

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

ANNUAL REPORT ON OPERATIONS OF THE INTERNAL AUDIT OFFICE FOR YEAR 2009

April 14, 2010



April 14, 2010

Councilwoman Joyce Bowman
Chairwoman, Shreveport City Council

Dear Councilwoman Bowman:

Subject: Annual Report on Internal Audit Office Operations for Year 2009

This report is to provide the members of the Audit & Finance Committee and other members of the City Council with information on the activities of the Internal Audit Office for year 2009. The attached information describes audits and other projects and activities completed or initiated during year 2009.

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

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

c: Audit and Finance Committee
 City Council Members
 Clerk of Council

INTERNAL AUDIT OFFICE
ANNUAL REPORT

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INTRODUCTION

The mission of the Office of Internal Audit is to provide independent and objective reviews and assessments of the City's activities, operations, financial systems, and internal controls. We do this by providing the City Council with independent and objective reports regarding the work of city government.

The Office of Internal Audit seeks to accomplish this mission by assisting management in:

- carrying out continuous quality improvement of department operations and programs;
- promoting operational effectiveness and efficiency;
- ensuring that adequate safeguards exist over City assets;
- ensuring adherence to City policies and procedures; and,
- investigating fraud, waste, and abuse.

The Office of Internal Audit follows an annual audit plan that utilizes a combination of rotation and risk analysis to review critical areas of operations. To ensure the appropriate level of independence and objectivity, the City Internal Auditor reports to the Audit & Finance Sub-Committee of the City Council.

The Internal Audit Office FY 2009 Annual Report presents our service efforts and accomplishments. The Annual Report contains the following three parts:

- Part I: Audit Administration describes progress on audits performed by the Internal Audit Office.
- Part II: Non-Audit Activities provides information related to the Fraud Hotline, Special Projects, and Professional Development.
- Part III: Provides a brief conclusion highlighting a few of the future short and long-term projects currently under development.

PART I: AUDIT ADMINISTRATION

The work performed by the Internal Audit Office is guided by the annual audit plan. The plan outlines audit projects for the fiscal year. The following summarizes the current status (completed or in process) of each audit and project outlined in the plan, along with the budgeted versus actual hours.

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A. AUDITS COMPLETED

		<u>BUDGETED HOURS</u>	<u>ACTUAL HOURS</u>	<u>(OVER) UNDER</u>
IAR 220709-01:	2008 Annual Follow-Up	570	694	(124)
IAR 080409-02:	Audit of DOS, Fleet Services Division	474	1296	(822)
SR 600009-03:	* Special Report: Travel Expenses for Office of the Mayor Personnel	*	*	*
IAR 080309-04:	Audit of DOS, Environmental Affairs Division	400	566	(166)
IAR 070309-05:	Audit of the Fire Department, Fire Prevention Division	500	894	(394)
IR 09-06:	* Investigative Report: Alleged Misconduct in the Department of Community Development, Housing Bureau, Neighborhood Revitalization Program	740	1230	(490)
IAR 180209-07:	Audit of the Debt Service Fund and Debt Management for the City of Shreveport	600	1176	(576)
IAR 100009-08:	Audit of the City Marshal's Office	500	986	(486)
IAR 220809-09:	Annual Follow-Up, External Audit Management Letter and Financial Statement Findings for the Year Ended December 31, 2008	200	20	180

* Miscellaneous Audit/Unscheduled projects/Fraud Hotline

B. AUDITS/PROJECTS IN PROCESS

	<u>BUDGETED HOURS</u>	<u>ACTUAL HOURS</u>	<u>(OVER) UNDER</u>	<u>EST. % OF COMPLETION</u>
Fraud Hotline 08-008	*	24	*	75%
Shreve Memorial Library	550	3105	(2555)	80%
Shreveport Home Mortgage Authority	665	1028	(363)	50%
Police Department – Communications Division	390	696	(306)	50%
DOS – Engineering	420	203	217	40%
DOS – Wastewater	420	920	(500)	60%
DOS – Public Works - Landfill	510	266	244	50%
Finance – Accounting – Payroll	425	294	131	40%
Shreveport Green Contract	420	373	47	50%
2009 Annual Follow Up	630	300	330	90%

