




**CITY OF LAREDO, TEXAS  
INTERNAL AUDIT DIVISION**

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To: Honorable Mayor & Members of the City Council

CC: Robert A. Eads, City Manager  
Rosario C. Cabello, Deputy City Manager  
Kristina L. Hale, Assistant City Manager  
Riazul I. Mia, Assistant City Manager  
Rene C. Benavides, City Attorney

From: Veronica Urbano-Baeza, Internal Auditor 

Date: January 29, 2021

Subject: Friday Packet: Internal Audit Report(s) and/or Update(s)

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Enclosed we are re-submitting the following report(s) for your review and subsequent approval at the upcoming City Council meeting:

1. Livability Grant Program Audit Report: Community Development Department (Housing Rehabilitation Division); and,
2. Consolidated Report (with Executive Summary): Unannounced Cash and Inventory Count Controls Audits with Department Responses (conducted November 2020).

Both of the reports enclosed were previously submitted in the Friday Packet of January 15, 2021.

We would like to thank Community Development Department management and staff for their assistance during our audit. If you should have any questions regarding the enclosed report(s) submitted, please feel free to contact me at my office at (956) 790-1808. Thank you.

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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  
(November 2020)

December 22, 2020

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

**Consolidated Report: Unannounced Cash and Inventory  
Count Controls Audits with Department Responses  
November 2020**

**Table of Contents**

<b>I.</b>	<b>Executive Summary .....</b>	<b>i</b>
<b>II.</b>	<b>Unannounced Cash &amp; Petty Cash Controls Audits November 2020</b>	
	Summary of Unannounced Cash Controls Audits.....	1
<b>III.</b>	<b>Unannounced Inventory Count Controls Audits November 2020</b>	
	Bridge – Automated Vehicle Identification (AVI) System Tags .....	3
	Response Received from Bridge .....	5
	Transit.....	7
	Traffic.....	9
	Response Received from Traffic .....	11
<b>IV.</b>	<b>Appendix A – Internal Audit Staff Acknowledgment..</b>	<b>12</b>

# I. Executive Summary

## EXECUTIVE SUMMARY

### **Introduction**

In accordance with the Fiscal Year (FY) 2021 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 November 2020. A total of forty (40) unannounced cash and inventory audits were conducted during the month of November 2020. 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 November 2020;
- 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 and Petty Cash Policies.

#### Inventory Audits:

- Conducted unannounced site visits to those department(s)/division(s) with inventory warehouses scheduled during the time period of November 2020;
- 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 from November 2020 through December 2020 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 & Petty Cash Audits	37
Unannounced Inventory Count Audits	3

**Cash Control Audits**

Of thirty-seven (37) unannounced cash audits conducted in the month of November 2020, all sample cash audits reconciled, which conveys that the majority of the population tested is following the City’s Cash Handling and Petty Cash Policies and maintaining adequate cash handling internal controls.

Those City departments visited for unannounced cash audits during the month of November 2020 should be commended for complying with the City’s Cash Handling Policy and maintaining strong internal controls considering many of the challenges brought on by the COVID-19 pandemic.

**Inventory Control Audits**

On the audits conducted on a sample of City department inventory items during the month of November 2020, only one (1) item reflected a variance when reconciling the quantity on hand with the quantity reflected on the corresponding department’s inventory system. In all of the instances where variances were found with the inventory items tested, our recommendation was for the affected departments to determine the cause of the variance and, if necessary, make entries into the corresponding inventory systems once the cause of the variance had been determined.

On another unannounced inventory count control visit to the Traffic Department, it was determined that the inventory system utilized previously was no longer functioning where it could provide accurate counts and maintain proper internal controls, so a recommendation was made to assess the current inventory software for available upgrades or that other Warehouse Management Software be evaluated for compatibility with the City’s I-Series System and acquired in order to maintain accurate counts and strong internal controls.

