



Internal Auditing Division

Finance Department

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Parish of East Baton Rouge

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2017 Annual Report

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Auditing Manager's Report

March 9, 2018

The following report is a summary of our highlights and audit accomplishments throughout 2017. The Internal Auditing Division had a productive year that included the completion of four projects from the annual Audit Plan and eleven additional special projects. At year-end, we had nine projects in progress. For a listing of our audits and projects, see page three. In 2017, our audit work resulted in cost savings, dollar recoveries, or potential revenues of approximately \$64,750.

Our work this year focused on auditing processes for proper internal controls, assisting departments with evaluating their operations and identifying opportunities for improvement, and reviewing ethics issues, misappropriations, and fraud allegations.

I served on the implementation team for the new financial system. This included process planning and internal controls review prior to the system's implementation in October, as well as after. I will continue as a team member as the City-Parish moves into the implementation of the Human Resources module.

Our accomplishments were not possible without the hard work, devotion, and enthusiasm of our small group of Auditors. I also want to thank Finance-Administration and the Audit Committee for their valued contributions. We look forward to another excellent year.

Sincerely,

Barbara Baughman

Barbara Baughman
Auditing Manager

Mission

The Internal Auditing Division performs independent appraisals to evaluate City-Parish programs, activities, and functions. Its purpose is to establish stronger internal controls, improve the efficiency of City-Parish operations, and promote governmental accountability.

Audit Selection and Risk Analysis

The Internal Auditing Division has a risk analysis model from which its annual Audit Plan is developed.

The risk evaluation of the City-Parish budget unit is based on the following criteria:

- ◆ The financial exposure of the unit;
- ◆ The number of employees;
- ◆ The time elapsed since the last audit; and
- ◆ The extent to which the area is a source or use of cash.

Additional criteria considered:

- The overall risk exposure of the area;
- The overall quality of internal controls;
- Major changes in operations, programs, systems and controls;
- The risk associated with non-compliance with local, state or federal laws or regulations;
- The risk that unauthorized activities or programs are being conducted and funds spent; and
- The susceptibility of assets employed for personal use.

The annual Audit Plan is reviewed and approved by the Audit Committee each year.

2017 Audits and Special Projects

In 2017, eighty percent (80%) of hours worked by Internal Auditing staff (6,844 hours) were directly related to audits and special projects. The remaining 20% was attributable to administrative tasks, training, and leave.

Audits Completed

- Unemployment Claims Audit Follow-up *(April)*
- Fleet Management - Central Garage Inventory Internal Controls Review *(April)*
- Police Evidence Division Audit *(August)*
- Vendor Registration Audit Follow-up *(August)*

Special and Investigative Projects Completed

Projects completed in 2017 that were not scheduled on the annual Audit Plan.

- Blight Grass Cutting Complaint* *(January)*
- Environmental Services Complaint 2016* *(January)*
- Inventory Valuations (Warehouses and Central Garage) *(February)*
- Police Department – Violent Crimes Division Cash Count *(April)*
- Fiscal Agent Bank Transition *(April)*
- Environmental Services Complaint 2017* *(October)*
- Online Banking Security Review *(October)*
- Doctors' Excuses Review *(October)*
- Fuel Card Complaint* *(December)*
- Parts Purchase Complaint* *(December)*
- Assistance with 2016 Flood *(December)*

Administrative Reports

Administrative reports issued in 2017.

- Annual Report 2016 *(February)*

Audits and Projects in Progress at Year-End

The following audits, special projects, and follow-up reviews were in progress at year-end.

- Surplus Process Audit
- EMS Supplies Inventory Audit
- Library Procurement Card Audit

Audits and Projects in Progress at Year-End (cont.)

- Fleet Management Payroll Complaint*
- Inventory Valuation (Warehouses)
- Inventory Valuation (Central Garage)
- Assistance to the Office of Community Development with HUD audits
- ERP System Controls
- Animal Control and Companion Animal Alliance Processes

*The Internal Auditing Division receives complaints of misappropriations via mail, phone, and the misappropriations reporting link on the Metronet. The link leads to a reporting form where City-Parish employees can report fraud or abuse. The report is sent to the Internal Auditing Division.

Costs Savings, Recoveries, and Potential Revenues



**Internal Auditing contributed over 280 hours to assist in recovering approximately \$43 million associated with the 2016 Flood.

Many audits and projects result in increased efficiencies and improved controls which are not easily quantified. Additionally, we assist departments with evaluating new processes to identify and mitigate risk, with reviewing and responding to audit findings, and by

investigating misappropriation complaints which identify weak controls and often result in restitution. Over the past ten years, the Internal Auditing Division has identified cost savings, recoveries, and potential revenues of \$5,192,790.

Corrective Action Taken on Audit Recommendations

In order to improve the value and effectiveness of Internal Audit services, we track management’s implementation of corrective action for audit findings. Follow-up reviews performed in 2017 confirmed that 90% of audit recommendations were resolved or their resolutions were in progress at the time of the review.

| Audit/Follow-up | Total Recommendations | Resolved | Resolution In Progress | Not Resolved |
|-------------------------------------|-----------------------|------------|------------------------|--------------|
| Unemployment Claims Audit Follow-up | 4 | 1 | 3 | 0 |
| Vendor Registration Audit Follow-up | 6 | 1 | 4 | 1 |
| Total | 10 | 2 | 7 | 1 |
| Percentage | | 20% | 70% | 10% |

Internal Auditing Division Staff

For the year 2017, the Internal Auditing Division had a personnel allotment of seven employees. Additionally, in the summer, we hire a student intern from the LSU Center for Internal Audit. Our staff at year-end was comprised of the following:

- Barbara Baughman, CIA, CGAP (Auditing Manager)
- Carol Marcantel, CPA (Chief Auditor)
- Andrea George, CIA, CGAP (Senior Auditor)
- Susan Pappan, CPA-Retired (Auditor)
- Andrew McNicoll (Auditor)

Professional Designations

CIA – Certified Internal Auditor, CGAP – Certified Government Auditing Professional, CPA – Certified Public Accountant