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

AGENDA

July 15, 2010
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 April 22, 2010

4. General Report by the City Auditor

5. Discussion and possible action on the FY 2010-2011 Annual Audit Plan

6. Discussion and possible action on audit of Employee/Vendor File Review (2008-0910-12)

7. Discussion and possible action on Audit Recommendation Closure

8. Discussion and possible action regarding the City Auditor's Office Strategic Business Plan utilizing the City's Performance Plus methodology

9. 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

10. 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

City of Las Vegas

Agenda Item No.: **1.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

SUBJECT:
CALL TO ORDER

City of Las Vegas

Agenda Item No.: **2.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

SUBJECT:
ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW

City of Las Vegas

Agenda Item No.: **3.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

SUBJECT:

Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of April 22, 2010

City of Las Vegas

Agenda Item No.: **4.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

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:
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

City of Las Vegas

Agenda Item No.: **5.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion and possible action on the FY 2010-2011 Annual Audit Plan

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
The City Auditor's Office audits from an annual audit plan. The plan identifies performance audits selected for the fiscal year. All entities within the organization will be audited on the basis of: 1) risk exposure based on risk analysis; and 2) a ten year audit cycle. High risk entities are audited two times during the audit cycle, medium risk twice, and low risk once. This plan allows for substitutions based on Mayor and Council or Audit Committee requests. The audit plan allows for computer assistance on audits, follow-ups, investigations, cash counts, and other miscellaneous activities. By approving this plan, the City Auditor's Office can initiate these audits without having to return to the Audit Committee to obtain authorization.

RECOMMENDATION:
The Committee should approve the proposed Audit Plan.

BACKUP DOCUMENTATION:
None

City of Las Vegas

Agenda Item No.: **6.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion and possible action on audit of Employee/Vendor File Review (2008-0910-12)

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
City Auditor will review the audit report of Employee/Vendor File Review (2008-0910-12).

RECOMMENDATION:
Approval

BACKUP DOCUMENTATION:
Employee/Vendor File Review (2008-0910-12)

CITY AUDITOR'S OFFICE

EMPLOYEE/VENDOR FILE REVIEW

Report No. CAO 2008-0910-12

April 13, 2010

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

EMPLOYEE/VENDOR FILE REVIEW
CAO 2008-0910-12

BACKGROUND

The City Auditor's Office identified and reviewed possible situations involving inappropriate vender / employee relationships. This was similar to an audit previously performed by the City Auditors Office (Special Report – Vendor / Employee File Review CAO 2500-0405-07 – June 30, 2005). In that report we made recommendations related to Consistent Data Input, Employee Contractors, and Outside Employment Documentation. Those recommendations have been completed. This has improved the process. After completing the current review, we believe that additional improvements should be made. During our work this time the City Auditor's Office worked with Finance and Business Services - Purchasing and Contracts as well as Human Resources and Information Technologies to obtain the data to make comparisons.

Employees are restricted by the Code of Ethical Standards (NRS 281A.020)

1. It is hereby declared to be the public policy of this State that:
   a. A public office is a public trust and shall be held for the sole benefit of the people.
   b. A public officer or employee must commit himself to avoid conflicts between his private interest and those of the general public he serves.

Neither employees nor a relative of an employee are prevented from contracting with the City.

Employees are regulated on outside employment. This regulation takes into consideration the elements of the Code of Ethical Standards related to public trust. HR3.12.01 Outside Employment Policy (Policy) is the governing document. With HR 10.01 Outside Employment Request Procedure (Procedure) outlining the request procedure.

As stated within the Policy

> City employees shall not work, engage, or invest in any outside employment, venture, or transaction in the following situations:
>
> - It is incompatible with the proper discharge of the employee’s duties or the City’s official business; or
> - It might create a conflict of interest with the employee’s functions within the City; or
> - It might impair the employee’s or the City’s efficiency, or if it might impair an employee’s independence of judgment in the performance of official duties.

