



Annual Report on Operations of the Internal Audit Office for Year 2023

February 14, 2024

Report Highlights

Page(s)

- Notable issues for 2023 reports 2
- Coordinated external audit selection process 7
- Utilize technology to streamline and standardize work activities 7

INTERNAL AUDIT OFFICE
505 Travis St., Suite 450
Shreveport, LA 71101
www.shreveportla.gov
Office: 318-673-7900
Fraud Hotline: 318-222-5698



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

February 14, 2024

Councilman Alan Jackson
Chairman, Shreveport City Council

Dear Councilman Jackson:

Subject: Annual Report on Operations of the Internal Audit Office for Year 2023

This attached Annual Report highlights Internal Audit Office operating activities for year 2023 and goals and objectives for 2024.

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

Sincerely,

Leanis L. Steward
Leanis L. Steward, CPA, CIA
City Internal Auditor

ts

INTERNAL AUDIT OFFICE
ANNUAL REPORT

TABLE OF CONTENTS

INTRODUCTION..... 1

PART I: AUDITS/PROJECTS..... 2

NOTABLE ISSUES REPORTED FOR YEAR 2023..... 2

ANNUAL OPERATIONS OF THE CITY REPORT..... 5

PART II: SPECIAL PROJECTS AND OTHER ACTIVITIES..... 6

TIMELY INFORMATION FOR CITY POLICY MAKERS 6

FRAUD HOTLINE 6

STAFF AND PROFESSIONAL DEVELOPMENT..... 6

PEER REVIEW AND QUALITY 6

PART III: FUTURE GOALS AND CONCLUSIONS..... 7

ANNUAL REPORT ON OPERATIONS OF THE INTERNAL AUDIT OFFICE FOR YEAR 2023

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, recommendations to parties with responsibility to oversee corrective action; and,
- 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 2023. It also provides information on the staff and their qualifications to serve the City.

Part I: [Audits/Projects](#) describes reports completed in 2023 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 2024.

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 notable issues in audit or project for year 2023 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.

NOTABLE ISSUES REPORTED FOR YEAR 2023

Audit Report Number/ Name	Report Summary																
<u>23-01</u> <u>Performance Audit of SPAR-Cemetery Operations</u>	<p>The City of Shreveport owns three and operates four municipal cemeteries and SPAR-Maintenance Division oversees the maintenance of the cemeteries. Our audit recommended:</p> <ul style="list-style-type: none"> ➤ Establish written policies and procedures for permitting/approving burials, reporting, and updating the cemetery database. ➤ Perform a cost/benefit analysis to determine feasibility of fixing the current cemetery management system or purchasing a new system. ➤ Add/update signage, maps, and information at cemeteries for improved citizen location of plots and navigation of grounds. 																
<u>23-02</u> <u>Performance Audit of Human Resources, Benefits Division-Health Care Trust Fund</u>	<p>The Health Care Trust fund has a deficit that has grown to \$13.6M as of 2021. The following recommendations addressed this issue:</p> <ul style="list-style-type: none"> ➤ Develop and implement well documented procedures for assessing the plan's financial position. Separate financial reports gave differing assessments of the fund's financial condition. ➤ Explore opportunities for cost-savings through changes in benefits and alternative plan design. ➤ Consider requiring all retirees who are eligible to enroll in Medicare to continue coverage on the City's plan, which may result in reduction in claims costs if Medicare is the primary payer. 																
<u>23-03</u> <u>Public Works Department Follow-Up Special Report</u>	<p>The purpose of performing audit follow-up procedures is to determine whether appropriate corrective actions have been taken to remedy the reported deficiency. The report includes 22 recommendations followed up on from three prior audits in the Public Works Department: The statuses of the recommendations for each prior audit:</p> <div data-bbox="529 1409 1370 1822" style="text-align: center; border: 1px solid gray; padding: 10px;"> <h4>Recommendation Status</h4> <table border="1" style="margin: 0 auto; border-collapse: collapse;"> <thead> <tr> <th>Division</th> <th>No Progress</th> <th>Complete</th> <th>Partially Complete</th> </tr> </thead> <tbody> <tr> <td>SOLID WASTE DIVISION</td> <td>0</td> <td>0</td> <td>4</td> </tr> <tr> <td>STREETS AND DRAINAGE</td> <td>0</td> <td>2</td> <td>4</td> </tr> <tr> <td>PROPERTY MANAGEMENT DIVISION</td> <td>2</td> <td>5</td> <td>5</td> </tr> </tbody> </table> <p>Legend: ■ No Progress ■ Complete ■ Partially Complete</p> </div>	Division	No Progress	Complete	Partially Complete	SOLID WASTE DIVISION	0	0	4	STREETS AND DRAINAGE	0	2	4	PROPERTY MANAGEMENT DIVISION	2	5	5
Division	No Progress	Complete	Partially Complete														
SOLID WASTE DIVISION	0	0	4														
STREETS AND DRAINAGE	0	2	4														
PROPERTY MANAGEMENT DIVISION	2	5	5														

