

CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall, 400 Stewart Avenue
Las Vegas, Nevada 89101
City Clerk Conference Room, First Floor
City of Las Vegas Internet Address: <http://www.lasvegasnevada.gov>

AGENDA

December 6, 2007
10:00 AM

ALL ITEMS ON THIS AGENDA ARE SCHEDULED FOR ACTION UNLESS SPECIFICALLY NOTED OTHERWISE. UNLESS OTHERWISE STATED, ITEMS MAY BE TAKEN OUT OF THE ORDER PRESENTED AT THE DISCRETION OF THE CHAIRPERSON.

DUPLICATE AUDIO CDS MAY BE AVAILABLE AT A COST OF \$5.00 PER CD THROUGH THE CITY CLERK'S OFFICE.

1. CALL TO ORDER
2. ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW
3. Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of July 19, 2007
4. Discussion and possible action on Scheduled Meeting Dates: Thursday, January 17, 2008; Thursday, April 24, 2008; Thursday, July 17, 2008, and Thursday, October 16, 2008
5. Discussion and possible action on a request from Fire Rescue to perform an audit of overtime practices within the Fire and Rescue Information Technologies Unit
6. Discussion and possible action on a request from the City Manager's Office to perform a performance comparison of Molasky Community School
7. Discussion and possible action on a request from the Director of Finance and Business Services to perform a review of Parking Ticket Collections
8. General Report by the City Auditor
9. Report and possible action on the Quantification of Savings related to the implementation of Audit Reports
10. Discussion and possible action on Audit of Metropolitan Police - Funding
11. Discussion and possible action on a report from Information Technologies regarding the Audit of City Cell Phone Charges (2005-0607-10)
12. Discussion and possible action on Audit of Building and Safety Permit Division (0753-0708-01)

13. Discussion and possible action on Internal Control Review Activity Report June 30, 2007 (2900-0708-02)
14. Discussion and possible action on Audit of Finance & Business Services Accounting Division Citywide Travel (0602-0708-03)
15. **CITIZENS PARTICIPATION:** Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the Committee. No subject may be acted upon by the Committee unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited

16. ADJOURNMENT

Facilities are provided throughout City Hall for the convenience of disabled persons. Special equipment for the hearing impaired is available for use at meetings. If you need an accommodation to attend and participate in this meeting, please call the City Clerk's office at 229-6311 and advise of your need at least 48 hours in advance of the meeting. The City's TDD number is 386-9108.

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS:

City Clerk's Bulletin Board, City Hall Plaza, 2nd Floor Skybridge
Bulletin Board, City Hall Plaza (next door to Metro Records)
Las Vegas Library, 833 Las Vegas Boulevard North
Clark County Government Center, 500 S. Grand Central Parkway
Grant Sawyer Building, 555 E. Washington Avenue

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELDING

SUBJECT:

CALL TO ORDER



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELDING

SUBJECT:

ANNOUNCEMENT RE" COMPLIANCE WITH OPEN MEETING LAW



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELDING

SUBJECT:

Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of July 19, 2007



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on Scheduled Meeting Dates: Thursday, January 17, 2008; Thursday, April 24, 2008; Thursday, July 17, 2008, and Thursday, October 16, 2008

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

The purpose is to establish the quarterly Audit Committee Meetings for calendar year 2008.

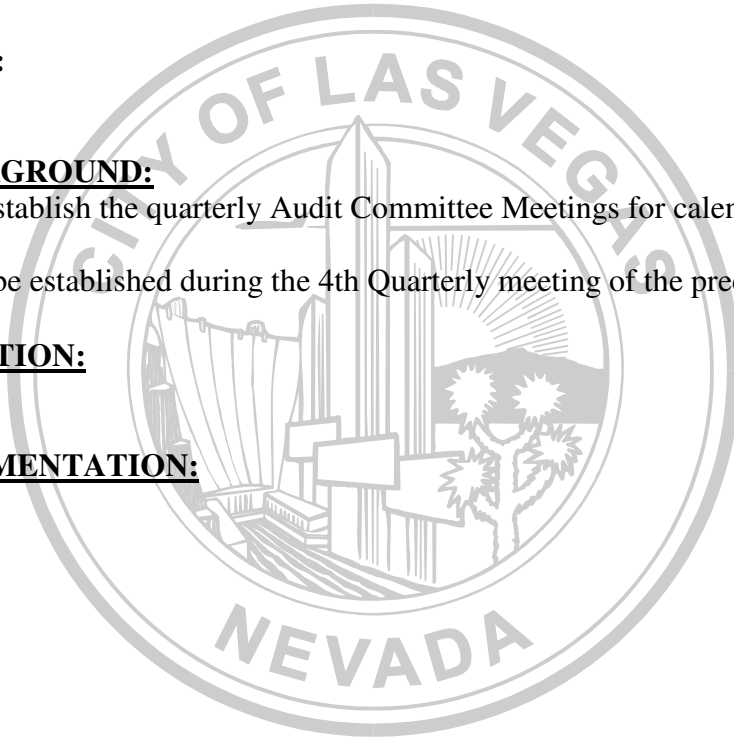
This is required to be established during the 4th Quarterly meeting of the preceding year.

RECOMMENDATION:

Approval.

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on a request from Fire Rescue to perform an audit of overtime practices within the Fire and Rescue Information Technologies Unit

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

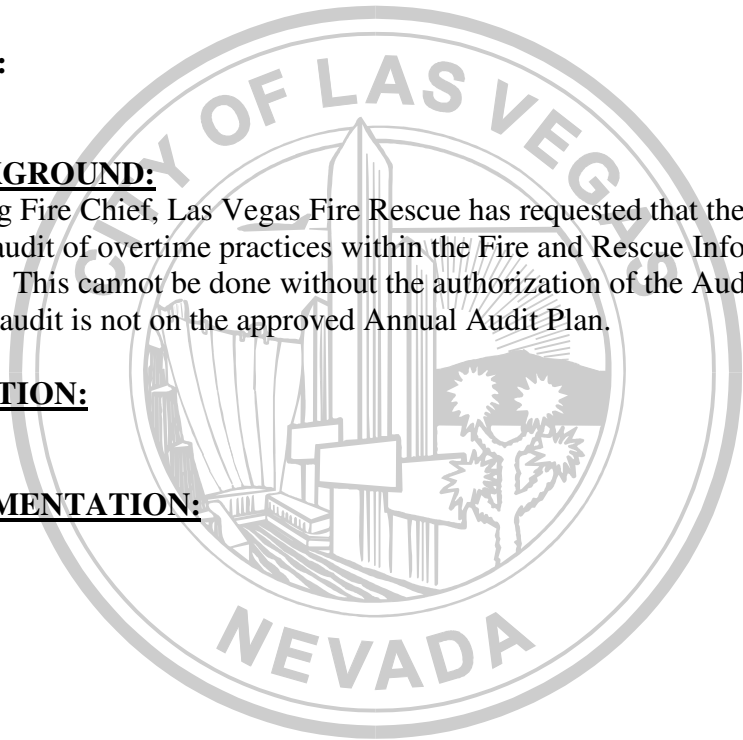
Mike Myers, Acting Fire Chief, Las Vegas Fire Rescue has requested that the City Auditor's Office perform an audit of overtime practices within the Fire and Rescue Information Technologies Unit. This cannot be done without the authorization of the Audit Oversight Committee, as this audit is not on the approved Annual Audit Plan.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on a request from the City Manager's Office to perform a performance comparison of Molasky Community School

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

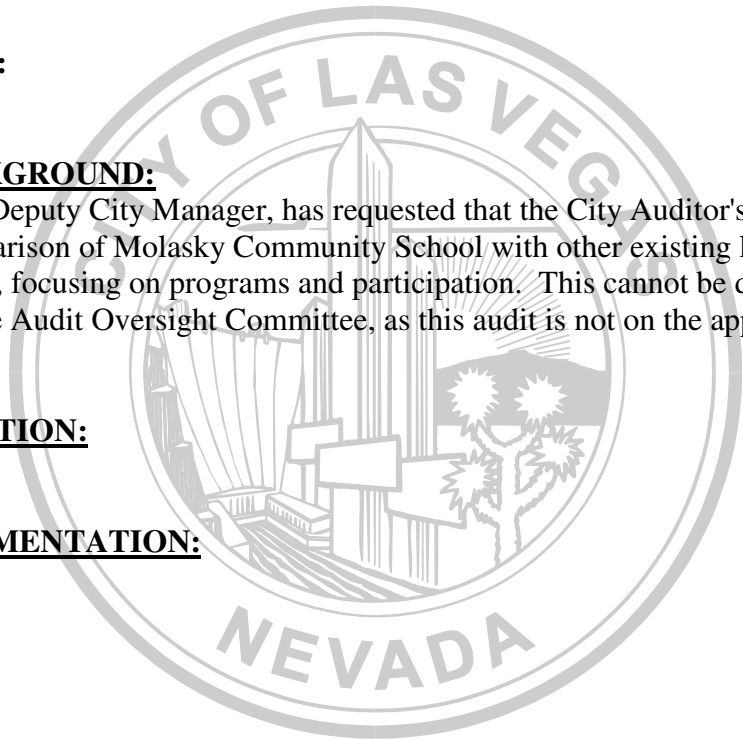
Orlando Sanchez, Deputy City Manager, has requested that the City Auditor's Office conduct a performance comparison of Molasky Community School with other existing leisure facilities in the immediate area, focusing on programs and participation. This cannot be done without the authorization of the Audit Oversight Committee, as this audit is not on the approved Annual Audit Plan.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on a request from the Director of Finance and Business Services to perform a review of Parking Ticket Collections

