AUDIT OVERSIGHT COMMITTEE MEETING

THURSDAY, OCTOBER 14, 2010

Audit Committee
Scheduled Meeting Dates

- The purpose is to establish the quarterly Audit Committee Meetings for calendar year 2011.
- This is required to be established during the 4th quarterly meeting of the preceding year.

Audit Committee Scheduled Meeting Dates

1. Thursday, February 10, 2011

2. Thursday, May 12, 2011

3. Thursday, August 11, 2011

4. Thursday, November 10, 2011

General Report by City Auditor

- Audits and Projects
  - Passport Services
  - Municipal Courts – Volunteer Program
  - A & E Awards
  - Traffic Engineering
  - Hansen Contract
  - MMRS – Grant Audit
  - Contract Review
    - Project Engineering Consultant

General Report by City Auditor

- Investigations
  - 5 Investigations are in Process

Annual Audit Recommendation Follow-Up As Of June 30, 2010

CAO 2600-1011-01
September 22, 2010

Background

1,201 Audit Recommendations requiring corrective action from January 1, 1999 through June 30, 2010

Objectives

- To ensure that audit recommendations are being appropriately addressed by City management
- To track the status of recommendations

SCOPE AND METHODOLOGY

Our follow-up program is in accordance with Operating Instruction A. 050 of the City Auditor's Office Operating Instruction Manual. The status of each audit recommendation is identified using the following classifications:

Complete	The recommendation has been implemented, some other action has been taken to effectively correct the deficiency, or other circumstances warrants a status of completion.
Incomplete	The recommendation has not been implemented.
Extended	The recommendation has not been implemented due to circumstances beyond the department's control.
Not Due	Due date is after June 30, 2010.

1,201
Recommendations Summary

	COMPLETE	INCOMPLETE	EXTENDED	NOT DUE	TOTAL
	1,163	12	11	15	1,201
2009-2010	57	2	2	15	76
2008-2009	66	6	1	0	73
2007-2008	46	0	2	0	48
2006-2007	61	1	0	0	62
2005-2006	69	0	2	0	71
2004-2005	72	0	2	0	74
2003-2004	39	0	0	0	39
2002-2003	88	0	0	0	88
2001-2002	156	0	2	0	158
2000-2001	113	0	0	0	113
1999-2000	396	3	0	0	399

12 Incomplete Recommendations Summary

FISCAL YEAR

DEPARTMENT	1999-2000	2006-2007	2008-2009	2009-2010	TOTAL
Detention and Enforcement	--	--	1	--	1
Field Operations	--	--	4	--	4
Finance and Business Services	--	1	--	1	2
Fire and Rescue	--	--	1	--	1
Municipal Court	3	--	--	1	4
TOTAL	3	1	6	2	12

QUESTIONS

Audit of Field Operations – Fueling Access and Monitoring

CAO 1705-1011-02

September 22, 2010

Background

- Administration of fueling operations is performed by Fleet & Transportation Services, a division of the Field Operations Department.
- City has approximately 1175 vehicles and equipment.
- Variety of fuels are used including reformulated gasoline, diesel, bio-diesel, and compressed natural gas (CNG).
- In 2009, the City used approximately 815,000 gallons of liquid fuel and 25,000 gas gallon equivalents of CNG.