*In all of the above mentioned instances where findings were noted, responses on corrective action were submitted by the corresponding departments to Internal Audit.*

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 UNANNOUNCED CASH CONTROL AUDITS**  
**NOVEMBER 2020**

Audit Form #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received	Amount Counted	(Shortage)/Overage	Percentage Shortage/Overage	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments	
				(A)	(B)	(C)	(D)					
						(B-A)	(C/A)					
1	7346	Solid Waste - Landfill	BM	11/3/2020	\$ 578.30	\$ 578.30	\$ -	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
2	7347	Public Works - Cemetery	BM	11/3/2020	\$ 100.00	\$ 100.00	\$ -	0.00%	Change Fund	NO	NO	
3	7348	Municipal Housing	BM	11/3/2020	\$ 4,031.00	\$ 4,031.00	\$ -	0.00%		NO	NO	
4	7349	Tax (City Hall Annex)	BM	11/4/2020	\$ 9,442.18	\$ 9,442.18	\$ -	0.00%		NO	NO	
5	7350	Tax (City Hall Annex)	BM	11/4/2020	\$ 6,726.58	\$ 6,726.59	\$ 0.01	0.00%		NO	NO	
6	7351	Tax (City Hall Annex)	BM	11/4/2020	\$ 2,404.97	\$ 2,405.22	\$ 0.25	0.01%		NO	NO	
7	7352	Utility Billing	BM	11/4/2020	\$ 200.00	\$ 200.00	\$ -	0.00%	Change Fund	NO	NO	No Collections Noted at the Time of the Audit. Utility Billing Currently not Processing In-Person Customer Payments due to COVID-19 Restrictions (Currently Online Only or Tax Drive-Thru)
8	7353	Human Resources - Risk Management	BM	11/4/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
9	7354	Information Services & Telecommunications (IST)	BM	11/4/2020	\$ 350.00	\$ 350.00	\$ -	0.00%	Petty Cash	NO	NO	
10	7355	Municipal Court	BM	11/4/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of the Audit; Municipal Court Currently Processing Online, Mail and Drop Box Payments at Noon Everyday due to COVID-19 Restrictions.
11	7356	Police - Records	BM	11/4/2020	\$ 100.00	\$ 100.00	\$ -	0.00%	Change Fund	NO	NO	No Collections Noted at the Time of the Audit.
12	7357	Bridge II (Toll Booth Collections)	BM	11/10/2020	\$ 129.50	\$ 129.50	\$ -	0.00%		NO	NO	
13	7358	Bridge II (Toll Booth Collections)	BM	11/10/2020	\$ 175.00	\$ 175.10	\$ 0.10	0.06%		NO	NO	
14	7359	Bridge II (Customer Svc)	BM	11/10/2020	\$ 180.00	\$ 180.00	\$ -	0.00%		NO	NO	
15	7360	Bridge II (Customer Svc)	BM	11/10/2020	\$ 170.00	\$ 170.00	\$ -	0.00%		NO	NO	
16	7361	Tax (City Hall)	BM	11/13/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	Unable to Conduct Audit: Supervisor Not Available
17	7362	Building	BM	11/13/2020	\$ 91.00	\$ 91.00	\$ -	0.00%		NO	NO	
18	7363	Convention & Visitors' Bureau (CVB)	BM	11/13/2020	\$ 22.00	\$ 22.00	\$ -	0.00%		NO	NO	
19	7364	Health - TB	BM	11/16/2020	\$ 100.00	\$ 100.00	\$ -	0.00%	Change Fund	NO	NO	No Collections Noted at the Time of the Audit.
20	7365	Health - Ambulance Billing	BM	11/16/2020	\$ 2,033.44	\$ 2,033.44	\$ -	0.00%		NO	NO	
21	7366	Environmental Services	BM	11/16/2020	\$ 2,500.00	\$ 2,500.00	\$ -	0.00%		NO	NO	
22	7367	Environmental Services	BM	11/16/2020	\$ 350.00	\$ 350.00	\$ -	0.00%	Petty Cash	NO	NO	
23	7368	Tax (City Hall)	BM	11/17/2020	\$ 6,234.48	\$ 6,234.48	\$ -	0.00%		NO	NO	
24	7369	Tax (City Hall)	BM	11/17/2020	\$ 37,527.69	\$ 37,527.69	\$ -	0.00%		NO	NO	
25	7370	Planning	BM	11/17/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
26	7371	Health - La Familia	BM	11/17/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	Unable to Conduct Audit: One (1) Employee Available for Collections and Registration of Patients
27	7372	Bridge III (Toll Booth Collections)	BM	11/18/2020	\$ 82.25	\$ 82.25	\$ -	0.00%		NO	NO	
28	7373	Bridge III (Toll Booth Collections)	BM	11/18/2020	\$ 239.75	\$ 239.75	\$ -	0.00%		NO	NO	
29	7374	Bridge III (Customer Svc)	BM	11/18/2020	\$ 493.00	\$ 493.00	\$ -	0.00%		NO	NO	
30	7375	Bridge IV (Customer Svc)	BM	11/18/2020	\$ 4,142.25	\$ 4,142.25	\$ -	0.00%		NO	NO	