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

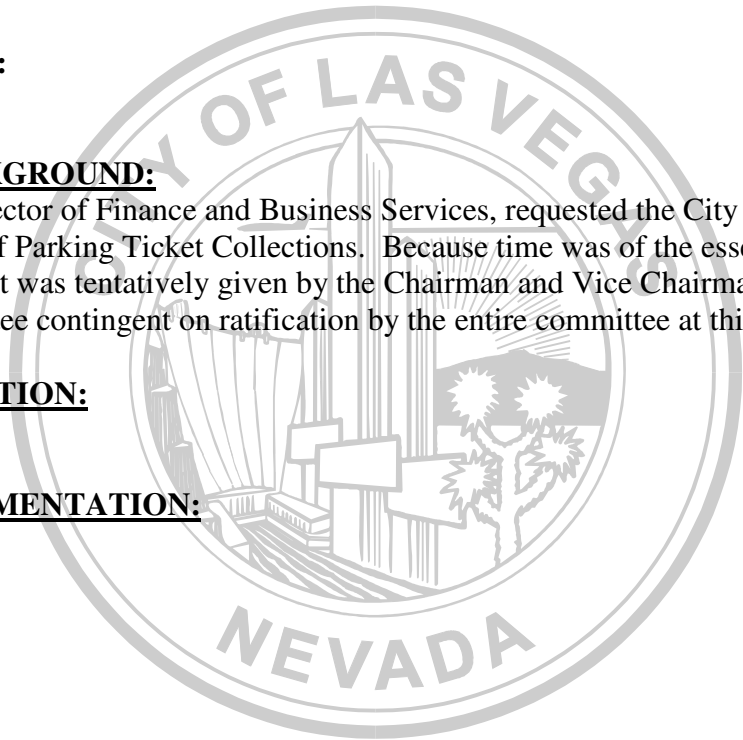
Mark Vincent, Director of Finance and Business Services, requested the City Auditor's Office perform a review of Parking Ticket Collections. Because time was of the essence, permission to work on this project was tentatively given by the Chairman and Vice Chairman of the Audit Oversight Committee contingent on ratification by the entire committee at this meeting.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

General Report by the City Auditor

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

To give a status report on the audits and projects in progress and open investigations and control reviews.

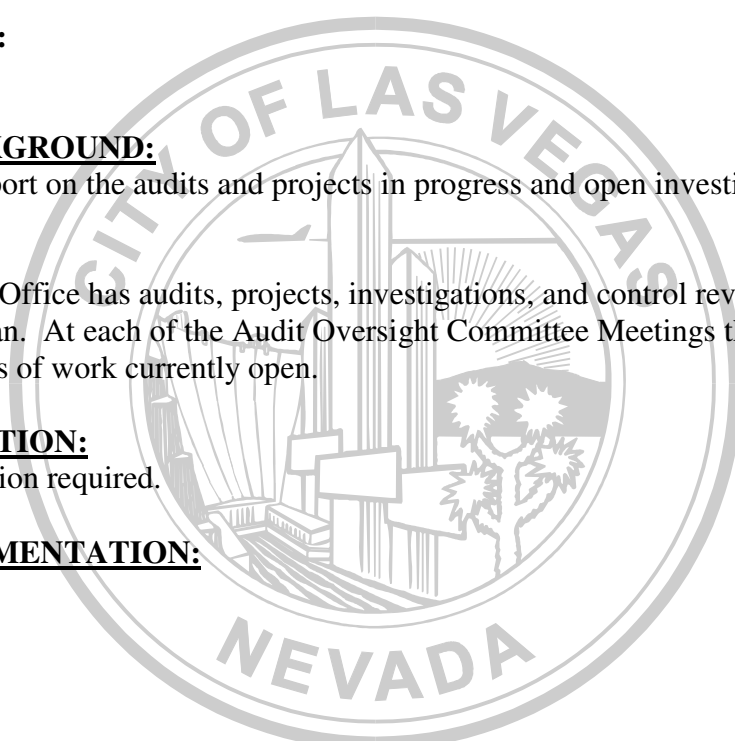
The City Auditor's Office has audits, projects, investigations, and control reviews as assigned in the annual audit plan. At each of the Audit Oversight Committee Meetings the City Auditor reports on the status of work currently open.

RECOMMENDATION:

Report only; no action required.

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Report and possible action on the Quantification of Savings related to the implementation of Audit Reports

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

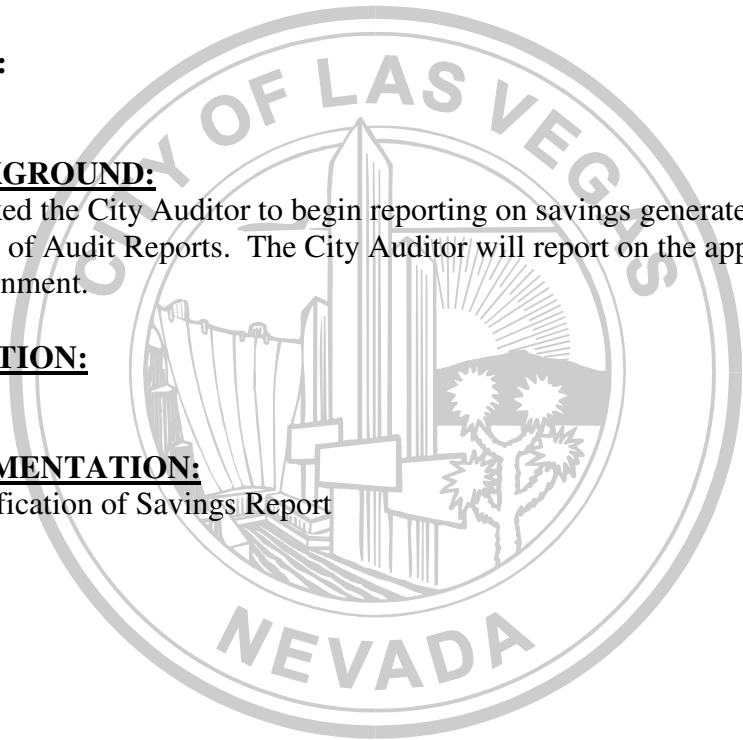
The Committee asked the City Auditor to begin reporting on savings generated as the result of the implementation of Audit Reports. The City Auditor will report on the approach and progress regarding this assignment.

RECOMMENDATION:

Accept the report.

BACKUP DOCUMENTATION:

Example of Quantification of Savings Report



EXAMPLE OF QUANTIFICATION OF SAVINGS REPORT

CITY AUDITOR'S OFFICE



**AUDIT OF
FINANCE & BUSINESS SERVICES
ACCOUNTING DIVISION
CITYWIDE TRAVEL**

Report No. CAO 0602-0708-03

August 10, 2007

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

1. Travel Policy and Procedures Exceptions

Recommendation

Definitive statements should be made as to what is allowed or not. Without definitive statements even an effective monitoring program cannot prevent different interpretations of policy. Updating travel policy and procedures would allow the current monitoring system to become a basis for corrective action of errors found during the travel claim review process. Each travel claim should have self explanatory documentation.

QUANTIFICATION OF SAVINGS:

IDENTIFIED SAVINGS (Savings realized as a result of implementation of the recommendation.)

ESTIMATED SAVINGS (Estimated Savings obtained as a result of implementation of the recommendation.)

COMPLIANCE ISSUE (Required compliance with existing controls, laws, or regulation is enhanced with implementation of the recommendation.)

- Improve existing controls

ECONOMY OR EFFICIENCY IMPROVEMENT (Economy or efficiency of operations is improved with implementation of the recommendation.)

