CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall, 400 Stewart Avenue
Las Vegas, Nevada 89101
1st Floor, City Clerk's Conference Room
City of Las Vegas Internet Address: www.lasvegasnevada.gov

AGENDA

November 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. TWO OR MORE AGENDA ITEMS FOR CONSIDERATION MAY BE COMBINED; AND ANY ITEM ON THE AGENDA MAY BE REMOVED OR RELATED DISCUSSION MAY BE DELAYED AT ANY TIME.

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. PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS ON THE AGENDA FOR ACTION. IF YOU WISH TO BE HEARD, COME FORWARD AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED

4. For Possible Action - Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of May 12, 2011

5. Discussion for possible action on Scheduled Meeting Dates: Thursday, March 15, 2012; Thursday, May 24, 2012; Thursday, August 23, 2012; and Thursday, November 29, 2012

6. General Report by the City Auditor

7. Discussion for possible action on the FY 2011-2012 Annual Audit Plan

8. Report and discussion for possible action on update of Audit of Leisure Services - Sport Fields Administration (1603-1011-03)

9. Discussion for possible action on Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting (1503-1011-07)

10. Discussion for possible action on Audit of Public Works - Consultant Selection Committee (1502-1112-01)

11. Discussion for possible action on the Annual Audit Recommendation Follow-Up As of June 30, 2011 (2600-1112-02)

12. 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

13. 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 Hall Plaza, 400 Stewart Avenue, Vending Area
City Clerk's Bulletin Board, 400 Stewart Avenue, 2nd Floor Skybridge
Las Vegas Library, 833 Las Vegas Boulevard North
Clark County Government Center, 500 S. Grand Central Parkway
Grant Sawyer Building, 555 E. Washington Avenue

City of Las Vegas

Agenda Item No.: **1.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

SUBJECT:
CALL TO ORDER

City of Las Vegas

Agenda Item No.: **2.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

SUBJECT:
ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW

City of Las Vegas   Agenda Item No.: **3.**

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

SUBJECT:

PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS ON THE AGENDA FOR ACTION. IF YOU WISH TO BE HEARD, COME FORWARD AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED

City of Las Vegas

Agenda Item No.: **4.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

SUBJECT:
For Possible Action - Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of May 12, 2011

City of Las Vegas

Agenda Item No.: **5.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion for possible action on Scheduled Meeting Dates: Thursday, March 15, 2012; Thursday, May 24, 2012; Thursday, August 23, 2012; and Thursday, November 29, 2012

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
The purpose is to establish the quarterly Audit Committee Meetings for calendar year 2012.

RECOMMENDATION:
Approval

BACKUP DOCUMENTATION:
None

City of Las Vegas

Agenda Item No.: **6.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 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

City of Las Vegas

Agenda Item No.: **7.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion for possible action on the FY 2011-2012 Annual Audit Plan

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

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

RECOMMENDATION:
The Committee should approve the proposed Audit Plan.

BACKUP DOCUMENTATION:
Audit Plan FY 2011-2012

FY 2011-2012

AUDIT PLAN

DEPARTMENT	#	ENTITY		PRIORITY	HOURS
CITY ATTORNEY	300	CITY ATTORNEY		3	400
PUBLIC WORKS	1500				
	1500	DESIGN	WIP	1	450
FIRE & RESCUE	1300				
	1300	MEDICAL SERVICES AND COMMUNTICATION	1998	1	450
COURTS	1100				
	1100	ADMINISTRATIVE SERVICES DIVISION	WIP ASED	2	400
	1100	COURTROOM SUPPORT DIVISION		2	400
RECREATION & NEIGHBORHOOD SERVICES	1600				
	1600	RECREATION	WIP MSU	1	450
ECONOMIC AND URBAN DEVELOPMENT	240				
	1800	HOUSING AND REDEVELOPMENT		2	400
BUILDING AND SAFETY	750				
	750	INSPECTIONS		3	400
PLANNING	700				
		LAND DEVELOPMENT		3	400
	600	BUSINESS LICENSING		1	450
FINANCE	600				
	600	PURCHASING AND CONTRACTS	WIP HANSEN	2	400
	600	OFFICE OF PERFORMANCE MANAGEMENT		3	400
INFORMATION TECHNOLOGIES	900				
	900	SECURITY/CONTINGENCIES/e-GOVERNMENT	2002	1	450
	900	APPLICATION SERVICES	1999	1	450

