Agenda Item No.: **8.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: APRIL 24, 2008

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion and possible action on the Annual Audit Recommendation Follow-up as of June 30, 2007 (2600-0708-04)

Fiscal Impact

☐ **No Impact** ☐ **Augmentation Required**
☐ **Budget Funds Available**

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
To ensure that audit recommendations are being appropriately addressed by City management and to track the status of the recommendations.

RECOMMENDATION:
Approval

BACKUP DOCUMENTATION:
1. Annual Audit Recommendation Follow-up as of June 30, 2007 (2600-0708-04)
2. Submitted at Meeting PowerPoint Presentation

Motion made by LARRY BROWN to Approve forwarding a recommendation to City Council that the property tax for the current year has been paid under protest and pursuant to the position that the City will not pay in the future

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 2
LARRY BROWN, STEVE WOLFSON, PAUL WORKMAN; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused- JOSE TRONCOSO, MICHAEL W. KERN)

Motion made by PAUL WORKMAN to Approve to accept the report

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 2
LARRY BROWN, PAUL WORKMAN, STEVE WOLFSON; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-JOSE TRONCOSO, MICHAEL W. KERN)

Minutes:
City Auditor Rad Snelding reported on the annual audit recommendation follow-up as of June 30, 2007. The objective is to ensure that audit recommendations are being appropriately addressed by City management and to track the status of the recommendations. The status of

each audit recommendation is identified using the following classifications; complete, incomplete, extended or not due. For each audit recommendation, City management provides an estimated completion date. An audit classification is classified as being not due until this date has passed and then the audit recommendation becomes incomplete or extended.

City Auditor Snelding referred to Assistant City Attorney John Redlein, who explained that he has not received an agreement from the County Assessors Office that this property should not be subject to property tax. Their theory by which they tax is that there is a private entrepreneur occupying the property and turning a profit by that occupation. The problem with the taxation on this parcel is that the company operating the golf course does not lease the property from the City. The contract by which the City engaged them makes it very clear that they acquire no property rights. The City built and paid for the golf course and, unlike other golf course leased properties, every nickel is taken by the contract manager and given to Finance. Assistant City Attorney Redlein stated he researched case law in different jurisdictions around the country on golf course properties operating precisely in this same fashion. The case law is universally favorable to the City's position and contrary to that taken by the County Assessor.

He has presented the case to the District Attorneys Office and they have promised to look into it. Another solution would be to designate this golf course as a City park. It certainly has every component as being a recreational facility that is open to the public and exists only to provide recreational opportunities to the citizens. He opined that if designated as a City park, this issue may be avoided. He believed he had given specific direction to Finance not to pay the tax bill this year because he was confident he would be able to work this out one way or another. Staff has advised him there is no impediment to the City declaring this facility a City park. However, the taxes got paid for this year. The capability to recover only goes back to the prior tax year. He wants to make sure that the tax bill is not paid again and within the next month or two he hopes to have this settled. He has discussed this with the City Attorney, who is prepared to litigate it if they do not back down. He reiterated that case law from other states on golf courses with exactly the same situation as the City of Las Vegas.

Member Workman stated that throughout the country, municipalities that own golf courses create, buy or get them gifted and then hire an operator just to take the money for them. He feels there is case law. He mentioned that if the golf course is designated as a park, the clubhouse can be rented for weddings or other functions.

Bryan Smith, Senior Internal Auditor, reported on two audits related to the City's Safekey program and referred to the PowerPoint presentation regarding the eight recommendations that resulted after the audit.

Member Workman asked if there have been any comments from the community centers about any of the recommendations being unreasonable to implement, such as signage. Mr. Smith replied that the organization of community schools changed in 2002 and the community school advisory board only performs an advisory function. The community school organization exists as a 501C3 organization. The three hundred safekey employees are community school employees under the umbrella of the 501C3, but are monitored by Department of Leisure Services employees. The audit reports are basic controls to ensure the protection of the Citys revenues received at every site. Before these recommendations are identified as being completed, the audit department needs to get a feel that they are being implemented.