Audit Report Number/ Name	Report Summary
<p><u>Audit No. 23-04</u></p> <p><u>Independent Internal Auditors' Report on Applying Agreed Upon Procedures (AUP) for the Year Ended 12/31/2022</u></p>	<p>As required by the Legislative Auditor, all organizations in the state of LA 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. Reconciling item for Workmen's Comp was outstanding over 12 months with no research documented. • Duties not divided for collecting and depositing cash at Police. Also, two exceptions for not depositing cash within one day; or one week, if more than 10 miles from collection location. • One of five electronic disbursements did not have required number of signers. • No evidence of review/approval of one monthly statement for two procurement and one fuel cards, and documentation did not state public purpose for both procurement cards. • 2nd Quarter payroll tax paid late. • Management will follow up on exceptions and appropriate measures will be taken.
<p><u>Audit No. 23-05</u></p> <p><u>Limited Scope Performance Audit Water and Sewerage Billing Software Contract</u></p>	<p>Our main objective for this audit was to determine compliance with the W&S Billing Software contract the City has with Rostech Inc. for provision of billing services. Specifically, we followed up on concerns reported by the external auditor related to the type and number of accounts for billing. We identified certain billing terms that require clarification, particularly "closed" accounts and "to collection" accounts. Confusion regarding how these terms are defined between the billing system and the contract can lead to errors in how these accounts are billed. We recommended management amend the contract terms to clearly define all account types including "closed" and "to collection" accounts. In addition, management will request the account types be properly shown on the invoices.</p>
<p><u>Audit No. 23-06</u></p> <p><u>Performance Audit of Vendor Master File and 1099 Processes</u></p>	<p>The vendor master file contains vital information about vendors the City does business with including name, address, contact, information, and tax id number. Accurate and complete records in the file helps to ensure payments are authorized and correct. We found some minor discrepancies regarding missing and inconsistent vendor information for W-9's and tax id numbers in the accounting system. We recommended accurate entry and updating of vendor information to ensure its accuracy and completeness.</p>

Audit Report Number/ Name	Report Summary
<p><u><i>Audit No. 23-07</i></u></p> <p><u><i>Performance Audit of Cybersecurity</i></u></p>	<p>We completed an audit of the Information Technology Department’s Cybersecurity. The report is confidential and exempted from public disclosure pursuant to the provisions of the Louisiana Public Records Law Title 44. (b)..., any documentary material or a security feature of a public body’s electronic data processing systems, information technology system, telecommunications network, or electronic security system, including hardware or software security, password, or security procedure, process, configuration, software, and code is not a public record.</p>
<p><u><i>Audit No. 23-08</i></u></p> <p><u><i>Performance Audit of Fuel Cards</i></u></p>	<p>City employees can fuel City vehicles mainly at six City-owned fueling sites and at local gas stations that accept the Fuelman Fleet Purchasing card. The fuel cards are provided through contract with FleetCor, and the City’s Fleet Services Division is responsible for managing the fuel card process which is supported through an online card management system provided by the contractor. We identified some areas for improvement including: Develop a fuel card application/agreement form for the issuance of fuel cards and PINs; having a fuel card administrator in each department responsible for safeguarding fuel cards in a centralized location, install surveillance cameras or device that allows for accurate recording of vehicle and odometer to detect misuse at the City-owned fueling sites, more consistently and timely review fuel card statements for violations of procedures, and cancel terminated employees’ fuel cards timely.</p>
<p><u><i>Special Report No. 23-09</i></u></p> <p><u><i>Disclosure Statement Reporting for Board and Commission Members (2022)</i></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"> • 5 of 120 board members reported having business with the City for year 2022. • There were two inactive boards. <p>We recommended Administration review the status of two 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>