Miscellaneous Hours 340

6240

City of Las Vegas

Agenda Item No.: **8.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Report for 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:
Audit of Leisure Services – Sport Fields Administration (1603-1011-03)

CITY AUDITOR'S OFFICE

AUDIT OF LEISURE SERVICES - SPORT FIELDS ADMINISTRATION

Report No. CAO 1603-1011-03

September 22, 2010

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

AUDIT OF LEISURE SERVICES
SPORT FIELDS ADMINSTRATION

CAO 1603-1011-03

BACKGROUND

The administration of the City of Las Vegas (City) sport fields is the primary responsibility of the Municipal Sports Unit (MSU) within the Adaptive Division of the Department of Leisure Services (Leisure Services). A senior recreation leader provides oversight and the daily operations are performed by a recreation leader, office specialist, and a part-time staff member. In addition, seven part-time field monitors are employed to oversee the City sponsored adult leagues.

Two primary responsibilities of this unit are:
Administration of City sponsored adult leagues

- Adult leagues include softball, soccer, and outdoor volleyball.
- Each team pays a registration fee to participate.
- Four sessions are offered each year.
- Softball sessions consist of 14 regular games with a single elimination playoff.
- Soccer and outdoor volleyball sessions consist of 8 regular games with a single elimination playoff.

Allocation of City sport fields for outside user groups

- Includes three types of user groups:
    - ***Walk-in users:*** Users that rent sport fields for a couple of hours at a time. User groups that verify their non-profit status are charged $10 per hour for field usage and other groups are charged $20 per hour for field usage. These user groups account for approximately 5 to 10 percent of sport field allocation.
    - ***League users:*** Youth and adult leagues are allocated sport field usage during two allocation periods each year – March 1 through July 31 and August 1 through February 28. Youth leagues are charged $100 for each registered team and adult leagues are charged $110 for each registered team. These user groups accounts for approximately 60 to 70 percent of sport field allocation.
    - ***Tournament users:*** User groups rent sport fields for tournaments. Tournament user groups are charged $10 or $20 per field per hour based upon whether organizations have verified their non-profit status and 10 percent of the tournament's registration fees. Tournaments account for approximately 20 to 30 percent of sport field allocation.

The City Council approved fee increases in May 2010 which occurred after the completion of audit fieldwork procedures and are not reflected in the fees noted above.

MSU uses the CLASS computer application to process transactions relating to the rental of sport fields. Each rental is entered into CLASS and assigned a unique rental number. MSU enters the field usage and associated fees for each rental number and processes all payments into CLASS.

Authorized users sign Facility Use Agreements to signify that they agree to the terms indicated for using sport fields. They also sign field permits. Field permits are the official authorization to use City sport fields and indicate who the authorized permit holder is, the assigned parks and fields, and the assigned dates and times of field usage.

Concession permits are processed at the Leisure Services Administration Office. Non-profit organizations who wish to offer concessions at sport fields are required to have a valid field permit, a current Southern Nevada Health District permit, a business license, and general liability insurance.

OBJECTIVES

The audit objective was to evaluate the adequacy of controls over the administration the City's sport fields.

SCOPE AND METHODOLOGY

The scope of this audit was limited to an evaluation of the controls over the administration and monitoring of the City's sport fields. Unless otherwise indicated, detailed testing of records was primarily limited to a review of transactions from July 2008 through December 2009. The last date of fieldwork was May 28, 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 guidelines,
- Interviews of City employees,
- Observations, and
- Analysis and detail testing 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 relating to the adequacy of controls over the administration the City's sport fields:

