

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

AGENDA

February 10, 2011
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 October 14, 2010
4. General Report by the City Auditor
5. Report and possible action on update of Audit of Leisure Services - Sport Fields Administration (1603-1011-03)
6. Discussion and possible action on Audit of East Service Center Employee Gas Theft (2901-1011-04)
7. Discussion and possible action on Audit of City Clerk's Office - Passport Services (0221-1011-05)
8. 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
9. ADJOURNMENT

Facilities are provided throughout City Hall for the convenience of disabled persons. 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

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELDING

SUBJECT:

CALL TO ORDER



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

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ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELDING

SUBJECT:

Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of October 14, 2010



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

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:

To give a status report on the audits and projects in progress and open investigations and control reviews. 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

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

☐ Consent ☒ Discussion

SUBJECT:

Report and possible action on update of Audit of Leisure Services – Sport Fields Administration (1603-1011-03)

Fiscal Impact

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

The Committee asked the City Auditor to report on the status of the recommendations related to the Audit of Leisure Services – Sport Fields Administration (1603-1011-03).

RECOMMENDATION:

Accept the report.

BACKUP DOCUMENTATION:

Interim Follow-Up



CITY AUDITOR'S OFFICE



**INTERIM
FOLLOW-UP**

For the Audit Committee

**AUDIT OF LEISURE SERVICES -
SPORT FIELDS ADMINISTRATION**

Report No. CAO 1603-1011-03

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

1. Limited Assurance Fees were Always Collected.....	1
2. Segregation of Duties Deficiencies.....	3
3. Proper Authorization of Transactions.....	4
4. CLASS Data Input Inconsistencies	6
5. Inequities in the Allocation of City Sport Fields.....	7
6. Lighting of Sport Fields.....	10
7. City Sponsored Leagues Liability Waivers.....	14
8. Liability Waiver Retention Policy.....	17
9. League and Tournament User Group Liability Waivers	18
10. Certificates of General Liability Insurance	19
11. Security Requirements	20
12. Concession Permits.....	21
13. Non-Profit Status	22
14. Memorandum of Understanding.....	23
15. Disabling CLASS User Access.....	25

1. Limited Assurance Fees were Always Collected

Background

Criteria

Strong management controls and documented policies and procedures over the recording of sales, collection of fees, and reconciliation of sales to collected fees reduces employees' ability to misstate revenue through skimming and understated sale schemes.

Condition

An analysis of the documents used to allocate sport fields to outside entities was completed for the period of July 1, 2008 through December 31, 2009. We were unable to ascertain whether fees were always collected from user groups, as follows:

Field Permits

Field permits are the official authorization to use sport fields. We located 747 field permits for the period of July 1, 2008 through December 31, 2009. Fieldwork procedures included determining whether user groups paid for the field usage indicated on the field permits. For **286 of 747 or 38 percent** of the field permits, we could not associate the field usage with a CLASS rental number to confirm that the following users had paid for their field usage:

- 97 walk-in users
- 186 field permits relating to the allocation of fields for 30 leagues
- 3 tournaments

Facility Use Agreements

User groups sign Facility Use Agreements that represent the agreed upon terms for field usage. We located 88 Facility Use Agreements for the period of July 1, 2008 through December 31, 2009. For **5 of 88 or 6 percent** of these agreements, we could not locate a field permit or associate the field usage with a CLASS rental number for the following user groups to confirm that they had paid for their field usage:

- 2 league field allocations
- 3 tournaments

CLASS Rental Numbers

For the field permits and Facility Use Agreements that we were able to associate with a CLASS rental number, we reviewed the payment information. We found that the user groups either did not pay or paid an incorrect amount for their field usage, as follows:

- 31 rental numbers where the field permit authorized field usage but there was no payment or the incorrect amount was charged in CLASS.
- 16 rental numbers where the tournament was not charged the ten percent registration fee.

In addition, we located 166 rental numbers in CLASS that we could not associate with a field permit or a Facility Use Agreement, for the following user groups:

- 93 walk in users
- 20 league allocations
- 53 tournaments

Cause

There is a lack of strong management controls over the collection of revenue for sport field usage as evidenced by the following:

- No segregation of duties, see Finding Number 2.
- Employees are able to delete or reassign fees in CLASS, see Finding Number 3.
- Inconsistent methods are used to record transactions in CLASS, see Finding Number 4.
- Field permits are not created in or associated with payments in CLASS.
- Field permits do not have identifiers (e.g., sequentially numbered forms) to ensure field permits are only prepared when payment is received on valid authorized field usage.
- No reconciliation of field permits to the fees collected is performed.
- At times, upper management verbally instructs staff to waive certain fees. No documentation exists to support the fee waivers.
- No City employees monitor sport fields during league and tournament play.

Effect

There is a lack of assurance that all revenue has been collected for the usage of sport fields by user groups.

Recommendation

1.1 Leisure Services management should establish, document, and implement effective oversight over the payment for the use of sport fields to include:

- A policy to only issue field permits upon the payment of associated fees for sport field use.
- A process to track all field permits that are issued. This process could include either sequentially numbered field permits or printing field permits in CLASS after payment of fees.
- The reconciliation of field permits issued to CLASS fee payments.
- Standardized fee waiver process.
- Standardized document retention policies to include all relevant documentation.
- Improved/additional CLASS reports to assist with monitoring of sport fields activity.

Management Plan of Action

- Leisure Services will develop a policy to address payments prior to permitting, this has been a working practice since June of 2010. (Completion Date January 2010)
- LS will work toward providing a permit through CLASS or sequentially numbering the field permits. (Completion Date January 2011)
- LS will have the CLASS administrator run a monthly usage report to identify field permits to user groups. (Completion Date September 2010)
- Leisure Services has a standard process concerning fee waivers and will issue an email reminding all Municipals Sports staff of the process (Completion Date August 15, 2010).
- Leisure Services will outline for the Municipal Sports office what paper work is required to be kept in accordance with the records retention policy. (Completion Date December 2010)
- LS Management and the CLASS administrator will produce a monthly usage report and try to develop a report that will satisfy oversight of field usage. (Completion Date January 2011)

Estimated Date of Completion

January 31, 2011

STATUS

INCOMPLETE

2. Segregation of Duties Deficiencies

Background

Criteria

A fundamental element of management control is the segregation of key duties that ensures that:

- the functions of authorizing, processing, recording, and reviewing transactions are not completed by the same employee.
- one employee does not have the opportunity to initiate and conceal errors or fraud in the performance of their job duties.

Condition

Discussions with MSU employees and observations of work processes in October 2009 showed that a single recreation leader schedules the field time (authorization), enters the user group activity in CLASS (recording), calculates and processes payments in CLASS (processing), accepts payments (custody over assets), prepares the field permits for field usage (authorization), and programs lights for evening field usage (authorization). A senior recreation leader reviews and reconciles deposit documentation to CLASS. This oversight process does not include reconciling funds received to field usage or provide for an adequate segregation of duties to ensure that appropriate payments were received for all authorized field usage.

Cause

Current processes were developed over time. An overall control assessment was not completed.

Effect

Recreation leaders have the ability to authorize field usage and either charge a reduced fee, not charge a fee, or skim fees without detection.

Recommendation

2.1 Leisure Services management should establish, document, and implement effective policies and procedures to mitigate the identified segregation of duties deficiencies. The implemented policies and procedures should include:

- Segregation of the responsibilities for processing and collection of fees from the allocation of sport fields. Consideration should be given to having the Municipal Sports Unit staff input the field usage and associated fees in CLASS and provide user groups with instructions on how to pay for their fees via an on-line fee payment process.
- Evaluate the feasibility of segregating the responsibility of programming the sport field lights to employees not responsible for allocating sport fields. These employees should be provided with copies of the field permits and the weekly light logs.
- Reconciliation of the funds received to field usage to ensure that appropriate payments are received for all authorized sport fields usage.

Management Plan of Action

- LS is looking at online registration only, but has significant issues because of the amount of sponsorship and third party registration: looking long term to electronic registration only. (Completion Date August 2011)

- LS agrees with the recommendation of segregating duties but currently does not have the staff members available to add additional employees to the sports office, LS will make the continue to evaluate the feasibility of adding staff as the impacts of FSR for 2011 are rolled out.
- LS will run a monthly usage report from CLASS and cross check it with the field permits issued to ensure that payment and activity correlate. (Completion Date September 2011)

Estimated Date of Completion

September 30, 2011

STATUS

NOT DUE

3. Proper Authorization of Transactions

Background

Criteria

A fundamental element of management control is the proper authorization of transactions and activities. Proper authorization of transactions ensures that:

- employees do not have the ability to delete transactions in CLASS without management authorization.
- management authorizes the reassignment of payments from prior activities to current transactions.
- one employee does not have the ability to initiate and conceal errors or fraud in the performance of their job duties.

