
City of Laredo, Texas
Internal Audit Division



Consolidated Audit Report (with Executive
Summary): Unannounced Cash, Unannounced
Inventory & Compliance Audits Completed with
Department Responses
(October 2017 through December 2017)

February 12, 2018

City of Laredo
Internal Audit Division

**Consolidated Audit Report: Unannounced Cash,
Unannounced Inventory & Compliance Audits Completed
with Department Responses
October 2017 through December 2017**

Table of Contents

I.	Executive Summary	i
II.	Unannounced Cash & Petty Cash Audits	
	Cash Audits (October 2017).....	1
	Response Received from Fire (Audit #s 6349).....	2
	Response Received from Finance (Audit # 6353)	3
	Cash Audits (November 2017).....	4
	Response Received from Health (Audit # 6399).....	5
	Cash Audits (December 2017).....	6
	Response Received from Traffic (Audit # 6422).....	7
III.	Unannounced Inventory Count Audits	
	October 2017	
	Traffic	8
	Response Received from Traffic.....	10
	Transit.....	12
	Utilities	13
	Response Received from Utilities	14
	November 2017	
	Fleet Mgmt / Parts	21
	Parks / Central Warehouse	22
	Response Received from Parks	25
	Public Works	26
	December 2017	
	Bridge / AVI Tags	27
	Utilities.....	28
	Max Mandel Municipal Golf Course.....	29
IV.	Compliance Audits	
	Petty Cash Compliance Audit (Library Department & Financial Services Department).....	31
V.	Appendix A – Internal Audit Staff Acknowledgement	33

I. Executive Summary

EXECUTIVE SUMMARY

In accordance with the Fiscal Year 2018 approved Audit Plan, enclosed is the **Consolidated Audit Report of Unannounced Cash, Unannounced Inventory and Compliance Audits** completed by the Internal Audit Division during the time period of October 2017 through December 2017. The enclosed report also contains any responses required from the affected departments on corrective action. The table below reflects the types of audits completed during this time period.

Type of Audits	# of Audits Conducted
Unannounced Cash & Petty Cash Audits	77
Unannounced Inventory Count Audits	9
Compliance Audits	1

To provide some background, when conducting unannounced (surprise) cash audits, Internal Audit staff conducts field audits at various departments scheduled for audit on a monthly basis. The purpose of these types of audits is to reconcile collections with receipts issued, as well as check for compliance with some of the provisions of the City of Laredo's Cash Handling Policy. In regards to unannounced inventory audits, Internal Audit staff conducts field audits of the various departmental warehouse facilities that maintain stock of materials and equipment. The purpose of these types of audits is to reconcile a sample of items selected with the reports generated from each respective department's inventory system, as well as assess the adequacy of the internal controls in place. In regards to the compliance audits conducted, Internal Audit staff conducts audits of various areas such as petty cash, travel, payroll, purchasing, just to name a few, to review for compliance with the terms of City policies, procedures, ordinances, contracts, etc. being reviewed.

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.

Results and Recommendations on Unannounced Cash Audits

- Two (2) audits noted where collections / cash funds had overages or shortages.
- Two (2) audits noted with violations pertaining to the City's Cash Handling Policy and/or the City's Petty Cash Policy. For instance, some of the policy violations noted included not securing petty cash funds and change funds separately or payment of sales tax on petty cash purchases when the City of Laredo is tax-exempt.

In regards to the collections variances noted, we recommended that the departments affected identify the cause of the variance and retrain and counsel cash handling staff on 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.* It should be noted that out of 77 unannounced cash audits conducted for the time period of October 2017 through December 2017, only four (4) 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.

Results and Recommendations on Unannounced Inventory Audits

- On the inventory audits conducted, there was one (1) instance with the Parks warehouse where the inventory reports generated from the current inventory software program were providing inaccurate and inconsistent data due to a lack of inventory software support. We have continued to recommend that Parks look at obtaining a replacement inventory software program that can better account for all material and equipment housed at the various Parks warehouse locations.
- On other inventory audits conducted, there were three (3) instances where a variance was noted in reconciling selected inventory items on hand with quantities reflected on corresponding departmental inventory system listings.

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. Additionally, in some instances we recommended that an evaluation of some of the affected departmental inventory systems be conducted to determine the adequacy of the internal control structure pertinent to inventory. *In all of the above mentioned instances where findings were noted, responses on corrective action were submitted by the corresponding departments to Internal Audit.* It should be noted that out of forty (40) inventory items randomly selected during the time period of October 2017 through December 2017, three (3) items selected were noted with findings for variances, which equates to seven and one-half (7.5%) percent of the total population tested.

Results and Recommendations on Compliance Audits

Petty Cash Compliance Audit – Library Department & Financial Services Department

The results of the Petty Cash Compliance Audit for the Library and Financial Services Departments reflected no audit findings as part of our review, and they both were deemed to be 100% in compliance based off of the sample supporting documentation tested.

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

II. Unannounced Cash & Petty Cash Audits

October 2017

CITY OF LAREDO
INTERNAL AUDIT DIVISION
SUMMARY OF SURPRISE CASH AUDITS
OCTOBER 2017

Audit Form #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received	Amount Counted	(Short)/Over	Percentage Shortage/Overage	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments	
				(A)	(B)	(C) (B-A)	(D) (C/A)					
1	6347	Utilities	LFR	10/9/2017	\$ 300.00	\$ 300.05	\$ 0.05	0.02%	Petty Cash	NO	NO	
2	6348	Library	LFR	10/9/2017	\$ 180.00	\$ 180.00	\$ -	0.00%	Petty Cash	NO	NO	Compliance Audit
3	6349	Fire	LFR	10/9/2017	\$ 500.00	\$ 500.00	\$ -	0.00%	Petty Cash	NO	YES	Policy Violation: (1) Payment of Sales Tax; (2) Exceeded Maximum Purchase Amount
4	6350	Tax (City Hall)	LFR	10/9/2017	\$ 20,288.39	\$ 20,288.28	\$ (0.11)	0.00%		NO	NO	
5	6351	Tax (City Hall)	LFR	10/9/2017	\$ 19,669.32	\$ 19,669.32	\$ -	0.00%		NO	NO	
6	6352	Tax (City Hall)	LFR	10/9/2017	\$ 16,750.19	\$ 16,751.29	\$ 1.10	0.01%		NO	NO	
7	6353	Finance	LFR	10/9/2017	\$ 100.00	\$ 100.00	\$ -	0.00%	Petty Cash	NO	YES	Policy Violation: (1) Petty Cash and Change Fund Maintained in Same Box; (2) Payment of Sales Tax
8	6354	Bridge II - Customer Svc	LFR	10/12/2017	\$ 140.00	\$ 140.00	\$ -	0.00%		NO	NO	
9	6355	Bridge II - Customer Svc	LFR	10/12/2017	\$ 370.00	\$ 370.00	\$ -	0.00%		NO	NO	
10	6356	Bridge II - Customer Svc	LFR	10/12/2017	\$ 177.00	\$ 177.00	\$ -	0.00%		NO	NO	
11	6357	Bridge II - Toll Booth Collector	LFR	10/12/2017	\$ 378.00	\$ 377.00	\$ (1.00)	-0.26%		NO	NO	
12	6358	Bridge I - Toll Booth Collector	LFR	10/12/2017	\$ 383.25	\$ 380.82	\$ (2.43)	-0.63%		NO	NO	
13	6359	Bridge I - Gateway Passes	LFR	10/12/2017	\$ 219.00	\$ 218.07	\$ (0.93)	-0.42%		NO	NO	
14	6360	Airport - Federal Inspection Station	LFR	10/12/2017	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at Time of Audit
15	6361	Animal Care Services	LFR	10/12/2017	\$ 25.00	\$ 25.00	\$ -	0.00%		NO	NO	
16	6362	Bridge IV - Customer Svc	LFR	10/18/2017	\$ 1,025.00	\$ 1,025.00	\$ -	0.00%		NO	NO	
17	6363	Bridge IV - Customer Svc	LFR	10/18/2017	\$ 1,226.00	\$ 1,226.00	\$ -	0.00%		NO	NO	
18	6364	Bridge III - Toll Booth Collector	LFR	10/18/2017	\$ 73.50	\$ 73.50	\$ -	0.00%		NO	NO	
19	6365	Bridge III - Customer Svc	LFR	10/18/2017	\$ 3,027.00	\$ 3,027.00	\$ -	0.00%		NO	NO	
20	6366	Tax (City Hall Annex)	LFR	10/19/2017	\$ 105,117.54	\$ 105,117.54	\$ -	0.00%		NO	NO	
21	6367	Tax (City Hall Annex)	LFR	10/19/2017	\$ 19,003.76	\$ 19,003.77	\$ 0.01	0.00%		NO	NO	
22	6368	Building	LFR	10/23/2017	\$ 4,584.00	\$ 4,584.00	\$ -	0.00%		NO	NO	
23	6369	Utilities	LFR	10/24/2017	\$ 11,690.30	\$ 11,690.30	\$ -	0.00%		NO	NO	
24	6370	Parks - Cemetery	LFR	10/24/2017	\$ 50.00	\$ 50.00	\$ -	0.00%		NO	NO	
25	6371	Transit - Lobby Tellers	LFR	10/25/2017	\$ 85.00	\$ 85.00	\$ -	0.00%		NO	NO	
26	6372	IST - Public Access Channel	LFR	10/25/2017	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at Time of Audit
27	6373	Health - La Familia	LFR	10/25/2017	\$ 35.00	\$ 35.00	\$ -	0.00%		NO	NO	
28	6374	Library	LFR	10/30/2017	\$ 101.80	\$ 101.80	\$ -	0.00%		NO	NO	
29	6375	Community Development - Housing Rehab	LFR	10/31/2017	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at Time of Audit