The Policy further states:

> City employees who wish to engage in outside employment shall obtain the approval of their Department Director, or designee, and the Director of Human Resources.
>
> The City reserves the right to deny any outside employment request when it is felt it is in the best interest of the City.

This Policy and Procedure allows the City of Las Vegas (CLV) to evaluate the relationship and deny the request if management determines the outside employment is not in the best interest of the CLV.

OBJECTIVES

The audit objectives were to:

- Identify employees who contract with CLV.
- Determine if employees contracting with the CLV followed established policy.
- Determine if any conflicts of interest are created by the Employee/Vendor relationship.
- Determine the adequacy of existing internal controls; and
- Recommend corrective action.

SCOPE AND METHODOLOGY

The scope of this audit was limited to the review of matches in the Employee and the Vendor Files. Employees were all active employees as of August 1, 2009. The Vendor list included all vendors active or inactive from January 4, 2005 through August 24, 2009. The last fieldwork date of this audit was March 24, 2010. 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 applicable CLV employment policy,
- Identification of employee/vendor matches,
- Review of selected documents,
- Interviews of CLV personnel,

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.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

Limitations

There are some inherent limitations to this comparison. The process is dependent upon a comparison of data in both files and obtaining an exact match between files. Some incompatibility of data exists between the two files. Additionally, it is possible for a prospective employee posing as a vendor to not include information in the vendor file in the same way as portrayed in the employee data base. This would not result in a match in the comparison. Further, the data in either of the files could be changed subsequent to activity, thereby, resulting in the failure to match. These types of errors in the comparison process would not produce a match in the comparison when a match does exist. Given the limitations of this test we are required to employ other techniques to search for inappropriate vendor/employee matches. The City Auditor's Office will continue to pursue additional testing and a variety of techniques to discover employees inappropriately posing as vendors.

Statistics

We noted the following:

- We reviewed 57,309 vendor and 3,163 employee records.
- We noted 4,387 possible matches.
- Each possible match was reviewed.
- We eliminated 4,340 matches for various reasons including workers compensation, disability, refunds for CLV services, overpayments, reimbursements for travel and training, checks written off to unclaimed monies, and etc.
- Forty Seven matches were identified for further review.

Of the 47 identified for further review the following was noted:

- Eight employees contracted with the CLV.
- Nine employees had relatives that contracted with CLV.
- One employee left CLV employment to continue vendor status because of an ultimatum by Leisure Services.
- One employee discontinued vendor status because of an ultimatum by Leisure Services.
- Eighteen employees were paid as vendors but not during their term of employment.
- Four employees although listed as a vendor were not paid any funds during the period of the review.

- Two employees were identified as receiving funds related to their employment rather than as a vendor.
- Two employees were paid Workers Compensation Payments.
- Two employees received funds related to SID sales.

The following conclusions were noted:

Identify employees who contracted with the City.

- Ten employees were noted as contracting with CLV as a vendor.
  - One employee left CLV employment to continue vendor status as a result of an ultimatum by Leisure Services Management.
  - One employee discontinued vendor status as a result of an ultimatum by Leisure Services Management.
  - Eight employees continued as vendors and employees simultaneously.

Determine if employees contracting with the City followed established policy.

- Three of twelve (25%) employees properly followed existing CLV policy and procedure as related to outside employment. (Finding # 1):
  - Two of ten employees or 20% who contracted with CLV properly filed an Outside Employment Request.
  - One of two (50%) employees observed to be involved in the outside employment, ventures, or transactions with CLV related to the situations under review properly filed an Outside Employment Request.
  - Six of the nine employees noted not following existing policy and procedure as related to outside employment were part time employees of the Leisure Services Department. The Leisure Services Department had an additional department policy which exempted part time employees from HR3.12.01 Outside Employment Policy and HR 10.01 Outside Employment Request Procedure.

Determine if any conflicts of interest are created by the Employee/Vendor relationship.

- Nineteen employees were noted as either contracting with the CLV or had a relative contracting with the CLV as a vendor. (Finding # 2):
  - Sixteen (84%) situations created, in our opinion, a possible conflict of interest not reviewed and approved by management.