CITY OF LAREDO  
INTERNAL AUDIT DIVISION  
SUMMARY OF UNANNOUNCED CASH CONTROL AUDITS  
NOVEMBER 2020

Audit Form #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received	Amount Counted	(Shortage)/Overage	Percentage Shortage/Overage	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments	
				(A)	(B)	(C) (B-A)	(D) (C/A)					
31	7376	Bridge IV (Customer Svc)	BM	11/18/2020	\$ 15,150.60	\$ 15,150.60	\$ -	0.00%		NO	NO	
32	7377	Health - La Familia	BM	11/19/2020	\$ 570.75	\$ 572.82	\$ 2.07	0.36%		NO	NO	
33	7378	Community Development - Housing Rehab	BM	11/19/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of the Audit.
34	7379	Municipal Court	BM	11/20/2020	\$ 7,421.10	\$ 7,421.10	\$ -	0.00%		NO	NO	
35	7380	Utilities	BM	11/20/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	Unable to Conduct Audit: Collector Out on Leave
36	7381	Airport - Parking Pay Stations	BM	11/20/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	Contracted Merchant of Record, SP Plus Will Collect on Parking Pay Stations from Now On; SP Plus Will Provide Net Proceeds to City
37	7382	Traffic	BM	11/23/2020	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of the Audit.

# III. Unannounced Inventory Count Controls Audits

# Unannounced Inventory Count Control Audit

## Bridge System - Automated Vehicle Identification System (AVI) Tags

November 10, 2020

### AUDIT SCOPE & METHODOLOGY

On November 10, 2020, 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	857	858	\$ 15.00	1	N/A
Bumper Sticker Warehouse/Bridge I	5	5	\$ 15.00	0	N/A

#### **Finding #1**

(F1) Overage of one (1) Regular Tag was discovered during physical count. Dollar average amount of overage equals to a total of \$15.00.

#### **Recommendation**

Internal Audit recommends that Bridge review their inventory listing for accuracy in order to determine cause of variance and make any necessary corrections, if needed.

Prepared By: <u>B Medelin</u> <u>11/12/2020</u>	Reviewed By: <u>Veronica Urbano Baeza</u> <u>11-12-2020</u>
Bianca Medelin, Auditor I                      Date	Veronica Urbano-Baeza, Internal Auditor                      Date

Report Issued To:	Response Required	Response Due Date
Yvette Limon, Bridge Director	YES	10 working days from receipt of report

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:**

Robert A. Eads, City Manager  
 Kristina Laurel Hale, Assistant City Manager

# Memo

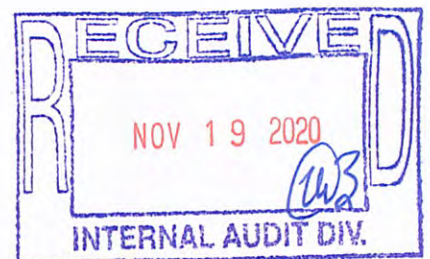
**To:** Veronica Urbano, Internal Auditor  
**From:** Yvette Limon, Bridge Director *Y. Limon*  
**Date:** 11/17/20  
**Re:** Automated Vehicle Identification (AVI) Audit

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On November 10, 2020, the City's Internal Audit Staff conducted a surprise audit at Bridge I on the Automated Vehicle Identification Tags Inventory (AVI); noted below is the response to the audit observation.