Condition

Fieldwork procedures included querying payment activity for teams that participated in City sponsored sport leagues between July 2008 and July 2009. We noted 11 instances where the registration fee for a City sponsored league team was deleted after the completion of the session. The registration fees were then reassigned to later sessions. The Security Override Log History and the CLASS Daily Cash Balance Report do not indicate that these fee registration reassignments occurred, therefore, employees can process these transactions without detection or oversight. It was not possible to determine what City sponsored league sessions these teams participated in because the documentation that would verify participation (schedules and game cards) is not retained.

A review of the daily deposit process showed for 3 of 20 deposits, the recreation leader deleted a payment and entered a subsequent payment in CLASS. These transactions are included on the CLASS Daily Cash Balance Report and therefore the employee reviewing the deposits should notice the transactions. However, the deletions of payments are not listed on the Security Override Log History which would indicate a second employee was not required to authorize the deletion.

Cause

- CLASS security access rights allow users to delete transactions and reassign fees from one activity to another without oversight.
- CLASS sessions are not closed out which allows employees to add user groups to prior sessions.

Effect

Recreation leaders have the ability to steal funds without detection.

Recommendation

- 3.1 Leisure Services management should change CLASS security access rights to ensure that employees require management approval to delete transactions or reassign registration fees from activities that have already occurred to subsequent events.

Management Plan of Action

LS Management agrees to limit access rights and require management approvals to reassign registration fees through Manager or Class Administrator.

Estimated Date of Completion

September 30, 2010

STATUS

INCOMPLETE

- 3.2 Leisure Services management should document and implement policies and procedures to close out session activity once sessions are over. Management should determine whether CLASS can be programmed to automatically close sessions and consider having this done.

Management Plan of Action

CLASS cannot automatically close out sessions, LS management and the CLASS administrator will work toward having the DRAG committee close out sessions on a monthly basis

Estimated Date of Completion

September 30, 2010

STATUS

INCOMPLETE

- 3.3 Leisure Services management should determine which documentation to retain. At a minimum, team rosters, game cards, and schedules should be retained. Once determined, they should document and implement policies and procedures to include the retention of these documents for specified time periods.

Management Plan of Action

LS management will add team rosters, game cards, and schedules to the records retention policy for 3 years.

Estimated Date of Completion

September 30, 2010

STATUS

INCOMPLETE

4. CLASS Data Input Inconsistencies

Background

Criteria

The quality (accuracy, completeness, relevance) of data retrieved from computer applications is only as good as the data entered into computer applications. Establishing consistent data entry protocols for computer applications improves the quality of and the ability to retrieve relevant information.

Condition

In reviewing CLASS data relating to MSU responsibilities, we identified inconsistencies in the methods used by the various staff members to input data into CLASS. The following inconsistencies impact the ability to effectively monitor activities:

- **Contact information** - Entering different telephone numbers, addresses, or contact information for previously established user groups.
- **Spelling of information** – Entering different identifiers such as the team’s initials or an abbreviated version of a name to describe information instead of using previously established information.
- **Documenting authorized field usage** – Using inconsistent methods to enter field usage information such as listing one hour for the first day of a leagues’ allocation period instead of listing all assigned parks and fields and the assigned dates and times of field usage therefore CLASS does not reflect the actual scheduling of fields.
- **Rental Numbers** - Using a rental number from a previous year to document new field usage.

Cause

- Employees are not given CLASS training relating to their specific job responsibilities. Each employee “figures out” CLASS as they learn their job.
- A standard data entry protocol has not been established to instruct employees on how to enter data into CLASS when authorizing sport field usage.

Effect

A new user group is established in CLASS when different data is input for an organization. The activities of the newly established user group are not associated with the previously established organization. Inconsistencies in data entry result in the following:

- It is difficult to retrieve data or obtain a historical snapshot of user groups.

Audit of Leisure Services -
Sport Fields Administration
CAO-1603-1011-03
September 22, 2010

- It is difficult to query CLASS and run reports that allow management to effectively monitor activities.
- The payment histories of previously established organizations are not associated with the new user groups. If the original organizations owe MSU for prior field usage, fields could be allocated to new user groups without receiving payment for prior field usage.

Recommendation

4.1 Leisure Services management should establish, document, and implement standard data input protocol for CLASS specific to sport fields. Current and new employees should be provided with standardized training on the use of CLASS.

Management Plan of Action

LS management will work to ensure that standardized data is inputted into CLASS, additionally all employees that are disciplined in CLASS or cash handling procedures are required to have a refresher course on CLASS and cash handling.

Estimated Date of Completion

September 30, 2011

STATUS

NOT DUE

5. Inequities in the Allocation of City Sport Fields

Background

Criteria

Department of Leisure Services

Allocation and Permitting of Outdoor Athletic Facilities Policy

*The Sports Department will schedule fields in a manner that provides priority access for youth, and to the extent possible, protects the fields from overuse. **Historical use**, league size and seasons will be considered in establishing priorities amongst groups or organizations seeking the same locations and/or field times.*

Condition

An analysis of the league user group sport field allocation process for the Spring 2010 allocation period was completed. The spring allocation period consists of March 1, 2010 through July 31, 2010.

In the current MSU fee structure, youth leagues pay \$100 and adult leagues pay \$110 for each team included in their league for each allocation period. Some leagues include both youth and adult teams. This is reflected below in the **League Allocation Fee per Team column** of the analysis.

Information was extracted from CLASS to determine the **Number of Teams per League** and each **League Total Allocation Fees**. Field permits were used to determine the **Total Number of Hours of Field Time** allocated to each league. At times, other events take precedence over league play. The field permits do not indicate exception dates, therefore, these time periods were not considered in the below analysis.

Audit of Leisure Services -
Sport Fields Administration
CAO-1603-1011-03
September 22, 2010

The analysis shows inequities of how sport fields are allocated to the various leagues. For the 26 randomly selected leagues included in this analysis, the **Hourly Cost per Paid per Allocation Period** ranged from **\$0.54 to \$6.67** for each of hour of field usage assigned to the leagues. In addition, the **Average Number of Hours of Field Time Assigned to each team** in the league ranged from **185 hours to 15 hours**. The complete analysis is shown on the following page.

Field Allocation Analysis

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

Cause

- Historical usage is one of the elements used to allocate sport fields. Over time, as leagues were allocated additional field usage this became the norm.
- At times, staff is instructed to provide additional field usage to certain user groups that increase their field allocation total.
- Leisure Services has not completed a review of the allocation of sport fields to determine the effectiveness of the process. They recently commissioned a field allocation study to assess this process.

Effect

- The current process results in an inequitable distribution of the sport field usage hours allocated to the various user groups.
- Leagues allocated a higher percentage of fields with a lower fee per hour have an unfair advantage.

Recommendation

5.1 Leisure Services management should establish a more equitable method of allocating sport fields. Consideration should be given to:

- Establishing a maximum number of hours of sport field usage for each registered league team. When available, leagues could contract for additional sport field usage at an additional fixed hourly rate.
- Implementing a standardized process to document authorized exceptions to the standard field allocation process. This standardized process should be documented in policies and procedures.
- Performing periodic analyses of the sport field allocation process to ensure an equitable allocation of sport fields. The method used to complete this analysis should be documented in policies and procedures.

Management Plan of Action

- LS management will develop a comprehensive policy to address hours on sports fields, authorized exceptions and perform analyses. Currently Pro's consulting is in the final stages of completing the Sports Field Capacity/Master Plan, once the final draft is completed, LS will develop a new field allocation policy. (Estimated Date of completion August 2011, may not be able to implement until January 2012 because of forward scheduling and pricing of our user groups and the significant time it will take to brief both council and user groups and the radical changes it will cause to the sports user groups.)
- LS Management will develop a protocol and document authorized exceptions to the field allocation process. (Completion Date January 2011)
- LS will develop a policy regarding the analyses of sports fields and their equitability. (Completion Date August 2011)

Estimated Date of Completion

January 31, 2012

STATUS

NOT DUE

6. Lighting of Sport Fields

Background

Criteria

Field Use Agreement

Leagues' schedules must be submitted at least one week prior to the start of the season so that proper light schedules and field maintenance schedules may be implemented.

