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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 2021

March 14, 2022

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<b>Report Highlights</b>	<b>Page(s)</b>
<ul style="list-style-type: none"><li>• Recommendations made in 2021 for improving efficiency and effectiveness of City operations</li></ul>	2
<ul style="list-style-type: none"><li>• Year 2022 goals include employing full functionality of newly implemented audit project management system and passing the peer review</li></ul>	6



The Council  
City of Shreveport

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March 14, 2022

Councilman James Green  
Chairman, Shreveport City Council

Dear Councilman Green:

Subject: Annual Report on Operations of the Internal Audit Office for Year 2021

This attached Annual Report highlights Internal Audit Office operating activities for year 2021 and goals and objectives for 2022.

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 2021

## 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 2021. It also provides information on the staff and their qualifications to serve the City.

**Part I: [Audits/Projects](#)** describes reports completed in 2021 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 2022.

## 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 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 2021

Audit Report Name	Report Summary
<p><b>IAR 070021-01</b></p> <p><b>Fire Fighter Division, Fire Department</b></p>	<p>We reported that documented policies and procedures for this area are clear, specific, updated as needed, and communicated to personnel. We identified the Fire Department did not meet the nationally recognized guidelines for turnout and travel response times for fire suppression incidents. We also found 21 (70%) of 30 fire fighters sampled did not complete all the required annual hours for one or more of the training categories. Our recommendations were to improve and monitor response times for fire incidents and continue to monitor and ensure that required training hours are completed.</p>
<p><b>IAR 100021-02</b></p> <p><b>Geographic Information Systems (GIS), Engineering Department</b></p>	<p>We identified the following issues: Documented policies and procedures needed to be put in place for GIS workflows. User security needed to be strengthened because nonemployees were still listed as active on the user list for online use of the GIS software. There were no city-wide standards regarding data creation, collection and maintenance for the software. The quality of the dataset layers maintained by GIS administrator should be improved to include update frequency, layer descriptions, and responsibility for layers. Performance measure should be created and tracked to help determine utilization and GIS system effectiveness. The GIS webpage needed to be updated to be more informative and visually appealing for all users.</p>
<p><b>SR 290021-03</b></p> <p><b>Disclosure Statement Reporting for Board and Commission Members (2020)</b></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"> <li>• 4 of 120 board members reported having business with the City for year 2020.</li> <li>• There were four inactive boards. <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> </ul>
<p><b>IAR 050521-04</b></p> <p><b>Procurement Card Program, Purchasing Division</b></p>	<p>To evaluate the efficiency and effectiveness of the City's Procurement Card (P-Card) program, the audit reviewed and evaluated P-card activity within City departments, tested transactions for compliance with P-Card policy, evaluated controls over the use of City P-cards, and reviewed the P-card policy for completeness and adequacy. Generally, internal controls were adequate to ensure P-cards transactions were accurate and properly approved and recorded. However, we did identify where improvements should be made to the administration of the Program. Specifically, we recommended updating the policies that govern the process; improving documentation for cardholder agreements and applications; improving the guidance and training provided to cardholders and staff approving purchases; addressing security risks for online purchases; strengthening user security access controls to P-</p>

Audit Report Name	Report Summary
	card data; and ensuring documentation can support that purchasing cards are used for business purposes.
<b>IAR 060321-05</b> <b>False Alarms Program, Police and Fire Departments</b>	Chapter 6 of the Code of Ordinances provides regulations over false alarms activities for Police and Fire Departments. We reported non-compliance with the ordinance because there was no false alarm billing in place for the Fire Dept. with uncollected fines of approx. \$35,000 annually. For the Police Dept., we noted incomplete license and registration data for alarm companies; inaccurate billing for false alarm fines; and insufficient collection efforts for delinquent false alarm accounts. We recommended improved compliance with the False Alarm ordinance and better internal controls over false alarm fine billings and collections, including upgrading functionality of the software used for false alarm operations.

## 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 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: *material errors in compensated absences report; bank reconciliations for operating and payroll accounts required significant journal entries to reconcile cash; wire population was not complete and accurate; employer contributions for health insurance to Health Care Fund not transferred and various instances of employee contributions not paid in the correct amounts; OPEB data related to benefits and insurance elections provided to actuary was not accurate; 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. Significant deficiencies reported included: *lack of proper approvals of journal entries*

## PART II: SPECIAL PROJECTS AND OTHER ACTIVITIES

### A. Timely Information for City Policy Makers

In addition to our audits in 2021, 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 2021.

- ◆ Follow up on vehicle battery core theft to determine what controls were in place
- ◆ Follow up research on retiree healthcare costs
- ◆ Analysis on W&S Current Debt and Expenditures
- ◆ Review of Mayor's Office Specified Travel Expenses for years 2019 & 2020
- ◆ Research on payment to Caddo Parish Sheriff Office for aid for special event
- ◆ Research on incorrect final pay for terminated employee
- ◆ Follow up with Administration on GFOA report recommendation regarding changing payroll frequency from semi-monthly to bi-weekly
- ◆ Research on W&S Billing Sewer Quantity Charge Calculation
- ◆ Calculations and research on incorrect W&S billing for Pratt Paper (2017-2019)
- ◆ Analysis on employee demographics for paid maternity leave discussion
- ◆ Follow up analysis on Police Litigation billed hours and amount
- ◆ Detailed analysis on description and outcomes for Civil Service Board Cases for Police litigation billed hours and amounts
- ◆ Coordinated online streaming and meeting logistics for two (2) Audit and Finance Committee Meetings held during 2021.



### 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, four allegations of possible fraud, waste, and abuse were recorded. Three allegations were closed out, with two pending allegations as of December 31, 2021.

**[Please refer to the Fraud Hotline Activity Report for the period January 1, 2021 through December 31, 2021 for the summary report on this activity.]**

### C. Staff and Professional Development

The staff of the IAO provides the City of Shreveport with professionals knowledgeable in governmental operations. There are seven budgeted auditor positions and one administrative staff position. During 2021, two entry-level auditors were hired to fill vacant staff positions.

Professional degrees and certifications held by the staff include: 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. During 2021, one staff member achieved the Certified Internal Auditor designation. 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 2021, 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 is scheduled to occur this year, in 2022.

## PART III: FUTURE GOALS AND CONCLUSION

The Covid-19 pandemic continued to present challenges to our overall audit productivity in 2021, while also exposing the value of utilizing the most current technology to complete our work. During 2021, we converted from an in-house developed electronic work paper system to 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 include: standardize audit planning, scoping, and communication; 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.

As part of overall quality control and assurance, our office is scheduled to undergo an external peer review during 2022. The purpose of the peer review is to determine if our office is conforming with professional requirements set out by government auditing standards. The peer review will be coordinated through the Association of Local Government Auditors, a professional organization dedicated to promoting local government auditors around the globe working together, making a difference for the public good.

Enhancing staff knowledge attained through professional certifications is a continuing goal for our office. I am pleased to report that one staff member achieved the distinguished certified internal auditor designation during 2021. We will continue efforts to encourage additional professional certifications for staff and expand auditor's capabilities for 2022, 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