- We were unable to ascertain whether fees were collected for all user groups that used the City's sport fields. (Finding #1)
- The assignment of duties does not provide for an adequate segregation of duties. (Finding #2)
- Staff members have the ability to delete transactions and to reassign registration fees from activities that already occurred to subsequent activities without oversight. (Finding #3)
- There are inconsistencies in the methods used by staff members to input data into CLASS that impacts the ability to effectively monitor activities. (Finding #4)
- There are inequities in the allocation of City sport fields. (Finding #5)
- The City is unnecessarily paying for lights when scheduled sport fields are not used. (Finding #6)
- Our fieldwork procedures showed that a systematic process is not in place to ensure that all team rosters and liability waivers are obtained and retained for City sponsored leagues. (Finding #7)
- The current retention period for liability waivers of two years does not cover the three year period for property damage liability claims. (Finding #8)
- A league or tournament user group representative signs a liability waiver for the members of the organization. This representative may not have the legal authority to waive an individual's right to pursue a claim against the City. (Finding #9)
- An inconsistent process is used to ensure that certificates of general liability insurance were obtained and retained for all periods of use. In addition, there are inconsistencies in how the certificates were prepared. (Finding #10)
- No standardized documented security requirements exist for user groups that use City sport fields for league and tournament play. (Finding #11)
- Limited documentation is retained to support that required verifications were completed by Leisure Services administrative staff before issuing concession permits. (Finding #12)
- Adequate procedures are not in place to verify tax exempt status according to the Internal Revenue Services' (IRS) Section 501(c)(3). (Finding #13)
- Leisure Services does not have a memorandum of understanding with NISOA for providing referees to officiate City sponsored adult soccer league games. (Finding #14)

- A systematic process is not used to disable active CLASS access when an operational need no longer exists. (Finding #15)

Further information is contained in the sections below.

1. Limited Assurance Fees were Always Collected

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.

2. Segregation of Duties Deficiencies

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.

3. Proper Authorization of Transactions

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.

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.

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.

4. CLASS Data Input Inconsistencies

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.
- 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.

5. Inequities in the Allocation of City Sport Fields

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.

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.

6. Lighting of Sport Fields

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 %**

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.

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.

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.

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.

7. City Sponsored Leagues Liability Waivers

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 run 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.

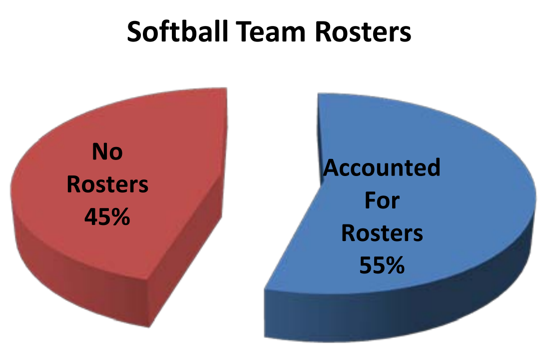
Note: Any player who does not personally sign his own player contract shall be declared an illegal, non-contracted player.
Any team using an ineligible player will forfeit the game in which the player participated.