CITY OF LAREDO
FIRE DEPARTMENT

MEMORANDUM

TO: Veronica Urbano-Baeza, Internal Auditor
FROM: Brenda Perez, Petty Cash Custodian [Signature]
THRU: Steve E. Landin, Fire Chief [Signature]
Ramiro R. Elizondo, Asst. Fire Chief [Signature]
DATE: October 20, 2017
SUBJECT: Petty Cash Policy Compliance Audit



Voucher # 001959, Employee was asked to purchase USB drive for Fire Prevention presentations. He mentioned he advised the cashier that he was purchasing items for the City and no sales tax needed to charge. The sales lady asked for the tax exempt number he provided the form but the number entered was not being accepted and taxes couldn't be taken off. After trying numerous times employee decided to pay taxes, we contacted Account Payable and have already given us the number needed at Wal-Mart for future purchases.

Voucher # 001960, Employee was asked to purchase blankets for Fire Training Field. He mentioned he advised the cashier that he was purchasing items for the City and no sales tax needed to charge. The sales lady asked for the tax exempt number he provided the form but the number entered was not being accepted and taxes couldn't be taken off. After trying numerous times employee decided to pay taxes, we contacted Account Payable and have already given us the number needed at Wal-Mart for future purchases.

No sales tax was reimbursed to the employees as is reflected in all vouchers.

Voucher# 001963, Employee was asked to purchase two adjustable limit auto resets for unit 3010. Unfortunately both items needed to be purchase to be replaced at the same time, employee was aware that as per petty cash policy only \$35.00 is the limit per store on a daily basis, but due to being a need to purchase items. He paid over the limit. Once here we only reimbursed him the \$35.00 approved by policies.

Thank You.

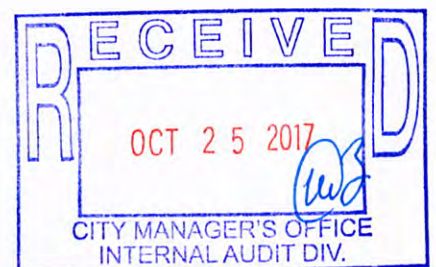
City of Laredo
Financial Services Department
Memorandum

To: Veronica Urbano Baeza, Internal Auditor
From: Jose F. Castillo, Assistant Finance Director *JFC*
Date: October 20, 2017
Re: Petty Cash Audit

The following are our responses to the Surprise Cash Audit conducted on 10/09/17:

Observation number one regarding the separation of Petty Cash and Change Fund. We have secured an additional cash box and the petty cash and change funds are now separate.

Observation number two regarding payment of sales tax on one receipt. We acknowledge that the sales tax should not had been paid or reimbursed. We will provide a tax-exempt certificate to the employee to present to the business at the time of the purchase.



November 2017

CITY OF LAREDO
INTERNAL AUDIT DIVISION
SUMMARY OF SURPRISE CASH AUDITS
NOVEMBER 2017

Audit Form #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received	Amount Counted	(Short)/Over	Percentage Shortage / Overage	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments	
												(A)
1	6376	Tax (City Hall Annex)	EYR	11/14/2017	\$ 87,761.06	\$ 87,761.06	\$ -	0.00%		NO	NO	
2	6377	Tax (City Hall Annex)	EYR	11/14/2017	\$ 145,013.46	\$ 145,013.46	\$ -	0.00%		NO	NO	
3	6378	Tax (City Hall Annex)	EYR	11/14/2017	\$ 1,916.02	\$ 1,916.02	\$ -	0.00%		NO	NO	
4	6379	Fleet Management	EYR	11/14/2017	\$ 400.00	\$ 400.00	\$ -	0.00%	Petty Cash	NO	NO	
5	6380	Tax (City Hall)	EYR	11/15/2017	\$ 7,683.13	\$ 7,683.13	\$ -	0.00%		NO	NO	
6	6381	Tax (City Hall)	EYR	11/15/2017	\$ 23,282.41	\$ 23,282.41	\$ -	0.00%		NO	NO	
7	6382	Community Development - Municipal Housing	EYR	11/15/2017	\$ 3,555.00	\$ 3,555.00	\$ -	0.00%		NO	NO	
8	6383	City Secretary	EYR	11/15/2017	\$ -	\$ -	\$ -	0.00%	Petty Cash	NO	NO	Unable to Audit: Petty Cash Fund Returned to Finance & Closed Out
9	6384	Information Services & Telecommunications (IST)	EYR	11/15/2017	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of Audit
10	6385	Utility Billing	EYR	11/15/2017	\$ 1,102.00	\$ 1,102.00	\$ -	0.00%		NO	NO	
11	6386	Bridge III - Toll Booth Collector	EYR	11/15/2017	\$ 126.00	\$ 126.00	\$ -	0.00%		NO	NO	
12	6387	Parks - Tarver Rec Center	EYR	11/15/2017	\$ 45.00	\$ 45.00	\$ -	0.00%		NO	NO	
13	6388	Traffic - Parking Offices	EYR	11/16/2017	\$ 260.00	\$ 260.00	\$ -	0.00%		NO	NO	
14	6389	Municipal Court	EYR	11/16/2017	\$ 5,741.00	\$ 5,741.00	\$ -	0.00%		NO	NO	
15	6390	Utilities	EYR	11/16/2017	\$ 300.00	\$ 300.20	\$ 0.20	0.07%	Petty Cash	NO	NO	
16	6391	Bridge IV - Customer Svc	EYR	11/27/2017	\$ 290.00	\$ 290.00	\$ -	0.00%		NO	NO	
17	6392	Bridge I - Toll Booth Collector	EYR	11/27/2017	\$ 269.50	\$ 269.50	\$ -	0.00%		NO	NO	
18	6393	Bridge I - Toll Booth Collector	EYR	11/27/2017	\$ 365.75	\$ 365.85	\$ 0.10	0.03%		NO	NO	
19	6394	Bridge I - Gateway Passes	EYR	11/27/2017	\$ 150.00	\$ 149.25	\$ (0.75)	-0.50%		NO	NO	
20	6395	Bridge I - Gateway Passes	EYR	11/27/2017	\$ 528.00	\$ 530.17	\$ 2.17	0.41%		NO	NO	
21	6396	Human Resources - Risk Management	EYR	11/27/2017	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of Audit
22	6397	Traffic	EYR	11/28/2017	\$ -	\$ -	\$ -	0.00%		NO	NO	No Collections Noted at the Time of Audit
23	6398	Environmental Svcs - Hazardous Materials	EYR	11/28/2017	\$ 3,000.00	\$ 3,000.00	\$ -	0.00%		NO	NO	
24	6399	Health - Immunization	EYR	11/28/2017	\$ 110.00	\$ 103.00	\$ (7.00)	-6.36%		YES	YES	Cash & Policy Violation: Collections Shortage
25	6400	Health - Ambulance Billing	EYR	11/28/2017	\$ 100.00	\$ 100.00	\$ -	0.00%	Change Fund	NO	NO	No Collections Noted at the Time of Audit
26	6401	Bridge II - Toll Booth Collector	EYR	11/28/2017	\$ 542.50	\$ 543.88	\$ 1.38	0.25%		NO	NO	
27	6402	Bridge II - Toll Booth Collector	EYR	11/28/2017	\$ 848.75	\$ 848.86	\$ 0.11	0.01%		NO	NO	
28	6403	Bridge II - Toll Booth Collector	EYR	11/28/2017	\$ 770.00	\$ 771.39	\$ 1.39	0.18%		NO	NO	
29	6404	Bridge II - Toll Booth Collector	EYR	11/28/2017	\$ 1,584.75	\$ 1,585.43	\$ 0.68	0.04%		NO	NO	



