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City of Laredo, Texas

Internal Audit Division



Consolidated Report (with Executive Summary):  
Unannounced Cash and Inventory Count Controls  
Audits with Department Responses  
(February 2022)

March 1, 2022

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**City of Laredo**  
**Internal Audit Division**

**Consolidated Report: Unannounced Cash and Inventory Count  
Controls Audits with Department Responses  
February 2022**

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# I. Executive Summary

## EXECUTIVE SUMMARY

### **Introduction**

In accordance with the Fiscal Year (FY) 2022 approved Annual Audit Plan, enclosed is the **Consolidated Report of Unannounced Cash and Inventory Count Controls Audits** completed by the Internal Audit Division during the time period of February 2022. A total of thirty-eight (38) unannounced cash and inventory audits were conducted in February 2022. The enclosed report also contains any responses required from the affected departments on corrective action. *It should be noted that compliance with COVID-19 safety protocols were maintained at all times for the safety of both the departments visited and Internal Audit staff when conducting these field audits.*

### **Audit Objectives**

The enclosed audits conducted consisted of unannounced field audits to test for compliance with reconciliation processes and proper internal controls for payment collections and inventory on-hand as required by any corresponding City policies and procedures.

### **Audit Scope and Methodology**

In order to achieve the audit objectives noted above, we applied the corresponding audit methodologies for cash and inventory control audits.

#### Cash Audits:

- Conducted unannounced site visits to those department(s)/division(s) scheduled during the time period of February 2022;
- Conducted interviews of pertinent staff at site locations visited;
- Obtained an understanding of the City's Cash Handling Policy and Procedures, as well as any internal department policies on overage(s)/shortage(s);
- Conducted a reconciliation of collections received to receipts issued on a random selection of collections employees; and
- Conducted an assessment for compliance with a sample of internal controls outlined as per the City's Cash Handling Policy

#### Inventory Audits:

- Conducted unannounced site visits to those department(s)/division(s) with inventory warehouses scheduled during the time period of February 2022;
- Conducted interviews of pertinent staff at site locations visited;
- Obtained an understanding of any pertinent internal department policies and procedures on inventory controls;
- Conducted a reconciliation of randomly selected items on hand with inventory system generated reporting; and,
- Conducted an assessment for proper inventory internal controls.

We conducted this audit in February 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives.

Understanding that resolving all audit findings was the key to assuring future compliance and minimizing the City's traditional and emerging risks; a strong commitment was made to require the departments audited to analyze and implement proper measures to adequately resolve the issues identified. A brief summary of the audit results and recommendations follows below.

### **Audit Results and Recommendations**

The table below reflects the types of audits completed during this time period.

<b>Type of Audits Completed</b>	<b># of Audits Completed</b>
Unannounced Cash Audits	36
Unannounced Inventory Count Audits	2

### **Cash Control Audits**

Out of thirty-six (36) unannounced cash audits conducted in February 2022, two (2) audits, or five (5%) percent of the population had findings noted, which conveys that the majority of the population tested is following the City’s Cash Handling Policy and maintaining adequate cash handling internal controls. In the audits noted above,

- There were violations pertaining to the City’s Cash Handling Policy; one (1) of the cash policy violations pertained to a collection overage, and one (1) of the cash policy violations pertained to a policy violation.

Based off of the finding(s) noted above, our recommendations consisted of providing guidance on cash handling procedures as outlined in the City’s Cash Handling Policy. *In all of the above-mentioned instances where findings were noted, responses on corrective action were submitted by the corresponding departments to Internal Audit.*

### **Inventory Control Audits**

On the audits conducted on a sample of City department inventory items, out of eight (8) inventory items randomly selected during the month of February 2022, there were no items noted with variances.

A more extensive report of all the audit results and recommendations can be found in the following report along with any corresponding responses on corrective action from the affected departments.