Condition

Leagues allocated City sport fields for evening usage submit to MSU their required light schedules (light logs). MSU uses the light logs to program lights for the sport fields. Observations of City sport parks were conducted between the hours of 8 PM and 11 PM during the period of April 9 and April 26, 2010. The observations were conducted on 6 different nights and included 17 parks. Our procedures included randomly selecting certain sport fields for observations at different times during the same evening and over multiple evenings. The results of our observations showed that **42 percent of Total Fields** and **61 percent of Observed Fields with Lights On, were not being used**, as represented in the chart below:

Evening Sport Fields Observations

Total Fields	183
Observed Fields with Lights On	125
Observed Fields with Lights On, in use	49
Observed Fields with Lights On, not in use	76
Percentage of "Total Fields " with lights on, not in use	42 %
Percentage of "Observed Fields with Lights On", not in use	61 %

The National Weather Association issued a weather advisory for April 28, 2010 due to 60 mile an hour wind forecasts. Observations were conducted at seven parks on this evening between the hours of 7:00 PM and 9:00 PM. The results of our observations showed **58 percent of Total Fields** and **78 percent of Observed Fields with Lights On, were not being used**, as noted in the chart below:

Adverse Weather Condition Observations

Total Fields	50
Observed Fields with Lights On	37
Observed Fields with Lights On, in use	8
Observed Fields with Lights On, not in use	29
Percentage of "Total Fields" with lights on, not in use	58 %
Percentage of "Observed Fields with Lights On", not in use	78 %

Audit of Leisure Services -
Sport Fields Administration
CAO-1603-1011-03
September 22, 2010

MSU will shut down sport fields and turn lights off under certain weather conditions such as rain. A staff member indicated that other weather conditions such as wind have varying impacts on sport field usage. For example, depending on the location of the sport fields, high winds may or may not impact the ability to use the fields.

Representatives of the Henderson and North Las Vegas Sports Offices indicated that they charge a per hour rate for field usage and add an additional fee when the user group requires lights. The user groups are charged for their assigned field usage if they fail to notify the Sports Office when they will not be using the fields. A representative of the Clark County Sports Office indicated that Clark County has employees monitor the sport fields to ensure the users have valid field permits and the fields are used in accordance with the assigned use. Leagues that fail to notify when they will not be using the sport fields are given warnings and could have their field permits revoked.

Cause

- The Facility Use Agreement signed by the league representatives include a requirement to submit light logs but does not include a requirement to notify MSU if they are not using the fields.
- Many of the users submit generic light logs for the entire season and do not notify MSU if they change their schedules.
- User groups do not pay an additional fee for their light usage. In addition, there are no documented consequences for not notifying MSU if they are not using the fields. Therefore, the user groups do not have an incentive to notify MSU when they will not be using the fields.
- Our observations showed that many of the youth league games and practices were concluding between 8:30 PM and 9:00 PM. Their allocation time periods and light logs did not end until 10:00 PM or 11:00 PM.
- Some of the fields have a push button light feature that anybody can activate until 10:30 PM; therefore, MSU is not able to control the usage of these lights.
- MSU has a very limited staff and is not able to proactively monitor whether leagues are using fields.

Effect

- The City is unnecessarily paying for lights when sport fields are not used. The City's Utility Coordinator indicated that light wattage can vary per field. For example, if the City paid \$.10 per kilowatt per hour, it is estimated that it would cost \$23.00 to light a softball (with 6 light poles) for an evening based upon a 5 hour evening. This cost would increase by 30 percent for a baseball field (8 light poles) or about \$30 for the same amount of time. Soccer and football fields have 6 and 8 light poles and therefore have similar costs associated with lighting these fields.
- Citizens see lights on at sport fields and conclude that the City is not an effective steward of taxpayer funds.

Recommendation

6.1 Leisure Services management should evaluate the allocation of sport fields to user groups to ensure that the assigned sport field time frames are consistent with the user groups actual schedules/usage.

Management Plan of Action

LS is currently evaluating the user groups, lighting and capacity and will address new ideas for the accountability of our user groups and lighting at the conclusion of the consultants work.

Estimated Date of Completion

August 31, 2011

STATUS

NOT DUE

6.2 Leisure Services management should evaluate the feasibility of charging user groups for light usage. This could be accomplished by determining the actual cost of lighting fields and implementing a pilot program starting with a set percentage of cost recovery for light usage. The cost recovery percentage can be modified over time to eventually have a 100 percent cost recovery for light usage.

Management Plan of Action

Leisure Services is currently awaiting the completion of Pros Consulting Sports Fields Capacity Study. Leisure Services intends to develop new pricing in accordance with not just the utility costs of lights, but the \$1,000,000 in internal service charges for our fields. Having just presented fee increases for sports fields and leagues in July of 2010, new increases will not be suggested until at least spring of 2011.

Estimated Date of Completion

July 31, 2010.

STATUS

INCOMPLETE

6.3 Leisure Services management should work with Traffic Engineering Field Operations to determine which fields have the push button light activation feature and evaluate the feasibility of reprogramming the lights on these fields to a method that can be controlled by Municipal Sports Unit staff.

Management Plan of Action

Leisure Services has this information, the cost is between \$16,000 – \$18,000 in equipment and \$5,000 - \$7,000 if installed in house with TEFO personnel. The \$25,000 is cost prohibitive to the department for the purposes of bringing one field on line.

Estimated Date of Completion

September 22, 2010

STATUS

INCOMPLETE

6.4 Leisure Services management should establish, document, and implement effective policies and procedures to mitigate the issues associated with lighting City sport fields when the user groups are not using the fields. The implemented policies and procedures should include:

- The method used to evaluate allocating sport fields to user groups to ensure that the assigned sport field time frames are consistent with the user group actual schedules/usage.
- The method used to evaluate charging user groups for light usage.
- The incorporation of language in the Facility Use Agreement of the requirement for user groups to require user groups to provide weekly light logs and to notify the Municipal Sports Unit that they will not be using the fields.
- The implementation of consequences for user groups who fail to notify the Municipal Sports Unit when they will not be using sport fields.
- The implementation of a policy relating to inclement weather conditions.

Management Plan of Action

- Leisure services will develop a comprehensive policy and user group responsibility list to address each of the recommendations above. (Estimated Completion Date The draft of the policy can be completed by August of 2011, implementation may not be until 2012 due to the radical change that will be experienced by our user groups and the need for time to fully brief and vet with the City Council.
- Pros Consulting is performing this service and analyses for the Department and is expected to present their final draft at the end of August. (LS will make pricing recommendations and present to council their findings (Completion Date May 2011)
- LS Management will incorporate language requiring weekly light logs into Facility Use agreement (Completion Date, August 2011)

Estimated Date of Completion

August 31, 2011

STATUS

NOT DUE

7. City Sponsored Leagues Liability Waivers

Background

Criteria

Adult Softball Leagues Rules and Regulations

Player Contracts

All players must sign and complete their own contract card. Coaches must complete a roster for each session. These forms must be turned in by the second week of the session. Forms can be given to the field monitor. Failure to return a team roster or player contract cards to the Sports Office can result in your team receiving forfeit losses for any/all games in which information is not on record.

Rosters must be turned in by the first game. Failure to turn team rosters into the Sports Office will result in your team being awarded losses for all games until the roster is turned in to the office. Players listed on the roster with incomplete information (i.e. no identification number or signature) will be considered ineligible and will be cause for forfeit if protested.

All **rosters/waivers** need to be turned into the Sports Office by the first week of the league. Failure to turn in team rosters/waivers will results in your team being awarded losses for all games until the roster is turned into the office.

Adult Soccer Leagues Rules and Regulations: Roster and Eligibility

All players must have properly signed an official players contract and it must be on file at the City of Las Vegas Department of Leisure Services.

Note: Any player who does not personally sign his own player contract shall be declared an illegal, non-contracted player.

Any team using an ineligible player will forfeit the game in which the player participated.

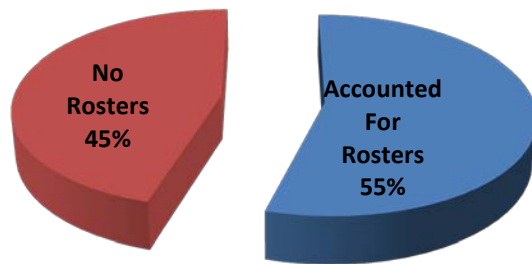
The waiver/contract card referred to above and used by MSU is called the Official Player, Contract, Waiver, Release of Liability, and Indemnification Agreement.

Condition

Leisure Services sponsors four adult softball and soccer league sessions each year. An analysis was completed for the period of July 2008 through June 2009 to determine whether team rosters and liability waivers are obtained and retained for individuals participating in these leagues. The analysis showed that although league teams are instructed to turn in team rosters and signed liability waivers within the first week of the league, a systematic process is not in place to ensure all team rosters and liability waivers are obtained and retained.