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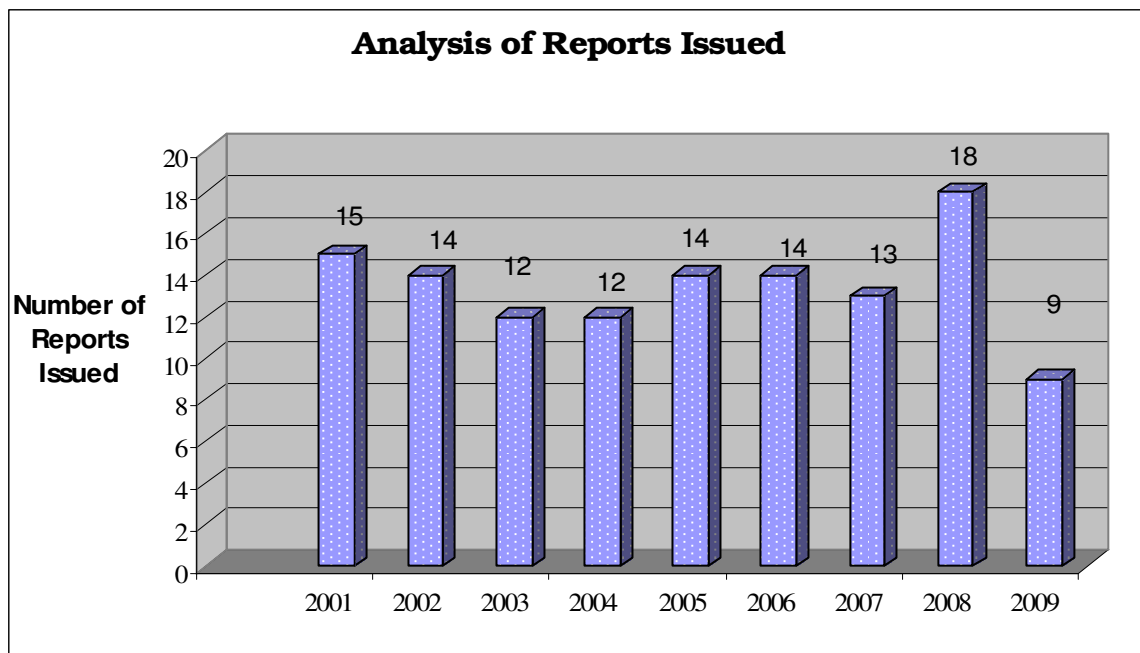
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The audit of the Police Department, Community Services Unit was initiated during the year. The primary function of the Unit is apprising citizens of various services provided by the Shreveport Police Department and informing them of how they can benefit from those services. Based upon a preliminary 80 hours review in the area, the audit was discontinued because the administration of the area (including maintenance of all records) is primarily overseen by other SPD functions. As a result, conducting a review solely in this area would provide little significance to the audit efforts and was not completed.

C. ANALYSIS OF REPORTS ISSUED (2001 – 2009)

The Internal Audit Office utilizes the analysis of reports issued to monitor overall office productivity. For 2009, the Internal Audit Office estimated that 20 projects would be completed for the year. Nine projects were completed in 2009 as shown in the chart below. The number of completed projects decreased over previous years, in part, due to the timing and complexity of unscheduled/special projects for 2009 (e.g., Community Development Housing Bureau Investigation, Travel Expense reports and information in Section E). The chart below also compares the number of reports issued for 2001-2009.



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D. FOLLOW-UP ADMINISTRATION

A follow-up report was performed for 2009 year-end to determine the status of management's actions on outstanding recommendations made by the Internal Audit Office. This follow-up encompassed outstanding recommendations from 1991 - 2008. Management provided information on the current status of implementation for any outstanding recommendations.

The Internal Audit Office reviewed this information and conducted necessary procedures to determine that the information provided by management was complete, accurate, and reliable.

Results of our 2009 Annual Follow-Up review indicated that management had either completed or partially completed 85% of the recommendations made during the period December 31, 1991 through December 31, 2008. We believe that this implementation rate is indicative of management's concurrence with the recommendations, as well as, the effectiveness of the Internal Audit Office in accomplishing its mission as outlined in the City Charter, Section 4.25.