Laredo Health Department



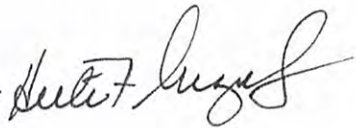
Public Health
Prevent. Promote. Protect.

2600 Cedar Ave., P.O. Box 2337. Laredo, TX 78044
Tel. (956) 795-4900 Fax. (956) 726-2632

Hector F. Gonzalez, M.D., M.P.H.
Director of Health

Memorandum

To: Veronica Urbano, Internal Auditor

From: Hector F. Gonzalez, M.D., M.P.H., Health Director 

XCS: Waldo A. Lopez, RS, MPH, PhD, Assistant Director
M. Blandina Gamez-Haught, Associate Director for Budget & Grants Management

Date: 12/5/2017

Re: **Internal Audit Division Surprise Cash Audit #6399**

Audit Finding: Cash handler was short \$7 in collections.

Audit Response: Ms. Clerk Typist, was short \$7. She justified the shortage by stating that she may have issued the wrong change to a client who paid with a \$100 bill but could not recall the name of the customer. Upon further assessments of the receipts, she was able to determine the name of the client and she was advised to call him and inquire if by any chance the incorrect change had been rendered to him. The supervisor in charge at the time was present for the call. The customer's spouse answered and her husband was not available at the moment. However, she stated that they were not issued the incorrect change.

Corrective Action: At the time of the finding, Ms. was immediately counseled by Ms. Billing Supervisor and Ms. , Acting Immunization Program Supervisor. It was emphasized to her to periodically monitor money collections by making sure these coincided with actual receipts and change being rendered. She verbalized understanding and will adhere by already established "cash handling guidelines." Additional individual training and guidance will be provided if necessary. A comprehensive cash handling training had been recently provided on September 15, 2017.

This violation falls under Section 6.4 Misconduct in the Workplace X: Violation of The City's Cash Handling Policy of the City of Laredo Civil Service Rules & Regulations, and therefore, the employee will receive a verbal written warning and will be subject to additional disciplinary action if issues persist.



December 2017

**CITY OF LAREDO
INTERNAL AUDIT DIVISION
SUMMARY OF SURPRISE CASH AUDITS
DECEMBER 2017***

Audit Form #	Dept./ Div. Audited	Auditor	Date of Audit	Amount Received	Amount Counted	(Short)/Over	Percentage Shortage / Overage	Change / Petty Cash Fund Audited	Response: Cash Violation	Response: Policy Violation	Comments
				(A)	(B)	(C) (B-A)	(D) (C/A)				
1 6405	Bridge III - Toll Booth Collector	LFR	12/12/2017	\$ 70.00	\$ 70.00	\$ -	0.00%		NO	NO	
2 6406	Bridge III - Customer Svc	LFR	12/12/2017	\$ 25.00	\$ 25.00	\$ -	0.00%		NO	NO	
3 6407	Bridge IV - Customer Svc	LFR	12/12/2017	\$ 1,439.00	\$ 1,439.00	\$ -	0.00%		NO	NO	
4 6408	Bridge IV - Customer Svc	LFR	12/12/2017	\$ 2,984.00	\$ 2,984.00	\$ -	0.00%		NO	NO	
5 6409	Bridge IV	LFR	12/12/2017	\$ 500.00	\$ 500.00	\$ -	0.00%	Change Fund	NO	NO	
6 6410	Bridge II - Customer Svc	LFR	12/13/2017	\$ 530.00	\$ 530.00	\$ -	0.00%		NO	NO	
7 6411	Bridge II - Customer Svc	LFR	12/13/2017	\$ 905.00	\$ 905.00	\$ -	0.00%		NO	NO	
8 6412	Bridge II - Customer Svc	LFR	12/13/2017	\$ 6,454.30	\$ 6,454.30	\$ -	0.00%		NO	NO	
9 6413	Bridge I - Toll Booth Collector	LFR	12/13/2017	\$ 208.25	\$ 208.74	\$ 0.49	0.24%		NO	NO	
10 6414	Bridge I - Toll Booth Collector	LFR	12/13/2017	\$ 544.25	\$ 545.50	\$ 1.25	0.23%		NO	NO	
11 6415	Police - Records	LFR	12/14/2017	\$ 730.00	\$ 730.00	\$ -	0.00%		NO	NO	
12 6416	Municipal Court	LFR	12/14/2017	\$ 4,264.30	\$ 4,264.30	\$ -	0.00%		NO	NO	
13 6417	Airport	LFR	12/14/2017	\$ 0.50	\$ 0.50	\$ -	0.00%		NO	NO	
14 6418	Parking Meters - Zone 6 (No. GR1457)	LFR	12/18/2017	\$ 15.76	\$ 15.76	\$ -	0.00%		NO	NO	
15 6419	Parking Meters - Zone 6 (No. SM308)	LFR	12/18/2017	\$ 21.85	\$ 21.85	\$ -	0.00%		NO	NO	
16 6420	Parking Meters - Zone 2 (No. LI1311)	LFR	12/18/2017	\$ 17.35	\$ 17.35	\$ -	0.00%		NO	NO	
17 6421	Parking Meters - Zone 2 (No. SA414)	LFR	12/18/2017	\$ 19.82	\$ 19.92	\$ 0.10	0.50%		NO	NO	
18 6422	Parking Meters - Zone 1 (No. SG504)	LFR	12/18/2017	\$ 14.40	\$ 14.60	\$ 0.20	1.39%		YES	YES	Cash & Policy Violation: Collections Overage
19 6423	Parking - Zaragoza Parking Lot	LFR	12/18/2017	\$ 318.00	\$ 318.00	\$ -	0.00%		NO	NO	