Determine if those contracting with the CLV Business Licenses.

- Four of nineteen (21%) employees or relatives had the appropriate CLV Business Licenses. (Finding #3)

Determine the adequacy of existing internal controls.

- We noted the internal controls related to Outside Employment (HR3.12.01 and HR 10.01) were not effective. (Finding # 1)

Recommend corrective action. *(Corrective action is noted following each individual finding.*

- Recommended corrective action is noted with each finding.

Further information is contained in the sections below. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. Adherence to Existing Policy

Criteria

Employees are regulated on outside employment. HR3.12.01 Outside Employment Policy (Policy) is the governing document. With HR 10.01 Outside Employment Request Procedure (Procedure) outlining the request procedure.

As stated within the Policy

> City employees shall not work, engage, or invest in any outside employment, venture, or transaction in the following situations:
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> · It is incompatible with the proper discharge of the employee's duties or the City's official business; or
>
> · It might create a conflict of interest with the employee's functions within the City; or
>
> · It might impair the employee's or the City's efficiency, or if it might impair an employee's independence of judgment in the performance of official duties.

The Policy further states:

> City employees who wish to engage in outside employment shall obtain the approval of their Department Director, or designee, and the Director of Human Resources.
>
> The City reserves the right to deny any outside employment request when it is felt it is in the best interest of the City.

This Policy and Procedure allows the CLV to evaluate the relationship and deny the request if management determines the outside employment is not in the best interest of the CLV.

Condition

- Three of twelve (25%) employees properly followed existing CLV policy and procedure as related to outside employment.

  - Two of ten employees or 20% who contracted with CLV properly filed an Outside Employment Request.
  - One of two (50%) employees observed to be involved in the outside employment, ventures, or transactions with CLV related to the situations under review properly filed an Outside Employment Request.
  - Six of the nine employees noted not following existing policy and procedure as related to outside employment were part time employees of the Leisure Services Department. The Leisure Services Department had an additional department policy which exempted part time employees from HR3.12.01 Outside Employment Policy and HR 10.01 Outside Employment Request Procedure.

- Existing internal controls did not identify employees for inclusion in the Outside Employment Policy.

Cause

- The City's policy as it relates to employees was not fully or adequately applied.

Effect

- Relative assurance did not exist to ensure that management has adequately evaluated the status of employees with regard to independence and conflicts of interest.

Recommendation

1.1. The City Manager's Office should coordinate an improved system of control that identifies and documents situations where employees contract or act as a vendor for the CLV.

2. Conflicts of Interest

Criteria

Employees are restricted by the Code of Ethical Standards (NRS 281A.020)

> 2. It is hereby declared to be the public policy of this State that:
>   a. A public office is a public trust and shall be held for the sole benefit of the people.
>   b. A public officer or employee must commit himself to avoid conflicts between his private interest and those of the general public he serves.

Neither employees nor a relative of an employee are prevented from contracting with the City.

Employees are regulated on outside employment. This regulation takes into consideration the elements of the Code of Ethical Standards related to public trust. HR3.12.01 Outside Employment Policy (Policy) is the governing document. With HR 10.01 Outside Employment Request Procedure (Procedure) outlining the request procedure.

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>
> The City reserves the right to deny any outside employment request when it is felt it is in the best interest of the City.

This Policy and Procedure allows the CLV to evaluate the relationship and deny the request if management determines the outside employment is not in the best interest of the CLV.

Relatives of an employee could place the employee in the same dilemma regarding the public trust and potential conflicts of private interest. No current City Policy or Procedure addresses this situation.

Condition

- Nineteen employees were noted as either contracting with the CLV or relatives contracting with the CLV as a vendor.
    - Sixteen (84%) situations created, in our opinion, a possible conflict of interest not reviewed and approved by management.

Cause

- The policy as it relates to employees was not adequately applied.
- No policy exists to address the situation where an employee's relative contracts with the CLV.