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

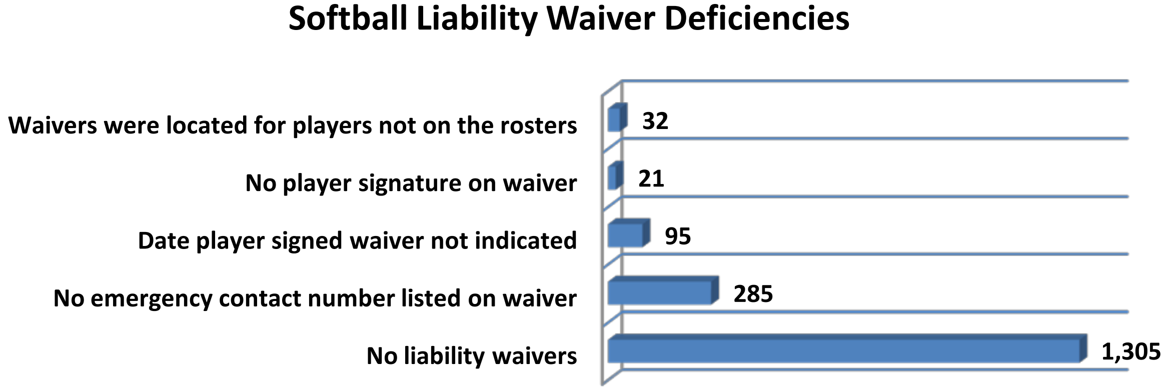
Condition

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

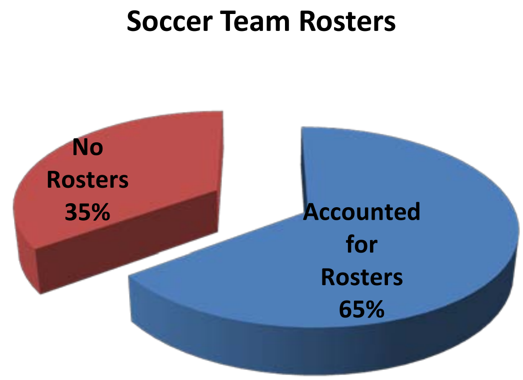


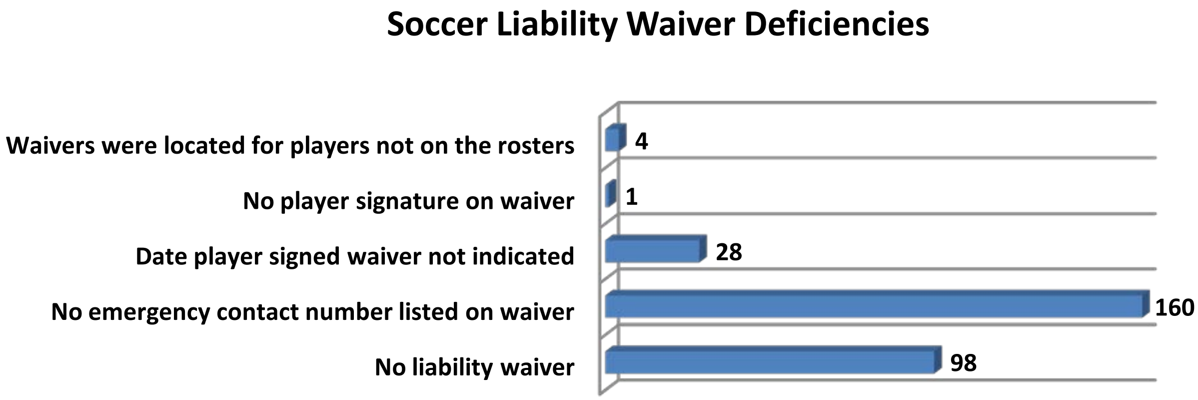
A review of the available team rosters and liability waivers showed that 365 teams played on City adult softball leagues between July 2008 and June 2009. We were unable to locate ***165 of 365 or 45 percent of the team rosters,*** as indicated to the left. Without team rosters, we could not confirm how 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.



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





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.

8. Liability Waiver Retention Policy

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, many 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 at 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.

9. League and Tournament User Group Liability Waivers

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.

10. Certificates of General Liability Insurance

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.

11. Security Requirements

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.

12. Concession Permits

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 retain 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.
- 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.

13. Non-Profit Status

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 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.

14. Memorandum of Understanding

Criteria

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 form 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.

15. Disabling CLASS User Access

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:
  - employees leave employment with the City.
  - 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 RESPONSE

1.1 Limited Assurance Fees were Always Collected

Recommendation

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 2011

2.1 Segregation of Duties Deficiencies

Recommendation

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 2011

3.1 Proper Authorization of Transactions

Recommendation

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 2010

3.2 Proper Authorization of Transactions

Recommendation

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 2010

3.3 Proper Authorization of Transactions

Recommendation

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 2010

4.1 CLASS Data Input Inconsistencies

Recommendation

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 2011

5.1Inequities in the Allocation of City Sport Fields

Recommendation

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 2011

6.1 Lighting of Sport Fields

Recommendation

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 2011

6.2 Lighting of Sport Fields

Recommendation

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 2010.