**Due to unforeseen circumstances, the remainder of the scheduled cash audits for December 2017 were unavoidably delayed. Subsequently, those scheduled audits were conducted in January 2018.*



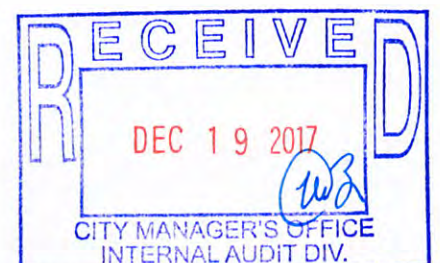
CITY OF LAREDO
TRANSPORTATION DEPARTMENT
PARKING/VEHICLE FOR HIRE DIVISIONS



To: Veronica Urbano-Baeza, Auditor
From: Roberto Eads, Traffic Safety Director *Roberto A. Eads*
Cc: Leo Rodriguez, Audit Department
Lupita T. Reyes, Parking Enforcement Superintendent
Date: December 18, 2017
Subject: Response to Cash Audits 6422

On December 18, 2017, Leo Rodriguez, Auditor, performed cash audits on several parking meters. Audit 6422 meter SG504 came out \$.20 over. One of the reasons why parking meters are over is because citizens believe if you feed meter more than the limit it will give them more time. However, it doesn't and therefore, we always come out over on all our collections.

Should you have any questions or need further information, please advise.



III. Unannounced Inventory Count Audits

October 2017

Traffic Department Surprise Inventory Count Audit October 19, 2017

STATEMENT OF SCOPE & METHODOLOGY

On October 19, 2017, a Surprise Inventory Count Audit was conducted on the Traffic Department Inventory parts. Four (4) different parts were randomly selected from the Signal Material parts inventory on hand. Division currently uses "Cartegraph work order system", in order to keep a database of the division'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 Signal Material parts inventory listing of items was requested.
- 2.) Random selection of part(s).
- 3.) Site visit to the Traffic Division Warehouse.
- 4.) Traffic Division staff interviews.
- 5.) Physical count of selected items.

AUDIT FINDINGS & OBSERVATIONS

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

PART NAME	PART NUMBER	UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Yield 24in X 24in	ID # 14	Unavailable	67	67	0	N/A
20 M.P.H. (Speed Hump)	ID # 24	Unavailable	64	66	2	F1
End of School Zone 24in X 30in	ID# 38	Unavailable	15	15	0	N/A
Curve Blocks View 30in X 30in	ID# 59	Unavailable	6	8	2	F2

F1– Overage of two (2) "20 M.P.H. (Speed Hump)," signs was discovered during physical count. No requisition on file as to any purchase(s) of equipment done by the department. No dollar amount was available from report.

F2– Overage of two (2) "Curve Blocks View," signs was discovered during physical count. No requisition on file as to any purchase(s) of equipment done by the department. No dollar amount was available from report.

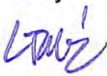

O1– Report did not reflect the most current costs of items inventoried. We could not determine price per unit inventoried.

AUDIT RECOMMENDATIONS

Recommendation (F1-F2) - Internal Audit recommends that Department review their inventory listings for accuracy in order to determine cause of variances. Necessary entries to the inventory system should be conducted (if required) once Department has determined cause of overage and/or shortage.

Recommendation (O1) – Department must accurately reflect not only the quantities of items included in their inventory system, but also the most current costs of those items in order to make well informed decisions when re-ordering items.

We are requesting written response, for findings/observations noted no later than ten (10) working days after receipt of this report. Response should indicate what corrective action will take place, by whom and by when. If you have any questions, feel free to contact me at the Internal Audit Office (956) 790-1810.

Prepared by:  Leo Rodriguez, Auditor II, CPM Date: 10.30.17	Reviewed by:  Veronica Urbano Baeza, Internal Auditor, CPM Date: 10-30-2017
To: Robert Eads, Traffic Director	
Cc: Horacio De Leon, City Manager Ramon Chavez, Executive Director of Public Services Roberto Murillo, Assistant Traffic Director	



CITY OF LAREDO

TRAFFIC DEPARTMENT



To: Roberto Murillo, P.E., P.T.O.E., Assistant Traffic Director
From: Manuel Benavides, Traffic Operations Manager
Date: November 8, 2017
Subject: Response to Surprise Inventory Count Audit



On October 19, 2017, an internal audit was performed. A random inventory count at the Traffic Warehouse facilities took place, and according to the submitted report three variances were found:

- 1.) **Overage of two (2) “20MPH (Speed Hump Signs) was discovered during physical count. No requisition on file as to any purchase of equipment done by the department. No dollar amount was available from report.**
- 2.) **Overage of two (2) “Curve Blocks View” signs was discovered during physical count. No requisition on file as to any purchase of equipment done by the department. No dollar amount was available from report.**
- 3.) **Report did not reflect the most current costs of items inventoried. We could not determine price per unit inventoried.**

Pursuant are the responses to variances 1, 2 and 3:

- 1.) **Overage of two (2) “20MPH (Speed Hump Signs) and was discovered during physical count. No requisition on file as to any purchase of equipment done by the department and**
- 2.) **Overage of two (2) “Curve Blocks View” signs was discovered during physical count. No requisition on file as to any purchase of equipment done by the department.**

According to the information gathered, in both instances, it was determined that the reason for the excess of these sign materials was that the delivery of these materials was not carried out properly. At the time the work order transaction occurred, the maintenance workers didn't pick up the listed materials nor did the warehouse supervisor make sure that the delivery process occurred. This was the main reason that caused the excess sign material to remain in the warehouse.

With reference to items not having a requisition or purchase order information, the Cartegraph system was damaged during the storms earlier this year. All previous data was lost. All inventory items are gradually being re-inputted into the upgraded system. Some information pertaining to requisitions numbers could not be retrieved from the old system; therefore, some of the inventory items have no cost information.

[Note: The Cartegraph Work Order system is currently the application that the Traffic Department uses for material inventory. An essential part of this system indicates that in order to pick up maintenance material from the warehouse, a respective work order must be generated. After it gets received/scanned by the warehouse supervisor, the materials are then given to the maintenance crews.]

3.) Report did not reflect the most current costs of items inventoried. We could not determine price per unit inventoried.

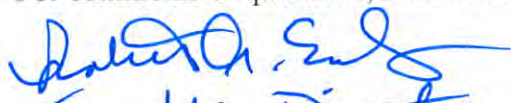
As explained in the previous section, the cost information could not be recovered from the old damaged system. Since priority was set on the re-installation of the warehouse inventory system, this additional information was scheduled to be incorporated after the entire inventory was completed. At the time of the audit the cost data had not yet been updated in the database system. It is for this reason that when the report was produced, only the quantities on hand appeared without cost.

It is emphasized that at all maintenance materials have always been updated with the available data. These materials are always protected and secured within the warehouse premises.

Department's Corrective Action:

- As an immediate corrective action, all workers, section and warehouse supervisors have been reminded to follow the established work order process. It states that maintenance material that is being required in a work order must be picked up immediately after it was scanned-out by the warehouse supervisor without exception.
- The Cartegraph System inventory data is still being updated by the warehouse supervisor with the most recent found information including barcode tagging. All items are being taken out following the first in-first out inventory model. All new received materials are being inputted into the system with its price per unit and its respective purchase order number.

For comments or questions, I am available at your convenience.


Traffic Director
11/15/17

Transit Maintenance Division Surprise Inventory Count Audit October 24, 2017

STATEMENT OF SCOPE & METHODOLOGY

On October 24, 2017, 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.) Random selection of part(s).
- 2.) Site visit to Transit Management-Maintenance Division.
- 3.) Transit Maintenance staff interviews.
- 4.) Physical count of selected items.