City Fueling Stations

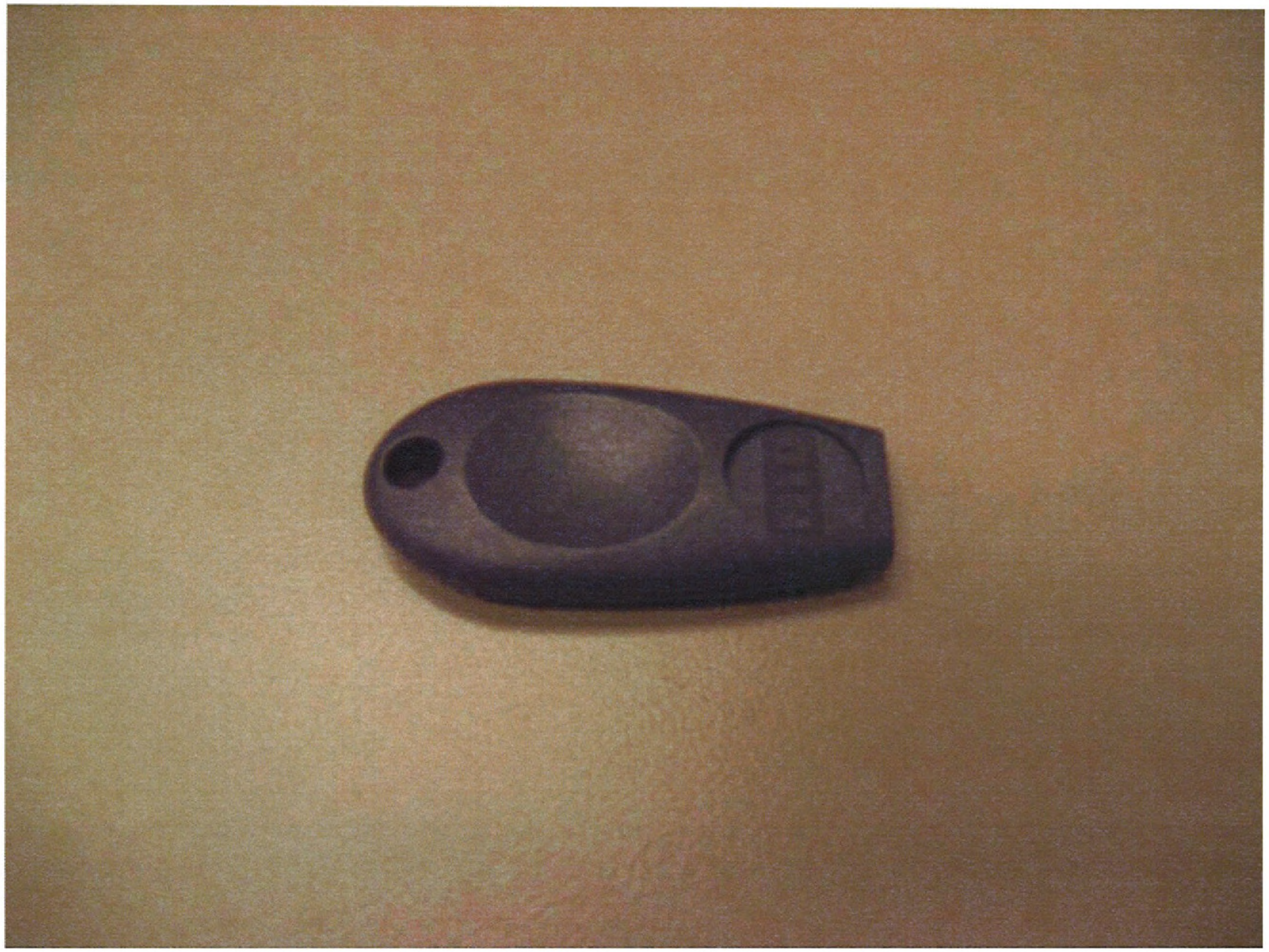
Fuel Pumps


UNLEADED
87
IF YOU ARE ON THIS SIDE OF THE DISPENSER, PLEASE USE THIS NOZZLE

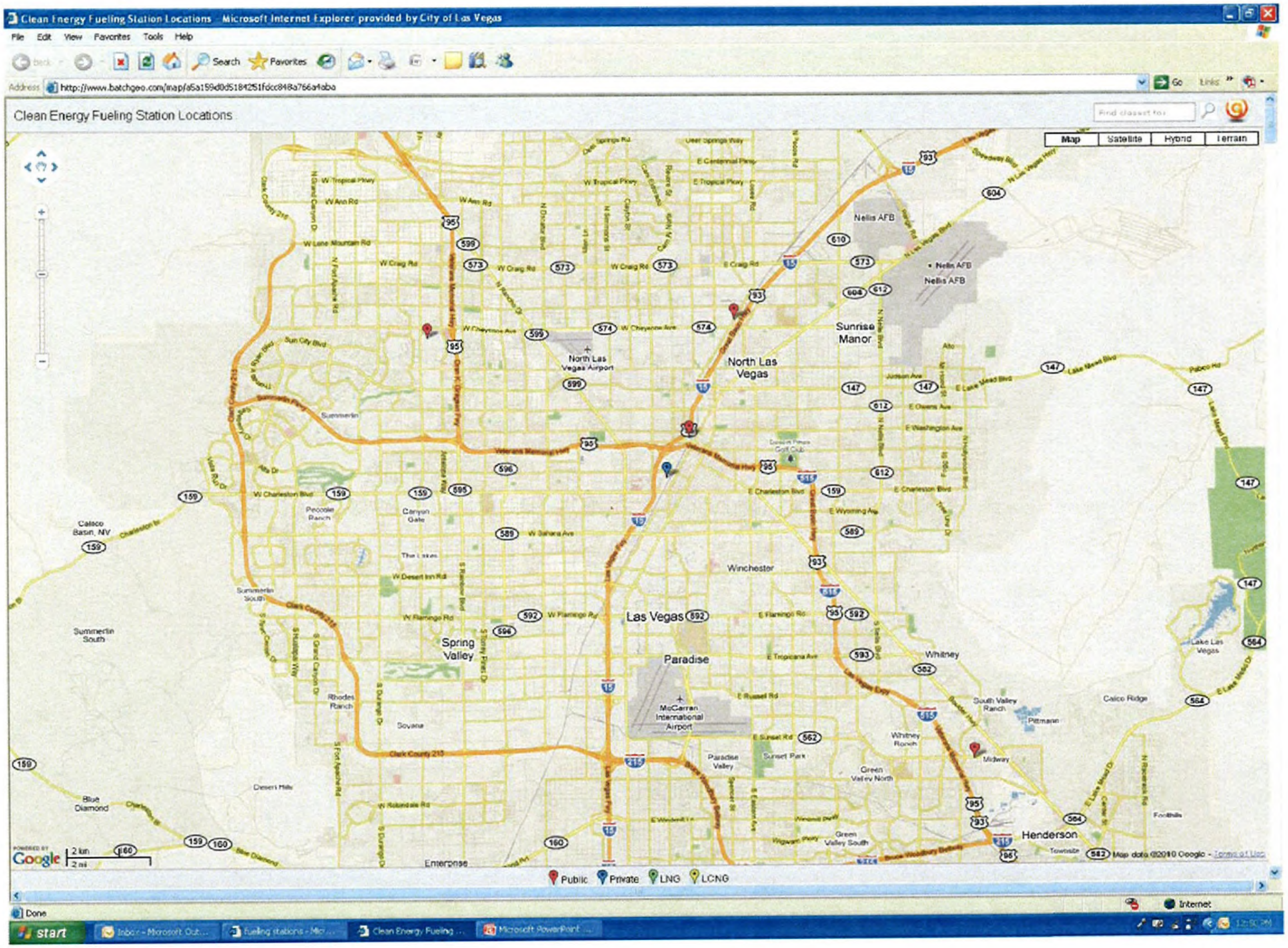

DIESEL
5
6
IF YOU ARE ON THIS SIDE OF THE DISPENSER, PLEASE USE THIS NOZZLE
EMERGENCY SPILL RESPONSE
LEASE NOTE
THESE PUMPS DISPENSE
BIODIESEL FUEL
A "CLEAN AIR" ALTERNATIVE UEL
NOT FOR USE IN
FIRE & RESCUE EQUIPMENT

