



REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

ANNUAL REPORT ON OPERATIONS OF THE INTERNAL AUDIT OFFICE FOR YEAR 2018

January 29, 2019

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Report Highlights

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- Reports highlighted recommendations for improving efficiency and effectiveness in City operations 2-4
- Future initiatives include utilizing technology to enhance audit efficiency and undergoing a peer review 6-7



The Council
City of Shreveport

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January 29, 2019

Councilman Jerry Bowman Jr.
Chairman, Shreveport City Council

Dear Councilman Bowman Jr.:

Subject: Annual Report on Operations of the Internal Audit Office for Year 2018

This attached Annual Report highlights Internal Audit Office operating activities and quality control results for year 2018 and goals and objectives for 2019.

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 2018

INTRODUCTION

The City Auditor position is established by City Charter, Section 4.25, 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. To ensure the appropriate level of independence and objectivity for the areas audited, the City Internal Auditor reports administratively to the City Council Chairman and operationally to the Audit & Finance sub-committee of the City Council. The charter provides the City Auditor complete access to all City books, records, information, and documents.

The Internal Audit Office (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 that utilizes risk analysis to review critical areas of operations. Additionally, the city charter provides that the City Auditor submit information and reports to the council from time to time as it may require. 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, in three sections, illustrates how the IAO added value to the City through audits and other services for year 2018. It also provides information on the staff and their qualifications to serve the City.

Part I: Audits/Projects: describes reports completed in 2018, audits in process, 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 internal quality control results.

Part III: Future Goals and Conclusion: provides a conclusion highlighting office accomplishments for the past year and goals for year 2019.

PART I: AUDITS/PROJECTS

The work performed by the IAO is guided by the annual audit plan. The plan outlines audits and other projects for the fiscal year. The following summarizes each audit and project (completed and in process) outlined in the plan.

A. REPORTS COMPLETED 2018

Report Name	Report Summary
<p>IAR 650018-01</p> <p><i>Audit of the City Of Shreveport Employee Benefits - Family and Medical Leave Act (FMLA) and Sick Leave Donation</i></p>	<p>Our objectives were to determine how familiar employees are with FMLA and Sick Leave Donation (SLD) programs, and evaluate the controls in place to meet compliance with City procedures, ordinances, and Federal and State laws concerning these benefits. We found:</p> <ul style="list-style-type: none"> Employees have some general knowledge about FMLA and SLD but there is room for improvement. Supervisors and timekeepers, who administer the programs within the department, desired additional training regarding overseeing these programs. The Human Resource Department's records of FMLA leave and SLD usage was incomplete and inconsistent. Confidential records were stored in boxes that were not adequately protected. The SLD policy conflicted with the City Ordinance, as well as IRS leave-sharing guidelines. <p>We recommended:</p> <ul style="list-style-type: none"> FMLA and SLD training be included in new employee orientation, and also included in timekeeper and supervisor training. HR document all relevant information, work with IT to develop a leave tracking system, and properly secure confidential documents by locking in metal file cabinet. Hard copy records should be converted to secure electronic files. SLD Ordinance should be updated to define eligibility and comply with IRS leave-sharing guidelines.
<p>IAR 280118-02</p> <p><i>Independent Internal Auditors' Report on Applying Agreed-Upon Procedures (AUP) for the Year Ended December 31, 2017</i></p>	<p>A new reporting requirement by the Legislative Auditor for 2017 going forward, 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 included:</p> <ul style="list-style-type: none"> Policies and procedures for budgeting, purchasing, disbursement, receipts, payroll/personnel, contracting, ethics, and debt service were needed, or required updating. Governing body did not receive all monthly financial statements for review. All bank accounts were not reconciled every month. 4 of 5 sampled collection locations had one person who was performing conflicting duties of collecting and depositing cash. Some individuals had conflicting duties of adding vendors and processing payments. 6 of 10 credit cards sampled did not have evidence of review, and some purchases did not have documentation of business/public purpose. Payroll taxes were not remitted timely twice during year. Retirement contributions and reports were submitted late to the State. <p>Management will work to correct exceptions.</p>