AUDIT FINDINGS & OBSERVATIONS


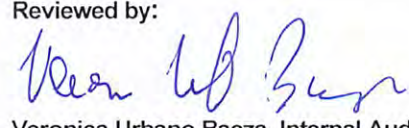
Based upon the physical count performed and as showed in the table below, the following observations were noted.

PART NAME	PART NUMBER	AVG. UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Drum Rear 2015 GLG	13-855	\$365.06	6	6	0	N/A
Solenoid Rear Door	34-783	\$193.37	1	1	0	N/A
Wiper Assy Road Side BB	41-751	\$214.90	1	1	0	N/A
Injector Doser 2011 GLG	45-817	\$426.01	1	1	0	N/A

AUDIT RECOMMENDATIONS

Internal Audit found no significant audit findings. Items inventoried were in balance.

No written response is required on this report.

<p>Prepared by:</p> <p style="text-align: center;"></p> <p>Leo Rodriguez, Auditor II, CPM Date: 10.30.17</p> <p>To: Claudia San Miguel, Acting Transit General Manager</p> <p>Cc: Horacio De Leon, City Manager Mario Maldonado, Executive Director of Transportation Joe Jackson, Transit AGM Operational Maintenance</p>	<p>Reviewed by:</p> <p style="text-align: center;"></p> <p>Veronica Urbano Baeza, Internal Auditor, CPM Date: 10-30-2017</p>
---	--

**Utilities Service Center
Surprise Inventory Count Audit
October 30, 2017**

STATEMENT OF SCOPE & METHODOLOGY

On October 30, 2017, a Surprise Inventory Count Audit was conducted on the Utilities Service Center Warehouse / Sewage Inventory parts. Four (4) different parts were randomly selected from the parts inventory on hand. Department currently uses "Sungard, HTE Select Version 8.0", 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 was requested.
- 2.) Random selection of part(s).
- 3.) Site visit to the Utilities Service Center Warehouse.
- 4.) Utilities Service Center staff interviews.
- 5.) Physical count of selected items.

AUDIT FINDINGS & OBSERVATIONS

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

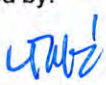

PART NAME	PART NUMBER	UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Shear GRD Clay to PVC 8x8	890-065-00760	\$34.04	7	7	0	N/A
Shear GRD PVC to PVC 4x4	890-065-00700	\$11.18	12	12	0	N/A
Shear GRD PVC to PVC 8x8	890-065-00750	\$34.31	6	8	2	F1
TEE WYE 8X6	890-065-00680	\$34.65	13	13	0	N/A

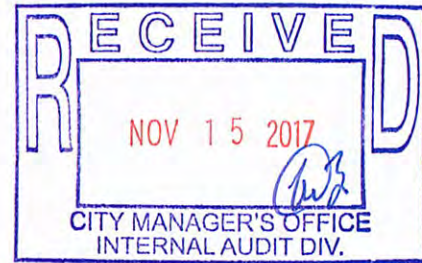
Finding 1 (F1) – Our audit on commodity No. 890-065-00750, (the Shear GRD PVC to PVC 8x8) reflected units physically counted of 8; however, on the Utilities Inventory Report provided the quantities of the units showed 6. An overage of two (2) units was discovered. Dollar amount equals to a total of \$68.62. No requisition on file as to any purchase of equipment done by the department.

AUDIT RECOMMENDATIONS

Internal Audit recommends that division should determine why variances were identified. Necessary entries to the inventory system should be conducted (if required) once division has determined cause of shortage and/or overage.

We are requesting written response for finding/recommendation no later than ten (10) days after receipt of this report. Response should indicate how findings would be corrected, by whom and by when. If you have any questions, feel free to contact me at the Internal Audit Office (956) 790-1810.

<p>Prepared by:</p> <p style="text-align: center;"></p> <p>Leo Rodriguez, Auditor II, CPM Date: <u>10.30.17</u></p> <p>To: Riazul Mia, Utilities Director</p> <p>Cc: Horacio De Leon, City Manager Martin Aleman, Executive Director of Finance & Technology</p>	<p>Reviewed by:</p> <p style="text-align: center;"></p> <p>Veronica Urbano Baeza, Internal Auditor, CPM Date: <u>11-1-2017</u></p>
---	--



To: Veronica Urbano-Baeza, Internal Auditor Date: Nov 9, 2017
Thru: Riazul I. Mia, P.E., CFM, Utilities Director
From: Mauro Perez, Asset Management Coordinator
Subject: Surprise Inventory Count Audit

Below is response to “Surprise Inventory Count Audit” conducted by Mr. Leo Rodriguez, Auditor II on Oct 30th, 2017.

Audit Findings & Observations:

F1 – Overage of two (2) LS 890-065-00750 Shear GRD PVC to PVC 8”x8”
Qty on System 6 Physically Counted 8 Variance (+2)

Causes for shortage –

1. On 10/13/2017 Mr. _____ Crewleader, requested two (2) 890-065-00670 Tee Wye 6”x4”. See Attachments (IMR 5400 & 5401) dated 10/13/2017)

Warehouse personnel, issued out these items on the system as, two (2) 890-065-00750 PVC to PVC 8”x8”, thereby creating an overage of two. See Attachments (Issue/Return Ticket 1865178 & 1865179) dated 5/26/15).

Corrective Action Taken –

Two (2) 890-065-065-00750 PVC to PVC 8”x8” were returned on the system. See Attachment # (Issue/Return Ticket 1871102 & 1871103 dated 11/08/17).

Two (2) 890-065-00670 Tee Wye 6”x4” were issued out. See Attachment # 3 (Issue/Return Tickets 1871606 & 1871606) dated 11/08/17.

Note: Disciplinary action has been against employee for his oversight and creating a variance while issuing out inventory items.



CITY OF LAREDO
 Water Utilities Department
 Inventory Materials Requisition



No 5400



Division: <u>Utilities (w.w.c)</u>	Date: <u>10-13-17</u>
Requested By: _____	Time Issued: _____
Crew Leader: _____	Project No: _____
Crew No: _____	Work Order No: <u>0631037</u>
Job Location: <u>411 Pamplona</u>	Issue Out No.: _____
Remarks: <u>Install 6" Flowback valve</u>	

Quantity		Inventory	Size	Description	Expense Account
Requested	Issued	Item No.			
2	2	00090	6"	Rubber coupling clay-pvc	
1	1	00180	6"	Rubber coupling pvc-pvc	
1	1	00180	6"x4"	wye Comp	
1	1	105	4"	plug	
1	1	100	4"	female adapter	
1	1	125	4"	450 B-S	
1	1	00670	6x4	TEE WYE NOTE: I O	11/8/17
				Issue 1891601	

Quantity		Inventory	Size	Description	Expense Account
Issued	Returned	Item No.			
1	1	00750	8x8	PVC to PVC SHEAR GUARD NOTE: 1891103	Return 11-8-17
				Issue Return 1891103	