6.3 Lighting of Sport Fields

Recommendation

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

Completed

6.4 Lighting of Sport Fields

Recommendation

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 vette 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 2011

7.1 City Sponsored Leagues Liability waivers

Recommendation

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 2011

8.1 Liability Waiver Retention Policy

Recommendation

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 2010

9.1 League and Tournament User Group Liability Waivers

Recommendation

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 2010

10.1 Certificates of General Liability Insurance

Recommendation

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 2011

11.1 Security Requirements

Recommendation

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 2010

12.1 Concession Permits

Recommendation

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 2011

13.1 Non-Profit Status

Recommendation

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 2011

14.1 Memorandum of Understanding

Recommendation

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

Complete

15.1 Disabling CLASS User Access

Recommendation

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 removed when:
  - employees leave employment with the City.
  - 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 2010

City of Las Vegas

Agenda Item No.: **9.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion for possible action on Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting (1503-1011-07)

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 Public Works – Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting (1503-1011-07)

RECOMMENDATION:
Approval

BACKUP DOCUMENTATION:
Audit of Public Works – Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting (1503-1011-07)

CITY AUDITOR'S OFFICE

AUDIT OF PUBLIC WORKS – TRAFFIC ENGINEERING FIELD OPERATIONS
Inventory Management and Damage/Loss Reporting

Report No. CAO 1503-1011-07

June 23, 2011

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

AUDIT OF PUBLIC WORKS – TRAFFIC ENGINEERING FIELD OPERATIONS
Inventory Management and Damage/Loss Reporting
CAO 1503-1011-07

BACKGROUND

The Traffic Engineering Field Operations Section (TEFO) is within the Traffic Engineering Division of the Public Works Department of the city of Las Vegas (city). Under the direction of the Public Works Director, TEFO is managed by the City Traffic Engineer and the Assistant Traffic Manager. There are approximately 68 employees within TEFO.

TEFO is comprised of the following four work units:

- Roadway and Area Lighting
- Traffic Signal Repair and Operations
- Traffic Signal Construction and Maintenance
- Traffic Signing and Marking

The *Roadway and Area Lighting Unit* oversees installation, repairs, and maintenance of lighting in city streets, parks, trails, parking lots, landscape, and sports fields. There are approximately 57,000 of these lights in the city.

The *Traffic Signal Repair and Operations Unit* oversees the repair and operations of city traffic signals and flashers, as well as other intelligent transportation systems. There are approximately 808 traffic signals and flashers in the city.

The *Traffic Signal Construction and Maintenance Unit* oversees the testing, construction, and maintenance of traffic signals, flashers, and other intelligent transportation systems.

The *Traffic Signing and Marking Unit* oversees the replacement, maintenance, and installation of traffic signs and pavement markings. Many signs used by the city are fabricated in the East Service Yard sign shop. There are approximately 65,000 traffic signs in the city.

TEFO's operations are currently run out of three different locations including the city's East Service Yard at Bonanza and Mojave (East Yard), the West Service Yard at Cheyenne and Buffalo (West Yard), and the Traffic Signal Shop at 28th and Charleston (Signal Shop). Maintenance, repair, and replacement parts (maintenance and repairs inventory) are stored at all three of these locations. This inventory consists of a variety of items including street and traffic lights and poles, traffic signal control systems, street marking materials, signage materials, and various parts and supplies for the installation, maintenance, and repair of these items (e.g., wire, paint, adhesives, etc.).

OBJECTIVES

The audit objectives were to:

- Evaluate the adequacy of the management controls over inventory and the inventory purchasing process.
- Evaluate the adequacy of the management controls over the safeguarding of inventory, equipment, and supplies.
- Evaluate the adequacy of TEFO's methodology for reporting damage and losses of city property to the city's Department of Human Resources.

SCOPE AND METHODOLOGY

The scope of this audit was limited to TEFO's operations. 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. The last fieldwork date of this audit was April 4, 2011.

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

Our audit identified issues TEFO management should address to improve controls over inventory management and damage/loss reporting. These issues are summarized below following each related objective:

Objective: Evaluate the adequacy of the management controls over inventory and the inventory purchasing process.

