



**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 14, 2010**

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, 2010 (2600-1011-01)

**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, 2010 (2600-1011-01)
2. Submitted at Meeting - PowerPoint Slides 5-10

Motion made by PAUL WORKMAN to Accept the Report

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1  
STEVE WOLFSON, PAUL WORKMAN, MICHAEL W. KERN, LOIS TARKANIAN;  
(Against-None); (Abstain-None); (Did Not Vote-None); (Excused-WILLIAM ALLEN  
KAERCHER)

**Minutes:**

City Auditor Radford Snelding narrated PowerPoint Slides 5-10 that were submitted for the backup, adding that much of the benefit from audit work is in effective resolutions, and City management is responsible for addressing audit recommendations, which can be classified as complete, incomplete, extended or not due. He then gave a break down on the status of the 1,201 recommendations and reviewed those in each classification, noting that there are a total of 12 incomplete recommendations.

The incomplete recommendation in Detention and Enforcement is related to controls over funds placed on account for inmates as part of the department's inmate booking and release processes. The function of placing funds on account for inmates was outsourced to a contractor, and the

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contract did not include a right-to-audit clause, nor any reference to PCI compliance requirements. The Purchasing and Contracts Division staff is in the process of reviewing the contract and incorporating this function into the contract.

The four open recommendations in Field Operations relate to the audit of the Sanitary Sewer System: 1) Spill reporting requirements - recommendation is being implemented and the policies, procedures and forms are being finalized. 2) Clark County permits - since property owners on County islands would not be required to obtain a permit, a draft memorandum of understanding for sewer infrastructure improvements with Clark County was recently updated with input from Jerry Walker, Deputy Field Operations Director. Once the memorandum is approved, the issue should be addressed. 3) Performance measures - determining whether or not they are appropriate and needed and the auditor is still awaiting documentation on how they will be derived. 4) Standard operating procedures - auditor received several standard operating procedures to address some of the identified areas and is awaiting procedures to address the remaining areas.

There are two recommendations in Finance and Business Services - one relating to audit of the Financial Services Grant Fiscal Administration Allocation of indirect costs for federal grants - an indirect cost rate, which needs to be approved, is not currently being used. This audit is still in progress and an update is not available. The second recommendation relates to the audit of the Professional Services Contract for Hillier & Associates, modifications and change orders - the change order for this contract should have gone back to Purchasing and Contracts for review. Hence, the new procedures will require training for the new Oracle Module on contract monitoring by 12/15/2010. The new procedures will be adjusted to show better ways of doing the task. The City Manager's Office is currently reviewing and approving parts of the desk book procedures.

The single recommendation for Fire and Rescue is regarding the Audit of Fire Prevention Division, Quality Control Program - the auditor observed that there was no formal quality control program. Hence, a draft policy outlining Fire Prevention's quality control program was completed and will be distributed to staff for implementation.

Municipal Court was issued four recommendations relative to minimum accounting standards: 1) Collection of drop box payments - Justice Court currently maintains a drop box and is collecting funds on the City's behalf. The auditors are working with the courts and are awaiting a meeting on 10/18/2010 to discuss resolution of the issues and examine the procedures in greater detail. 2, 3 and 4) Correspondence with defendants and user passwords for the court system - these recommendations resided in the extended status until the new court system was implemented. The auditors want to ensure that the courts obtain the most current addresses, that a history is created of all the mailings with the defendants, and that the access logs be reviewed. The auditors believe that these three recommendations were addressed with the implementation of the new case management system on 11/2009, but verification is pending. A meeting has been scheduled for 10/18/2010 with Municipal Court to discuss these.

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Regarding the audit of Financial Services Grant Fiscal Administration, Member Tarkanian asked if some grants indicate how much can be used for indirect costs, to which City Auditor Snelding answered affirmatively, noting that it can vary from grant to grant. The biggest issue is that the City does not have a system in place that can be approved and recognized by the federal government to make that allocation. A mechanism by which to capture that indirect cost has yet to be devised.

Chair Kern affirmed with City Auditor Snelding that the City is not losing money because of indirect costs. Rather, the auditors are trying to capture all the money it is entitled to, thus making it a quantification effort.

Member Tarkanian asked if the indirect cost percentage allotted by the federal government is followed. Nancy Beatty, City Auditors Office, indicated that each grant carries certain administrative and overhead costs, but in order to capture costs for accounting and information technologies services, a plan has to be submitted to come up with those percentages.

Chair Kern asked Auditor Beatty if the City has not lost money in this area and if this pertains more to a documentation trail. Auditor Beatty replied that an indirect cost allocation plan does not exist and many grants do not provide the ability to provide one; therefore, she could not give an answer.

If there is no way to properly evaluate indirect costs, Member Workman asked if the Committee could reasonably expect that this audit can be completed. Perhaps it should even be eliminated. City Auditor Snelding indicated that the auditors have been working on a full absorption costing system that has been postponed. This system will provide the means to qualify.

With respect to auditing of professional services, Chair Kern asked City Auditor Snelding if there is a way to verify that rather than the auditors making the statement "we believe." City Auditor Snelding replied affirmatively, explaining that the policies and procedures were recommended in the audits performed, but Finance and Business Services took it further and required training to monitor each contract appropriately. That is why it has taken longer than usual. Also, the Oracle Module had to be implemented, for which the Audit Office has yet to verify that the recommendations are in place.

Regarding the Case Management System, Chair Kern stressed that he has a hard time with the auditors reporting that they "believe" a recommendation has been met, given the new court standards. He would prefer that the auditors report that they are not certain their recommendations have been met, as a definitive statement is more acceptable. City Auditor Snelding indicated that he would comply with the Chair's suggestion.