- Improve current monitoring system
- Each travel claim should have self explanatory documentation

OTHER BENEFITS (Some other benefit, as noted, is realized as a result of implementation of the recommendation.)

2. Travel Cards

Recommendation:

Travel Card Policy should be rewritten to allow these other expenses or action should be taken to inform the individuals that expenses, even if personally paid, are not allowed.

QUANTIFICATION OF SAVINGS:

IDENTIFIED SAVINGS (Savings realized as a result of implementation of the recommendation.)

ESTIMATED SAVINGS (Estimated Savings obtained as a result of implementation of the recommendation.)

COMPLIANCE ISSUE (Required compliance with existing controls, laws, or regulation is enhanced with implementation of the recommendation.)

- Improve existing controls
- Elimination of personal expenses are not allowed

ECONOMY OR EFFICIENCY IMPROVEMENT (Economy or efficiency of operations is improved with implementation of the recommendation.)

- Improve current monitoring system

OTHER BENEFITS (Some other benefit, as noted, is realized as a result of implementation of the recommendation.)

3. Mileage Expense Submissions

Recommendation:

1. Employees should be required to use a City vehicle for local travel. The use of a personal vehicle for City business should be restricted to when a City vehicle is unavailable, not for the convenience of the employee. There should be documentation as to why a City vehicle was not used on all the mileage reimbursement forms.
2. As stated in policy, no mileage reimbursement should be given until the required insurance coverage can be verified on the employee private vehicle.

QUANTIFICATION OF SAVINGS:

IDENTIFIED SAVINGS (Savings realized as a result of implementation of the recommendation.)

ESTIMATED SAVINGS (Estimated Savings obtained as a result of implementation of the recommendation.)

COMPLIANCE ISSUE (Required compliance with existing controls, laws, or regulation is enhanced with implementation of the recommendation.)

- Appropriate insurance coverage verified by City

ECONOMY OR EFFICIENCY IMPROVEMENT (Economy or efficiency of operations is improved with implementation of the recommendation.)

OTHER BENEFITS (Some other benefit, as noted, is realized as a result of implementation of the recommendation.)

- More usage of existing City vehicles (savings unknown)

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on Audit of Metropolitan Police - Funding

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

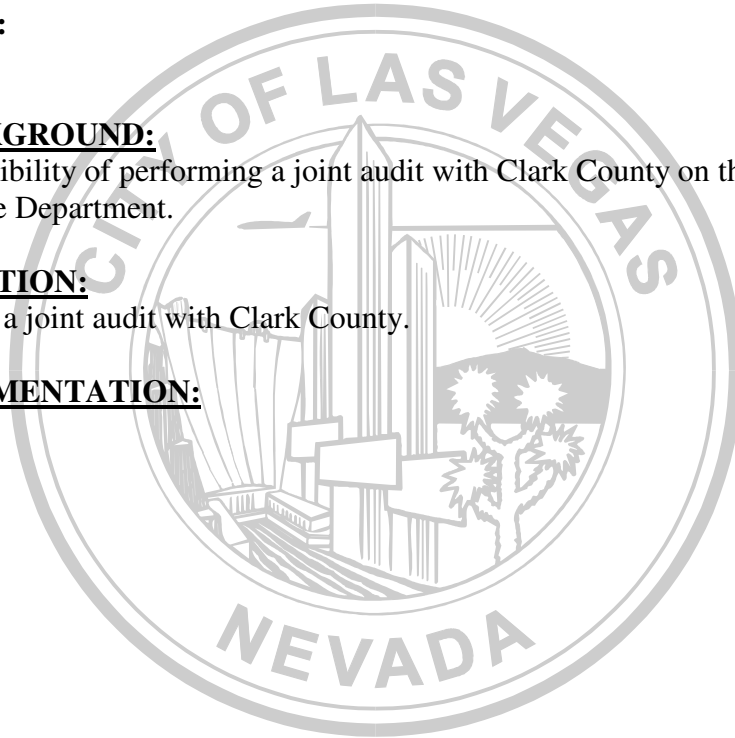
To discuss the possibility of performing a joint audit with Clark County on the funding of the Metropolitan Police Department.

RECOMMENDATION:

Continue to pursue a joint audit with Clark County.

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on a report from Information Technologies regarding the Audit of City Cell Phone Charges (2005-0607-10)

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

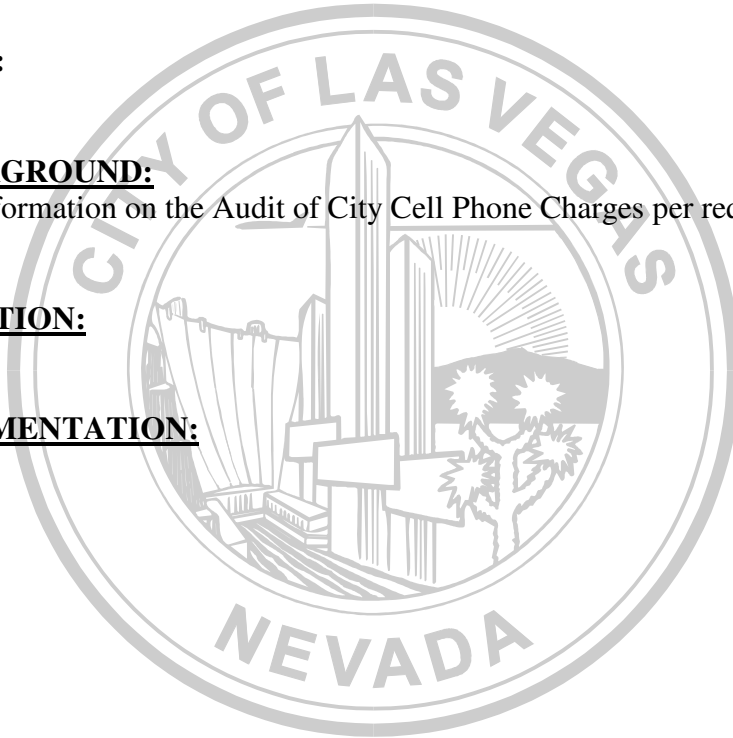
To give updated information on the Audit of City Cell Phone Charges per request of the Audit Committee.

RECOMMENDATION:

Accept report.

BACKUP DOCUMENTATION:

None



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on Audit of Building and Safety Permit Division (0753-0708-01)

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

To review the Audit of Building and Safety Permit Division with the Audit Oversight Committee.

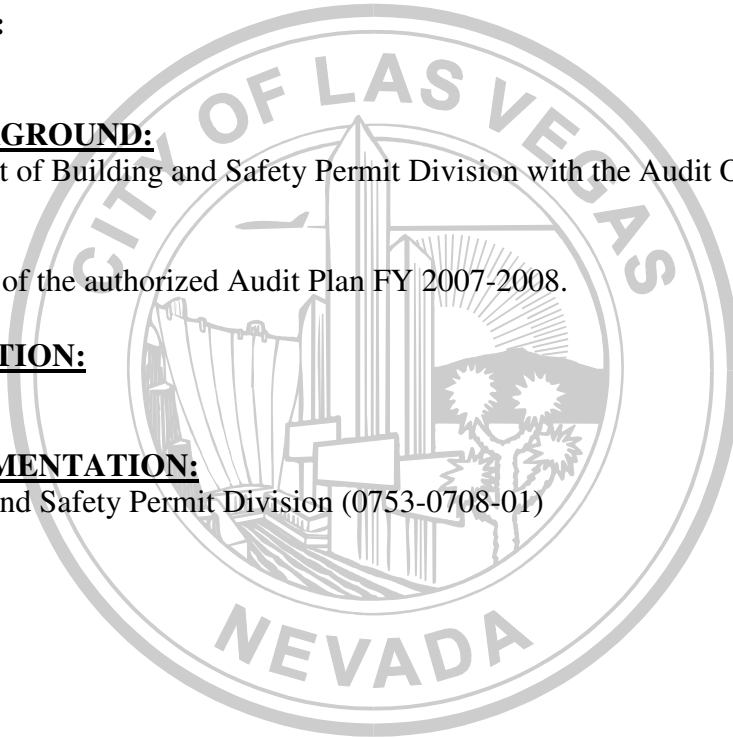
This audit was part of the authorized Audit Plan FY 2007-2008.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

Audit of Building and Safety Permit Division (0753-0708-01)



CITY AUDITOR'S OFFICE



AUDIT OF BUILDING AND SAFETY PERMIT DIVISION

Report No. CAO 0753-0708-01

AUGUST 10, 2007

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

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**AUDIT OF
BUILDING AND SAFETY
PERMIT DIVISION
CAO 0753-0708-01**

BACKGROUND

The Building and Safety Department (Building and Safety) is responsible for ensuring that construction that occurs within the boundaries of the City of Las Vegas (City) conforms to established building codes. Building structures, building service equipment, and onsite improvements regulated by the City Administrative Code cannot be constructed, enlarged, altered, repaired, moved, removed, converted, or demolished without obtaining the appropriate permits.