Fuel Pump Access System

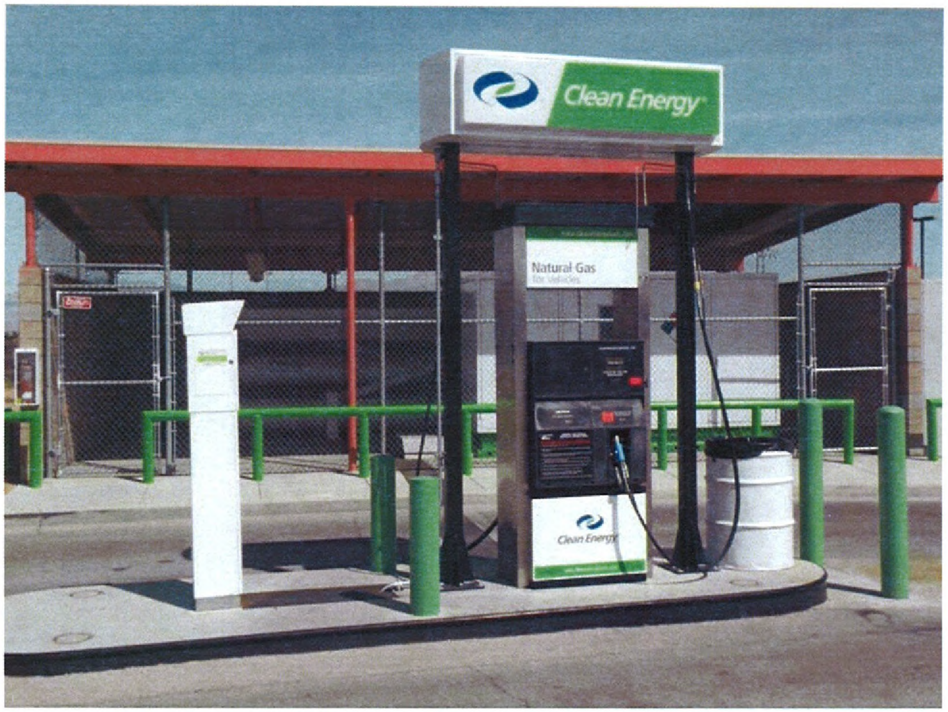
Key Fob



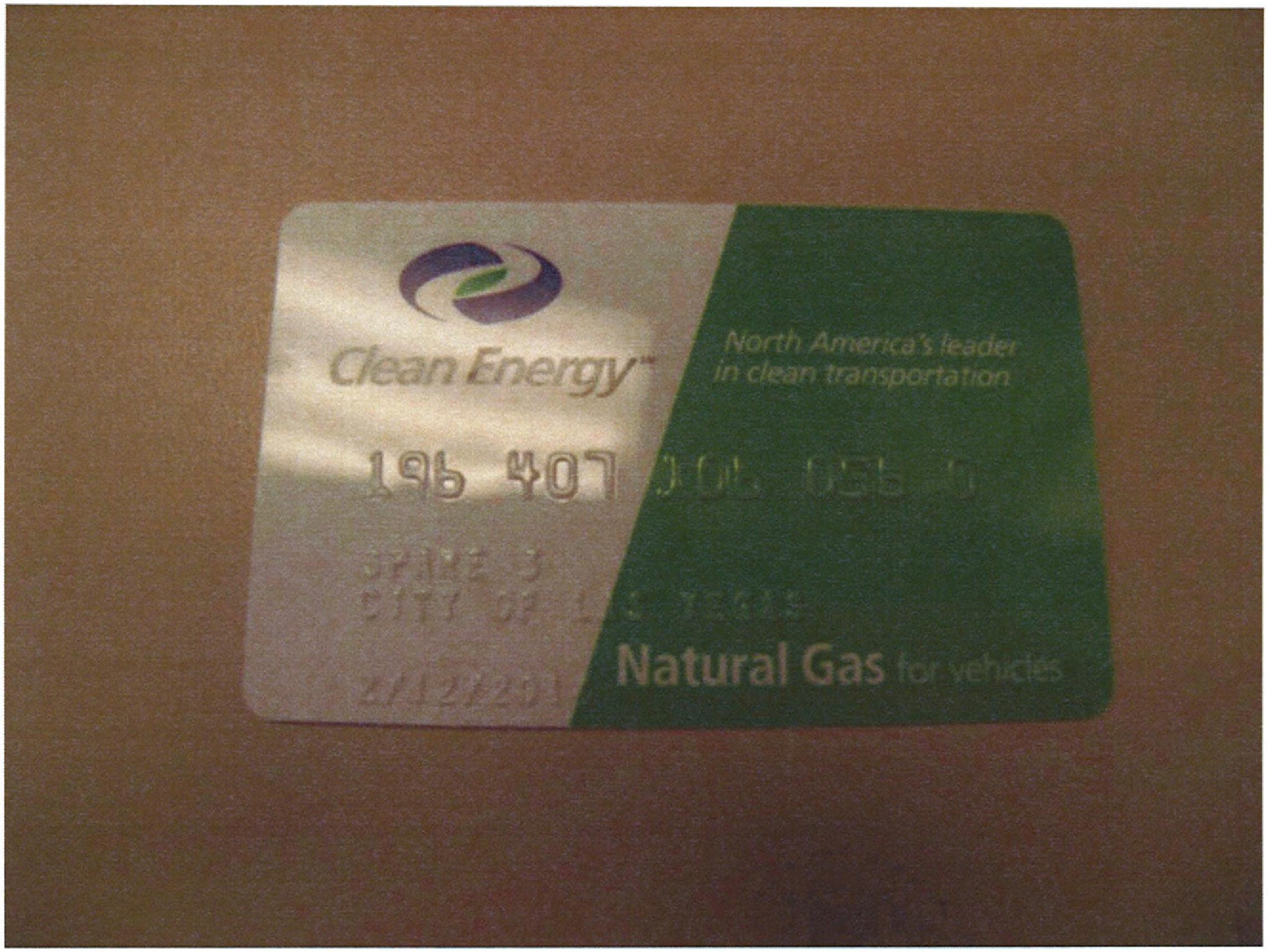
Clean Energy CNG Pumps in Las Vegas Valley



CNG Pump at West Service Center



Clean Energy Card



Objectives

The audit objectives were to:

- Evaluate the adequacy of the management controls over fueling transactions (i.e., controls are effective in identifying errors, irregularities, or abuse in fueling transactions).
- Evaluate the adequacy of the procedures being followed for recording fueling transactions and charging city departments and the Housing Authority for these transactions.
- Evaluate the adequacy of the documented policies and procedures related to the City's fueling operations.

Audit Findings

1. A process by which all city departments receive and review monthly fueling transactions needs to be implemented.

2. Improvements are needed to the process by which CNG cards are placed in vehicles, tracked, and destroyed upon disposal of a vehicle.

3. Improvements are needed in how CNG usage in bi-fuel vehicles is monitored.

Audit Findings

4. A process is needed for changing the status of ex-employee badge numbers to inactive within the fuel system.

5. A formalized process for obtaining accounting coding updates from Finance and updating the fuel system with this information is needed.

6. Documented policies and procedures on the use of key fobs are needed. In addition, improvements are needed in the tracking of key fobs and monitoring of their usage.

Audit Findings

7. Documented policies on the city's fueling operations are needed.

8. Documented desk procedures on the administration of the City's fueling operations are needed.

Management Responses

- Management Responses can be found at the back of the report.
- Management has developed action plans to respond to the audit recommendations.
- Management intends to address each of the audit recommendations at varying dates prior to July 2011.