## II. Unannounced Cash & Petty Cash Controls Audits

**CITY OF LAREDO  
INTERNAL AUDIT DIVISION  
SUMMARY OF SURPRISE CASH AUDITS  
FEBRUARY 2022**

FORM #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received (A)	Amount Counted (B)	(Short)/Over (C) (B-A)	% Shortage/Overage (D) (C/A)	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments
1	7518	Bridge II (Toll Booth Collections)	BM	2/1/2022	\$ 189.00	\$ 189.54	0.54	0.29%	NO	NO	
2	7519	Bridge II (Toll Booth Collections)	BM	2/1/2022	\$ 507.50	\$ 507.37	-0.13	-0.03%	NO	NO	
3	7520	Bridge II (Toll Booth Collections)	BM	2/1/2022	\$ 346.50	\$ 346.50	0.00	0.00%	NO	NO	
4	7521	Bridge II (Customer Service)	BM	2/1/2022	\$ 968.00	\$ 968.00	0.00	0.00%	NO	NO	
5	7522	Bridge I (POS Lane)	BM	2/1/2022	\$ -	\$ -	0.00	0.00%	NO	NO	POS Lane is to make change for customers - no receipts are issued.
6	7523	Bridge I (Toll Booth Collections)	BM	2/1/2022	\$ 371.00	\$ 370.94	-0.06	-0.02%	NO	NO	
7	7524	Convention & Visitors Bureau	BM	2/1/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
8	7525	Planning	BM	2/1/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
9	7526	Tax (City Hall Annex)	BM	2/2/2022	\$ 4,850.88	\$ 4,850.86	-0.02	0.00%	NO	NO	
10	7527	Tax (City Hall Annex)	BM	2/2/2022	\$ 5,347.74	\$ 5,347.74	0.00	0.00%	NO	NO	
11	7528	Tax (City Hall Annex)	BM	2/2/2022	\$ 99,626.05	\$ 99,626.05	0.00	0.00%	NO	NO	
12	7529	Utility Billing	BM	2/2/2022	\$ 365.00	\$ 365.00	0.00	0.00%	NO	NO	
13	7530	Human Resources - Risk Management	BM	2/2/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
14	7531	Municipal Court	BM	2/2/2022	\$ 2,946.60	\$ 2,946.60	0.00	0.00%	NO	NO	
15	7532	Police - Records	BM	2/2/2022	\$ 819.90	\$ 819.90	0.00	0.00%	NO	NO	
16	7533	Municipal Housing	BM	2/2/2022	\$ 10,339.00	\$ 10,339.00	0.00	0.00%	NO	YES	"Receipt policy" notice not posted at new location.
17	7534	Tax (City Hall)	BM	2/9/2022	\$ 13,027.61	\$ 13,027.61	0.00	0.00%	NO	NO	
18	7535	Tax (City Hall)	BM	2/9/2022	\$ 1,733.10	\$ 1,733.10	0.00	0.00%	NO	NO	
19	7536	Cemetery	BM	2/9/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
20	7537	Utilities - Engineering	BM	2/9/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
21	7538	Bridge III (Toll Booth Collections)	BM	2/10/2022	\$ 213.50	\$ 214.50	1.00	0.47%	NO	NO	
22	7539	Bridge III (Toll Booth Collections)	BM	2/10/2022	\$ 83.00	\$ 83.00	0.00	0.00%	NO	NO	
23	7540	Bridge IV (Customer Service)	BM	2/10/2022	\$ 15,348.00	\$ 15,348.00	0.00	0.00%	NO	NO	
24	7541	Bridge IV (Customer Service)	BM	2/10/2022	\$ 8,277.50	\$ 8,277.50	0.00	0.00%	NO	NO	
25	7542	EMS Billing	BM	2/11/2022	\$ 75.00	\$ 75.00	0.00	0.00%	NO	NO	
26	7543	Health - Tuberculosis	BM	2/11/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
27	7544	Environmental Services	BM	2/11/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
28	7545	Community Development - Housing Rehab	BM	2/16/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
29	7546	Health - La Familia	BM	2/16/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
30	7547	Health - Tuberculosis	BM	2/16/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
31	7548	Zaragoza Parking Lot	BM	2/18/2022	\$ 1,828.00	\$ 1,828.00	0.00	0.00%	NO	NO	
32	7549	Traffic - Parking Meters (No. IT903)	BM	2/18/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
33	7550	Traffic - Parking Meters (No. JU505)	BM	2/18/2022	\$ 1.00	\$ 1.25	0.25	25.00%	YES	YES	
34	7551	Traffic - Parking Meters (No. MT1415)	BM	2/18/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
35	7552	Traffic - Parking Meters (No. SU1010)	BM	2/18/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
36	7553	Traffic - Parking Meters (No. GR1418)	BM	2/18/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.