Building permit fees are based upon construction valuation. During the audit period, the cost for a building permit was \$561 for the first \$100,000 of valuation, plus \$3.10 for each additional thousand dollars of valuation. Depending on the type of construction, other fees may also apply (e.g. electrical, mechanical, and plumbing permits).

Building and Safety uses two integrated data management software systems to process fees and monitor construction activity: Legacy and Hansen. Building and Safety is currently migrating activity from Legacy to Hansen. In July 2004, Hansen became operational for over-the-counter permits, block walls, pools, spas, and patio covers. Effective October 2006, Building and Safety began processing new residential construction activity in Hansen. New commercial construction activity is scheduled to move to Hansen in June 2007.

OBJECTIVES

The audit objectives were to ensure that:

- Management controls for building permit fees are adequate to provide assurance that transactions are fairly recorded and cash receipts are properly safeguarded.
- Statistical reports accurately reflect business activity.

SCOPE AND METHODOLOGY

The scope of the audit was limited to auditing building permit transactions initiated during fiscal year 2005/2006 (fiscal year). Judgmental samples were selected for test of controls. The last day of fieldwork was April 5, 2007.

The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Research of relative guidelines
- Interviews of personnel
- Observations of work processes
- Analysis of available data

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

Except as noted in the following findings and recommendations, the management controls for building permit fees are adequate to provide assurance that transactions are fairly recorded and cash receipts are properly safeguarded and statistical reports accurately reflect business activity.

Findings and recommendations summarized in this section are identified issues management should address relating to the Building and Safety Permit Division. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. Legacy System Control Deficiencies

Criteria

Integrated data management software systems should have the functionality to support effective monitoring and control operations.

Condition

Discussions with Building and Safety personnel and detailed testing showed that there are various internal control deficiencies with the Legacy system:

- Errors may occur when Building and Safety personnel manually calculate valuation amounts. The cost of building permits are based upon the higher of declared or calculated valuation.
- Management oversight is not required when cashiers void permit receipts.
- Permit fees may not be collected since Building and Safety personnel manually add expired permit fees.
- The only notation within the system for permit refunds is a comment stating fees were refunded.
- Building and Safety personnel have limited overall monitoring capability due to Legacy query limitations.

We acknowledge that Building and Safety is aware of these deficiencies, is utilizing compensating controls where possible that are not limited by diminished monitoring capabilities, and is addressing the above issues in Hansen.

Cause

Legacy is an older system that has limited functionality.

Effect

Until all permits are processed in Hansen, the potential exists that appropriate fees may not be collected.

Recommendation

1. Building and Safety management should continue with their monitoring efforts until the Legacy System has been retired.

2. Hansen Fee Collections

Criteria

Fees should be collected in accordance with the City Administrative Code.

Section 304.2 Permit Fees. The fee for each permit shall be as provided in set forth in Table Nos. 3-A through 3-C, as adopted in connection with this Supplemental Document and amended by the City Council from time to time.

The valuation to be used by the Building Official shall be the greater of the declared valuation or the valuations as calculated from the Chart of Minimum Valuations Per Square Foot, which is attached to Table 3-A.

Condition

Hansen data queries of fiscal year permit transactions and detailed testing of 52 judgmentally selected permit applications were completed and analyzed. The analysis showed that fees were not always collected in accordance with the City Administrative Code:

- 3 permits: the incorrect amount was paid for the building permit fee.
- 3 permits: the electrical inspections were completed and finalized without the customer paying for an electrical permit. These inspections were scheduled through the Interactive Voice Response (IVR) system.

Cause

Hansen is not yet fully operational. System issues are still being identified and resolved.

Effect

Correct permit fees are not always charged or collected.

Recommendation

1. Building and Safety management should develop controls in Hansen to address the fee collection deficiencies and instruct staff of established procedures to ensure that correct fees are charged and collected.

3. Hansen Expired Permit Fee Assessment

Criteria

Fees should be collected in accordance with the City Administrative Code.

303.4 Expiration. *Every permit issued by the Building Official with respect to work governed by the technical codes shall **expire by limitation and become null and void if the building or work authorized by the permit is not commenced within 180 days from the date of the permit, as documented by an inspection, or if the building or work authorized by the permit is suspended or abandoned at any time after the work is commenced for a period of 180 days, as documented by an inspection...***

*Before the work can be recommenced, a new permit therefor shall first be obtained and **the fee therefor shall be one half the amount required for a new permit** for the work, provided that no changes have been made or will be made in the original plans and specifications for the work, and provided further that the suspension or abandonment has not exceeded one year. In order to **renew action on a permit after expiration, the permittee shall pay a new full permit fee and shall be subject to all development/impact fees current at the time of the new permit.***

Condition

Hansen data queries of fiscal year permit transactions were completed and analyzed. The analysis showed that permits were not always expired and appropriate fees added in Hansen in accordance with the City Administrative Code:

- 5 permits: one-half permit fees apply and were not added in Hansen.
- 14 permits: one-half permit fees were applied to the permit. Since the period exceeded one year, full permit fees apply and were not added in Hansen.
- 4 permits: full permit fees apply and were not added in Hansen.
- 3 permits: final inspections were indicated as complete in Hansen while initial inspections remained open and one-half permit fees were added to the permit in Hansen.
- 4 permits: inspections were completed and one-half permit fees were added to the permit in Hansen. Since the inspections were completed within 180 days, the fees should not have been added.
- 1 permit: permit was expired in Hansen. Inspections are not scheduled until the additional fees are paid. However, the customer was able to schedule an inspection through the IVR.
- 5 permits: the customers canceled the permits and requested refunds. After the refunds were processed in Hansen and the customers received their refunds, one-half permit fees were added to the permits.

Cause

Building and Safety disabled the expired permit fee function in Hansen due to issues with the function.

Effect

- Expired permit fees are not added in Hansen correctly.
- Potential that fees for expired permits are not collected.
- Increased time required by staff to determine actual status of permits.

Recommendation

1. Building and Safety management should resolve the expired permit fee function deficiencies. Once the issues are resolved, the process should be documented and staff instructed of established procedures.

4. Hansen Refund Processing Inconsistencies

Criteria

A consistent process should be followed for processing refund transactions.

Condition

Detail testing of refund transactions in Hansen showed that the method by which refunds were processed and posted to Oracle was inconsistent, as follows:

- Permits for which refunds were processed had a status of “void” or “not void” in Hansen.
- Additional inconsistencies occurred for the permits that were not voided in Hansen, as follows:
 - Refund amounts were classified as “fees paid” or “fees unpaid”.
 - The next phase was identified as “Final” or “A/P Complete”.
- To request a refund, customers complete a refund request. Building and Safety personnel list on the refund request the general ledger account distribution. However, when verifying the account distribution in Oracle, the refunds were not always distributed to the general ledger accounts listed on the refund request.

Cause

Hansen is not yet fully operational. System issues are still being identified and resolved.

Effect

- Increased staff time to determine actual status of permits.
- Incorrect coding in Oracle.

Recommendation

1. Building and Safety management should work with Finance and Business Service to develop a standard refund process for Hansen refunds. The process should include:
 - Hansen refund processing procedures.
 - Instructions on the appropriate general ledger account distributions.

Once established, the process should be documented and staff instructed on the appropriate procedures.

5. Hansen Functions that Circumvent Oversight

Criteria

The integrated data management software system should require appropriate supervisory oversight when it has been determined that transactions should be voided in the system.

Condition

Hansen functions allow employees to circumvent supervisory oversight in the following situations:

- Employees with a job classification of Office Specialist II can use the delete function on transactions instead of using the void function. The delete function does not require supervisory oversight whereas the void function does.
- 3 transactions: the employee selected “void” as the work type. The work type represents the type of work that is being completed, not the status of the permit in Hansen. Additional research showed that these transactions were not voided in Hansen.
- 7 transactions: the comment field stated the permit had been voided. Additional research showed that these transactions were not voided in Hansen.

Cause

Hansen is not yet fully operational. System issues are still being identified and resolved.

Effect

- Employees have the ability to delete transactions without appropriate supervisory oversight.
- Active permits have the appearance of being voided in Hansen.
- Increased staff time to determine actual status of permits.