Effect

- Relative assurance did not exist to ensure that management has adequately evaluated the status of employees and employee's relatives with regard to independence and conflicts of interest.

Recommendation

2.1. The City Manager's Office should coordinate the design of a system of control that would identify and document situations where employee's relatives contract or act as a vendor for the CLV.
2.2. The City Manager's Office should coordinate the design of a system of evaluation with supporting documentation regarding the determination of independence or conflicts of interest with employees.

3. CLV Business Licenses

Criteria

A business license is the means whereby the City of Las Vegas grants permission to engage in the business for which a license will be issued. If you commence, carry on, or engage in any business, either permanently or temporarily, within the corporate limits of Las Vegas, you are required to maintain a valid unexpired business license.

Condition

- Fifteen of nineteen (79%) employees or relatives did not have the appropriate CLV Business Licenses.
- Existing internal controls did not adequately identify employees and an employee's relative doing business with the CLV for review for a business license.

Cause

- Failure to identify employees and an employee's relative doing business with the CLV for a possible business license.

Effect

- Loss of revenue and failure to comply with CLV ordinances.

Recommendation

3.1. The City Manager's Office should design and document a system of control that would identify those contracting with the CLV for obtaining a City Business License.

MANAGEMENT RESPONSE

1. Adherence to Existing Policy

Recommendation:

1.1. The City Manager's Office should coordinate an improved system of control that identifies and documents situations where employees contract or act as a vendor for the CLV.

Management Action Plan:

1.1 The City Manager's Office will coordinate with the Departments of Human Resources and Finance and Business Services the development of a policy that clearly identifies a policy direction consistent with relevant provisions within NRS. The Policy will outline a system of control and implementation procedures for employees and the individuals who will be responsible for reviewing any potential conflicts

Estimated Date of Completion: July 1, 2010

2. Conflicts of Interest

Recommendation:

2.1. The City Manager's Office should coordinate the design of a system of control that would identify and document situations where employee's relatives contract or act as a vendor for the CLV.

Management Action Plan:

2.1 The City Manager's Office will coordinate with the Departments of Human Resources and Finance and Business Services a system of control, including evaluation criterion and implementation procedures for any potential conflicts that may arise as a result of an employee's relative soliciting work or any type of payment from the City.

Estimated Date of Completion: July 1, 2010

Recommendation:

2.2. The City Manager's Office should coordinate the design of a system of evaluation with supporting documentation regarding the determination of independence or conflicts of interest with employees.

Management Action Plan:

2.2 The City Manager's Office will coordinate with the Departments of Human Resources, Finance and Business Services, and the City Attorney's Office a system that will support the implementation of policy changes identified in Action Plans 1.1 and 2.1.

Estimated Date of Completion: July 1, 2010

3. CLV Business Licenses

Recommendation:

3.1. Management should design and document a system of control that would identify those contracting with the CLV for obtaining a City Business License.

Management Action Plan:

3.1 The City Manager's Office will coordinate with the Department of Finance and Business Services the development of a system of control.

Estimated Date of Completion: July 1, 2010

City of Las Vegas

Agenda Item No.: **7.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion and possible action on Audit Recommendation Closure

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
The Audit Committee can change the status of Audit Recommendations. The City Auditor's Office will report on recommendations and request status changes.

RECOMMENDATION:
City Auditor's Office recommends closure by Audit Committee of Recommendation #2.1 Sewer Fee Billings (Audit of Wastewater Pollution Control Facility and Sewer, Report No. CAO 1501-0102-02, August 8, 2001).

BACKUP DOCUMENTATION:
Audit Recommendation Closure

Audit Recommendation Closure

Audit Report: **Audit of Wastewater Pollution Control Facility and Sewer Services**
Report No.: **CAO 1501-0102-02**
Report Date: **August 8, 2001**

Proposed Action: **City Auditor's Office Recommends Closure of**
Recommendation #: **2.1 Sewer Fee Billings by Audit Committee**

We propose that the following recommendation be closed by the Audit Committee due to the following factors:

1. This is not currently a cost effective recommendation.
2. Per management, making the recommended changes to the current mainframe system is not feasible or cost effective.
3. Management will need to further evaluate this issue with the implementation of the new sewer billing system (Oracle Customer Care and Billing). Any changes will require changes to the municipal code.
4. Formal follow-up on this recommendation is no longer needed.