QUESTIONS

Representatives from Field Operations:

- Larry Haugsness, Director
- Jerry Walker, Deputy Director
- Dan Hyde, Fleet & Transportation Services Manager

Audit of Leisure Services – Sport Fields Administration

CAO 1603-1011-03

September 22, 2010

Background

- The administration of the City's sport fields is the responsibility of Leisure Services Municipal Sports Unit.
- *Two primary duties of this unit include:*
  - Administration of City sponsored adult leagues
  - Allocation of sport fields to outside user groups
  - *Administration of City Sponsored Adult Leagues:*
    - Includes: softball, soccer, and outdoor volleyball
    - Four sessions are offered each year
  - *Allocation of sport fields for outside groups:*
    - Consists of 3 types of user groups:
      - *Walk-in users*: approximately 5 to 10 percent of allocation
      - *League users*: approximately 60 to 70 percent of allocation
      - *Tournament users*: approximately 20 to 30 percent of allocation
    - Two allocation periods each year

Background (continued)

Audit Scope:

Evaluate the adequacy of controls over the administration of the City's sport fields.

Audit Period:

July 2008 through December 2009.

All audit findings and recommendations have been reviewed with Leisure Services management. They have agreed with the findings and have submitted their management plan of action and estimated date of completion. These are included in the Management Response section of the Audit Report.

Audit Findings

Finding # 1: I was unable to verify that fees were always collected from sport field users:

- **293 of 747 or 40 percent of field permits could not be associated with payments in CLASS.**
- **88 Facility Use Agreements were located, 5 of these or 6 percent could not be associated with either a payment in CLASS or a field permit**
- **In reviewing payment information in CLASS:**
  - **For 31 cases, either no payment or the incorrect payment was charged.**
  - **For 16 cases, the 10 percent registration fee was not charged for tournaments.**
- **166 payments in CLASS could not be associated with field permits.**

Audit Findings

Finding # 2: Segregation of Duties Deficiencies:

At the Municipal Sports Unit, the same employee:

- Schedules field usage in CLASS
- Enter user group activity in CLASS
- Calculates and processes payment information in CLASS
- Accepts payments
- Prepares field permits
- Programs lights for evening field usage

Audit Findings

Finding # 3: Proper Authorization of Transactions:

- **Employees are able to transfer paid fees from a session that is over and reassigned the payment to a later session. These transactions do not appear on the Daily Cash Balance Report and not authorized by a second employee.**
- **Employees are able to delete payments and enter a new payment. Although these transactions appear on the Daily Cash Balance Report, they do not require a second employee to authorize the deletion.**

Finding # 4: CLASS Data Input Inconsistencies:

Consistent methods are not used to input information into CLASS and affect:

- **Contact information**
- **Spelling of information**
- **Documenting authorized field usage**
- **Using rental numbers from previous years**

Finding # 5: Inequities in the Allocation of City Sport Fields						
League	Number of Teams per League	League Allocation Fee Per Team	League Total Allocation Fees	Total Number of Hours of Field Time	Hourly Cost Paid per Allocation Period	Average Hours of Field Time (Per Team)
A	6	$ 100	$ 600	90	$ 6.67	15
B	24	$ 110	$ 2,640	460	$ 5.74	19
C	26	$ 100 & $ 110	$ 2,780	594	$ 4.68	23
D	22	$ 100	$ 2,200	546	$ 4.03	25
E	19	$ 100	$ 1,900	572	$ 3.32	30
F	391	$ 100	$ 39,100	12,670	$ 3.09	32
G	25	$ 110	$ 2,750	940	$ 2.93	38
H	72	$100 & $ 110	$ 7,720	2,748	$ 2.81	38
I	18	$ 110	$ 1,980	704	$ 2.81	39
J	30	$ 110	$ 3,300	1,176	$ 2.81	39
K	24	$ 110	$ 2,640	966	$ 2.73	40
L	30	$ 100	$ 3,000	1,326	$ 2.26	44
M	51	$ 100	$ 5,120	2,448	$ 2.09	48
N	42	$ 110	$ 4,620	2,024	$ 2.28	48
O	30	$ 100	$ 3,000	1,672	$ 1.79	56
P	31	$ 100	$ 3,100	1,730	$ 1.79	56
Q	51	$ 100 & $ 110	$ 5,120	2,882	$ 1.78	57
R	12	$ 100	$ 1,200	759	$ 1.58	63
S	36	$ 100	$ 3,600	2,736	$ 1.32	76
T	9	$ 110	$ 1,030	814	$ 1.27	90
U	22	$ 110	$ 2,420	2,046	$ 1.18	93
V	24	$ 100	$ 2,400	2,772	$ 0.87	116
W	44	$ 100	$ 4,400	5,502	$ 0.80	125
X	44	$ 100	$ 4,400	6,314	$ 0.70	144
Y	31	$ 100	$ 3,100	4,950	$ 0.63	160
Z	77	$ 100	$ 7,700	14,212	$ 0.54	185