Adult Softball Leagues

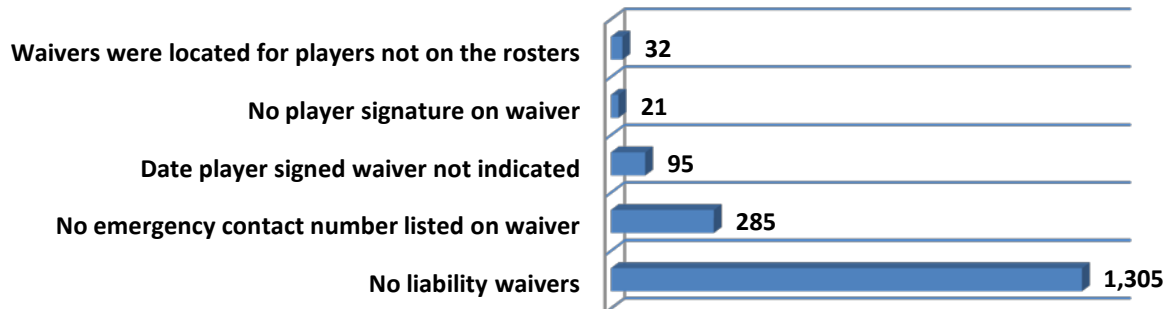
Softball Team Rosters



A review of the available team rosters and liability waivers showed that 365 teams played on City adult softball leagues between July 2008 and June 2009. We were unable to locate **165 of 365 or 45 percent of the team rosters**, as indicated to the left. Without team rosters, we could not confirm how many individuals participated in these adult softball league games or if liability waivers were collected for the team members. For the 199 softball team rosters that were located, we reviewed the available liability waivers. No liability waivers were found for 1,305 of 2,674 or **49 percent of the team members**. A review of the available liability waivers was

completed. This review showed that the waivers included incomplete and missing information as noted in the following chart.

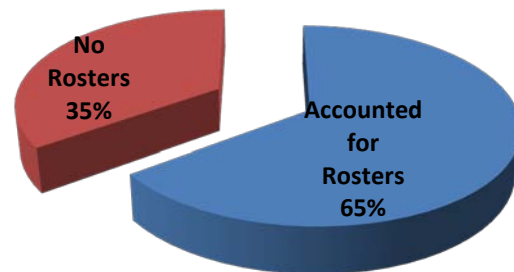
Softball Liability Waiver Deficiencies



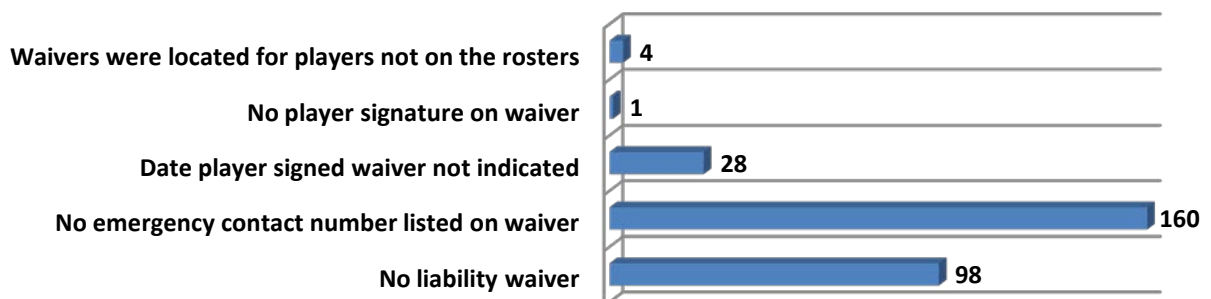
Adult Soccer Leagues

A similar review of the team rosters and liability waiver of the 57 teams that played on City adult soccer leagues between July 2008 and June 2009. We were unable to locate **20 of 57 or 35 percent of the team rosters**, as indicated to the right. Without team rosters, we could not confirm how many individuals participated in these adult soccer league games or if liability waivers were collected for any of the team members. For the 37 soccer team rosters that were located, we reviewed the available liability waivers. No liability waivers were found for **98 of 649 or 15 percent of the team members**. A review of the available liability waivers was completed. This review showed that the waivers included incomplete and missing information as noted in the following chart

Soccer Team Rosters



Soccer Liability Waiver Deficiencies



Cause

A systematic process is not in place to ensure that all team rosters and signed liability waivers are obtained and retained.

Effect

Individuals who pursue claims against the City when they are hurt or personal property is damaged while participating in City sponsored league activity may be awarded \$75,000 for damages if the City does not collect and retain signed liability waivers.

Recommendation

7.1 Leisure Services management should document and implement policies and procedures to ensure that prior to the beginning of City sponsored league play:

- All individuals that participate in the City sponsored leagues sign an Official Player Contract, Waiver, Release of Liability, and Indemnification Agreement.
- Each team submits a team roster.
- A Leisure Service employee ensures that a signed liability waiver is obtained and retained for each individual that is listed on the team roster.

Management Plan of Action

- Leisure Services will require that all participants in city leagues sign a waiver and that all coaches submit a roster. (completion Date October of 2010)
- LS Management will require that all city sponsored leagues present a roster (Completion Date January 2011)
- LS Management will require that signed waivers are presented with the rosters (Completion Date January 2011)

Estimated Date of Completion

January 31, 2011

STATUS

INCOMPLETE

8. Liability Waiver Retention Policy

Background

Criteria

Official Player Contract, Waiver, Release of Liability, and Indemnification Agreement

*I assume all risks of injury to my **person and property** that may be sustained in connection with the stated and associated activities in and about the premises.*

NRS 11.190 Periods of Limitation

Except as otherwise provided in NRS 125B.050 and 217.007, actions other than those for the recovery of real property, unless further limited by specific statute, may only be commenced as follows:

3. Within 3 years:

*(c) An action for taking, detaining or injuring **personal property**...*

4. Within 2 years:

*(e) Except as otherwise provided in NRS 11.215, an action to recover damages for **injuries to a person or for the death of a person**...*

NRS 41.035 Limitation on Awards for Damages in Tort Actions (Effective through September 30, 2011)

An award for damages in an action sounding in tort brought under NRS 41.031 or against a present or former officer or employee of the State or any political subdivision, immune contractor or State Legislator arising out of an act or omission within the scope of his public duties or employment may not exceed the sum of \$75,000, exclusive of interest computed from the date of judgment, to or for the benefit of any claimant. An award may not include any amount as exemplary or punitive damages.

Leisure Service: Adaptive Recreation – Retention Schedule

Statements or Waivers Releasing a Park or Recreation Department from Liability for Personal Injury.

Minimum Retention Period:

Two (2) calendar years from the cessation of activity for which the release/waiver was signed, if no action is pending.

Condition

Individuals that participate in City sponsored leagues are required to sign the Official Player, Contract, Waiver, Release of Liability, and Indemnification Agreement (liability waiver). This waiver releases the City from liability for personal injury and property damage that occurs during City sponsored league play. Leisure Services current retention policy requires these documents be retained for two calendar years for personal injury claims. NRS 11.190 states that individuals who wish to **recover damages for property loss have three years to pursue action**. Therefore, the minimum retention period does not cover the entire period for claims relating to damage to personal property.

Cause

The current retention policy addresses personal injury claims but does not address property damage claims.

Effect

Individuals who pursue claims against the City when personal property is damaged while participating in City sponsored league activity may be awarded \$75,000 for damages if the City does not retain signed liability waivers for the three year period.

Recommendation

8.1 Leisure Services management should modify the retention period for the Official Player, Contract, Waiver, Release of Liability, and Indemnification Agreement to three years to include the entire three year period for property damages.

Management Plan of Action

Leisure Services will direct the Municipal Sports staff to retain all official player, contract, waiver, release of liability and indemnification agreements for three years.

Estimated Date of Completion

September 30, 2010

STATUS

INCOMPLETE

9. League and Tournament User Group Liability Waivers

Background

Criteria

Effective sport field usage policies include ensuring that the City is protected from individuals pursuing legal action to recover damage to personal property or personal injury that occurs on City property.

Condition

Various user groups rent City sport fields for sport leagues and tournaments. Representatives of these entities sign waivers as part of the field permits and the facility use agreements. In these waivers, the representative agrees to *“indemnify and save harmless the City of Las Vegas, Nevada, against any and all liability, loss damages, costs or expenses which it may hereafter incur, suffer, or be required to pay by reason for any personal injury suffered by myself or an member of the organization or any spectator or attendee of any activity of the organization to any person or property as a result of any activity or myself or of the organization.”*

Leisure Services does not require individuals that participate in these activities to sign liability waivers. A representative of the user groups may not have the legal authority to waive an individual’s right to pursue a claim against the City.

Cause

Leisure Services’ current policies do not require league and tournament user groups to provide team rosters and individual participants to sign liability waivers.

Effect

Individuals pursuing legal action to recover damage to personal property or personal injury that occurred during league and tournament user group activity may be able to recover damages if the City has not implemented adequate policies and procedures to mitigate claims.

Recommendation

9.1 Leisure Services management should seek counsel from the City Attorney’s Office on what requirements league and tournament user groups should follow to limit the City’s liability when users are hurt or personal property is damaged while using City sport fields. Once determined, Leisure Services management should implement and document applicable policies and procedures and provide training to appropriate employees.

Management Plan of Action

LS will request assistance from the City Attorney's Office and implement any recommendations. (submit to City attorneys September of 2010)

Estimated Date of Completion

September 30, 2010

STATUS

INCOMPLETE

10. Certificates of General Liability Insurance

Background

Criteria

According to the Facility Use Agreement for league and tournament user groups:

"All users shall maintain an insurance policy with the City of Las Vegas named as co-insured of \$1,000,000 single limit liability per occurrence. A copy of this policy must be submitted to the City when permits are issued."

