
City of Laredo, Texas

Internal Audit Division



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

June 1, 2022

**City of Laredo
Internal Audit Division**

**Consolidated Report: Unannounced Cash and Inventory Count
Controls Audits with Department Responses
May 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 May 2022. A total of thirty-seven (37) unannounced cash and inventory audits were conducted in May 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 May 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 May 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 May 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.

Type of Audits Completed	# of Audits Completed
Unannounced Cash Audits	34
Unannounced Inventory Count Audits	3

Cash Control Audits

Out of thirty-seven (37) unannounced cash audits conducted in May 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 collection shortage.

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 fifty-six (56) inventory items randomly selected during the month of May 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
MAY 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	7554	Bridge II (Customer Service)	BM	5/4/2022	\$ 189.70	\$ 189.70	0.00	0.00%	NO	NO	
2	7555	Bridge II (Customer Service)	BM	5/4/2022	\$ 69.80	\$ 69.80	0.00	0.00%	NO	NO	
3	7556	Bridge II (Toll Booth Collections)	BM	5/4/2022	\$ 80.50	\$ 80.50	0.00	0.00%	NO	NO	
4	7557	Bridge II (Toll Booth Collections)	BM	5/4/2022	\$ 320.25	\$ 320.29	0.04	0.01%	NO	NO	
5	7558	Bridge I (Toll Booth Collections)	BM	5/4/2022	\$ 385.00	\$ 384.85	-0.15	-0.04%	NO	NO	
6	7559	Bridge I (Toll Booth Collections)	BM	5/4/2022	\$ 122.50	\$ 122.34	-0.16	-0.13%	NO	NO	
7	7560	Municipal Housing	BM	5/4/2022	\$ 2,547.00	\$ 2,547.00	0.00	0.00%	NO	NO	
8	7561	Bridge III (Toll Booth Collections)	BM	5/9/2022	\$ 252.25	\$ 252.73	0.48	0.19%	NO	NO	
9	7562	Bridge III (Customer Service)	BM	5/9/2022	\$ 1,674.84	\$ 1,674.84	0.00	0.00%	NO	NO	
10	7563	Bridge IV (Customer Service)	BM	5/9/2022	\$ 34,149.25	\$ 34,149.25	0.00	0.00%	NO	NO	
11	7564	Bridge IV (Customer Service)	BM	5/9/2022	\$ 6,033.50	\$ 6,033.50	0.00	0.00%	NO	NO	
12	7565	Library - Fasken	BM	5/9/2022	\$ 10.20	\$ 9.20	-1.00	-9.80%	YES	YES	Cash & Policy Violation(s): Collections Shortage Noted.
13	7566	Library - Main Branch	BM	5/10/2022	\$ 38.95	\$ 39.00	0.05	0.13%	NO	NO	
14	7567	Tax (City Hall Annex)	BM	5/13/2022	\$ 3,397.06	\$ 3,397.06	0.00	0.00%	NO	NO	
15	7568	Tax (City Hall Annex)	BM	5/13/2022	\$ 6,829.23	\$ 6,829.23	0.00	0.00%	NO	NO	
16	7569	Tax (City Hall Annex)	BM	5/13/2022	\$ 3,283.71	\$ 3,283.71	0.00	0.00%	NO	NO	
17	7570	Utility Billing	BM	5/13/2022	\$ 986.20	\$ 986.20	0.00	0.00%	NO	NO	
18	7571	Health - Ambulance	BM	5/16/2022	\$ 8,613.80	\$ 8,613.80	0.00	0.00%	NO	NO	
19	7572	Health - Environmental	BM	5/16/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
20	7573	Library - Inner City Branch	BM	5/16/2022	\$ 5.50	\$ 5.50	0.00	0.00%	NO	NO	
21	7574	Tax (City Hall)	BM	5/18/2022	\$ -	\$ -	0.00	0.00%	NO	NO	Unable to conduct audit: Supervisor not available
22	7575	Building	BM	5/18/2022	\$ 5,693.50	\$ 5,693.50	0.00	0.00%	NO	NO	
23	7576	Municipal Court	BM	5/18/2022	\$ 1,989.00	\$ 1,989.00	0.00	0.00%	NO	NO	
24	7577	Police - Records	BM	5/18/2022	\$ 137.50	\$ 137.50	0.00	0.00%	NO	NO	
25	7578	Tax (City Hall)	BM	5/20/2022	\$ 9,254.90	\$ 9,254.88	-0.02	0.00%	NO	NO	
26	7579	Tax (City Hall)	BM	5/20/2022	\$ 5,716.70	\$ 5,716.75	0.05	0.00%	NO	NO	
27	7580	Health - Immunization	BM	5/20/2022	\$ 60.00	\$ 60.00	0.00	0.00%	NO	NO	
28	7581	Airport - FIS	BM	5/20/2022	\$ -	\$ -	0.00	0.00%	NO	NO	No collections noted at the time of the audit.
29	7582	Transit - El Lift	BM	5/25/2022	\$ 50.50	\$ 52.05	1.55	3.07%	YES	YES	Cash & Policy Violation(s): Collections Overage Noted.
30	7583	Transit - Operations	BM	5/25/2022	\$ 6,931.04	\$ 6,950.74	19.70	0.28%	NO	NO	
31	7584	Library - MOS Branch	BM	5/25/2022	\$ 4.75	\$ 4.75	0.00	0.00%	NO	NO	
32	7585	Animal Care Services	BM	5/25/2022	\$ 147.00	\$ 147.00	0.00	0.00%	NO	NO	
33	7586	Transit - Lobby	BM	5/26/2022	\$ -	\$ -	0	0	NO	NO	No collections noted at the time of the audit.
34	7587	Transit - El Metro	BM	5/26/2022	\$ 3,768.00	\$ 3,762.80	-5.20	-0.14%	NO	NO	