Audit Findings

Finding # 6 Lighting of Sport Fields:

- **Evening observations of 183 City sport fields showed that 42% of all fields observed and 61% of observed fields with lights on were not being used.**

- **Evening observations of 50 City sport fields during adverse weather conditions showed that 58% of all fields observed and 78% of observed fields with lights on were not being used.**

Audit Findings

Finding # 7 City Sponsored Leagues Liability Waivers:

- We were unable to locate 45% of the softball and 20% of soccer team rosters.
- For the located team rosters, we identified:
  - 2,674 softball and 649 soccer team members.
  - Liability waivers were not on file for 49% of the softball and 15% of the soccer team members.

Finding # 8 Liability Waiver Retention Waivers:

- NRS 11.190 time periods for filing claims:
  - Within 3 years for personal property
  - Within 2 years for injuries to a person or for death
- Retention policy for liability waivers is 2 years, and therefore does not cover the entire three year period for personal property claims.

Audit Findings

Finding # 9 League and Tournament User Group Liability Waivers:

- Various user groups rent City sport fields for league and tournament use.
- A representative for the organization signs a waiver for the use of the fields.
- Individuals that participate in these activities do not sign liability waivers.
- The representative may not have the legal authority to waive an individual's right to pursue a claim against the City.

Finding # 10: Certificates of General Liability:

- League and Tournament User Groups that use City sport fields are required to obtain general liability and name the City as an additional insurer. Detail testing noted:
  - A consistent process is not used to ensure the certificates are obtained and retained.
  - Certificates are not always properly completed.

Audit Findings

Finding # 11 Security Requirements:

- Leisure Service employees do not provide on-site monitoring of league and tournament user group activity or require user groups to provide private security during their events.
- Standardized documented security requirements do not exist for user groups that use City sport fields.

Finding # 12: Concession Permits:

- Organizations that provide concessions during events at City sport fields are required to obtain a concessions permit.
- No documentation was on file for 9 of 20 issued concession permits.
- Discrepancies were noted with the documentation for remaining 11 concession permits.

Audit Findings

Finding # 13 Non-Profit Status:

- Concession Operators:
  - Six organizations designated as non-profit were randomly selected for review.
  - Discrepancies were noted with the non-profit status for all six organizations.

- Sport Field Users:
  - Between 7/1/2008 and 12/31/2009, documentation was located for 20 user groups that provided documentation to confirm non-profit status.
  - Four organizations provided confirmation from the IRS of Section 501(c)(3) status.
  - Sixteen organizations provided other documentation such as the Nevada Corporate Charter, Nevada Articles of Incorporation, or the Nevada list of officers, directors and registered agents.

Audit Findings

- **Finding # 14: Memorandum of Understanding:**
  - Leisure Services has a Memorandum of Understanding with the American Fastpitch Association to provide umpires to officiate league and tournament play for City sponsored adult leagues.
  - NISOA provides referees to officiate league and tournament play for City sponsored adult leagues. Leisure Services does not have a Memorandum of Understanding with NISOA for their services.

- **Finding # 15: Disabling CLASS User Access:**

Class User Listing	Total Employees	Current Employees	Former Employees	Not an Employee
Clerk	421	111	183	127
User Group	230	180	31	19
Full Time	230	180	31	19

Questions

Auditor: Nancy Beaty

Leisure Services Staff:

- Stephen Harsin, Acting Director
- Lonny Zimmerman, Deputy Director