Condition

A review of file folders for league and tournament user groups for the period of July 1, 2008 through December 31, 2009 showed that a consistent process was not used to ensure that certificates of general liability insurance were obtained and retained for all periods of use. In addition, instances of inconsistencies in how the general liability certificates were prepared are noted below:

- Clark County was listed instead of the City as the additional insured.
- The league was listed instead of the City as the additional insured.
- The general liability certificate did not list an additional insured.
- The general liability certificate specified certain sport fields to be included.
- The league name was not listed on the general liability certificate; instead the league's name was added in pencil.
- The City employee that oversees granting concession permits indicated that the user group general liability insurance coverage also covers concession stands. The general liability certificates do not address concession stands.

Cause

Established policies and procedures are not in place to ensure that certificates of general liability insurance are obtained and reviewed for pertinent requirements.

Effect

Certificates of general liability that are not obtained or incorrectly executed may limit the City's ability to recoup damages.

Recommendation

10.1 Leisure Services management should ascertain how the general liability certificates should be executed, document the guidelines, provide training to the applicable employees, and provide notification to the user groups.

Management Plan of Action

LS will work with Holly Jenson to determine how certificates are to be executed, and request the appropriate training.

Estimated Date of Completion

March 31, 2011

STATUS

NOT DUE

11. Security Requirements

Background

Criteria

Effective sport field usage policies include ensuring that City property is protected by requiring security plans and coverage for established user group thresholds based upon the nature of the activity.

Condition

Leisure Services employees do not provide on-site monitoring of league or tournament user group activities or require any user groups to provide private security during their events. User groups that have indicated they will be providing concessions during tournaments **may** be required to obtain a Temporary Event Operator permit through Business Licensing. When such a permit is required, the operator indicates on the Temporary Event Application whether they have contracted with a private security provider. However, no standardized documented security requirements exist for user groups that use City sport fields.

Cause

Leisure Services leaves it to the discretion of the user groups to decide whether they want to provide private security services during their activities.

Effect

- City sport fields may not be adequately secured.
- Potential safety issues for participants and observers of events.

Recommendation

11.1 Leisure Services management should consult with the City Attorney's Office to determine the circumstances in which league and tournament user groups should be

required to contract and pay for private security services during their events. Once determined, Leisure Services management should implement and document applicable policies and procedures and provide training to appropriate employees.

Management Plan of Action

LS Management will submit this suggestion to the City Attorney's Office and act according to their recommendation.

Estimated Date of Completion

September 30, 2010

STATUS

INCOMPLETE

12. Concession Permits

Background

Criteria

Effective policies and procedures relating to issuing concession permits include verifying that relevant documentation is obtained or reviewed before issuing permits. Leisure Services' current policy requires verifying the following documents:

- If non-profit, Section 501(c)(3) documentation
- If profit, One Time Sales Tax Returns
- Original Business License
- Temporary Health Permit
- General Liability Insurance Certificate

Condition

Organizations that provide concessions during events held at City sport fields are required to obtain a concession permit through Leisure Services. The current policy is to grant concession permits to non-profit organizations that are tax exempt according to the Internal Revenue Service (IRS). Before permits are issued, the entities are required to provide copies of their field permit, payment of a \$50 key deposit to obtain a key for the concessions area, documentation showing their non-profit status (State of Nevada non-profit business license and tax exempt status per Section 501(c)(3) of the Internal Revenue Code), a Southern Nevada Health District health permit, and a general liability insurance certificate. A \$50 fee for the concession permit is collected by the Leisure Services' administrative staff and recorded in CLASS for each permit issued.

A query of the CLASS system showed that 20 concession permits were issued during the period of July 2008 through June 2009. Audit procedures included ensuring that required steps were completed and necessary documentation was retained for the issued concession permits. No documentation was on file for **9 of 20 or 45 percent** of the issued concession permits. The following discrepancies were noted with the remaining 11 permits:

- A copy of the field permit was not on file for four issued concession permits.
- Organizations are required to have a \$50 key deposit on file for each concession stand they are issued a key. We could not confirm that the key deposit was on file for nine concession stand locations.
- Documentation did not substantiate whether Leisure Services staff verified that nine organizations had a valid Nevada non-profit business license.
- Documentation did not substantiate whether Leisure Services staff verified that nine organizations held current IRS Section 501(c)(3) tax exempt status.

Audit of Leisure Services -
Sport Fields Administration
CAO-1603-1011-03
September 22, 2010

- The time period listed for five concession permits was different than the time period on the Southern Nevada Health District permits.

Cause

Standardized policy or procedures on concession operations has not been adopted and provided to staff who issue concession permits.

Effect

It is not possible to determine whether organizations that were issued concession permits provided all the required documentation and complied with the requirements.

Recommendation

12.1 Leisure Services management should document and implement policies and procedures for the issuance of concession permits. Training should be held for the applicable employees.

Management Plan of Action

LS is awaiting the master plan for sports fields from Pro's Consulting, once it is submitted Leisure will implement a policy and procedure for the issuance of concession permits.

Estimated Date of Completion

September 30, 2011

STATUS

NOT DUE

13. Non-Profit Status

Background

Criteria

Leisure Services current process requires concession stand operators and sport field users that receive a non-profit rate be classified as tax exempt under IRS Section 501(c)(3). According to the IRS website, to qualify as tax-exempt, an organization must:

- Be organized and operated exclusively for exempt purposes as outlined in the Code.
- Be organized as a trust, a corporation, or an association.
- Have an exempt purpose.
- Submit a completed, signed and dated application to the IRS.

Condition

Non-Profit Status for Concession Permits

As noted above in Finding Number 10, no documentation was on file for nine of the concession permits issued during July 1, 2008 and June 30, 2009 and it was not possible to substantiate whether the non-profit status had been verified for an additional nine organizations. Six of the organizations that received concessions permits were randomly selected and queries were completed of the

Audit of Leisure Services -
Sport Fields Administration
CAO-1603-1011-03
September 22, 2010

Nevada Secretary of State and the IRS websites to ascertain their current tax exempt status. As noted below, discrepancies were found with all six organizations.

- One organization was a Nevada Domestic Corporation not organized as non-profit. In addition, it was not tax exempt under Section 501(c)(3).
- Two organizations were Nevada Domestic Non-Profit Corporations; however, they were not tax exempt under Section 501(c)(3).
- One organization was tax exempt under Section 501(c)(3); however, its Nevada Domestic Corporation business license was revoked.
- Two organizations did not have a Nevada business license and were not tax exempt under Section 501(c)(3).

Non-Profit Status for Sport Field User Groups

A review of the sport field rental agreements for tournaments and walk-in user groups for the period of July 1, 2008 through December 31, 2009 showed that only 20 file folders included documentation relating to verifying non-profit status. Four of the organizations provided confirmation from the IRS that the organization was tax exempt under Section 501(c)(3). The other 16 organizations provided other documentation such as the Nevada Corporate Charter, Nevada Articles of Incorporation or the Nevada list of officers, directors and registered agents. This documentation confirms that these organizations were organized as Nevada non-profit organizations but does not confirm tax exempt status per Section 501 (c)(3).

Cause

Staff members do not know what documentation to use to confirm tax exempt status per Section 501(c)(3).

Effect

Leisure Service employees are not adequately confirming non-profit status for vendors and user groups that use City property.

Recommendation

13.1 Leisure Services management should ascertain what documentation they deem to be acceptable for determining non-profit status, document the criteria, and provide training to the applicable employees.

Management Plan of Action

LS Management is working to develop a proposal to discontinue nonprofit recognition in our department. Should this be unsuccessful, we want to have 501c-3 as the only nonprofit status recognized. This will be pursuant to Council briefing and adaptation.

Estimated Date of Completion

January 31, 2011

STATUS

INCOMPLETE

14. Memorandum of Understanding

Background

Criteria

Audit of Leisure Services -
Sport Fields Administration
CAO-1603-1011-03
September 22, 2010

Leisure Services has a memorandum of understanding (MOU) with the American Fastpitch Association (AFA) to provide umpires to officiate league and tournament play for the City recreational adult softball program. The MOU provisions include the following sections:

- AFA responsibilities relating to league and tournament play.
- City responsibilities relating to league and tournament play.
- An understanding that AFA will provide umpires without expectation of compensation from the City.
- A requirement that AFA will provide a million dollars of general liability insurance that lists the City as an additional insured party.
- A requirement that AFA “will protect, defend, indemnify and save the City, its officers and employees harmless from and against any and all claims, liability, damages, demands, losses, expenses, suits, liens, judgments, attorney fees or court costs of whatever nature including, but not limited to, claims for contribution or indemnification for injuries to or death of any person or person or damage or loss to the City premises”.

