none"> • Written notification was not sent to the requester when filling request exceeded 5 days. • No written policies for public records request for the City Attorney's Office. • Police General Order 402.02 (<i>Index: Release of Records; Criminal History; Mugshots; Photographs</i>) needs to be updated regarding fee schedule and City Attorney role in process. • There is only one machine and clerk to fulfill video requests, and this delays processing requests when clerk is absent or machine malfunctions. • Technology is available that can replace the primarily manual process currently in place for fulfilling public records requests. The software will improve tracking of requests, enhance responding to requests, route request electronically, monitor time spent on requests, and send automatic notifications. • No guidance on the Police website about submitting public records requests.
<p>Audit No. 22-05</p> <p><u>Airport – Maintenance of Passenger Boarding Bridges (PBB)</u></p>	<p>This audit was requested by the City Council and the Chief Administrative Officer due to concerns with the maintenance of PBBs.</p> <p>We Recommended Airport Management:</p> <ul style="list-style-type: none"> • Develop operating policies and procedures that address daily operations of maintenance division. • Ensure timing of inspections for reviewing cleanliness and operational checks outlined in separate policies are consistent. • Establish and continue schedule for the more thorough preventive maintenance for bridges. • Ensure work orders for PBBs are completed timely and determine feasibility of work order system upgrade. • Establish a training policy and maintain records of training.
<p>Audit No. 22-06</p> <p><u>Public Works – Streets and Drainage, Sidewalk Operations</u></p>	<p>Public Works Streets and Drainage Division is responsible for maintaining approximately 820 miles of sidewalks and inspects sidewalks based on request. We reported: The city absorbed the cost of sidewalk repairs and violated the Ordinance that requires citizens to maintain sidewalks. There is no maintenance program for sidewalks. Because performance measures were not being accurately captured, the amount of sidewalk repaired could not be determined. Inventory controls for release of materials needed improving, and warehouse employees had inadequate visibility over materials for proper oversight.</p> <p>*****KNIGHTON AWARD WINNING AUDIT REPORT*****</p>

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 above for referenced audits and special reports issued by the IAO. Additionally, deficiencies are detailed in the most recent external auditor report and are 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. Material weaknesses reported included: *the operating, payroll, and water & sewer bank accounts were not reconciled at year end to the financial statements; general fund property standards accounts receivables are not tracked and it has not been determined if receivable amounts are collectible; various funds and accounts for the financials including revenue, receivables, deferred revenue, transfers, expenses, and capital assets required material adjusting entries.*
- **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. Significant deficiencies reported included: *three people with incorrect employment dates in personnel files; six employees received ERS contributions calculated at an incorrect rate.*
- **Compliance and Other Matters** – other issues that should be addressed. *The City was late in submitting its financial statements by the required June 30th deadline. Legislative Auditor was reviewing financial records of City. The City did not have evidence of ethics training for 11 of 60 employees tested. State law requires a budget amendment when revenue was less than budget by more than 5%, but this was not done for the Debt Service Fund. Previous CFO was still listed on financial reports although no longer employed. Cash was misclassified as a receivable instead of in the restricted category in financial statements. Eight pension files could not be timely located.*

PART II: SPECIAL PROJECTS AND OTHER ACTIVITIES

Timely Information for City Policy Makers

In addition to our audits in 2022, 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 2022.

- ◆ Performed detailed cost analysis on 13% proposed raises for public safety and non-public safety employees.
- ◆ Completed annual processing for external audit contract.
- ◆ Reviewed W&S Facility improvements budget documents.
- ◆ Compiled mayor's travel expenses for 2021.
- ◆ Reviewed bid for restoration of City facility.
- ◆ Provided documentation on sidewalks repair.
- ◆ Held orientation for new A&F Committee chairman.
- ◆ Researched information on electronic traffic enforcement contract.
- ◆ Followed up on A&F Committee request regarding city membership payments.
- ◆ Researched Convention Center Hotel funding operating deficits and funding request.
- ◆ Researched laws for property tax payments.
- ◆ Coordinated online streaming and meeting logistics for Audit & Finance Committee Meeting held during 2022.



National Audit Report Award

The City of Shreveport IAO received a national award for its audit work in 2022, the Distinguished Knighton Award for the audit report titled [Public Works – Streets and Drainage, Sidewalk Operations](#). The Knighton Award recognizes the best performance audit reports issued by its 300 local

government audit organization members. We are extremely honored to earn this prestigious award, because judges from peer organizations determined this report was among the best audit reports issued in 2022. Audits are evaluated for several criteria, including potential for significant impact, recommendations on effective and efficient government, and clarity of communication style.



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, six allegations of possible fraud, waste, and abuse were recorded. Six allegations were closed out as of December 31, 2022. Please refer to the [2022 Fraud Hotline Activity Report](#) for the summary report on this activity.

Staff and Professional Development

IAO staff provides the City of Shreveport with professionals knowledgeable in governmental operations. There are seven budgeted auditor positions and one administrative staff position. Professional degrees and certifications held by the staff included: seven Bachelor's degrees, two Master's degrees, four Certified Internal Auditors (CIA), one Certified Public Accountant (CPA), one Certified Fraud Examiner (CFE), and one Certified Law Enforcement Auditor (CLEA). Certifications have rigorous standards and minimum requirements that include comprehensive 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, maintain professional certifications, and actively participate in professional organizations.

Peer Review and Quality Control

During 2022, the IAO successfully passed our third consecutive [external peer review](#). To make sure we have objective well-supported audit reports, we are reviewed by an external review team every three years. The peer reviewers concluded on August 25, 2022, that our office operated in compliance with *Government Auditing Standards* during the period January 1, 2019 through December 31, 2021. The *Government Auditing Standards* are issued by the U.S. Comptroller General to provide a framework for performing high-quality audit work with competence, integrity, and independence. Our next review will occur in 2025.

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 2022, noting no systemic issues for corrective action. Some administrative issues were documented and addressed with staff members.

PART III: FUTURE GOALS AND CONCLUSIONS

The Covid-19 pandemic exposed the value of utilizing the most current technology to complete our work. Year 2022 was our first full year of using the cloud-based [AuditBoard](#) project management system to improve and increase the efficiency, collaboration, and oversight of our audits. Some of the benefits of this system includes standardize and streamline audit planning, scoping, testing, and reporting in

one integrated platform; provide IAO management with greater visibility into audit projects and progress; manage finding and issue tracking; more efficiently communicate with auditees; improve efficiency of reporting for time management; and, help generate audit reports automatically. As time goes on, we hope to realize significant benefits by employing maximum functionality of the system to support our audit process from inception to completion. The AuditBoard system will be used in conjunction with data analytic tools 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.

The process for selection of the City's external auditor for a four-year term is scheduled for 2023. The Audit and Finance Committee plays a central role in selecting the City's external auditor and is supported by the IAO in carrying out its duties. Specifically, the Committee recommends the selection of the external auditors to the City Council, negotiates the fee for those services, oversees the external auditors, and receives the briefing on the results of each annual external audit.

In 2023, the IAO will be replacing two vacant positions lost through attrition. We have a well-qualified and dedicated staff, who are committed to improving city operations through our work. Enhancing staff knowledge attained through professional certifications is an ongoing goal for our office. We will continue efforts to encourage additional professional certifications for staff and expand auditor's capabilities for 2023, 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 by:



Leanis L. Steward, CPA, CIA
City Internal Auditor

Is:ts

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