Among the recommendations made:

- 83% of the outstanding recommendations were determined to be complete because the action management had taken was sufficient to mitigate the control deficiencies.
- 2% of the outstanding recommendations were determined to be partially complete because the action management had taken was not sufficient to mitigate the control deficiencies.
- 1% of the outstanding recommendations were determined to have no progress because management had taken no action to mitigate the control deficiencies.
- 14% of the outstanding recommendations were determined to be no longer applicable or removed/archived due to the age of the recommendation or organizational, process, or procedural changes.

[Please refer to the 2009 Annual Audit Follow-Up for the detailed report on the outstanding audit recommendations.]

E. OTHER PROJECTS

The following summarizes special projects performed by the Internal Audit Office for 2009.

Various Miscellaneous Requests

At the request of the City Council, the Internal Audit Office completed the following miscellaneous requests:

- ◆ reviewed the travel expenses of the Office of the Mayor for 2008 and 2009 and issued a

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- ◆ memorandum report on the results;
- ◆ determined the amount of lost revenue for the Downtown Development Authority because of the vacant hearing office position;
- ◆ reported on current board and commission members who are appointed by the Mayor and approved by the Council;
- ◆ completed periodic memorandums on Mayor's Office Travel (May 2009, June 2009);
- ◆ compiled, by payee, amount of bond issuance costs from November 2006 – July 2009;
- ◆ provided purchasing details of selected city vendor;
- ◆ provided details of unsupported credit card charges reported by external auditor;
- ◆ provided monthly copies of credit card statements for all departments;
- ◆ reviewed Riverfront Development fund balance for budget purposes; and
- ◆ completed draft memo regarding Riverfront Park Extension Project.

Disclosure Reporting Administration

Code of Ordinances Section 2-51 requires that any member of any board, commission or other body appointed by the Mayor and confirmed by the City Council, their immediate family members, and any legal entity in which they have a substantial economic interest must file an acknowledgement, and also, initial and annual disclosure statements with the City Internal Auditor if they derive any thing of economic value from a contract with the City of Shreveport. Throughout the year, the Internal Audit Office mailed the disclosure reporting form to newly appointed board members requesting that they complete the information as necessary. Our office issues a report on the results of this activity.

Updating Internal Audit Office Policies and Procedures Manual

The last complete update of office policies and procedures occurred several years ago. Some work on this project was completed during 2009 and work on the updated manual will continue during 2010.

PART II: NON-AUDIT ACTIVITIES

A. FRAUD HOTLINE PROCESSING

The Internal Audit Office maintains a fraud hotline to report allegations of fraud, waste, and abuse. Hotline allegations may be made by phone, email, or office visit. During the reporting period, three allegations of possible fraud, waste, and abuse were reported on the ***Fraud Hotline*** and one remained pending from 2008. Work on three allegations was completed. One allegation remains open.

[Please refer to the Fraud Hotline Activity Report for the Period January 1 through December 31, 2009 for the summary report on this activity.]

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B. PROFESSIONAL DEVELOPMENT

The current staff of the Internal Audit Office provides the City of Shreveport with experienced professionals who are knowledgeable in governmental operations. There are seven professional auditors and one administrative assistant. Professional degrees and certifications held by the staff include: eight Bachelors degrees, four Masters degrees, three Certified Internal Auditors (CIA), one Certified Public Accountant (CPA), three Certified Fraud Examiners (CFE), one Certified Information Systems Auditor (CISA), and three Certified Governmental Financial Managers (CGFM).

Staff members acquire continuing training and education in order to ensure that they maintain proficiency and competency in the internal auditing field. Audit staff also maintains membership in several professional associations and serve as elected officers (President and Secretary/Treasurer) in the local Certified Fraud Examiners chapter. Current affiliations include the National Association of Local Government Auditors, Louisiana Society of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, Government Finance Officers Association, and the Association of Government Accountants.

PART III: CONCLUSION

We hope this FY 2009 Annual Report has provided helpful information to those interested in gaining an understanding of the performance of the Internal Audit Office. During FY 2010, the Internal Audit Office will place emphasis on increasing audit coverage by improving in the number of audit reports issued and further utilizing automated audit tools to assist in audit analysis and testing, planning, and administration of audit work and special projects. Accomplishment of these goals should enable us to assist management in ensuring greater efficiency, effectiveness, and accountability over city operations.