Condition

NISOA provides referees to officiate the games for the City sponsored adult soccer league. Leisure Services does not have a signed MOU with NISOA to provide these services.

Cause

Leisure Services negotiated with NISOA to provide the service and did not formally document the results of the agreement.

Effect

Without a signed, written agreement with NISOA each party’s responsibilities are not documented.

Recommendation

14.1 Leisure Services management should pursue implementing a signed, written Memorandum of Understanding with NISOA that documents the terms for providing referees to officiate league and tournament play for the City recreational soccer program.

Management Plan of Action

Due to FSR 2011, the City is not currently offering soccer leagues, however LS Management will make sure that any time our sports take on a relationship such as NISOA we will have an MOU.

Estimated Date of Completion

September 22, 2011

STATUS

COMPLETE

15. Disabling CLASS User Access

Background

Criteria

Information Security Procedure IT 134a.1
Responsibilities and Authority

The Data Owner is responsible for:

Ensuring that only those individuals who have an operational need can access data.

Individual Access Controls

Only properly authorized persons may access City systems. The following access controls must exist for every system/application used on the City's infrastructure:

- Individuals are granted access only to those information systems, databases, information, and resources necessary for the performance of their official duties; (part a)*
- Access control processes must be in place for all applications and any changes to processes and access control mechanisms must be coordinated by the Data Owner and the ISCA; (part b)*
- Access for persons who are not City employees or on contract to the City of Las Vegas, must be sponsored by an appropriate level of management (City Manager, Deputy City Manager, Department Director); and (part h)*
- Access to accounts shall be disabled promptly upon the departure of a user or when a user's duties change and access is no longer authorized. (part i)*

Condition

Leisure Services grants access to CLASS by adding the employee names to user listings. Each user listing gives employees different security rights to use CLASS. Depending on job responsibilities, employees may be included on multiple user listings. The names listed on three CLASS user listings as of December 3, 2009 were compared to Human Resource data in Oracle to determine current employment status. The results of the analysis showed that a systematic process is not used to disable CLASS access, as follows:

CLASS User Listings	Total Employees	Current Employees	Former Employees	Not an Employee (current or former) per Oracle
Clerk	421	111	183	127
User Group	230	180	31	19
Full Time	230	180	31	19

Cause

Leisure Services has not implemented policies and procedures to monitor CLASS access to disable user computer access when an operational need no longer exists.

Effect

The lack of regular monitoring of computer system access results in the potential for unauthorized access to CLASS and non-compliance with City IT policies.

Recommendation

15.1 Leisure Services management should:

- Disable active CLASS computer system access for individuals that no longer have an operational need to use CLASS.

- Develop, document, and implement procedures to ensure that CLASS computer system access is disabled when:
 - o employees leave employment with the City.
 - o employees assume City positions that no longer require access to CLASS.
- Implement a periodic review of the computer system access rights to verify that all access changes have been made.

Management Plan of Action

- LS Management will have all separated, transferred or otherwise affected employees that no longer need CLASS access terminated from the system.
- During Article 22 shift bidding each Fall, the CLASS System Manager will perform an audit of access rights to CLASS and make the necessary changes for rights and privileges per employee. (Completion October of 2010)
- LS Management will work with the CLASS Administrator to perform quarterly review of the CLASS privileges assigned to employees. (Completion Date October 2010)

Estimated Date of Completion

October 31, 2010

STATUS

INCOMPLETE

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

☐ Consent ☒ Discussion

SUBJECT:

Discussion and possible action on Audit of East Service Center Employee Gas Theft
(2901-1011-04)

Fiscal Impact

☒

No Impact

☐ Augmentation Required

☐

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

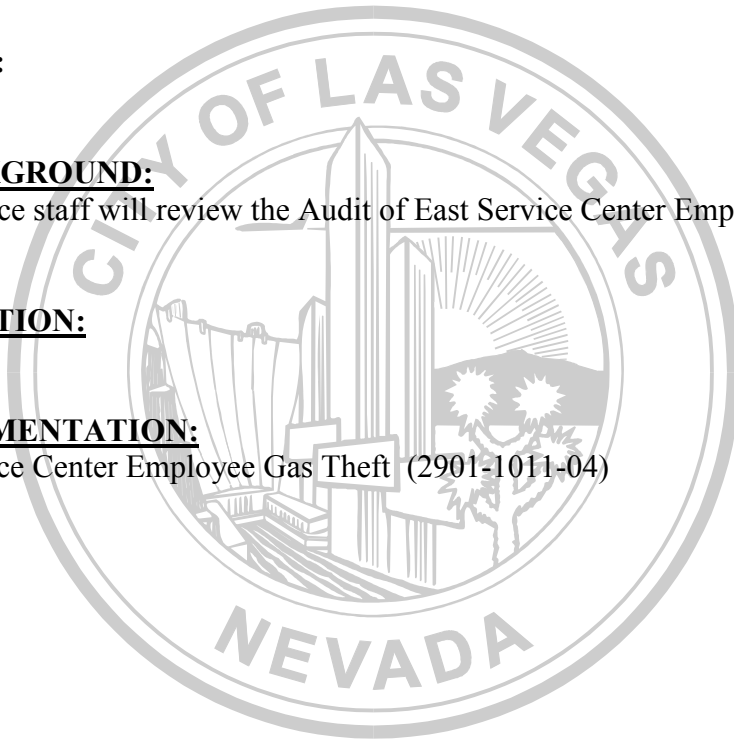
City Auditor's Office staff will review the Audit of East Service Center Employee Gas Theft
(2901-1011-04)

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

Audit of East Service Center Employee Gas Theft (2901-1011-04)



CITY AUDITOR'S OFFICE



Audit of East Service Center Employee Fuel Theft

Report No. CAO 2901-1011-04

December 1, 2010

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

BACKGROUND	3
OBJECTIVES	3
SCOPE AND METHODOLOGY	3
CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS.....	4
1. Security over Fuel in Vehicles Being Serviced.....	5
2. Controls over Equipment Use	6
MANAGEMENT RESPONSE	7

Audit of East Service Center Employee Fuel Theft CAO 2901-1011-04

BACKGROUND

The City's Fleet and Transportation Services Division (Fleet Services) is a division of the Department of Field Operations. Fleet Services is responsible for the acquisition, maintenance and repair of over 900 licensed city vehicles and 200 pieces of equipment. Fleet Services has approximately 30 staff and operates out of four locations including the West and East Service Centers and two satellite yards. The City's fleet of vehicles is serviced at the East and West Service Centers.

An un-named City employee alerted a supervisor that another City employee was taking fuel from the vehicles while they were being serviced.

The Department of Detention and Enforcement was notified and they set up a surveillance of the area.

OBJECTIVES

The audit objective was to evaluate the adequacy and effectiveness of management controls over the prevention of fuel theft from the East Service Center.

SCOPE AND METHODOLOGY

The scope of this audit was limited to an evaluation of the controls related to prevention of fuel theft from the East Service Center. 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 policy and procedures and applicable guidelines,
- Interviews of City personnel,
- Observations of work processes, and
- Analysis and detail testing of available data.

We conducted this 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

The allegation was substantiated. Observations on March 15, 2010 and April 21, 2010 identified an employee who siphoned fuel from various City vehicles subsequently transporting the fuel to his privately owned vehicle. The suspect utilized a City owned fuel can and transported to the employee parking lot in a City owned golf cart.

The subject was observed taking 100 gallons of fuel from 20 vehicles worth approximately \$290. The suspect was arrested and charged with a felony.

Controls were inadequate to prevent the theft of fuel from vehicles being repaired at the East Service Center. (Finding 1)

Controls were inadequate to prevent the unauthorized use of a City owned golf cart to transport stolen fuel at the East Service Center. (Finding 2)

Further information is contained in the sections below.

1. Security over Fuel in Vehicles Being Serviced

Criteria

Access to assets should be limited. The implementation of appropriate security devices as a preventative control will minimize the unauthorized use of assets.

Condition

- An employee was able to gain access to fuel in vehicles being repaired at the East Service Center. The employee was able to siphon over 100 gallons of fuel from 20 City vehicles as documented by surveillance.
- The subject employee violated the Department of Field Operations Work Rules and Regulations. (A. Operational Rules 9.City Property) "Supplies, equipment ... and/or services provided or paid by the City are to be used exclusively for City-related business and are not available for personal use..."
- The subject employee violated the Fraud Policy CM105.2 "An employee is subject to discipline up to and including termination if he/she: Has committed a fraud related to work as established by one or more of the following...Results of an investigation...Fraud includes...Theft...The act of stealing; specifically, the felonious taking and removing of personal property, with an intent to deprive the rightful owner of use of the subject of property. (NRS 205.0832)

Cause

Inadequate use of appropriate security devices.

Effect

Access to fuel in City owned vehicles.

Recommendation

- 1.1 Fleet Services should install appropriate security devices to prevent or minimize theft of fuel from City owned vehicles. This could include the installation of locking fuel caps and/or anti-siphoning devices in City vehicles.