TEFO does not utilize a perpetual inventory tracking system for its maintenance and repairs inventory. TEFO should at a minimum establish a limited perpetual inventory tracking system for selected inventory based on criteria established by management. Inventory purchasing decisions need to be more coordinated among TEFO's locations and its purchasing methodology and procedures need to be documented. (Finding #1)

TEFO needs to improve how it conducts and documents its annual physical inventory counts and use the information gathered to evaluate the adequacy of its inventory levels, identify inventory trends and irregularities, and develop future inventory purchasing strategies. (Finding #2)

TEFO needs to begin cross-training additional employees on the skills required to operate the sign shop and document procedures followed in sign fabrication. (Finding #7)

Objective: Evaluate the adequacy of the management controls over the safeguarding of inventory, equipment, and supplies.

TEFO needs to complete an evaluation of its inventory organization and storage practices and address the identified concerns. In addition, an evaluation should be completed of old and recycled inventory and a program should be implemented for documenting this inventory. Damaged, obsolete, earlier generation, and recycled inventory that is no longer needed should be identified and disposed of. (Finding #3)

TEFO needs to improve the physical security over its inventory by utilizing city authorized padlocks, documenting its security policies, documenting which employees have access to its secured inventory storage areas, and completing walkthroughs of these areas to identify any security concerns or deficiencies. (Finding #4)

TEFO needs to improve the physical security over its valuable tools and equipment by implementing an identification and tracking program. (Finding #5)

Objective: Evaluate the adequacy of TEFO's methodology for reporting damage and losses of city property to the City's Department of Human Resources.

TEFO needs to improve its damage/loss reporting process by documenting procedures addressing how TEFO employees are to comply with the guidelines within the city's Safety Loss Control Manual. TEFO also needs to begin reporting damage/losses from acts of nature and graffiti as required by Human Resources. (Finding #6)

TEFO needs to document and implement procedures for ensuring that burdened labor rates are being used with TEFO damage/loss claims and that material costs in the work order system are current. TEFO also needs to re-evaluate the adequacy of the vehicle use rates being used with damage/loss claims. (Finding #6)

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

1. INVENTORY MANAGEMENT

Criteria

Per the United States Government Accountability Office (U.S. GAO):

Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports. Physical controls and accountability reduce the risk of (1) undetected theft and loss, (2) unexpected shortages of critical items, and (3) unnecessary purchases of items already on hand. These controls improve visibility and accountability over the inventory, which help ensure continuation of operations, increased productivity, and improved storage and control of excess or obsolete stock. (GAO-02-447G Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property, p.5)

The lack of reliable information impairs the government's ability to (1) know the quantity, location, condition, and value of assets it owns, (2)safeguard its assets from physical deterioration, theft, loss, or mismanagement, (3) prevent unnecessary storage and maintenance costs or purchase of assets already on hand, and (determine the full costs of government programs that use these assets. (GAO-02-447G Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property, p.6)

Condition

Inventory Tracking and Records

TEFO does not use a perpetual inventory tracking system for its maintenance and repairs inventory. Therefore, the only record of inventory on-hand is the results of the annual physical inventory count. The lack of current and reliable inventory information impairs management's ability to effectively manage the inventory. In addition, the lack of this information can create inefficiencies for employees in trying to identify what inventory is on-hand. Other city departments with maintenance and repair operations have implemented perpetual inventory tracking systems for their operations.

Purchasing Methodology and Procedures

While the city has various purchasing policies and procedures, TEFO has not documented its internal purchasing methodology and procedures to be followed by its employees. TEFO purchasing decisions are typically made by senior staff members at each TEFO location based on various factors including observed quantities on-hand at each respective location, immediate needs, historical quantities purchased, and available funds. Under TEFO's current organizational structure, the three locations operate relatively independent of each other with limited coordination on inventory purchases.

Cause

- Lack of use of a perpetual inventory system.
- Lack of documented internal purchasing methodology and procedures
- Limited coordinated purchasing decisions between locations.