Recommendation

1. Building and Safety management should review the current Hansen function issues indicated above relating to circumvented supervisory oversight. Controls should be developed to ensure appropriate supervisory oversight is required when it has been determined that transactions should be voided in Hansen.

6. Performance Reports

Criteria

Performance reports should accurately reflect an organization's operations and performance.

Condition

Building and Safety personnel prepare monthly reports to document performance in terms of revenue generated (Cash Summary Sheet) and building valuation (Summary of Building Permits). The following analyses were completed on these reports:

- The Cash Summary Sheet is an internal report used by Building and Safety management. The fiscal year Cash Summary Sheet revenue figures were compared in total to the audited revenue figures in the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. For the fiscal year, the revenue reported on the Cash Summary Sheet was \$622,876 less than the revenue reported in the CAFR.
- The June 2006 Summary of Building Permit Report valuation amounts were compared to the supporting documentation used to prepare the report. The following differences were noted:
 - In the Legacy testing, we noted five instances where the valuation amount listed on the green copy of the permit was not included at the correct valuation. The total valuation included for these five permits was \$120,150. The actual valuation associated with these permits was \$233,688 which resulted in an undervaluation of \$113,538.
 - The monthly process to calculate valuations does not take into account any projects that were cancelled for which a refund was processed. Refunds processed in June 2006 included five Legacy permits with a total valuation of

\$1,252,247 and nine Hansen permits with a total valuation of \$159,600. This resulted in an overvaluation of \$1,411,847.

Cause

- Inaccurate data was used in the preparation of reports.
- Errors occurred when manually adding valuations.

Effect

Inaccurate performance measures for management decisions.

Recommendation

1. Building and Safety management should develop and document more accurate methods for calculating monthly performance reports.

7. Computer Access

Criteria

Information Security Procedure (IT134a)

Department Representatives/Human Resources

It is also essential for access control, data integrity and security that IT be informed whenever any user changes Departments, Division or Sections, transfers into a position where previous accesses are no longer necessary, or departs the City for any reason. Each Department must complete and submit an "IT Request Form" as far in advance as is feasible to request any changes, additions or removal of information resources or access for any user.

Condition

A review of Legacy and Hansen computer security permission access showed the following individuals with inappropriate system access:

- Former employees.
- Current Building and Safety employees without the need for access in their current job assignments.
- Current City employees not assigned to Building without the need for access in their current job assignments.

In addition, the review of Legacy computer access showed two additional inappropriate system access categories:

- Generic security permission access ID's were identified (e.g. Front Counter, Team, Express)
- Individuals with security permission access that could not be identified as either current or former City employees when researched in Oracle. While these individuals had Legacy access, Information Technology personnel verified that they do not have current mainframe access.

Cause

An on-going monitoring program of computer system access is not in place.

Effect

Potential for unauthorized access to Legacy and Hansen systems.

Recommendation

1. Building and Safety management should develop, document, and implement a process to ensure that computer system access is changed when an employee changes job responsibilities, takes a position in another department, or leaves employment with the City. This process should include a periodic review of computer access matrices to verify that all changes have been implemented.

8. Computer Lockout Features

Criteria

Information Security Procedure (IT134a)

Data Owner

The data owner is responsible for ensuring that only those individuals who have an operational need can access data. Each data owner must work closely with IT to manage systems and applications. The data owner will be responsible for the following:

Never leave workstations unattended without logging out or invoking an available lockout mechanism. This could include screen savers, passwords, NT locking features or physical locking of an office, if preferred. Lockout features should not be bypassed or made inactive for any reason. (Item j)

Condition

Discussions with various Building and Safety employees during audit fieldwork showed that not all employees log out or invoke an available lockout mechanism for their computer when they leave their workstations unattended.

Cause

- Department personnel are not aware of City Information Technology policy.
- The department does not have a standard department policy relating to computer access.

Effect

- Noncompliance with City Information Technology guidelines.
- Potential for unauthorized access of the Legacy and Hansen systems.

Recommendation

1. Building and Safety management should create, document, and implement a computer lockout procedure that is in compliance with the City's Information Security Procedure and notify all employees of the procedure.

Management Responses

1. Legacy System Control Deficiencies

Recommendation: 1. Building and Safety management should continue with their monitoring efforts until the Legacy System has been retired.

Management Action Plan:

No design changes – transitioning to Hansen

Estimated Date of Completion:

November 2007

2. Hansen Fee Collections

Recommendation: 1. Building and Safety management should develop controls in Hansen to address the fee collection deficiencies and instruct staff of established procedures to ensure that correct fees are charged and collected.

Management Action Plan:

- Examples of permits where permit fees generated incorrectly were tested in Development
- The following permits were recreated in DEV (Development database of Hansen) for testing of fees with the following results:
 - #66244 Production – Permit fee \$61.00 / #78732 *Development – Permit fee \$105 (fees generated correctly)*
 - #50313 Production – Permit fee \$ 65.00/ #78733 *Development – Permit fee \$105 (fees generated correctly)*
 - #59770 Pool, Prod – Permit fee \$416.00/ #78734 *Development – Permit fee same (incorrect, should be \$433 based on a \$67,800.00 valuation). This has gone to Steve Lee for correction; we believe a couple of valuation ranges in Hansen need to be adjusted for correct permit fees.*
- Permit completed & finalized without payment of electrical portion:
 - #46226 OTC-Agency Patio Cover, Production – scheduled & passed electrical inspection but no electrical permit was purchased /#78735 *Development – same problem – IVR allowed us to schedule a 240 when no*

electrical on permit. Steve has already requested a fix on this issue from the IVR.

Estimated Date of Completion:

June 29th (has been completed)

3. Hansen Expired Permit Fee Assessment

Recommendation: 1. Building and Safety management should resolve the expired permit fee function deficiencies. Once the issues are resolved, the process should be documented and staff instructed of established procedures.

Management Action Plan:

- Problems with incorrect expiration of permits: This trigger has been disabled and is currently being re-designed by the Hansen Project Team
- As an interim solution, a new policy has been put in place that all permit renewals must go through a Supervisor for approval and pricing.

Estimated Date of Completion:

March 2008

4. Hansen Refund Processing Inconsistencies

Recommendation: 1. Building and Safety management should work with Finance and Business Service to develop a standard refund process for Hansen refunds. The process should include:

- Hansen refund processing procedures.
- Instructions on the appropriate general ledger account distributions.

Once established, the process should be documented and staff instructed on the appropriate procedures.

Management Action Plan:

- Mike & Yolanda met with Accounting (Gayle Lloyd-Leakos and Debbie Philips) to discuss the inconsistencies in the accounting numbers and process. We agreed on a new process and a new form that will only reference the accounting code (1 number) used by finance.
- The new form and process will be in place by July 15th.

Estimated Date of Completion:

July 15, 2007

5. Hansen Functions that Circumvent Oversight

Recommendation: 1. Building and Safety management should review the current Hansen function issues indicated above relating to circumvented supervisory oversight. Controls should be developed to ensure appropriate supervisory oversight is required when it has been determined that transactions should be voided in Hansen.

Management Action Plan:

- This has been addressed in Hansen already. All the groups were re-accessed and given access based on their current job roles.
- Only Supervisors can adjust fees or remove fees.

Estimated Date of Completion:

Completed

6. Performance Reports

Recommendation: 1. Building and Safety management should develop and document more accurate methods for calculating monthly performance reports.

Management Action Plan:

- Data entry error and variance in reporting still to be resolved.
- Valuation report has some data entry problems which can be addressed once we are fully on Hansen by producing an automated report. A new valuation report will be available by the **end of October '07**.
- A new cashiering system will be in place with Hansen by the end of **November '07**.

A new revenue report will be generated from Hansen in **December '07** with a few additions from Legacy/Mainframe such as Sign permits, Express Inspections & Refees on existing Legacy permits. The new report will be cross-checked for accuracy against the existing Oracle reports in September and October.

Estimated Date of Completion:

December 2007

7. Computer Access

Recommendation: 1. Building and Safety management should develop, document, and implement a process to ensure that computer system access is changed when an employee changes job responsibilities, takes a position in another department, or leaves employment with the City. This process should include a periodic review of computer access matrices to verify that all changes have been implemented.

Management Action Plan:

- Reviewed IT regulations:
 - IT has new policy in place to review users on a regular schedule and cross-check against existing employees.
 - B&S to also follow-up with IT when members change or job responsibilities change.

Estimated Date of Completion:

Completed

8. Computer Lockout Features

Recommendation: 1. Building and Safety management should create, document, and implement a computer lockout procedure that is in compliance with the City's Information Security Procedure and notify all employees of the procedure.