Recommendation 2.1 -- Sewer Fee Billings

BACKGROUND:

Recommendation 2.1 -- Sewer Fee Billings

Criteria: Billing guidelines should be clearly defined and easily understood by customers. The billing process should be completed in an efficient and effective manner.

Condition:

- ► The City's sewer billing policies and late payment penalties are based on an annual billing cycle. However, customers can elect to make quarterly payments towards their annual sewer fee.
- ► If a customer elects to make quarterly payments, quarterly statements follow the annual statement until the annual sewer fee is paid in full.
- ► Approximately 60% of sewer service customers make quarterly sewer payments. Approximately 10% of these payments are received late.
- ► Once a customer is delinquent on a payment, a late fee of 10% is charged against the total unpaid balance rather than the quarterly payment, the total unpaid balance becomes due in full, and a lien is established against the property.
- ► The City receives many phone calls from sewer customers confused about why they are being charged a late payment penalty against the total annual fee and why the fee is suddenly due in full.

Effect:

- ► Angry sewer customers.
- ► Additional work for Sewer Services staff.

Cause:

- ► Sewer Services has not adequately addressed the issues that exist with its current billing and penalty assessment practices.

Recommendations:

1. Sewer Services management should change the sewer services billing to a quarterly billing cycle and adjust the penalty policies to align with this change.

Management Plan of Action: The Business Services Division (BSD) is recommending a proposed Municipal Code change to a quarterly billing cycle where the penalty fee would be assessed on the outstanding balance for the quarter rather than the unpaid balance of the bill. These code changes are projected for implementation around October 2001.

Timetable: These code changes are projected for implementation around October, 2001.

City of Las Vegas

Agenda Item No.: **8.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☒ **Consent** ☐ **Discussion**

SUBJECT:
Discussion and possible action regarding the City Auditor's Office Strategic Business Plan utilizing the City's Performance Plus methodology

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
All City departments are required to participate in the Performance Plus budgeting and management system. The City Auditor's Office will present their strategic business plan for approval by the Audit Committee.

RECOMMENDATION:
Approval

BACKUP DOCUMENTATION:
City Auditor's Office Strategic Business Plan

City Auditor's Office
Strategic Business Plan

Vision

A vibrant, affordable, diverse, unique and world-class city of opportunity in which all citizens enjoy their neighborhoods, feel safe, and know they will be heard.

CITY MISSION

To provide residents, visitors, and the business community with the highest quality municipal services in an efficient, courteous manner and to enhance the quality of life through planning and visionary leadership.

DEPARTMENT MISSION

The mission of the Las Vegas City Auditor's Office is to provide independent and objective appraisal services of city operations to the Mayor and City Council so they can make informed decisions and assure the citizens that city government is accountable and cost effective.

ISSUE STATEMENTS

1. **Audit Cycle.**

   The current audit cycle of approximately 11 years compared to the five year industry practice, if not addressed, will:

   - Limit the effectiveness and productivity of the City Auditor's Office in addressing Council's needs; and

   - Increase the City's risk of monetary loss via fraud, waste, and abuse, and resulting in loss of public confidence.

2. **City Auditor's Office Focus.** Costs continue to rise and revenues continue to fall, creating budget constraints, widening revenue shortfalls, and decreased City services, which, if not addressed, will result in an increased focus on cost savings and revenue enhancement audits, thereby reducing the focus on performance audits.

3. **Internal Controls.** With increasing demands on management and increasing turnover, accelerated by retirements, there is less emphasis on internal controls, which, if not addressed, will increase the risk of :

   - Loss of management control;
   - Increased fraud;
   - Management giving tacit permission to circumvent controls;
   - Reduced employee accountability ;
   - Loss of City resources;
   - Diminished organizational knowledge; and
   - Loss of public confidence.