Effect

- Management's ability to effectively manage the inventory is impaired.
- Inefficiencies in trying to identify what inventory is on-hand.
- Potential for unexpected shortages of critical items or unnecessary purchases of items already on hand.
- Potential for undetected theft or loss.

Recommendations

1.1 TEFO management should evaluate and document the cost and benefits of implementing a perpetual inventory system for the maintenance and repairs inventory.

1.2 While adoption of a full perpetual inventory may not be practical or cost effective for TEFO at this time, TEFO management should at a minimum implement a limited perpetual inventory tracking system for selected inventory based on established criteria. Management should consider tracking frequently used inventory, higher-valued inventory, and/or inventory with significant lead times.

1.3 TEFO management should document their purchasing methodology and procedures and distribute them to employees with purchasing responsibility.

1.4 TEFO management should document and implement procedures that promote increased coordination in inventory purchasing decisions between senior staff members at TEFO's three locations.

2. ANNUAL PHYSICAL INVENTORY COUNTS

Criteria

Per the United States Government Accountability Office (U.S. GAO):

Establishing and documenting policies and procedures are essential to an effective and reliable physical count. Policies and procedures demonstrate management's commitment to the inventory physical count process and provide to all personnel clear communication and comprehensive instructions and guidelines for the count. Establishing written policies and procedures helps ensure consistent and accurate compliance and application needed to achieve high levels of integrity and accuracy in the physical count process. Policies and procedures also become the basis for training and informing employees.

Well-documented physical count policies and procedures typically pertain to all aspects of the physical count process, including the activities or tasks that take place before, during, and after the physical count. Documented policies and procedures generally include everything an employee needs to know to complete the requirements of a specific task for the physical count. (GAO-02-447G Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property, p. 16)

Evaluating the results of the physical count is essential to an accurate and effective physical count process. The evaluation of the results gives management the necessary information for measuring the effectiveness of (1) the physical count and (2) corrective actions or improvements to the inventory process and system. Evaluation includes measuring the results of the count, communicating the results, and modifying existing policies and procedures. (GAO-02-447G Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property, p. 55)

Condition

The Department of Finance (Finance) requests that TEFO complete a physical count of its maintenance and repairs inventory at the end of every fiscal year for financial reporting purposes. Deficiencies were noted in how this physical inventory count is being conducted and documented as follows:

- The Traffic Signal Construction and Maintenance Unit did not complete a physical inventory count of its maintenance and repairs inventory for the fiscal year ended June 30, 2010.
- Physical inventory count policies and procedures have not been documented for utilization by staff members in conducting the inventory. Therefore, no formal direction is provided on the following areas:
    - The period in which the inventory should be conducted.
    - The employees that should be involved and their roles and responsibilities.

    - Inventory to be included and excluded in the count.
    - Handling of inventory received or used during the count.
    - The methodology for making count estimates where required (e.g., sign film rolls, wire).
    - The methodology to be followed in valuing the inventory.
- The count sheets from the physical inventory conducted for the fiscal year ended June 30, 2010 did not include the following information:
    - The date(s) of the count
    - Identification of employees who completed the count
    - Specific storage locations of the inventory
    - Identification of items where estimates were made
- While the physical inventory counts are summarized and forwarded to Finance, TEFO management does not currently utilize the results for evaluation of the maintenance and repairs inventory (e.g., analysis of inventory levels, identification of inventory trends and irregularities).

Cause

- The focus of past physical inventory counts has been exclusively on gathering information for Finance.
- Lack of formalized physical inventory count procedures.
- Lack of formalized procedures to analyze the results of the physical inventory counts.

Effect

- Potential for inaccurate, incomplete, and inconsistent physical inventory counts.
- Inventory levels may not be adequately evaluated to avoid shortages of critical items or unnecessary purchases of items already on hand.
- Inventory trends and irregularities may not be identified.

Recommendations

2.1 TEFO management should document and implement annual physical inventory count procedures to be followed by their employees. Consideration should be given to the deficiencies identified during the audit when developing these procedures.

2.2 TEFO management should implement procedures to ensure that annual physical inventory counts are completed for all of the work units.