Audit

At the end of the audit, Bridge Financial Analyst \_\_\_\_\_ was over 1 AVI Tag, a monetary value of \$15.00. Due to the system failure in July 2020, Transcore began reconstructing the warehouse AVI Inventory. AVI Tag number 137077 was not properly applied to the warehouse inventory. All updates to the warehouse inventory have been completed by Transcore attached is the supporting documentation that shows the warehouse inventory is in balance. As per the Laredo Bridge System Shortage/Overage Policy, no further disciplinary action is therefore required.





P.O. Box 7019 Laredo, TX 78040

### Tag Inventory

STARTING TAG: 38880  
 ENDING TAG: 137606

HISTORY	TAG LOCATION	TAG NUMBER	DATE TIME	STAFF NAME	ACCOUNT #	TAG TYPE	TAG STATUS
☺	WAREHOUSE	00137602	8/8/2020 12:42:14 PM	<input type="checkbox"/>		EGO	INITIALIZING
☺	WAREHOUSE	00137603	8/8/2020 12:42:14 PM	<input type="checkbox"/>		EGO	INITIALIZING
☺	WAREHOUSE	00137604	8/8/2020 12:42:14 PM	<input type="checkbox"/>		EGO	INITIALIZING
☺	WAREHOUSE	00137605	8/8/2020 12:42:14 PM	<input type="checkbox"/>		EGO	INITIALIZING
☺	WAREHOUSE	00137606	8/8/2020 12:42:14 PM	<input type="checkbox"/>		EGO	INITIALIZING

#### Tags Summary

Totals	
Total No. of Sticker Tags :	0
Total No. of Companion Tags :	0
Total No. of Title 21 Tags :	0
Total No. of Tags :	863

# Unannounced Inventory Count Control Audit Transit Department - Maintenance Division November 19, 2020

## AUDIT SCOPE & METHODOLOGY

On November 19, 2020, a Surprise Inventory Count Audit was conducted on the Transit Department (Transit Maintenance Division). Four (4) different parts were randomly selected from the parts inventory on hand. Department currently uses "Transit Management Software", 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.

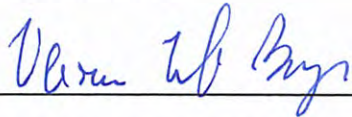
- 1.) A parts inventory listing of items over \$50 was requested.
- 2.) Random selection of part(s).
- 3.) Site visit to Transit Management-Maintenance Division.
- 4.) Transit Maintenance staff interviews.
- 5.) Physical count of selected items.

## 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 NO.
HUB Clutch Mounting A/C 09 GLG	01-174	\$ 69.10	2	2	0	N/A
Shoe Lined Rear & Hdwre 2015 GLG (KIT)	13-152	\$ 239.89	4	4	0	N/A
Rod Assm Upper Front 09/11/15 GLG	16-201	\$ 221.31	2	2	0	N/A
Retarder Solenoid Valve Trans 09/11 GLG	27-136	\$ 244.40	2	2	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>Bmedellin</u> <u>11/19/2020</u> Bianca Medellin, Auditor I                      Date	<b>Reviewed By:</b>  <u>11-20-2020</u> Veronica Urbano-Baeza, Internal Auditor                      Date
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Report Issued To:	Response Required	Response Due Date
Claudia San Miguel, Transit General Manager	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:**

Robert A. Eads, City Manager  
 Kristina L. Hale, Assistant City Manager

# **Unannounced Inventory Count Control Audit**

## **Traffic Department – Warehouse**

**November 20, 2020**

### **AUDIT OBJECTIVES**

The objective of the unannounced inventory field audits consists of testing for compliance the reconciliation processes of inventory on-hand with quantities reflected on master inventory systems, as well as an assessment of proper key controls established by any corresponding policies and procedures.