4. **Emerging Technologies.** The implementation of increasingly intricate technologies without adequate internal controls, oversight, and training of management and staff creates a more complex auditing and operating environment, which, if not addressed, will:

   - Expose the City to larger fraud potential;
   - Expose the City to increased security risks;
   - Lead to inefficient use of City resources; and
   - Increase audit time.

5. **Contract Oversight and Accountability.** The continued absence of adequate contract oversight and accountability, combined with increased outsourcing efforts, construction projects and professional service contracts, will, if not addressed, result in increased costs due to City staff time to fix problems, legal expenses, changes and overruns, substandard materials and services, and erroneous labor charges.

Strategic Results

1. **Audit Cycle.** By FY 2011-2012, The City of Las Vegas will experience a more effective and productive City Auditor's Office staff, as evidenced by a 10 % reduction in the audit cycle (i.e. from 11 years to 10 years).

2. **Audits Completed.** By FY 2011-2012, The City of Las Vegas will experience more audit scrutiny, as evidenced by a 20% increase in the number of audits performed by the City Auditor's Office. (from 12 to 15 audits)

3. **Completed Recommendations.** By FY 2011-2012, The City of Las Vegas will experience greater implementation of audit recommendations, as evidenced by a decrease in INCOMPLETE recommendations to less than 1.5% of total recommendations since 1999. (approximately 1300 total recommendations less than 20 INCOMPLETE)

DEPARTMENT ORGANIZATION

1. Administrative Line of Business
   1.1. Management & Planning Administration Program
   1.2. Personnel Resources Program
   1.3. Financial Management Program

2. Performance Audit Line of Business
   2.1. Operational Audit Program 2A
   2.2. Information Technologies Audit Program 2B
   2.3. Internal Control Failure/Fraud Review Program 2C
   2.4. Audit Follow-Up Program 2D

Lines of Business

Administrative Line of Business

Purpose Statement	The mission of the Las Vegas City Auditor's Office is to provide independent and objective appraisal services of city operations to the Mayor and City Council so they can make informed decisions and assure the citizens city government is accountable and cost effective.
Key Results	•

Line of Business Two

Purpose Statement	The purpose of the Performance Audit Line of Business is to provide independent and objective operational, information technology, fraud, and follow-up services to the Mayor and City Council so they can assure citizens of efficient and effective City operations through oversight, accountability and fraud prevention.
Key Results	• % reduction in audit cycle • % increase in audits completed • % of audit recommendations in completed status

PROGRAMS

Administrative Line of Business

Purpose Statement	The mission of Administrative Line of Business is to provide fiscal, consultation and personnel services to city staff, so they can effectively manage human and material resources.

Program 1.1 Management & Planning Administration Program

Program Purpose Statement	The purpose of the Management and Planning Administration Program is to provide strategic business planning, budget preparation, policy/procedure support and interagency collaboration services to city staff and external entities, so they can ensure department strategic results are achieved.
Program Services	• Executive Reports (Ad Hoc Reports, Special Project Reports, and Performance Reports) Ordinances, and Resolutions) • Performance Measures • Special Projects • Plans (Department Emergency Management, Strategic Business, Budget, and Continuity of Operations) • Policies & Procedures • Presentations • Agenda Items / Packets • Analysis Reports • Audit Responses • Audit Committee Meetings • Audit Committee Meeting Agendas • Audit Committee Meeting Scripts • Annual Audit Plan
Family of Measures	***Results*** 1. % key result measures achieving targets for the reporting period (# key result measures achieving target for the reporting period divided by # total key result measures)
	Outputs 1. # key result measures achieving targets for the reporting period
	Demands 1. # key result measures for the reporting period
	Efficiencies 1. $ Management & Planning Administration Program expenditure per key result measure achieving targets for the reporting period
Program Manager(s)	**City Auditor**
Program Budget	$179,652.77