**Laredo Public Libraries
Barbara Fasken Branch Library**

Memo

To: Tina Rodriguez, Internal Auditor

From: Maria G. Soliz, Library Director *Maria G. Soliz*

cc: Samuel K. Selman, City Manager; Kristina Hale, Assistant City Manager; Melinda Villa, Librarian II

Date: May 10, 2022

Re: Response to Internal Audit Division Surprise Cash Audit #7565

On Monday May 9, 2022 a surprise cash audit was conducted by Bianca Medellin, Auditor I, on cashier _____ at the Fasken Branch Library. The audit found that Mr. _____ cash box was unbalanced and was short \$1. We agree with the audit findings and recommendations. Mr. _____ has previously received several memos for various violations with regards to cash handling. Due to this being his fourth violation, he has received a written write up.

Mr. _____ has recently given his two-week notice and has been particularly careless with various job duties. We will ensure that Mr. _____ replacement is properly trained in the City's Cash Handling Policies and Procedures.



EL METRO
INTER-OFFICE MEMORANDUM



To: Tina Rodriguez, Internal Auditor
From: Robert J. Garza, LTMI General Manager *RJG*
CC: Kristina L. Hail, Assistant City Manager
Date: May 26, 2022
RE: Response to Surprise Cash Audit #7582

This memo is in response to the Surprise Cash Audit that took place at El Metro's money counting room located at 401 Scott Street on May 25, 2022.

Response

Overage on Para Transit vans for the amount of \$1.55 was caused by over payment from riders on six (6) different vans.

- 1834 +.25
- 1835 +.05
- 1936 +.25
- 1937 +.25
- 1938 +.25
- 2040 +.50

Corrective Action

In order to correct this issue riders will be reminded that correct fare is required as drivers do not provide change.



III. Unannounced Inventory Count Controls Audits

Unannounced Inventory Count Control Audit

Bridge System - Automated Vehicle Identification System (AVI) Tags

May 4, 2022

AUDIT SCOPE & METHODOLOGY

On May 4, 2022, a surprise Inventory Count Audit was conducted on the Bridge System's Automated Vehicle Identification System (AVI) Inventory Tags. Two (2) inventory tag classifications (with their respective locations) were randomly selected from the AVI Inventory Listings. Department currently uses the new "CAMS System", in order to keep a database of the department's inventory and to serve as a measure of control of assets.

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.) An AVI tag inventory totals summary was requested (document on file).
- 2.) Random selection of tag classification and respective location.
- 3.) Site visit to the Bridge System Warehouse (Bridge I).
- 4.) Bridge System 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.