Management Action Plan:

- Reviewed IT regulations and we are awaiting a response from IT on length of time requirement: New auto-lockout/logging off to be put into place with all staff by July 15th.

Estimated Date of Completion:

July 15, 2007

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on Internal Control Review Activity Report June 30, 2007 (2900-0708-02)

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

To review the Internal Control Review Activity Report June 30, 2007 with the Audit Oversight Committee. The report is a compilation of all Internal Control Reviews performed from January 1, 2007 through June 30, 2007.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

Internal Control Review Activity Report June 30, 2007 (2900-0708-02)



CITY AUDITOR'S OFFICE



INTERNAL CONTROL REVIEW ACTIVITY REPORT JUNE 30, 2007

Report No. CAO 2900-0708-02

August 10, 2007

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

INTERNAL CONTROL REVIEW ACTIVITY REPORT JUNE 30, 2007

CAO 2900-0708-02

BACKGROUND

The City Auditor's Office has the responsibility to Evaluate, Enhance, Educate, and Enforce internal control issues that come to the Office's attention.

- **Evaluate** - The Office independently and objectively performs Internal Control Reviews to evaluate applicable internal controls through professional expertise and judgment.
- **Enhance** - After evaluation, the Office makes recommendations to enhance the adequacy and effectiveness of existing controls and further recommends additional controls as appropriate.
- **Educate** - Through the Internal Control Review Memorandums to management and the periodic *Internal Control Review Activity Reports*, the Office educates management and others of appropriate internal controls.
- **Enforce** - Enforcement is limited to supplying data to management to help them enforce the policies and procedures of the City.

The results of the Internal Control Reviews are reported in two steps:

- An Internal Control Review Memorandum is released to the appropriate levels of management and the Mayor and City Council. This Memorandum assists management in the timely correction of control deficiencies.
- Semiannually, a summary report is made of all findings and recommendations from the Internal Control Review Memorandums and released in a formal *Internal Control Review Activity Report*.

This report summarizes the Internal Control Review Memorandums issued since the last *Internal Control Review Activity Report* (December 31, 2006), including findings, recommendations, and management responses. The recommendations are included in the follow-up system for tracking purposes.

INTERNAL CONTROL REVIEW

ACTIVITY REPORT

June 30, 2007

CAO 2900-0708-02

August 10, 2007

OBJECTIVES

Our objectives in completing the *Internal Control Review Activity Report* are to:

- Review all activity for the period noted relative to internal control reviews;
- Document for tracking purposes findings and recommendations noted in Internal Control Review Memorandums; and
- Report to the public the results of activities of the City Auditor's Office.

The objectives of each of the Internal Control Reviews were to:

- Determine the adequacy of existing internal controls;
- Determine the reason(s) for any control failure;
- Recommend corrective action; and
- Report the results of our review.

SCOPE AND METHODOLOGY

The scope of the audit was limited to Internal Control Review Memorandums issued from January 01, 2007 through June 30, 2007.

The scope of our work on internal control was limited to the controls within the context of the objectives and the scope of each Internal Control Review.

Our audit methodology during each of the Internal Control Reviews included:

- Observing operations.
- Interviewing personnel.
- Reviewing records, reports, and other applicable documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**INTERNAL CONTROL REVIEW
ACTIVITY REPORT
June 30, 2007
CAO 2900-0708-02
August 10, 2007**

INTERNAL CONTROL MEMORANDUMS ISSUED

ICR 017 Internal Control Review: Gas Theft - Durango Hills Golf Course

Background

On December 6, 2006, during non-business hours, the Durango Hills Golf Course Maintenance yard was broken into and approximately 20 gallons of unleaded gasoline was taken from the pump. Locks were cut off from both the gates and gasoline pump in the process.

Findings and Conclusions

The following control weaknesses contributed to this theft:

- There was no surveillance camera directed at the fuel pumps to deter the theft of gasoline.
- Power to the fuel pumps were not turned off at night.

Recommendations

The following recommendations are made to improve the security over the fuel pumps at the Durango Hills Golf Course:

Recommendation 1:

Field Operations Management should install a surveillance camera near the fuel pumps to deter and detect theft.

Recommendation 2:

Field Operations Management should formally request the contractor at DHGC require that all power to fuel pumps be turned off each night.

Recommendation 3:

Field Operations Management should evaluate the security of the gates and supply area and consider installing enhanced locks and alarming the entrance gates.

**ICR 034 Internal Control Review: Leisure Services (Community Schools)
Soccer Tournament**

Background

A website was forwarded to the City Auditors' Office for review showing the following information:

- *Las Vegas Veteran's Day Classic Invitational Presented by Bright Soccer Tournament, Inc and sponsored by the Molasky-Cadwallader Community School.*
- The tournament was scheduled to be at the City of Las Vegas Kellogg-Zaher Park Soccer Complex located at Buffalo and Washington on November 11 & 12, 2006.
- The contact phone number belonged to a part-time Community School employee. The website mentioned a cash prize of \$1,000 for the winning team.

INTERNAL CONTROL REVIEW

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June 30, 2007

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August 10, 2007

- The \$450 registration fee was to be made payable to Bright Soccer Tournament, Inc., PO Box 34602, Las Vegas, NV 89133.

The identified cash prize, the contact information that was a non-city phone number and address, and the identified co-sponsor raised several questions about the City's involvement in this tournament.

When we informed Leisure Services Management of this scheduled event, it was cancelled.

Findings/Conclusions

- On April 3, 2006, the Municipal Sports Unit sent out a memo requesting that all Community School and Community Center Coordinators respond back with their utilization needs for the City's athletic fields.
- A former city employee and then current Cadwallader Community School Coordinator responded to this memo requesting use of the Buffalo and Washington soccer fields for various times throughout the year including from November 10th through 12th. He identified the "Event Name" for these dates as "11 v 11 Adult Soccer League", the ongoing Community School soccer league program.
- This description of the event in reserving the soccer fields was deceptive as no mention was made of a tournament or the involvement of an outside organization. In addition, the request for use of the fields for three days was unusual in comparison to the typical schedule of the "11 v 11 Adult Soccer League".
- There was no evidence that the scheduling request was reviewed and approved by the Community School Coordinator's Field Supervisor.
- If this tournament had taken place as planned, the City would have been deprived of field usage fees typically charged to outside organizations.
- Bright Soccer Tournament, Inc. did not possess a valid City of Las Vegas business license.
- The part-time Molasky Community School employee who ran the soccer leagues stated that he had informed the Molasky Community School Coordinator of this tournament and had made hundreds of fliers for the event at the Community School. He also posted the tournament on several soccer websites.
- The Molasky Community School Coordinator denied knowing anything about this tournament.

Recommendations

The following recommendations are made to improve the process of Leisure Services:

Recommendation 1:

Leisure Services Management should evaluate and document its internal field scheduling process and require more complete information and justification from employees for the requested use of its fields. Forms could be created requiring users to answer specific questions about the intended

INTERNAL CONTROL REVIEW

ACTIVITY REPORT

June 30, 2007

CAO 2900-0708-02

August 10, 2007

use of a field and whether any outside organizations are involved. Management should closely scrutinize the field usage requests. The required management approvals for the field usage requests should be identified.

Recommendation 2:

Leisure Services Management should take steps to educate its employees on departmental and city policies in working or entering into agreements with outside organizations.

ICR 035 Internal Control Review: Fleet Services - Gas Card Theft

Background

On November 13, 2006, an incident report was taken by Detention & Enforcement concerning the break-in of a city vehicle. According to the incident report, a CNG card was missing from the vehicle. Fleet Services was not made aware of the stolen CNG card at the time of the incident report.

Upon review of the November invoice from the CNG provider, Fleet Services discovered 295 non-CNG charges totaling \$8,503.54 with the stolen CNG card at gas stations in Washington State. The Fleet Services manager immediately cancelled the card upon discovery of these charges.

Findings/Conclusions

The following control weaknesses contributed to this theft:

- The pin number used to activate the card was written on the outside of the CNG card carrying sleeve and left inside the vehicle.
- Fleet Services Management was mistakenly under the impression that only CNG products could be purchased with the CNG card.
- A process to alert Fleet Services of stolen cards or city vehicle break-ins has not been established.

Recommendations

The following recommendations are made:

Recommendation 1: All CNG card pin numbers should be kept confidential. The pin numbers should not be written on the card carrying sleeves.

Recommendation 2: Fleet Services in coordination with the CNG fuel distributor should restrict CNG card usage for CNG and to specific localities.

Recommendation 3: Detention & Enforcement should establish a process whereby Fleet Services management is alerted when a city vehicle is involved in an incident.