Administrative Line of Business	
Purpose Statement	The mission of Administrative Line of Business is to provide fiscal, consultation and personnel services to city staff, so they can effectively manage human and material resources.
Program 1.2 Personnel Resources Program	
Program Purpose Statement	The purpose of the Personnel Resources Program is to provide salary, training and management services to city employees, so they can hire and retain a quality workforce.
Program Services	• Recruitments & Selections • Department Personnel Records • Employee Training Sessions • Employee Performance Evaluations • Employee Development Consultations/Sessions • Discipline & Grievance Hearings • Time Cards • Staffing Classifications
Family of Measures	***Results*** 1. # department sick leave hours used 2. # department employee performance evaluations completed within 30 days of due date 3. # hours department employees attended work-related training
	Outputs 1. # department sick leave hours used 2. # department employee performance evaluations completed within 30 days of due date 3. # hours department employees attended work related training
	Demands 1. # hours anticipated for department employees to attend work-related training
	Efficiencies 1. $ Personnel Resources Program expenditure per department employee
Program Manager(s)	• **City Auditor**
Program Budget	$88,768.11

Administrative Line of Business	
Purpose Statement	The mission of Administrative Line of Business is to provide fiscal, consultation and personnel services to city staff, so they can effectively manage human and material resources.
Program 1.3 Financial Management Program	
Program Purpose Statement	The purpose of the Financial Management Program is to provide administrative support services to city management and staff, so they can receive financial tools needed to meet department program measures.
Program Services	• Financial Reports • Financial Projections Authorizations • Purchasing Requests Petty Cash Purchasing Card Purchase Orders • Grant Application Submissions • Grant Status Reports • Project & Financial Impact Analyses • Travel Arrangements • Travel Authorizations • Fixed Asset Inventories
Family of Measures	***Results*** 1. % actual to budgeted operating expenditures ($ actual operating expenditures divided by $ budgeted operating expenditures)
	Outputs 1. $ actual operating expenditures (in thousands of dollars)
	Demands 1. $ operating expenditures budgeted
	Efficiencies 1. $ Financial Management Program expenditure per total department operating expenditures
Program Manager(s)	• **City Auditor**
Program Budget	$78,341.30

Performance Audit Line of Business

Purpose Statement	The purpose of the Performance Audit Line of Business is to provide independent and objective operational, information technology, fraud and follow-up services to the Mayor and City Council so they can assure citizens of efficient and effective City operations through oversight, accountability and fraud prevention.

Program 2A Operational Audit Program

Program Purpose Statement	The purpose of the Operational Audit Program is to provide independent and objective evaluation services to the Mayor and City Council so they can provide citizens City operations with a strong internal accountability control environment, increased contract oversight, cost containment, enhanced revenues, and an improved audit cycle.
Program Services	• Performance Audits/Reports • Cost Containment and Revenue Enhancement Audits/Memorandums • Joint Agency Audits/Reports • Unannounced Cash Count Audit/Reports • Outside Contractor Audits/Reports • Auditor Alert Memorandums • Contract Compliance Audits/Reports • Mayor Briefings • City Council Briefings • Audit Committee Briefings • City Manager Briefings • Department Briefings • Department Consultations • Data Analysis Reports
Family of Measures	***Results***
	Outputs 1. # of performance audits completed (all types of audits) 2. # of performance audit recommendations issued (all types of audits) 3. # of memorandums issued (all types)
	Demand 1. # of performance audits scheduled to be completed (from the Audit Plan)
	Efficiency 1. $ Operational Audit Program expenditures per performance audit completed
Program Manager(s)	• **City Auditor**
Program Budget	$322,377.41

Performance Audit Line of Business	
Purpose Statement	The purpose of the Performance Audit Line of Business is to provide independent and objective operational, information technology, fraud and follow-up services to the Mayor and City Council so they can assure citizens of efficient and effective City operations through oversight, accountability and fraud prevention.