# Memo

To: Ms. Tina O. Rodriguez, Internal Auditor  
Thru: Ms. Tina Martinez, CD Director *TM*  
From: Humberto Delgado, LMH Manager *HD*  
Date: February 04, 2022

Re: Internal Audit Surprise Cash Audit-City's receipt policy notice not posted on new building

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This is in response to the finding on Internal Audit Division Surprise Cash Audit #7533 indicating that our division had not posted the City of Laredo receipt policy notice on our new offices.

The City of Laredo receipt policy notice had not been posted on our new administration building offices and it was an oversight on our part. The violation has since been addressed and the receipt policy was posted in a highly visible area on 02/02/2022.

Please rest assured that we will try to avoid any future violations.



xc: Samuel K. Selman, Interim City Manager  
Kristina L. Hale, Assistant City Manager



## City of Laredo Parking Division

### MEMORANDUM

**To:** Tina O. Rodriguez, Internal Auditor  
Bianca Medellin, Auditor

**From:** Norma Ramirez, Parking/Vehicle for Hire Superintendent *NR*

**Thru:** Robert Peña, Traffic Director *RP*

**Cc:** Riazul I. Mia, Assistant City Manager

**Subject:** Surprise Cash Audit # 7550 – JU505

**Date:** February 25, 2022

JU505 has an old Duncan mechanism. These Duncan mechanisms are over 20 years old and accept coins only.

JU505 had a faulty coin validator. Parts for these mechanisms are no longer available because they became obsolete about three (3) years ago. Since we do not have new validators another mechanism was installed on JU505.

We need to replace Duncan meters to prevent this from happening again and also because if software crashes we will not have a way to print audit reports to submit with deposit paperwork.

As of today we will need about \$90,000 plus software and freight to replace Duncan meters with upgrade version coin only mechanism or \$255,000 for IPS smart meters plus freight and an annual communication fee of \$40,000.

Please let me know if you have any questions.



# III. Unannounced Inventory Count Controls Audits

## Unannounced Inventory Count Control Audit Utilities Department February 9, 2022

### **AUDIT SCOPE & METHODOLOGY**

On February 9, 2022, the Internal Audit Division visited the Utilities Department to conduct an unannounced inventory audit of a random selection of items on hand. The audit methodology followed for this type of audit consists of obtaining an inventory report from the Sungard HTE Select Version 4.0, selecting a random sample of inventory items to test and conducting a physical count of the items selected for reconciliation.

Our audit is limited to the physical count of randomly selected items in order to determine if results coincide with quantity shown on inventory system. The following steps were taken to analyze all the data collected.

- 1.) An inventory items listing was requested.
- 2.) Random selection of items.
- 3.) Site visit to the Utilities Service Center Warehouse.
- 4.) Utilities Service Center staff interviews.
- 5.) Physical count of selected items.

### **AUDIT RESULTS & RECOMMENDATIONS**

Based upon the physical count performed and as shown in the table below, the following results were noted.