RETURNS

Issued by: _____	Completed by: _____
Received by: _____	Supervisor: _____

PAGE 1

ISSUE TICKET

** RETURN **

ISSUE NUMBER - 1871103

COMMENTS -IMR# 5400

DATE - 11/08/17

ISSUED BY -

DATE

TO -

DATE

ORDER - ENTRY

BUILDING - LAREDO SEWER SERVICE CENT

WORK ORDER ID - WF0631032 WORK ORDER JOB NUMBER - 1

BIN LOCATION --- QUANTITY --- ITEM NUMBER

ALT BIN LOC BACKORDER/ISSUED UOM ITEM DESCRIPTION

UNIT COST

EXTENDED

REF NUMBER

COST

N 3 C

1.00-EA 890 065 00750

34.3100

34.31-

SHEAR GRD PVC TO PVC 8X8 8X8 SHEAR GRD PVC TO PVC

8X8 PVC TO PVC SG

55942205323012

TOTAL

34.31-

PAGE 1

ISSUE TICKET

ISSUE NUMBER - 1871601

COMMENTS -IMR 5400

DATE - 11/08/17

ISSUED BY -

DATE

TO -

DATE

ORDER - ENTRY

BUILDING - LAREDO SEWER SERVICE CENT

WORK ORDER ID - WF0631037 WORK ORDER JOB NUMBER - 1

BIN LOCATION --- QUANTITY --- ITEM NUMBER

ALT BIN LOC BACKORDER/ISSUED UOM ITEM DESCRIPTION

UNIT COST

EXTENDED

COST

REF NUMBER

K 1 AB

1.00 EA 890 065 00670

29.3985

29.40

TEE WYE 6 X 4

TEE WYE 6 X 4

TEE WYE 6 X 4

55942205323012

TOTAL

29.40



CITY OF LAREDO
 Water Utilities Department
 Inventory Materials Requisition



No 5401



Division: <u>Utilities (W.W.C)</u>	Date: <u>10-13-17</u>
Requested By: _____	Time Issued: _____
Crew Leader: _____	Project No: _____
Crew No: _____	Work Order No: <u>0631037</u>
Job Location: <u>413 Pamplona</u>	Issue Out No.: _____
Remarks: <u>Install 6" Flow back Valve</u>	

Quantity		Inventory	Size	Description	Expense Account
Requested	Issued	Item No.			
14'	14	165	4"	PVC Sewer pipe	
2	2	00090	6"	Rubber coupling clay-pvc	
1	1	00180	6"	Rubber coupling pvc-pvc	
1	1	0750	6" x 4"	wye compy	
1	1	100	4"	plug	
1	1	105	4"	Female adapter	
1	1	125	4"	45° B-S	
1	1	00670	6x4	TEE wye NOTE: Issue out 11/8/17	
				Issue Ticket:	1871606

Quantity		Inventory	Size	Description	Expense Account
Issued	Returned	Item No.			
1	1	00750	8x8	pvc to pvc SHAR GUARD	
				Return Ticket	1871102

RETURNS

Issued by: _____	Completed by: <u>[Signature]</u>
Received by: _____	Supervisor: _____

PAGE 1

ISSUE TICKET

** RETURN **

ISSUE NUMBER - 1871102

COMMENTS -IMR# 5401

DATE - 11/08/17

ISSUED BY -

DATE

TO -

DATE

ORDER - ENTRY

BUILDING - LAREDO SEWER SERVICE CENT

WORK ORDER ID - WF0631037 WORK ORDER JOB NUMBER - 1

BIN LOCATION --- QUANTITY --- ITEM NUMBER

ALT BIN LOC BACKORDER/ISSUED UOM ITEM DESCRIPTION

UNIT COST

EXTENDED

REF NUMBER

COST

N 3 C

1.00-EA 890 065 00750

34.3100

34.31-

SHEAR GRD PVC TO PVC 8X8 8X8 SHEAR GRD PVC TO PVC

8X8 PVC TO PVC SG

55942205323012

TOTAL

34.31-

PAGE 1

ISSUE TICKET

ISSUE NUMBER - 1871606

COMMENTS -IMR 5401

DATE - 11/08/17

ISSUED BY -

DATE

TO -

DATE

ORDER - ENTRY

BUILDING - LAREDO SEWER SERVICE CENT

WORK ORDER ID - WF0631037 WORK ORDER JOB NUMBER - 1

BIN LOCATION --- QUANTITY --- ITEM NUMBER

ALT BIN LOC BACKORDER/ISSUED UOM ITEM DESCRIPTION

UNIT COST

EXTENDED

REF NUMBER

COST

K 1 AB

1.00 EA 890 065 00670

29.3985

29.40

TEE WYE 6 X 4

TEE WYE 6 X 4

TEE WYE 6 X 4

55942205323012

TOTAL

29.40

November 2017

**Fleet Maintenance Division
Surprise Inventory Count Audit
November 14, 2017**

STATEMENT OF SCOPE & METHODOLOGY

On November 14, 2017, a Surprise Inventory Count Audit was conducted on the Fleet Maintenance Division. Four (4) different equipment items were randomly selected from the equipment inventory on hand. Division currently uses "Fleet Management Software" in order to keep a database of the division'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 manual journal. The following steps were taken to analyze all the data collected.

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

AUDIT FINDINGS AND/OR OBSERVATIONS

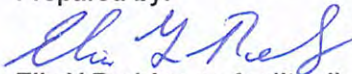

Based upon the physical count performed and as shown in the table below, the following finding(s)/observation(s) were noted.

PART NAME	PART NUMBER	AVG. UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING/OBSERVATION NO.
Coil Left Side	AL3Z12029B	\$89.44	3	3	0	N/A
Battery	BAT58R	\$82.67	2	2	0	N/A
Wheel for Chevy Caprice	92246104	\$194.28	1	1	0	N/A
Ford Cooling Manifold Asy	3W7Z9424AE	\$329.44	2	2	0	N/A

AUDIT FINDINGS, OBSERVATIONS & RECOMMENDATIONS

Internal Audit found no significant audit findings. Items inventoried were in balance.

No written response is required on this report.

<p>Prepared by:  Elia Y Rodriguez, Auditor II Date: 11-17-2017</p>	<p>Reviewed by:  Veronica Urbano-Baeza, Internal Auditor Date: 11-17-2017</p>
<p>To: Jack Dunn, Jr., Fleet Management Director Cc: Horacio A. De Leon, Jr., City Manager Mario I. Maldonado, Jr., Executive Director for Transportation</p>	

**Parks & Leisure Services – Central Warehouse
Surprise Inventory Count Audit
November 27, 2017**

STATEMENT OF SCOPE & METHODOLOGY

On November 27, 2017, a Surprise Inventory Count Audit was conducted on the Parks & Leisure Services Department – Central Warehouse. Four (4) different parts or equipment were randomly selected from the equipment or parts 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 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 part or equipment inventory listing was requested.
- 2.) Random selection of part (s) or equipment.
- 3.) Site visit to Parks & Recreation – Central Warehouse.
- 4.) Parks & Recreation staff interviews.
- 5.) Physical count of selected items.

AUDIT FINDINGS, OBSERVATIONS & RECOMMENDATIONS

Based upon the physical count performed and as shown in the Table 1 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 / OBSERVATION NO.
Tile/Stone Cutter Husky 7"	PR-EQ-1014	\$ 150.00	1	1	0	N/A
Circular Saw Slugger Metal Cutting	PR-EQ-VM01	\$ 429.00	1	1	0	N/A
Drill Cordless Dewalt	PR-WH-7342	\$ 99.99	1	1	0	F1
AC Recovery Pump Yellow Jacket	PR-AC-3885	\$ 1,089.40	1	1	0	F1

Finding 1

Internal Audit found items inventoried in balance; however, we did note the following finding:

Of four items selected, the following two reflected a variance between the quantities on hand and the inventory report generated from the Parks inventory program.

- Overage of one (1) "Drill Cordless Dewalt"
- Overage of one (1) "AC Recovery Pump Yellow Jacket"

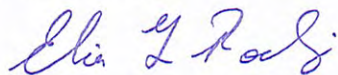
The Internal Audit Division confirmed that the quantities counted on the above items reconciled to what has been entered in the Parks inventory program with print screens of the individual items tested from the Parks inventory system. (Attachment 1).

Recommendation

Internal Audit continues to recommend that the Parks & Leisure Services Department acquire a new inventory software program that will better reflect the inventory counts of materials and equipment housed at the Parks' warehouse facilities. Additionally, we would strongly recommend that a full inventory of items housed at the Parks warehouses be conducted in conjunction with the acquisition of the new inventory software in order to ensure that the most accurate information is entered into the new inventory program.