### **AUDIT SCOPE AND METHODOLOGY**

On November 20, 2020, the Internal Audit Division visited the Traffic Department Warehouse to conduct an unannounced inventory audit on a random selection of material and equipment on hand. Our audit scope is limited to the physical count of randomly selected items in order to determine if results coincide with quantity showing in master inventory system. The following methodology was applied to test for reconciliation and assess key controls:

1. Site visit to Traffic Department Warehouse;
2. Master Inventory System listing requested;
3. Random selection of inventory items for testing;
4. Traffic Department Warehouse staff interviews; and
5. Physical count of selected items for reconciliation.

### **AUDIT RESULTS AND RECOMMENDATIONS**

#### Finding #1

Due to the current unavailability of Traffic's Cartograph Work Order Inventory System, Internal Audit was unable to conduct the inventory reconciliation test work. It is our understanding from Traffic Warehouse staff that the master inventory system has been unavailable for some time now. Currently, Warehouse staff is manually accounting for inventory disbursements by documenting item issue outs on paper or through email requests from Traffic Supervisors; however, no manual master inventory log is maintained in the interim reflecting items received or total quantities to assist with accurate counts for re-ordering and maintaining key internal controls.

#### Recommendation(s)

Internal Audit recommends that an assessment be conducted by the Traffic Department to determine if the Cartograph Inventory System can still be utilized for Warehouse Management or that another Master Inventory Software System be evaluated and acquired in order to maintain accurate inventory counts and key internal controls. Additionally, we would recommend that a timeline be developed in order to track progress on the assessment and implementation of said master inventory system.

<b>Prepared By:</b> <u>Bmedellin</u> <u>11/23/2020</u> Bianca Medellin, Auditor I                      Date		<b>Reviewed By:</b> <u>Veronica Urbano-Baeza</u> <u>11-23-2020</u> Veronica Urbano-Baeza, Internal Auditor                      Date	
<b>Report Issued To:</b>		<b>Response Required</b>	<b>Response Due Date</b>
Danny Magee, Traffic Director		YES	Ten (10) Working Days from Receipt of Audit Report
<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"> <li>1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations;</li> <li>2. A description of the progress in resolving findings noted or plans for addressing findings noted; and,</li> <li>3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken.</li> </ol>			
<b>Report Distribution:</b>  Robert A. Eads, City Manager Riazul I. Mia, Assistant City Manager			



# Memorandum

To: Internal Audit  
CC: Mr. Robert A. Eads, City Manager; Riazul I. Mia, Assistant City Manager  
From: Danny Magee, Traffic Director *D. Magee*  
Through: Erika Alcorta, Administrative Assistant  
Date: December 02, 2020  
Subject: Unannounced Inventory Count Control Audit-Traffic Warehouse

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On November 20, 2020 the Internal Audit Department conducted an unannounced inventory audit at the Traffic Warehouse. The following were findings at the time of audit:

- No Inventory System
- Unable to conduct reconciliation test work
- Staff is manually accounting for inventory disbursements
- No master inventory log is maintained in the interim reflecting items received or total quantities

The department/management is in agreement with the findings and agrees with the recommendations provided. Traffic Director is currently coordinating a meeting with Homero Vasquez from IT, to discuss a program in place that might be helpful in resolving this issue. Mr. Vasquez noted that the AS400 system has a work order and inventory system that is fully integrated into the City's GMBA.

A virtual meeting is pending to be confirmed for Wednesday, December 9, 2020 with Mr. Vasquez and other Directors as well. Once this meeting is held we are planning to get office staff and warehouse supervisor on board with the system to be able to work together and be in compliance for any future audits.



## IV. Appendix A – Internal Audit Staff Acknowledgment

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

Veronica Urbano-Baeza, Internal Auditor

Bianca V. Medellin, Auditor I