PART NAME	PART NUMBER	AVG. UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING/OBSERVATION NO.
Comp 2 inch Elbow 90 Deg	890-070-00132	\$ 218.88	34	34	0	N/A
EZ Flange 8"	890-070-00429	\$ 345.39	25	25	0	N/A
Clamp 6 X10	890-070-6010	\$ 83.52	34	34	0	N/A
Air Release Valve 1 inch	890-070-00111	\$ 199.96	40	40	0	N/A

Internal Audit found no audit findings. Items inventoried were in balance; therefore, no written response is required on this report.

<b>Prepared By:</b> <u>Bomedellin</u> <u>2/9/2022</u>	<b>Reviewed By:</b> <u>Tina Rodriguez</u> <u>2/9/2022</u>
<b>Bianca Medellin, Auditor I</b> <b>Date</b>	<b>Tina O. Rodriguez, Internal Auditor</b> <b>Date</b>

<b>Report Issued To:</b>	<b>Response Required</b>	<b>Response Due Date</b>
Arturo Garcia, Jr., Utilities Director	No	Not Applicable

**All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant/Deputy City Manager and City Manager, and include the following:**

- 1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations;**
- 2. A description of the progress in resolving findings noted or plans for addressing findings noted; and,**
- 3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken.**

**Report Distribution:**

Samuel K. Selman, Interim City Manager  
Riazul Mia, Assistant City Manager

# Unannounced Inventory Count Control Audit Health Department – Pharmacy Division February 11, 2022

## AUDIT SCOPE & METHODOLOGY

On February 11, 2022, a Surprise Inventory Count Audit was conducted on the Health Department – Pharmacy Division. Four (4) different inventory items were randomly selected from the inventory reports on hand. Division currently uses “Pharmacy Inventory Control System (PICS)” in order to keep a database of the division’s inventory and to serve as a measure of control.

Our audit is limited to the physical count of randomly selected items in order to determine if results coincide with quantity showing on system. The following steps were taken to analyze all the data collected.

- 1.) Site visit to Health Department – Pharmacy Division.
- 2.) An inventory listing was requested.
- 3.) Random selection of inventory items.
- 4.) Health Department – Pharmacy staff interviews.
- 5.) Physical count of selected items.

## AUDIT RESULTS & RECOMMENDATIONS

Based upon the physical count performed and as shown in the table below, the following finding(s)/observation(s) were noted.

PART NAME	PART NUMBER	AVG. UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Jencycla	L100443	\$0.84	59	59	0	N/A
Paragard Intrauterine Copper Contraceptive	519003	\$256.42	13	13	0	N/A
Lidocaine 1% 10 MG/ML; 20 ML	28261DK	\$2.60	14	14	0	N/A
Mirena (CMS ZIKA)	TUO2EOF	\$326.22	14	14	0	N/A

Internal Audit found no audit findings. Items inventoried were in balance; therefore, no written response is required on this report.

<b>Prepared By:</b> <u>Bomedellin</u> <u>2/17/2022</u> Bianca Medellin, Auditor I      Date	<b>Reviewed By:</b> <u>Tina Rodriguez</u> <u>2/14/2022</u> Tina O. Rodriguez, Internal Auditor      Date
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Report Issued To:	Response Required	Response Due Date
Richard Chamberlain, Health Director	No	Not Applicable

**All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant/Deputy City Manager and City Manager, and include the following:**

- 1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations;**
- 2. A description of the progress in resolving findings noted or plans for addressing findings noted; and,**
- 3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken.**

**Report Distribution:**  
Samuel K. Selman, Interim City Manager  
Kristina L. Hale, Assistant City Manager

## IV. Appendix A – Internal Audit Staff Acknowledgment

**APPENDIX A**  
**INTERNAL AUDIT STAFF ACKNOWLEDGMENT**

Tina O. Rodriguez, Internal Auditor

Bianca V. Medellin, Auditor I