A written response is required on this report for finding(s)/observation(s) no later than ten (10) days after receipt of this report. Response should indicate how findings would be corrected, by whom and by when. If you have any questions, feel free to contact me at the Internal Audit Office (956) 790-1809.

Prepared by:



Elia Y Rodriguez, Auditor II

Date: 12-29-2017

Reviewed by:



Veronica Urbano-Baeza, Internal Auditor

Date: 12-29-2017

To: Graciela S. Briones, Assistant Parks Director
Anita O. Stanley, Assistant Parks Director

Cc: Horacio A. De Leon, Jr., City Manager
Ramon Chavez, Executive Director of Public Services

#3

Equipment

Equip ID: Type:

Description: Model No:

Division: Vendor ID: Vendor Name:

Unit Cost: Qty on Hand: Date Last Received: UOM:

of Order Form: Date Last Ordered: Qty On Order: Qty Assigned:

Transfer: In Div. From Div. In Dept. From Dept. No

Disposal: Dispose No

Approve: Now Later

Close: Transfer

3:43 PM 11/27/2017

#4

Equipment

Equip ID: Type:

Description: Model No:

Division: Vendor ID: Vendor Name:

Unit Cost: Qty on Hand: Date Last Received: UOM:

of Order Form: Date Last Ordered: Qty On Order: Qty Assigned:

Transfer: In Div. From Div. In Dept. From Dept. No

Disposal: Dispose No

Approve: Now Later

Close: Transfer

3:45 PM 11/27/2017

PARKS AND LEISURE SERVICES DEPARTMENT

Memo

To: Veronica Urbano, Internal Auditor
From: Graciela Sosa-Briones, Asst. Director
Date: January 29, 2018
Re: Internal Surprise Inventory Count Audit



The following Surprise Inventory Count Audit was conducted on November 27, 2017.

Findings 1: Internal Audit found items inventoried in balance; however, we did note the following finding:

Of four items selected, the following two reflected a variance between the quantities on hand and the inventory report generated from the Parks Inventory Program.

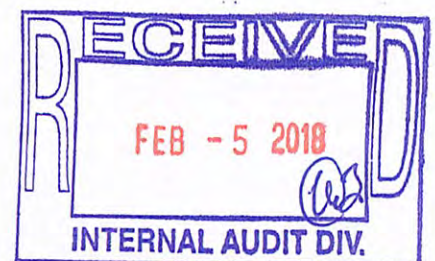
- *Overage of one (1) "Drill Cordless Dewalt"*
- *Overage of one (1) "AC Recovery Pump Yellow Jacket"*

Response: Due to the version that the department has on the inventory software program, certain errors are encountered. At the time of printing the inventory listing, the items above don't appear; however, in the screen they emerge.

We will inquire about a new inventory system program to reflect better accountability of materials and/or equipment.

If you have any questions, please call me at 794-1765.

Thank you.



**Public Works – Warehouse Division
Surprise Inventory Count Audit
November 28, 2017**

STATEMENT OF SCOPE & METHODOLOGY

On November 28, 2017, a Surprise Inventory Count Audit was conducted on the Public Works - Warehouse Division. Four (4) different inventory items were randomly selected from the inventory reports on hand. Division currently uses "Excel worksheet based system" in order to keep a database of the division'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 inventory listing was requested.
- 2.) Random selection of inventory items.
- 3.) Site visit to Public Works - Warehouse Division.
- 4.) Public Works – Warehouse staff interviews.
- 5.) Physical count of selected items.

AUDIT FINDINGS, OBSERVATIONS & 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.
Miller Welder	10783	\$3,917.22	1	1	0	N/A
Husqvarna Flat Saw	20163500062	\$1,899.00	1	1	0	N/A
Cedar 1"x6"x16'	N/A	\$16.75	23	23	0	N/A
Stud 2"x4"x16'	N/A	\$7.00	96	96	0	N/A

Internal Audit found no significant audit findings. Items inventoried were in balance.

As stated in the "Statement of Scope & Methodology" above, the Public Works Warehouse Division currently uses an "Excel Database System" in order to account for most of the material and equipment housed at the warehouse; however, receiving and issuing out of items must be done manually with Excel. We would recommend that Public Works assess and consider the acquisition, funding permitting, of the most suitable Automated Inventory System in order to better account for all material and equipment received and issued out.

No written response is required on this report.

<p>Prepared by:  Elia Y Rodriguez, Auditor II Date: 11-29-2017</p>	<p>Reviewed by:  Veronica Urbano Baeza, Internal Auditor Date: 11-29-2017</p>
<p>To: John Orfila, Public Works Director</p>	
<p>Cc: Horacio De Leon, Jr., City Manager Ramon Chavez, Executive Director of Public Services</p>	

December 2017

**Bridge System
Automated Vehicle Identification System (AVI) Tags
Surprise Inventory Count Audit
December 13, 2017**

STATEMENT OF SCOPE & METHODOLOGY

On December 13, 2017, a Surprise Inventory Count Audit was conducted on the Bridge System's Automated Vehicle Identification System (AVI) Inventory Tags. Two (2) inventory tag classifications were selected from a random location of inventory tags on hand. 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.


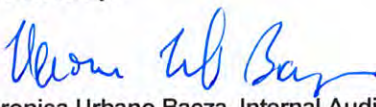
- 1.) An AVI tag inventory totals summary was requested. (document on file)
- 2.) Selection of tag classification and a random inventory tag location.
- 3.) Site visit to the Bridge System Warehouse. (Bridge of the Americas)
- 4.) Bridge System staff interviews.
- 5.) Physical count of selected items.

AUDIT FINDINGS, OBSERVATIONS & RECOMMENDATIONS

Based upon the physical count performed on the randomly selected inventory tags location and as showed in the table below, the following findings and/or observations were noted.

TAG CLASSIFICATION / LOCATION	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	AVG. UNIT COST	VARIANCE	REF. FINDING / OBSERVATION NO.
Regular Tags- Warehouse/Bridge I	328	328	\$12.50	0	N/A
Bumper Sticker- Warehouse/Bridge I	6	6	\$27.00	0	N/A

Internal Audit found no significant audit findings, items inventoried were in balance. No written response request is needed.

<p>Prepared by:</p> <p style="text-align: center;"></p> <p>Leo Rodriguez, Auditor II, CPM Issuance Date: 12.13.17</p> <p>To: Yvette Limon, Bridge Director</p> <p>Cc: Horacio De Leon, City Manager Mario Maldonado, Executive Director of Transportation</p>	<p>Reviewed by:</p> <p style="text-align: center;"></p> <p>Veronica Urbano Baeza, Internal Auditor, CPM Issuance Date: 12-15-2017</p>
--	---

Utilities Service Center Surprise Inventory Count Audit December 14, 2017

STATEMENT OF SCOPE & METHODOLOGY

On December 14, 2017, a Surprise Inventory Count Audit was conducted on the Utilities Service Center Warehouse / Sewage Inventory parts. Four (4) different parts were randomly selected from the parts inventory on hand. Department currently uses "Sungard, HTE Select Version 8.0 ", 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 was requested.
- 2.) Random selection of part(s).
- 3.) Site visit to the Utilities Service Center Warehouse.
- 4.) Utilities Service Center staff interviews.
- 5.) Physical count of selected items.

AUDIT FINDINGS & OBSERVATIONS



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

PART NAME	PART NUMBER	UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Female & Curb Stop 3/4	890-070-00343	\$38.80	19	19	0	N/A
Curb Stop 3/4	890-070-00181	\$42.00	19	19	0	N/A
Male Adapter 2"	890-070-1040	\$45.50	15	15	0	N/A
Curb Stop 1 1/2	890-070-01265	\$121.01	6	6	0	N/A

AUDIT RECOMMENDATIONS

Internal Audit found no significant audit findings. Items inventoried were in balance.