Report Name	Report Summary
<p>SR 290018-03</p> <p><i>Disclosure Statement Reporting for Board and Commission Members (2017)</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"> • 7 of about 120 board members reported having business with the City for year 2017. • To further improve transparency, we recommended the Administration list all current boards, duties, appointment/designation requirements on the City's Website. We also 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.
<p>IAR 070118-04</p> <p><i>Audit of the Fire Department – EMS Functions</i></p>	<p>We examined the EMS functions and reported the following issues.</p> <ul style="list-style-type: none"> • Average response times standards for ALS (Advanced Life Support) were not met. In addition, there were errors in the ALS response times calculated, and staging time was not properly factored into the calculation. <ul style="list-style-type: none"> ◦ Management responded that additional medic units are required to meet call volumes. Also, a better "one reporting" system is needed to properly collect response time data. • The third party billing processor contract was not current. <ul style="list-style-type: none"> ◦ Management agreed and will correct. • There were not formal procedures for the warehouse operations and inventory counts showed significant discrepancies. <ul style="list-style-type: none"> ◦ Management agreed and will correct.
<p>IAR 650018-05</p> <p><i>Audit of the City of Shreveport Field Operations Division, Department of Water and Sewerage</i></p>	<p>The report highlighted the following:</p> <ul style="list-style-type: none"> • Implementation of the CityWorks software has been slower than expected because some division employees were not familiar with using computers. We recommended management complete the training of employees in utilizing the system to control and manage its work and reporting. • Training on the SOP's under the consent decree work has been limited, and some employees having critical roles were not provided copies of the SOPs governing their roles until recently. Management should have mandatory comprehensive training program for all employees. • There is no formal oversight of the system to address citizens' concerns, and reports are not efficiently produced to manage the process. Management should utilize electronic reporting to make sure the appropriate follow up is done. • The process to restore streets to normal use after infrastructure repair could be sped up administratively by implementing a repair/maintenance blanket order instead of the regular PO process. We recommended the use of blanket contracts rather than purchase orders.
<p>IAR 100018-06</p> <p><i>Audit of the Department of Engineering & Environmental Services, Property Management Division – Adjudicated Property Process</i></p>	<p>In reviewing the adjudicated property process, we reported the recommendations below:</p> <ul style="list-style-type: none"> • Management should improve oversight of the property auction contractor, CivicSource, including reconciling charges and fees, and obtaining more details on properties sold. • The Intergovernmental Agreement between Caddo Parish and the City for properties adjudicated to both governments and sold through the Parish, should spell out specific payment terms. • Written policies and procedures should reflect Property Management operations. • Create and maintain an electronic database of all property sold with key information included and convert paper records to electronic files. • Implement key performance indicators for the \$1 Program.

Report Name	Report Summary
IAR 060118-07 Audit of the City of Shreveport Property Management Unit (Evidence Room) Shreveport Police Department	We examined the operations of the Evidence Room and recommended management: <ul style="list-style-type: none"> • Restore full surveillance system security to the evidence room and obtain a local vendor for its video security system contract to more effectively service the system. • Complete a full inventory of evidence during 2019, acquiring barcode identification technology to facilitate this goal. • Seek an inter-agency evidence disposal policy, as permitted by state law, to relieve build-up of inventory items. • Establish an evidence log to provide a central control point for items of evidence checked out to other agencies; and follow up on their return. • Provide unique locations for evidence to more efficiently locate and retrieve items.

B. AUDITS IN PROCESS 2018

Audit/Project	Estimated Percentage Of Completion
Public Works – Streets and Drainage	90%
Community Development-Workforce Development	70%
City Financial Condition	70%
Airports - Security	40%
Public Works – Solid Waste	10%

C. 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.” With the exception of those issues noted in this report and the referenced audits and special reports, we believe the operations of the City are generally:

- 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.

PART II: SPECIAL PROJECTS AND OTHER ACTIVITIES

A. Routine Activities/Memorandums

Our office has also completed memorandums and other projects at the request of the City Council and Audit and Finance Committee. Staff is assigned to research information and provide independent reviews. This work may require detailed research and analysis but may not result in a formal report issued by the Internal Audit Office. The resulting work is distributed to the requestor(s), generally by memorandum. The following summarizes the special projects completed by the IAO for year 2018.