TAG CLASSIFICATION/LOCATION	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	AVG. UNIT COST	VARIANCE	REF. FINDING/OBSERVATION NO.
Regular Tags - Warehouse/Bridge I	12,726	12,726	\$ 15.00	0	N/A
Bumper Sticker Warehouse/Bridge I	5	5	\$ 15.00	0	N/A

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

**Unannounced Inventory Count Control Audit
Parks & Recreation Department – Central Warehouse Division
May 16, 2022**

AUDIT SCOPE & METHODOLOGY

On May 16, 2021, a Surprise Inventory Count Audit was conducted on the Parks & Leisure Services Department – Central Warehouse. Four (4) different items were randomly selected from the inventory on hand. Department currently uses an access based system in order to keep a database of the department’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.) A material and equipment inventory listing was requested.
- 2.) Random selection of material (s) or equipment.
- 3.) Site visit to Parks & Recreation – Central Warehouse.
- 4.) Parks & Recreation 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.

ITEM NAME	ITEM NUMBER	AVG.UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING/OBSERVATION NO.
Dewalt 20 V Impact Drill	PR-EQ-5141	\$ 380.99	1	1	0	N/A
Bosch Rotary Hammer	PR-EQ-4011	\$ 540.00	1	1	0	N/A
Blower Stihl BR450	PR-EQ-7795	\$ 489.99	1	1	0	N/A
Chainsaw Stihl MS 170	PR-EQ-0459	\$ 399.79	1	1	0	N/A

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



Prepared By: <u>Bmedellin</u> <u>5/17/2022</u>		Reviewed By: <u>Tina Rodriguez</u> <u>5/17/2022</u>	
Bianca Medellin, Auditor I		Tina O. Rodriguez, Internal Auditor	
Date		Date	
Report Issued To:	Response Required	Response Due Date	
Juan J. Gomez Jr., Parks & Recreation Director	No	Not Applicable	
<p>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:</p> <ol style="list-style-type: none"> 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			

Asset Inventory Count Audit Sames Auto Arena May 24, 2022

AUDIT SCOPE & METHODOLOGY

On May 24, 2022, an Asset Inventory Count Audit was conducted on the Sames Auto Arena (Arena) inventory. Fifty (50) different items were randomly selected from the Asset Inventory List provided by the Arena. The Arena currently uses an "Excel worksheet-based inventory system" in order to keep a database of their asset inventory and to serve as a measure of control of assets.

Our audit was 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.) An inventory listing of items was requested from the Arena.
- 2.) Random selection of assets.
- 3.) Site visit to the Arena.
- 4.) The Arena staff was interviewed.
- 5.) Physical count of selected items.

We were advised by City staff that the criteria established by the City and currently followed for asset tagging at the Arena requires that all items purchased with City funds be tagged with an asset number for identification purposes. The only exception(s) would be for smaller items (i.e. utensils, etc.) It should be noted that in some instances an asset number is reflected as "Not Available (N/A)" because the item is a component of a larger item.

AUDIT RESULTS AND RECOMMENDATIONS

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

DESCRIPTION	ASSET NUMBER	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO
Safe	A00298	\$500.00	1	1	0	N/A
Grill	A00178	\$679.89	1	1	0	N/A
Sofa	A00348	\$1,774.00	1	1	0	N/A
Sofa	6679	\$1,091.00	1	N/A	N/A	O1
Sofa	A00340	\$1,091.00	1	1	0	N/A
Chair/Lounge	6670	\$707.00	1	N/A	N/A	O1
Chair/Lounge	A00346	\$1,158.00	1	1	0	N/A
Chair/Lounge	A00350	\$131,235.63	1	1	0	O2
Credenza	A00026	\$798.00	1	1	0	N/A
Credenza	A00404	\$798.00	1	1	0	N/A
Credenza	A00048	\$798.00	1	1	0	N/A
Desk L Shape	A00034	\$1,055.00	1	1	0	N/A
Refrigerator/Under Counter	A00304	\$750.00	1	1	0	N/A
Refrigerator/Under Counter	A00051	\$750.00	1	1	0	N/A
Refrigerator/Under Counter	A00302	\$750.00	1	1	0	N/A
Counter/Cashwrap S/W Custom	A00296	\$1,500.00	1	1	0	N/A
Stage Comp (4x8) W/Decking	NT	\$1,730.59	1	1	0	N/A
Gate/Metal Detector	9384	\$3,536.80	1	N/A	N/A	O1