Program 2B	*Information Technologies Audit Program*
Program Purpose Statement	The purpose of the Information Technologies Audit Program is to provide independent and objective systems evaluation services to: • The Mayor and City Council so they can assure citizens of a strong systems control and technology structure. • The Information Technologies Department so they can strengthen systems controls and minimize systems control and technology failures.
Program Services	• General Control Reviews/Reports • Application Reviews/Reports • Unauthorized Software Audits/Reports • Security Audits/Reports • Continuous Audits/Reports • Computer Forensics Audits/Reports • Mayor Briefings • City Council Briefings • Audit Committee Briefings • City Manager Briefings • Department Briefings • Department Consultations • Data Analysis Reports
Family of Measures	***Results***
	Outputs 1. # of systems control and technology reports issued (all types of reports) 2. # of systems control and technology recommendations issued
	Demand 1. # of systems control and technology reviews scheduled to be completed (from the Audit Plan)
	Efficiency 1. $ Information Technologies Audit Program expenditures per systems control and technology review completed
Program Manager(s)	• **City Auditor**
Program Budget	$126,106.52

Performance Audit Line of Business

Purpose Statement	The purpose of the Performance Audit Line of Business is to provide independent and objective operational, Information Technology, fraud and follow-up services to the Mayor and City Council so they can assure citizens of efficient and effective City operations through oversight, accountability and fraud prevention.

Program 2C — Internal Control Failure & Fraud Review Program

Program Purpose Statement	The purpose of the Internal Control Failure and Fraud Review Program is to provide internal control review and fraud investigation assistance services to the Mayor, City Council and the Detention and Enforcement Department so they can prevent or minimize fraud losses and achieve convictions and/or employee discipline, as appropriate.
Program Services	• Internal Control Reviews/ Memorandums • Semi-Annual Internal Control Activity Reports • Fraud Investigation Technical Assistance (recaps, summaries, profiles…) • Fraud Committee Issue Responses • Fraud Training Sessions • Mayor Briefings • City Council Briefings • Audit Committee Briefings • City Manager Briefings • Department Briefings • Department Consultations • Data Analysis Reports
Family of Measures	***Results*** 1. $ of identified fraud 2. % of fraud investigations involving City Auditor's Office assistance resulting in conviction or employee discipline ***Outputs*** 1. # of internal control reviews completed 2. # of internal control review recommendations issued ***Demands*** 1. # of completed internal control reviews anticipated 2. # of requests for Detention & Enforcement Department assistance anticipated ***Efficiency*** 1. $ Internal Control Failure and Fraud Review Program expenditures per internal control review completed
Program Manager(s)	• **City Auditor**
Program Budget	$133,279.59

Performance Audit Line of Business	
Purpose Statement	The purpose of the Performance Audit Line of Business is to provide independent and objective operational, information technology, fraud and follow-up services to the Mayor and City Council so they can assure citizens of efficient and effective City operations through oversight, accountability and fraud prevention.

Program 2D	Audit Follow-up Program
Program Purpose Statement	The purpose of the Audit Follow-up Program is to provide status update and completed recommendation verification services to the Mayor and City Council so they can facilitate implementation of audit recommendations.
Program Services	• Audit Recommendation Closure Verifications • Audit Recommendation Follow-up Status Memorandums • Annual Follow-up Status Report • Mayor Briefings • City Council Briefings • Audit Committee Briefings • City Manager Briefings • Department Briefings • Department Consultations
Family of Measures	***Result*** 1. % of audit recommendations in incomplete status [# of audit incomplete recommendations divided by # of total recommendations since 1999] ***Output*** 1. # of audit recommendations verified and closed ***Demand*** 1. # of audit recommendations estimated to be verified and closed ***Efficiency*** 1. $ Audit Follow-Up Program expenditures per audit recommendation verified and closed
Program Manager(s)	• **City Auditor**
Program Budget	$60,799.30

City of Las Vegas

Agenda Item No.: **9.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

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

City of Las Vegas

Agenda Item No.: **10.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: JULY 15, 2010

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING ☐ **Consent** ☒ **Discussion**

SUBJECT:
ADJOURNMENT