

**AUDIT OVERSIGHT
COMMITTEE MEETING**

**THURSDAY,
July 15, 2010**

General Report by City Auditor

- **Audits and Projects**
 - **Passport Services**
 - **A & E Awards**
 - **Sports Fields**
 - **Fuel Cards**
 - **Hansen Contract**
 - **MMRS – Grant Audit**
 - **Contract Review**
 - **Project Engineering Consultant**

General Report by City Auditor

- **Investigations**
 - **9 Investigations are in Process**

FY 2010 – 2011 AUDIT PLAN

Employee/Vendor File Review

CAO 2008-0910-12

April 13, 2010



Background

- The City Auditor's Office identified and reviewed possible situations involving inappropriate vendor/employee relationships.
- 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 the comparisons.



Background (continued)

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.

Background (continued)

Employees are regulated on outside employment by CLV. HR3.12.01 Outside Employment Policy and with HR 10.01 Outside Employment Request Procedure outlining the request procedure.

- **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.**
- **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) management to evaluate the relationship and deny the request if determined the outside employment is not in the best interest of the CLV.

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, etc.**
- Forty Seven matches were identified for further review.**

Conclusions

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.**

Audit Finding

Adherence to Existing Policy

- **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.**

Audit Finding

Conflicts of Interest

- **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.**

HR3.12.01 Outside Employment Policy 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.

Audit Finding

CLV Business Licenses

- **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.**

Recommendations

We made the following Recommendations:

- 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.**
- 2.1 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.**
- 3.1 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.**



Questions

Audit Recommendation Closure

Audit Recommendation Closure (continued)

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

#2.1 – Sewer Fee Billing

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.**

Performance Plus