**INTERNAL CONTROL REVIEW
ACTIVITY REPORT
June 30, 2007
CAO 2900-0708-02
August 10, 2007**

**MANAGEMENT RESPONSES
TO
INTERNAL CONTROL REVIEW ACTIVITY REPORT**

1. ICR 017 Internal Control Review: Gas Theft - Durango Hills Golf Course

Recommendation 1:

Field Operations Management should install a surveillance camera near the fuel pumps to deter and detect theft.

Management Response: The cost of installing and monitoring a camera is not justified at this time based experience to date. The Department has directed staff at the course to insure that the power is shut off at the end of each shift. Additionally a timer has been installed on the power supply to insure that service is not available after hours.

Estimated Date of Completion: Completed: 3/12/2007

Recommendation 2:

Field Operations Management should formally request the contractor at DHGC require that all power to fuel pumps be turned off each night.

Management Response: This has been done as well as a timer has been installed to insure that the pumps are shut off after hours.

Estimated Date of Completion: Completed: 1/16/2007

Recommendation 3:

Field Operations Management should evaluate the security of the gates and supply area and consider installing enhanced locks and alarming the entrance gates.

Management Response: The Department has requested evaluation and estimate from security contractor. The Department will install recommended system. Both gates will be alarmed by 5/30/07.

Estimated Date of Completion: 5/30/2007

**INTERNAL CONTROL REVIEW
ACTIVITY REPORT
June 30, 2007
CAO 2900-0708-02
August 10, 2007**

**2. ICR 034 Internal Control Review: Leisure Services (Community Schools)
Soccer Tournament**

Recommendation 1:

Leisure Services Management should evaluate and document its internal field scheduling process and require more complete information and justification from employees for the requested use of its fields. Forms could be created requiring users to answer specific questions about the intended use of a field and whether any outside organizations are involved. Management should closely scrutinize the field usage requests. The required management approvals for the field usage requests should be identified.

Management Response:

The current Field Request form and associated materials will be reviewed with the intent of standardization. The procedure for requesting the use of fields will be reviewed and revised where necessary. The Sports and Adaptive Division will provide a Field Request procedure on behalf of the Department of Leisure Services.

Estimated Date of Completion:

The requisition procedure and accompanying training will be completed by February 2007

Recommendation 2:

Leisure Services Management should take steps to educate its employees on departmental and city policies in working or entering into agreements with outside organizations.

Management Response:

The Recreation Division agrees with the findings and recommendations of the auditors and will do the following. The Recreation Division will review and, if necessary, refine its existing policy on staff interactions and arrangements dealing with outside organizations. Our division will also conduct staff trainings to ensure that all Recreation Division personnel are familiar with and follow the procedures outlined in the existing or revised policies and guidelines dealing with outside organizations.

Estimated Date of Completion:

This task will be completed by February 2007

INTERNAL CONTROL REVIEW

ACTIVITY REPORT

June 30, 2007

CAO 2900-0708-02

August 10, 2007

3. ICR 035 Internal Control Review: Fleet Services – Gas Card Theft

Recommendation 1: All CNG card pin numbers should be kept confidential. The pin numbers should not be written on the card carrying sleeves.

Management Response: A written Policy will be formulated and disseminated to all City departments establishing strict guidelines regarding PIN numbers for those operating and using City vehicles with a card-lock control access for fuel.

Estimated Date of Completion: April 1, 2007

Recommendation 2: Fleet Services in coordination with the CNG fuel distributor should restrict CNG card usage for CNG and to specific localities.

Management Response: This task has been accomplished. Management met with the vendor on January 12, 2007 and assurances were given that fuel access for all card-lock cards for CNG used by the City of Las Vegas was restricted for that fuel use only in the local area.

Estimated Date of Completion: January 12, 2007

Recommendation 3: Detention & Enforcement should establish a process whereby Fleet Services management is alerted when a city vehicle is involved in an incident.

Management Response: Conversations have taken place and agreement reached by Detention & Enforcement staff that protocols are now in place to inform Fleet Management the same day that any future similar incident may occur.

Estimated Date of Completion: January 31, 2007

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:

Discussion and possible action on Audit of Finance & Business Services Accounting Division Citywide Travel (0602-0708-03)

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

To review the Audit of Finance & Business Services Accounting Division Citywide Travel.

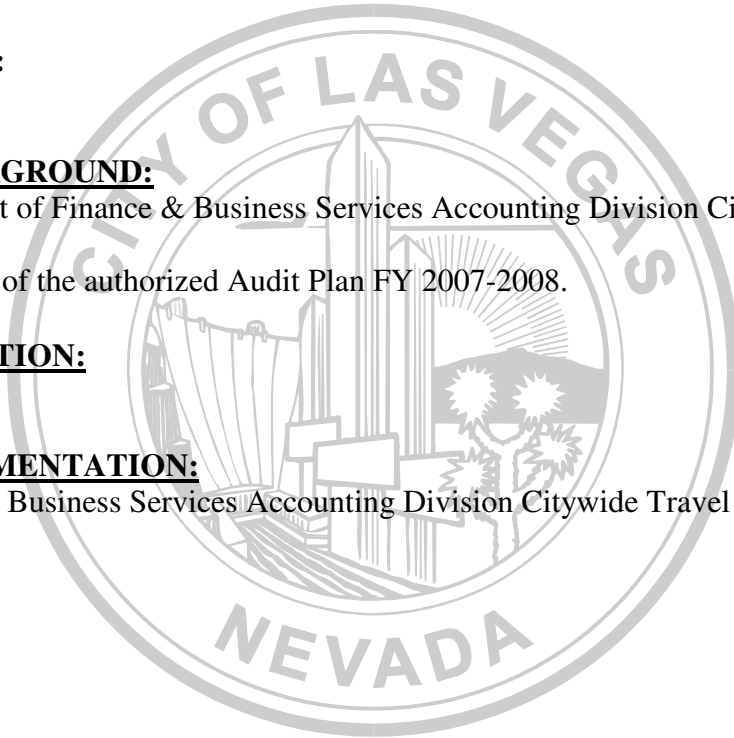
This audit was part of the authorized Audit Plan FY 2007-2008.

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

Audit of Finance & Business Services Accounting Division Citywide Travel (0602-0708-03)



CITY AUDITOR'S OFFICE



AUDIT OF FINANCE & BUSINESS SERVICES ACCOUNTING DIVISION CITYWIDE TRAVEL

Report No. CAO 0602-0708-03

August 10, 2007

**RADFORD K. SNELDING, CPA, CIA, CFE
CITY AUDITOR**

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**AUDIT OF
FINANCE & BUSINESS SERVICES
ACCOUNTING DIVISION
CITY WIDE TRAVEL
CAO 0602-0708-03**

BACKGROUND

Finance and Business Services processes the travel expenses for the City of Las Vegas. Travel related transactions are expenses paid for business trips, mileage and registration fees. Finance and Business Services processed approximately 3,000 travel related transactions. An individual travel claim can have multiple transactions. All the 2006 calendar year travel related expenses were over \$922,000.

Travel and travel expense reimbursements are governed by:

- Travel Policy (FN201.1) and Procedures (FN201a.1)
- Travel Card Policy (FN202)
- Entertainment and Gift Expenditure Policy (FN203)
- Local Mileage Reimbursement Policy (FN205) and Procedures (FN205a)

OBJECTIVE

The audit objectives were to ensure that:

- Current policies and procedures have been established in accordance with applicable guidelines.
- Processing and monitoring procedures are in place to prevent abuses.
- Management controls are adequate and operating as intended.

SCOPE AND METHODOLOGY

The scope of this audit was limited to an evaluation of the City's travel expense reimbursement program and a review of selected travel claims. Calendar years 2005 and 2006 data were reviewed, but audit sample selection was confined to 2006 data. Audit software was used to obtain various audit samples using data mining audit techniques. We reviewed 130 travel claims in complete detail. These travel claims totaled about \$125,000 (13.5%) in travel expenses. The review included not only random selection, but also the selection of other expense categories. Data analysis of selected expense categories produced items for review. The scope of our work on internal control was

limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Researching applicable policies, procedures and guidelines
- Interviewing applicable city personnel
- Performing various audit extracts and analysis of data
- Testing established management controls

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

Current policies and procedures are established in accordance with applicable guidelines.

Processing and monitoring procedures are in place to prevent abuses. Travel claim approval and processing is handled in a professional and timely manner by Finance and Business Services. Business Services properly follows City travel policy and procedure in validation and payment of travel related expenses.

Management controls are adequate and operating as intended. There were only four line item errors found in the review of travel claims and the total dollar amount was very insignificant.