DESCRIPTION	ASSET NUMBER	AVG. UNIT PRICE	QTY. SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO
Gate/Metal Detector	9451	\$3,536.80	1	N/A	N/A	O1
Computer	A00058	\$1,266.52	1	1	0	N/A
Computer	A00028	\$1,266.53	1	1	0	N/A
Stage Decks	NT	\$2,512.09	1	1	0	N/A
Stage Decks	NT	\$2,512.09	1	1	0	N/A
Headset & Belt pack Inside belt pack box	A00075	\$502.62	1	1	0	N/A
Headset & Belt pack	7220	\$502.62	1	N/A	N/A	O1
Curtain/Backdrop	8835	\$1,826.06	1	1	0	N/A
Motor & Truss for Curtain	7245	\$4,863.61	1	1	0	N/A
Motor & Truss for Curtain	7246	\$4,863.61	1	1	0	N/A
Motor/Rigging	7176	\$4,563.45	1	1	0	N/A
Slicer/Meat	A00085	\$1,560.54	1	1	0	N/A
Cart/Table Round W/Ramp	A00379	\$500.00	1	1	0	N/A
Cart/Pipe & Drape	A00413	\$4,832.83	1	1	0	N/A
Computer	A00033	\$1,360.00	1	1	0	N/A
Fryer/Drain Bin	6800	\$955.00	1	N/A	N/A	O1
Counter/Hot Food Well Unit, 3 Bin	A00247	\$974.00	1	1	0	N/A
Warming Drawer 1 Drawer	6834	\$730.00	1	N/A	N/A	O1
Broiler	8243	\$3,119.00	1	N/A	N/A	O1
Counter Stainless Steel	A00194	\$1,559.00	1	1	0	N/A
Counter Stainless Steel	A00147	\$960.00	1	1	0	N/A
Warming Drawer 2 Drawer	8234	\$730.00	1	N/A	N/A	O1
Camera/Video Camera box 2	A00074	\$550.00	1	1	0	N/A
Cart/Dish	14461	\$900.00	1	1	0	N/A
Sofa 3 Seat	A00345	\$750.00	1	1	0	N/A
FMI- Silver Sofa 90"W29X"DX26"h-Leather	A00252	\$1,638.25	1	1	0	N/A
55IN Commercial Monitor (Samsung)	A00230	\$1,395.00	1	1	0	N/A
55IN Commercial Monitor (Samsung)	A00197	\$1,395.00	1	1	0	N/A
Vera Love Seat	A00277	\$780.00	1	1	0	N/A
Vera Love Seat	A00278	\$780.00	1	1	0	N/A
Vera Love Seat	A00281	\$780.00	1	1	0	N/A
Vera Love Seat	A00282	\$780.00	1	1	0	N/A

Observation #1

The table below lists item which have been disposed of. City of Laredo Fixed Assets Transfer/Disposition Forms were collected by Internal Audit.

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE
Sofa	6679	\$1,091.00
Chair/Lounge	6670	\$707.00

ASSET ITEM DESCRIPTION	ASSET NUMBER ON INVENTORY LISTING	AVG. UNIT PRICE
Gate/Metal Detector	9384	\$3,536.80
Gate/Metal Detector	9451	\$3,536.80
Headset & Belt pack	7220	\$502.62
Fryer/Drain Bin	6800	\$955.00
Warming Drawer 1 Drawer	6834	\$730.00
Broiler	8243	\$3,119.00
Warming Drawer 2 Drawer	8234	\$730.00

Recommendation(s)

Internal Audit recommends removing the items from the Inventory List, providing a more accurate list for future audits.

Observation #2

The unit cost listed for Chair/Lounge, with Tag #A00350 is showing \$131,235.63, while the other four exact chairs are showing a unit cost of \$1,158.00.

Recommendation(s)

Internal Audit recommends correcting the unit cost of the Chair/Lounge, providing a more accurate list for future audits.

Prepared By: <i>B. Medellin</i> <u>5/26/2022</u>		Reviewed By: <i>Tina Rodriguez</i> <u>5/26/2022</u>	
Bianca Medellin, Auditor I Date		Tina O. Rodriguez, Internal Auditor Date	
Report Issued To:		Response Required	Response Due Date
Juan C. Mendiola, Sames Auto Arena General Manager		NO	N/A
<p>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:</p> <ol style="list-style-type: none"> 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 Jesus Esparza, Interim Budget Director			

IV. Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Tina O. Rodriguez, Internal Auditor

Bianca V. Medellin, Auditor I