2. Controls over Equipment Use

Criteria

Access to equipment should be controlled to prevent the use of equipment for purposes not in keeping with management's authorization.

Condition

- After taking the fuel, the employee utilized a City-owned golf cart to transport the fuel to his privately owned vehicle.
- No formal system exists in Fleet Services to control the use of City-owned equipment.
- Fleet Services Management relied on observations by supervisory personnel to deter unauthorized use.

Cause

Fleet Services Management's oversight was inadequate.

Effect

City assets were used inappropriately.

Recommendation

2.1 Fleet Services Management should implement policies and procedures to control and limit the use of City-owned equipment.

MANAGEMENT RESPONSE

1. Security over Fuel in Vehicles Being Serviced

Recommendation 1.1: Fleet Services should install appropriate security devices to prevent or minimize theft of fuel from City owned vehicles. This could include the installation of locking fuel caps and/or anti-siphoning devices in City vehicles.

Management Response: The Department of Detention & Enforcement has been and will continue to conduct unannounced and random surveillance activities in the service bays. Additionally, Fleet Services supervisory staff routinely and randomly perform similar functions. Additionally, we will install “anti-fuel siphoning” theft devices on vehicles as they are brought in for their scheduled, routine preventive maintenance work.

Estimated Date of Completion: The surveillance activities have been in place since May 2010. The installation of the anti-theft devices will commence with maintenance work schedules beginning January 3, 2011.

2. Controls over Equipment Use

Recommendation 2.1: Fleet Services Management should implement policies and procedures to control and limit the use of City-owned equipment.

Management Response: We eliminated the small cart we used to move around the east yard service area as the down line was being inspected. This cart was used by the perpetrator to quickly access the employee parking lot and offload the stolen fuel without anyone noticing. Additionally, we no longer allow the use of any city vehicle to access any of the parking lots. We also implemented a policy whereby each service bay has at least two (2) Fleet Services staff present so as to minimize the likelihood or temptation for a repeat offense. Also, a written Policy and Procedure specifying specific uses of City owned equipment and the limitations of their use, will be implemented.

Estimated Date of Completion: Elimination of the cart and prohibiting the use of City owned vehicles to access the employee parking lots has been in place since May 2010. A written Policy & Procedure documenting use of City owned vehicles will be completed by January 3, 2011.

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

☐ Consent ☒ Discussion

SUBJECT:

Discussion and possible action on Audit of City Clerk's Office – Passport Services
(0221-1011-05)

Fiscal Impact

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

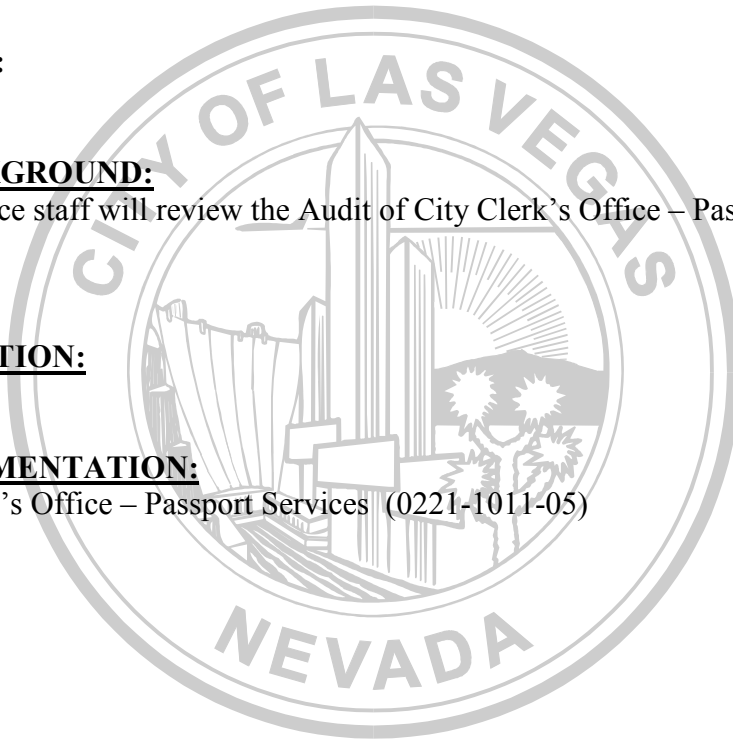
City Auditor's Office staff will review the Audit of City Clerk's Office – Passport Services
(0221-1011-05)

RECOMMENDATION:

Approval

BACKUP DOCUMENTATION:

Audit of City Clerk's Office – Passport Services (0221-1011-05)



CITY AUDITOR'S OFFICE



AUDIT OF CITY CLERK'S OFFICE – PASSPORT SERVICES

Report No. CAO 0221-1011-05

December 1, 2010

**RADFORD K. SNELDING, CPA, CIA, CFE
CITY AUDITOR**

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	1
SCOPE AND METHODOLOGY	2
CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS.....	3
1. Use of Comment Field in Cash Receipting System	4
2. Compliance with Passport Acceptance Agent Requirements	5
3. Compliance with Annual Certification Requirement	7
MANAGEMENT RESPONSES.....	8

AUDIT OF CITY CLERK'S OFFICE – PASSPORT SERVICES CAO 0221-1011-05

BACKGROUND

In May 2008, the City Clerk's Office of the City of Las Vegas became an authorized Passport Acceptance Facility for the Passport Services division of the Bureau of Consular Affairs within the United States Department of State. As a Passport Acceptance Facility, the City Clerk's Office accepts passport applications and ensures all materials needed to process the application are correctly submitted. City Clerk Office employees that process passports must meet specific requirements and receive training to become approved Passport Acceptance Agents. The City Clerk's Office currently has 12 employees that qualify as Passport Acceptance Agents. These employees perform the following duties when processing a passport application:

- Verifies that submitted photographs are a true likeness of the applicant
- Screens evidence of U.S. citizenship
- Records on the application the identification documentation presented
- Reviews the application to verify that all required information has been provided
- Collects and forwards the required passport fees
- Administers oath and witnesses applicant signing the application
- Signs and affixes the office's authorized seal or stamp to the application
- Ensures that all documents are handled and stored securely and that the applicant's personally identifiable information is protected
- Mail passport applications to a Passport Agency

The City Clerk's Office receives a \$25 execution fee for each passport application processed. In addition, the City Clerk's Office provides passport photos for \$10 each. The City also receives payment for overnight postage fees if this service is requested by the customer. All other fees from customers are sent along with the passport applications to one of two Passport Issuance Agencies for processing. Routine applications are sent to Los Angeles, California while expedited applications are sent to Philadelphia, Pennsylvania for processing.

During the fiscal year ended June 30, 2010, the City Clerk's Office processed 651 passport applications.

OBJECTIVES

The audit objectives were to:

- Determine whether payments made to the City Clerk's Office for processing passport applications (execution fees, passport photos, overnight mailing fees) are being properly receipted and recorded in accordance with City policies and procedures.
- Determine whether the City Clerk is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the Department of State.

- Determine whether the City Clerk's performance measurements related to passport services are appropriate and accurate.

SCOPE AND METHODOLOGY

The scope of this audit was limited to the operations of the Passport Services function of the City Clerk's Office. Detail testing of payment transaction records was limited to transactions during January through June 2010. Our procedures did not include detail testing of the City Clerk Office's compliance with the application processing requirements contained within the U.S. Department of State Passport Acceptance Agent Guide (PARG). Any problems with processing individual passport applications in accordance with the PARG are communicated by the Department of State to the City Clerk's Office.

The last fieldwork date of this audit was September 22, 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 policies and procedures,
- Interviews of city personnel,
- Observations of work processes, and
- Analysis of available data.

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

The following conclusions were noted:

Determine whether payments made to the City Clerk's Office for processing passport applications (execution fees, passport photos, overnight mailing fees) are being properly receipted and recorded in accordance with City policies and procedures.

The City Clerk's Office is appropriately processing and recording the passport application fees it receives in accordance with City policies and procedures. An improvement is needed in the use of a comment field by the Passport Acceptance Agents to facilitate the reconciliation of passport applications processed to payments received. (Recommendation 1.1)

Determine whether the City Clerk's Office is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the Department of State.

The City Clerk's Office is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the State Department. This audit provides recommendations for several improvements in this area as follows:

- The City Clerk's Office needs to evaluate how to ensure its Acceptance Agents continue to comply with the "no criminal history" requirement. (Recommendation 2.1)
- The City Clerk's Office needs to retain documentation showing that its Acceptance Agents have complied with the U.S. Department of State training requirements (e.g., certificates of attendance, class sign-in sheets). (Recommendation 2.2)
- The City Clerk's Office needs to begin filing annual re-certifications of its compliance with the Passport Acceptance Program. (Recommendation 3.1)

Determine whether the City Clerk's performance measurements related to passport services are appropriate and accurate.