In general:

- City of Las Vegas employees were generally reasonable and prudent in the use of City resources for business travel.
- Most of the transactions were properly completed, approved, and supporting documentation attached.
- As noted in Finding 1 Travel Policy and Procedure Exceptions. Our audit identified issues management should address related to situations where the interpretation of policy and procedures are based on judgment and individual interpretation. Identified improvements in existing travel policies would standardize policy and procedure and help to eliminate individual interpretations.
- As noted in Finding 2 Travel Cards. Our audit identified where travel cards were used for personal expenses.

- As noted in Finding 3 Mileage Expense Submissions. Our audit identified where better use of fleet vehicles may be considered and insurance requirements for personal vehicles may not be met.

Findings and recommendations summarized in this section are identified issues management should address relating to Citywide Travel. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. Travel Policy and Procedures Exceptions

All the following items are grouped together because the same recommendation and corrective course of action apply.

Criteria:

A. Travel Procedures FN201a.1 states:

The City Manager is the Approving Authority for elected officials and employees at the Department Director level and above. The City Manager is also the Approving Authority for staff travel outside of Nevada.

A Department Director or Division Manager is the Approving Authority for employees under their chain of command.

B. Travel Procedures FN201a.1 states:

Submitting completed Expense Report within 10 working days returning to Las Vegas.

C. Travel Policy FN201.1 states:

The City shall reimburse Travelers for reasonable and prudent expenses incurred while on business travel.

D. Travel Policy FN201.1 states:

The Traveler's M&IE per diem allowance will be reduced by the following amounts when meals are provided, such as when they are included as part of a conference, registration fee or provided by the Legislative Lobby Team.

E. Travel Policy FN201.1 states:

Travelers may use a rental car when authorized by the Approving Authority because it is:

- Necessary for conducting City business
- Costs less than the total cost of other local transportation (shuttle bus, taxi)

Conditions:

- A. There were 14 examples where the required chain of command approvals were not completed or followed as written in the travel procedures.
- B. There were numerous examples where travelers did not perform the submission of completed travel paperwork within the stated timetable.
- C. There are stated guidelines to help clarify what is reasonable and prudent. Guidelines are subject to different interpretations by different individuals. Found 11 examples were a different interpretation of what is “reasonable and prudent” could be used. There were another 12 examples where more detailed notes of explanation would have provided a different interpretation.
- D. There were travel claims that did not provide complete seminar/conference details with the travel expense statement. Without proper documented details, travel review cannot take place in an efficient and timely manner.
- E. During the review of travel claims, examples of car rentals were found which may have been more expensive than local transportation. Without complete and documented explanations as to why the expense incurred it is not possible to effectively monitor for possible abuse.

Causes:

- A.1. The noncompliance ranged from an individual who did not follow the chain of travel approval to a department’s policy not to follow the approval chain regarding out of state travel.
- A.2. The City Manager’s approval in several cases was not submitted by the traveler.
- B. Travelers did not follow travel policy. The City prepays most travel expenses. There are little incentives for individuals to file their travel claims in a timely manner.
- C. Travel guidelines are subjected to interpretations. Reasonable and prudent expenses have not been clearly defined in the policy and procedures.
- D. The traveler is not providing adequate seminar/conference per diem documentation.
- E. Travel guidelines are subjected to interpretations.

Effect:

Current Travel Policy and Procedures provide a good basis for travel expenses. Guidelines are subjected to individual interpretation which in turn could be costly to the City.

Recommendation

Definitive statements should be made as to what is allowed or not. Without definitive statements even an effective monitoring program cannot prevent different interpretations of policy. Updating travel policy and procedures would allow the current monitoring system to become a basis for corrective action of errors found during the travel claim review process. Each travel claim should have self explanatory documentation.

2. Travel Cards

Criteria:

Travel Card Policy FN202 states:

Since a Travel Card is for business travel and not intended for personal use, the credit rating of the individual Cardholder is not affected.

The Travel Card may be used for: Transportation, Lodging, Car Rentals, Conference Registration, Meals – reimbursement will be at the applicable per diem rate, Cash Advances.

Condition:

During the audit three individuals used the card for non business travel items. They included local restaurant charges, local gas purchase, and out of town personal expenses. None of these expenses were submitted for travel reimbursement. The assigned individual is totally responsible for all charges and fees to their assigned travel card.

Cause:

The travel card was used for personal purchases.

Effect:

Travel policy as written is not being followed.

Recommendation:

Travel Card Policy should be rewritten to allow these other expenses or action should be taken to inform the individuals that expenses, even if personally paid, are not allowed.

3. Mileage Expense Submissions

Criteria:

Local Mileage Reimbursement Policy FN205 states:

City vehicles should be used for local business travel when possible. Use of a personal vehicle for local business travel may be authorized only if the following requirements are met:

- The employee possesses a valid driver's license, and
- The employee possesses private insurance coverage at the level of at least 100/300/50 and lists the City as an "additional insured" on their private vehicle's insurance policy
- The Approving Authority determines a City fleet vehicle is not available or that mileage reimbursement is more efficient and cost effective than using a fleet vehicle.

Conditions:

The City of Las Vegas fleet services maintains automobiles for business use, by any City employee. Vehicles are also maintained for a department's use only.

There was a prior audit report on fleet services. That audit found that fleet vehicles were being underutilized. It costs the City money by paying mileage for use of personal vehicle and having fleet vehicles idle.

Mileage Reimbursement expenses for calendar year 2006 amounted to \$27,322. There were 102 individuals who submitted claims. Forty-two of these individuals (41%) accounted for \$23,743 (87%) of the total expense.

There is no effective mechanism in place for monitoring that the employee possesses private insurance coverage at the level of at least 100/300/50 and lists the City as an "additional insured" on their private vehicle's insurance policy.

Cause:

The City does not enforce employees to use City fleet vehicles. City employees do not actively seek out City fleet vehicles.

Effect:

City resources are not being used in the most cost effective manner.

Recommendation:

1. Employees should be required to use a City vehicle for local travel. The use of a personal vehicle for City business should be restricted to when a City vehicle is unavailable, not for the convenience of the employee. There should be documentation as to why a City vehicle was not used on all the mileage reimbursement forms.
2. As stated in policy, no mileage reimbursement should be given until the required insurance coverage can be verified on the employee private vehicle.

MANAGEMENT RESPONSES

1. Travel Policy and Procedures Exceptions

Recommendation

Definitive statements should be made as to what is allowed or not. Without definitive statements even an effective monitoring program cannot prevent different interpretations of policy. Updating travel policy and procedures would allow the current monitoring system to become a basis for corrective action of errors found during the travel claim review process. Each travel claim should have self explanatory documentation.

Management Plan of Action:

1. Travel Policy and Procedures Exceptions
 - a. Travel policies and procedures will be reviewed and revised to address any areas that require clarification.
 - b. Some of the specific areas that were identified in the audit such as proper approvals, submitting completed expense reports within 10 working days and reducing per diem for meals provided at the conference, have already been addressed procedurally in Finance.

Estimated Date of Completion: November 15, 2007

2. Travel Cards

Recommendation:

Travel Card Policy should be rewritten to allow these other expenses or action should be taken to inform the individuals that expenses, even if personally paid for, are not allowed.

Management Plan of Action:

2. Travel Cards
 - a. A quarterly review of travel card charges will be completed to identify personal charges on the card.
 - b. Travel policies and procedures will be reviewed and revised to detail the process and the actions taken when travel cards are used for personal business.

Estimated Date of Completion: November 15, 2007

3. Mileage Expense Submissions

Recommendation:

1. Employees should be required to use a City vehicle for local travel. The use of a personal vehicle for City business should be restricted to when a City vehicle is unavailable, not for the convenience of the employee. There should be documentation as to why a City vehicle was not used on all the mileage reimbursement forms.
2. As stated in policy, no mileage reimbursement should be given until the required insurance coverage can be verified on the employee private vehicle.

Management Plan of Action:

3. Mileage Expense Submissions
 - a. Criteria will be developed based on a cost/benefit analysis and be used to do an annual review of usage to determine if it is cost effective to assign a fleet vehicle to an employee or specific location.
 - b. The policy will be reviewed to determine if a revision to insurance requirements are warranted. The review of the policy will be completed by Finance utilizing the expertise of the risk management section of the Human Resources Department.

Estimated Date of Completion: November 15, 2007

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELDING

SUBJECT:

CITIZENS PARTICIPATION: Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the Committee. No subject may be acted upon by the Committee unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited



AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: DECEMBER 6, 2007

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

Consent Discussion

SUBJECT:
ADJOURNMENT