- ◆ Researched SPAR Chemical Bid Complaint – resulted in rebidding of chemicals
- ◆ Researched Architecture & Engineering Selection Committee Background Information
- ◆ Researched Police Funeral Escorts – Outstanding Balances and Receipts
- ◆ Researched and confirmed pension calculation discrepancies for certain retirees and current employees
- ◆ Analyzed cost savings and property taxes received for properties sold under the \$1 Adjudicated Property Program

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, six (6) allegations of possible fraud, waste, and abuse were recorded and one allegation was carried forward from prior years. Six (6) allegations were closed out, with one pending allegation as of December 31, 2018.

[Please refer to the Fraud Hotline Activity Report for the period January 1, 2018 through December 31, 2018 for the summary report on this activity.]

C. Professional Development

The current staff of the IAO provides the City of Shreveport with experienced professionals who are knowledgeable in governmental operations. There are seven professional auditors and one administrative staff member. Professional degrees and certifications held by the staff include: eight Bachelor's degrees, four Master's degrees, four Certified Internal Auditors (CIA), two Certified Public Accountants (CPA), three Certified Fraud Examiners (CFE), two Certified Information Systems Auditors (CISA), two Certified Governmental Financial Managers (CGFM), three Certified Law Enforcement Auditors (CLEA), and one Certified Management Accountant (CMA). Most certifications have rigorous standards and minimum requirements that include comprehensive written exams assessing technical knowledge and skills, and verified education and experience requirements. Certifications also carry stringent ethical standards.

Staff members acquire continuing training and education in order to ensure that they maintain proficiency and competency in the internal auditing field. Audit staff members also maintain membership in several professional associations. These associations provide opportunities for

continuing education and for maintaining proficiency and knowledge of current issues affecting the government and auditing professions. Current affiliations include the Association of Local Government Auditors (ALGA), Louisiana Society of Certified Public Accountants, Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (CFE), Government Finance Officers Association, Association of Government Accountants, and the International Law Enforcement Auditors Association. Staff members serve as officers on ALGA national committees including professional issues, conference planning, and advocacy.

D. Internal Quality Control 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 2018, noting no systemic issues for corrective action. Some administrative issues were documented and addressed with staff members.



E. Other Activities

The IAO participated in the Junior Achievement program, where staff members taught an elementary school class a five-session course on understanding business and economics. Our office also facilitated training through the Human Resources Leadership Academy to educate City employees concerning what Internal Audit does, internal controls, and the fraud, waste, and abuse hotline. During the coming year, we look forward to reaching additional employees through this training.

PART III: FUTURE GOALS AND CONCLUSION

For 2019, we will continue to expand our use of data analysis technology to improve and increase the depth of our audits. We believe these tools will help us 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. We will establish social media accounts (twitter, etc.) to keep the public informed about our audits and upcoming activities, where to find our reports online, and how to submit audit suggestions.

As a part of overall quality control and assurance, our office is scheduled to undergo an external peer review during the third quarter of 2019. The purpose of the peer review is to determine if our office is conforming with professional requirements as set out by government auditing standards. The peer

review will be coordinated through the Association of Local Government Auditors, and two independent reviewers are scheduled to perform this review and document results.

Enhancing staff knowledge attained through professional certifications and training was a goal for 2018. I am pleased to report that one of our staff members achieved the distinguished certified internal auditor designation during 2018. During 2019, 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.

Finally, during 2019, the Internal Audit Office will coordinate the independent auditor selection process for the City Council, stipulated by City Charter Section 4.28. This responsibility will involve preparing a comprehensive request for proposal (RFP) to convey all requirements to proposing firms, coordinating with Purchasing to issue the RFP, coordinating Audit & Finance meetings to evaluate and recommend firm, and overseeing contract administration for the selected firm.

We hope this report has provided helpful information to those interested in gaining an understanding of the performance of the Internal Audit Office. During the coming year, 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.

Prepared and approved by:



Leanis L. Steward, CPA, CIA
City Internal Auditor

ls:dw

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