The performance measurements related to passport services are appropriate and accurate based on available data.

Further information is contained in the sections below.

1. Use of Comment Field in Cash Receipting System

Criteria

Payment transaction records should provide sufficient information to facilitate reconciliation of transactions to supporting documentation.

Condition

Passport Acceptance Agents process payment transactions using a cash receipting system known as Atlas. When processing passport applications, the Agents process payments for passport execution fees, overnight postage fees, and photo fees. In conjunction with entering the payment information into Atlas, staff members input the customer name and comments explaining the nature of the transaction. While the comment field is a useful data field, the comments being placed therein lack uniformity and sometimes lack adequate information to facilitate the reconciliation of the fees received to the passport applications processed. For example, the “customer” (person paying the fees) is not always the same as the passport applicant. In cases such as this, the only informational link between the payment entered into Atlas and the passport applicant is found when a staff member notes the applicant name(s) in the comment field.

Cause

- Lack of uniformity in use of comment field within Atlas system.
- Lack of consistent documentation of names of passport applicants when they are different than that of the person paying the fees (customer).

Effect

- Challenges in reconciling payments received to passport applications processed.
- Lack of clear “audit trail” between Atlas system and passport transmittal summaries.

Recommendation

- 1.1 City Clerk's Office management should create and document a uniform methodology for entering information within the comment field within the Atlas System and require that the names of the applicants be placed in this field when the customer making payment is different than the passport applicant(s). Management should consider using uniform coding rather than free form verbiage to describe the nature of the transaction.

2. Compliance with Passport Acceptance Agent Requirements

Criteria

According to the U.S. Department of State Passport Acceptance Agent Guide, Acceptance Agents must not have any current criminal history as defined below:

- *Not presently on parole or probation related to any Federal or State convictions*
- *Free of any Federal or state convictions*
- *Free of any Federal or State felony conviction related to breach of trust or moral turpitude (i.e. embezzlement, document fraud, drug offense, or dishonesty carrying out a responsibility involving public trust)*

City Policy HR 3.17.01 states the following:

City of Las Vegas employees are required to notify their Department Director, or designee, of any arrests and convictions within 48 hours of such arrest and/or conviction. The Human Resources Department will determine if there is a relationship between the arrest and/or conviction and the job which the employee performs, and if that relationship warrants any action. The Human Resources Department will evaluate each case on an individual basis and take the appropriate action.

The U.S. Department of State Certification of Program Compliance Form #3A states the following:

All new Acceptance Agents are required to successfully complete the web-based agent training (WBT) before they begin to accept passport applications. (The WBT may also be used as a refresher training for experienced acceptance agents.) In addition to the WBT, all acceptance agents must be familiar with policies and procedures as stated and illustrated in the current version of the Passport Agent's Reference Guide (PARG), newsletters, and notices before accepting applications and must stay current with changes in requirements, forms, procedures, and fees.

Condition

Compliance with No Current Criminal History Requirement

The U.S. Department of State Passport Acceptance Agent Guide states that Passport Acceptance Agents should have no current criminal history but gives no direction on how this should be verified or monitored.

The City conducts criminal background checks on all city employees when they are initially hired. In 2007, the City Clerk's Office updated the background checks of some of its employees who would be acting as Acceptance Agents prior to becoming a Passport Acceptance Facility.

The following information was gathered on the dates of the most recent background checks of all current Acceptance Agents of the City Clerk's Office:

<u>Year of Last Criminal Background Check</u>	<u># of Acceptance Agents</u>
2004	2
2005	1
2007	7
2008	1
2009	1

The City Clerk's Office has not established how it intends to monitor the compliance of the Acceptance Agents with the "no current criminal history" requirement. Management must currently rely on these employees to follow the City policy requiring them to report any arrests and convictions to management within 48 hours of such arrest and/or conviction. Periodic updates to the criminal background checks of these employees could be a method to ensure compliance with this Department of State requirement.

Training Requirement

In accordance with the U.S. Department of State requirements, the City Clerk's Office does not allow its employees to process passports prior to completing Acceptance Agent training. However, documentation showing each employee's compliance with the training requirements (e.g., certificates of attendance, class sign-in sheets) is not retained by the City Clerk's Office.

Cause

- Lack of established procedures for verifying continued compliance by its Passport Acceptance Agents with the "no criminal history" requirement.
- Lack of formal process for retaining documentation showing employee compliance with Acceptance Agent training requirements.

Effect

- Risk of non-compliance with Passport Acceptance Agent requirements.
- Documentation showing employee compliance with Acceptance Agent training requirements is not readily available.

Recommendations

- 2.1 The City Clerk's Office should evaluate how to ensure all Passport Acceptance Agents remain in compliance with the "no current criminal history" requirement. Consideration

should be given to periodically updating the criminal background checks of these staff members considering their additional responsibilities to the U.S. Department of State.

- 2.2 The City Clerk's Office should retain documentation showing that its Acceptance Agents have complied with the U.S. Department of State training requirements (e.g., certificates of attendance, class sign-in sheets).

3. Compliance with Annual Certification Requirement

Criteria

The U.S. Department of State Passport Acceptance Agent Guide states the following:

Re-certifications

All Acceptance Facilities are required to submit an annual Certification of Program Compliance, signed by the Program Manager. The certification reviews the responsibilities of Facility Managers/Agents and by signing the certification, Facility Managers are re-committing to fulfilling the responsibilities. Additional submission of your facility's Certification of Program Compliance may be requested by your Regional Passport Agency at any time.

NOTE Please keep these records updated and have them readily available if necessary.

Condition

The U.S. Department of State requires that all acceptance agencies annually recertify their compliance with the Passport Acceptance program. While the City Clerk's Office filed an initial certification of their compliance with the program in January 2008, no re-certification filings have been submitted.

Cause

- Lack of clear direction on this requirement from regional Passport Agency representatives.

Effect

- Lack of compliance with re-certification filing requirement.

Recommendation

- 3.1 The City Clerk's Office should begin filing Passport Acceptance program compliance re-certification forms in accordance with the guidelines within the U.S. Department of State Passport Acceptance Agent Guide.

MANAGEMENT RESPONSES

1. Use of Comment Field in Cash Receipting System

Recommendation 1.1

City Clerk's Office management should create and document a uniform methodology for entering information within the comment field within the Atlas System and require that the names of the applicants be placed in this field when the customer making payment is different than the passport applicant(s). Management should consider using uniform coding rather than free form verbiage to describe the nature of the transaction.

Management Action Plan: Prior to receiving this recommendation through the Audit process, our department had already determined the comment field needed to be used more consistently to facilitate the internal daily audit, which is done to compare revenue collected to transactions listed on the passport transmittals. Although we do not use a "coding" method, cashiers were advised to list the names and purchased items in the comment field and there has been a marked improvement in regards to this recommendation. We feel no further action is required.

Estimated Date of Completion: Complete

2. Compliance with Passport Acceptance Agent Requirements

Recommendation 2.1

The City Clerk's Office should evaluate how to ensure all Passport Acceptance Agents remain in compliance with the "no current criminal history" requirement. Consideration should be given to periodically updating the criminal background checks of these staff members considering their additional responsibilities to the U.S. Department of State.

Management Action Plan: Management has researched this recommendation with both the City's Human Resources Department as well as our Customer Service Manager (CSM) at the Regional Passport Agency in Los Angeles. Human Resources estimated the expense for annual background checks at approximately \$900 based on the current number of agents; this will increase as more are trained. Our CSM in Los Angeles was made aware of the City's policy for employees to report arrests or convictions within 48 hours of the occurrence and is comfortable with our reliance on that policy.

Estimated Date of Completion: Not Applicable, no action to be taken.

Recommendation 2.2

The City Clerk's Office should retain documentation showing that its Acceptance Agents have complied with the U.S. Department of State training requirements (e.g., certificates of attendance, class sign-in sheets).

Management Action Plan: Management was initially unsure of how to satisfy this recommendation because we never directly received documentation from the Regional Office for us to retain. We were instructed by our CSM that the only documentation generated is a training certificate however, not all employees were issued a certificate. After informing our CSM of this, he did acknowledge that the agency is rather lax in this area but they are looking to improve in the future. We were instructed that certificates could be issued for employees who did not receive them and we are working with the L.A. Office to get those issued. Once received, we will then keep copies in our administrative Passport file.

Estimated Date of Completion: December 31, 2010

3. Compliance with Annual Certification Requirement

Recommendation 3.1

The City Clerk's Office should begin filing Passport Acceptance program compliance re-certification forms in accordance with the guidelines within the U.S. Department of State Passport Acceptance Agent Guide.

Management Action Plan: File the Annual Certification form.

Estimated Date of Completion: November 1, 2010

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

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



AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: FEBRUARY 10, 2011

DEPARTMENT: CITY AUDITOR

DIRECTOR: RADFORD SNELTING

☐ Consent ☒ Discussion

SUBJECT:

ADJOURNMENT