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 Part I above for referenced audits and special reports issued by the IAO. Additionally, other deficiencies are detailed in the most recent external auditor report by CRI 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: *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; compensated absence amount report contained material errors; an accurate schedule of federal expenditure report was not prepared timely; no reporting for coronavirus fiscal recover funds;*
- **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. *There were no Significant deficiencies reported.*
- **Compliance and Other Matters** – other issues that should be addressed. *The City did not have evidence of ethics training for 18 of 60 employees tested. Outstanding payroll checks over a year of approx. \$40,000 should have been sent to state, outstanding operating checks over 4 years of about \$44,000 should have been sent to state. State law requires a budget amendment when revenue was less than budget by more than 5%, but this was not done for 8 funds; Cash was misclassified as a receivable instead of in the restricted category in financial statements. Loss of \$15,000 when City lease proceeds were not utilized because interest expense was greater than interest earned; 10 missing personnel files; sole source policy needs to be updated to include research of sole sources.*

PART II: SPECIAL PROJECTS AND OTHER ACTIVITIES

Timely Information for City Policy Makers

In addition to our audits in 2023, 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 2023.

- ◆ Gathered and reviewed documentation for advisory opinion request to State Ethics Board regarding contract and payments for Administration official.
- ◆ Provided monthly contract listing.
- ◆ Ongoing Louisiana Legislative Auditor investigation
- ◆ Coordinated online streaming and meeting logistics for three Audit & Finance Committee Meetings held during 2023.



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, 14 allegations of possible fraud, waste, and abuse were recorded. Eleven allegations were closed out and three remained open as of December 31, 2023. Please refer to the [2023 Fraud Hotline Activity Report](#) for the summary report on this activity.

Staff and Professional Development

The IAO staff is talented, professional, and credentialed. There are seven budgeted auditor positions and one administrative staff position. During 2023, we hired one auditor and promoted one auditor. Professional degrees and certifications held by the staff included: six Bachelor's degrees, three Master's degrees, three Certified Internal Auditors (CIA), one Certified Public Accountant (CPA), and one Certified Risk Management Assurance (CRMA) auditor. Certifications have rigorous standards and minimum requirements that include comprehensive exams assessing technical knowledge and skills, along with verified education and experience requirements. 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. During 2023, staff members served on the local chapter of the Institute of Internal Auditor Board, and the national Association of Local Government Auditors committees, as well as participated in an external quality control review for another local government organization.

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. 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 2023, noting no systemic issues for corrective action. Some administrative issues were documented and addressed with staff members.

Coordination of External Auditor Selection Process

During 2023, the Internal Audit Office coordinated the independent auditor selection process for the City Council required by City Charter Section 4.28. This responsibility involved preparing a comprehensive request for proposal (RFP) to convey all requirements to proposing firms, coordinating with Purchasing to issue the RFP, coordinating with the Audit & Finance committee to evaluate and recommend firm to full City Council, and overseeing contract administration for the selected firm.

PART III: FUTURE GOALS AND CONCLUSIONS

The Internal Audit Office utilizes the cloud-based [AuditBoard](#) project management system to improve and increase the efficiency, collaboration, and oversight of our audits. The system has yielded major benefits to support our audit process from inception to completion. During 2023, we upgraded our plan for an additional three-year period, anticipating improved efficiency. 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.

In 2024, the IAO will be replacing one vacant position. Our staff is well-qualified and committed to improving City operations through our work. Further enhancing staff knowledge attained through professional certifications is an ongoing goal for our office. One staff member completed her certification in risk management assurance (CRMA) during 2023. We will continue efforts to encourage additional professional certifications for staff and expand auditors' capabilities for 2024, fortifying our commitment to developing the next generation of leaders and auditors.

Our ongoing efforts in 2023 to promote the fraud hotline included utilizing the City's intranet and IAO's social media page to advertise the program to employees, in addition to upgrading the promotional materials in stands placed throughout City government buildings. For 2024, we will sharpen our marketing activities to better educate employees on what information is needed to successfully carry out a fraud investigation.

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

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