No written response is required on this report.

<p>Prepared by:</p> <p style="text-align: center;"></p> <p>Leo Rodriguez, Auditor II, CPM Date: <u>12.14.17</u></p> <p>To: Riazul Mia, Utilities Director</p> <p>Cc: Horacio De Leon, City Manager Martin Aleman, Executive Director of Finance & Technology</p>	<p>Reviewed by:</p> <p style="text-align: center;"></p> <p>Veronica Urbano Baeza, Internal Auditor, CPM Date: <u>12-15-2017</u></p>
---	---

Max Mandel Municipal Golf Course Asset Inventory Count Audit December 21, 2017

STATEMENT OF SCOPE & METHODOLOGY

On December 21, 2017, an Asset Inventory Count Audit was conducted on the Max Mandel Municipal Golf Course (MAX) inventory. Ten (10) different items were randomly selected from the Asset Inventory list provided by the Budget department. The Budget department has been given the responsibility of keeping track of all inventoried assets that have been assigned to the MAX; however, the Finance department uses an Asset Management software application to record these 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 inventory listing of items was requested.
- 2.) Random selection of asset(s).
- 3.) Site visit to the MAX.
- 4.) The MAX staff was interviewed.
- 5.) Physical count of selected items.

AUDIT FINDINGS & OBSERVATIONS

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

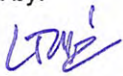

DESCRIPTION	ASSET NUMBER	UNIT PRICE	QTY SHOWING IN SYSTEM	PHYSICALLY COUNTED	VARIANCE	REF. FINDING NO.
Assets \$500 - \$4,999						
1) Monitor Touch Screen	14167	\$262.95	1	1	0	
2) Desk W/Return	14147	\$399.95	1	1	0	
3) Computer Laptop	14151	\$1,127.35	1	1	0	
4) Radio 2 Way	14201	\$382.87	1	1	0	
5) Cart Food Warmer	9219	\$500.00	1	1	0	
Assets \$5,000.00 & Greater						
1) Refrigerator Chef Base (Under Grill)	14103	\$5,526.30	1	1	0	
2) Cooler Walk-In Outdoor 10x15	10080	\$16,989.84	1	1	0	

3) Cart Utility	10513	\$10,960.00	1	1	0	
4) Cart Utility	10523	\$8,960.84	1	1	0	
5) Mower Precision Cut Trim	10527	\$33,914.86	1	1	0	

AUDIT RECOMMENDATIONS

Internal Audit found no significant audit findings. Items inventoried were in balance.

No written response is required on this report.

<p>Prepared by:</p>  <p>Leo Rodriguez, Auditor II, CPM Date: 12.21.17</p> <p>To: Gilberto Sanchez, Jr., Acting Budget Director Dennis Gutierrez, MAX General Manager</p> <p>Cc: Horacio De Leon, City Manager Cynthia Collazo, Deputy City Manager Martin Aleman, Executive Director of Finance & Technology</p>	<p>Reviewed by:</p>  <p>Veronica Urbano Baeza, Internal Auditor, CPM Date: 12-29-2017</p>
---	---

IV. Compliance Audit Reports

City of Laredo
City Manager's Office
Internal Audit Division
Petty Cash Policy Compliance Audit

Department/Division Name: Library Department			Audit Date		
- Custodian of Account					
Period Audited: Last three reimbursements plus items on hand.			10-09-17		
Audit Objective: To determine if Dept. /Div. and Finance processed petty cash transactions in accordance with the Accounting Procedures Manual-Petty Cash Funds dated May 7, 2002.					
Department/Division Compliance Checklist			Compliance Comments	Score	Value
1.	Custodian is responsible for funds and preparing vouchers and paperwork.		100% Compliance	5	5
2.	Custodial Statement of Responsibility is signed and kept on file for the amount of funds in the possession of custodian. (Permanent Assignment)		100 % Compliance	10	10
3.	Petty Cash is returned to Finance when authorized custodian is no longer responsible. Each custodian must complete a Custodial Statement of Responsibility prior to receipt of petty cash funds. (IV-1) (Including the internal temporary transfer of funds.)		N/A	N/A	N/A
4.	Amount of overages are deposited next business day. Shortages are reported to immediate supervisory or department director. Petty cash custodian replenishes the amount of shortage. Continued shortages or material amounts are submitted to Finance and City Manager's Office. Shortages in the Petty Cash Fund, incl. unjustified sales tax-exempt expenses, are the liability of custodian to attain the funds from the person making the actual purchase. Exemptions follow Sec.VIII-2. (Shortages/Overages are determined through a surprise cash count and reconciliation of vouchers)		100% Compliance	10	10
5.	All petty cash funds are kept in a metal box equipped with a lock. The petty cash box is kept overnight in a vault, safe, or in any secure locked area.		100% Compliance	10	10
6.	Petty cash is restricted to a \$35 limit per purchase. The total purchase to one vendor should not exceed \$35.		100% Compliance	10	10
7.	Petty Cash is used strictly for City business and operations only and confirm to purchasing guidelines.		100% Compliance	10	10
8.	Employee's sign voucher in order to obtain petty cash funds (contents of voucher complies with policy), obtain invoice or receipt from vendor, and return left over cash and invoice to custodian.		100% Compliance	10	10
9.	Custodian reimbursed employee for any additional funds spent.		N/A	0	0
10.	Funds are verified and replenished at least once a month at the end of month.		100% Compliance	5	5
Department/Division-Total Compliance Score-			100%	70	70
Finance/Accounts Payable-Compliance Checklist			Compliance Comments	Score	Value
1.	Custodial Statement of Responsibility is signed and kept on file with Finance for the amount of funds in the possession of custodian. (Initial set up of funds is approved by the Finance Director.)		100 % Compliance	10	10
2.	Accounts Payable reviewed vouchers, supporting documents and reimbursement report and ascertained that all purchases adhered to the City's Purchasing Policies and Procedures.		100% Compliance	10	10
3.	Accounts Payable verified that the expense accounts have sufficient funds to cover.		100 % Compliance	5	5
4.	Accounts payable reimbursed custodian for approved reports.		100 % Compliance	5	5
Finance/Accounts Payable-Total Compliance Score-			100%	30	30

City of Laredo
City Manager's Office
Internal Audit Division
Petty Cash Policy Compliance Audit

Department/Division-Findings, Observations, & Recommendations:

Internal Audit found no significant audit findings.

Finance/Accounts Payable- Findings, Observations, & Recommendations:

Internal Audit found no significant audit findings.

Prepared by: <i>LR</i>	Date: 10.19.17	Reviewed By: <i>Veronica Urbano Baeza</i>	Date: 10-19-2017
Leo Rodriguez	Auditor II, CPM	Veronica Urbano Baeza	Internal Auditor, CPM

Issued to:	Response Required	Response Due Date	Score	Overall Score
Maria Soliz – Laredo Public Library Director	NO	N/A	100%	
Mr. Jose Castillo – Acting Finance Director	NO	N/A	100%	100%

All responses must be approved by the Department Director, submitted to the Internal Auditor, and include the following:

- 1.) A descriptive of the progress in resolving or addressing the findings or observations noted above.
- 2.) An implementation schedule identifying specific steps to be taken and target dates for implementation or resolution.

Xc: Horacio De Leon, City Manager
 Robert Eads, Assistant City Manager

V. Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Veronica Urbano-Baeza, Internal Auditor

Elia Y. Rodriguez, Auditor II

Leopoldo F. Rodriguez, Jr., Auditor II