2.3 TEFO management should expand the information required to be documented on the count sheets during the physical inventory to include the date(s) of the count, the employee(s) performing the count, the specific location of the inventory, and identification of estimates made.

2.4 Upon implementation of a full or partial perpetual inventory system, TEFO management should use the results of the physical inventory counts to adjust the perpetual inventory records as needed and research the cause of any identified differences.

2.5 TEFO management should document and implement procedures to complete at a minimum an annual evaluation of its inventory including an evaluation of the adequacy of the inventory levels and the identification of any unusual trends or irregularities. This information should also be used in developing future inventory purchasing strategies.

3. INVENTORY STORAGE

Criteria

Operational efficiencies are achieved when inventory is stored in a manner that facilitates timely identification and accessing of parts for use in repairs and maintenance operations. Inventory should also be properly safeguarded against damage or improper exposure to the elements.

The city's *Safety Loss Control Manual* states that "*occupants of City buildings shall make periodic inspections to keep hazards at a minimum in work areas and public facilities. Following is a general list of items that should be inspected…Proper storage of materials.*"

Condition

TEFO's maintenance and repair inventory is stored at the East and West Yards and at the Signal Shop. While much of TEFO's inventory is designed to withstand the weather and is stored outside, certain inventory must be protected from the elements and/or requires additional security. This inventory is stored inside the service and sign shops, storage sheds, shipping containers, or under a patio covered gated area at the West Yard.

During my observations of TEFO's maintenance and repairs inventory, the following concerns were noted:

- TEFO has a minimal amount of indoor and covered inventory storage space at its service shops and yards which creates challenges for staff members in adequately organizing certain inventory.
- Employees must periodically spend time searching the service yards to determine if they have the required parts for a repair project.
- Upon observation of the maintenance and repairs inventory at the service yards, certain inventory appeared to be unorganized, in damaged containers, inadequately stored, and/or of questionable value.
- TEFO regularly brings in salvageable inventory parts from the field to be re-used in its operations when needed (recycled inventory). This recycled inventory is being stored in various areas at the service yards. No record is maintained of this inventory and there is no formal evaluation of when to dispose of these items.

- TEFO stores some earlier generation inventory that is no longer available from suppliers. No records are maintained of this inventory and there is no formal evaluation of when to dispose of these items.
- The partially covered gated storage area at the West Yard appears to be inadequate for properly protecting certain inventory from the weather as evidenced by water stained and damaged boxes, standing water following a storm due to the lack of a drain, and high stacked boxes exposed to the wind. This storage area was initially designed for exclusive use by one work unit but is now being used by three different work units.
- A shipping container being used for inventory storage only had one door which creates inefficiencies for employees when needing to access inventory at the back of the container.

Cause

- Lack of a documented inventory storage organization methodology.
- Limited indoor or covered inventory storage space.
- Lack of a formal process for tracking earlier generation and recycled inventory and for evaluating when to dispose of this inventory.

Effect

- Inefficiencies in employee time spent to identify inventory on-hand.
- Valuable storage space may be occupied by unneeded inventory.
- Potential safety hazard from improperly stored inventory items.

Recommendations

3.1 TEFO management should complete an evaluation of the adequacy of the inventory organization and storage practices being followed at the service yards (including earlier generation and recycled inventory) and address the identified concerns.

3.2 TEFO management should implement a program for documenting the earlier generation and recycled inventory. This could be completed in conjunction with the annual physical inventory count.

3.3 TEFO management should document and implement procedures to conduct at a minimum an annual walkthrough of its inventory to identify damaged, obsolete, earlier generation, and recycled inventory that is no longer needed and any inventory storage deficiencies. This procedure could be completed in conjunction with the annual physical inventory count.

4. INVENTORY SECURITY

Criteria

Inventory should be properly secured and safeguarded against theft.

Condition

While TEFO's three locations of operations are gated with restricted access to city employees, there is still the risk of internal theft. The East and West Yards are at a greater risk of internal theft without detection than the Signal Shop due to the larger number of employees and different departments that access these yards.

The following inventory security deficiencies were identified:

- TEFO has not documented its inventory security policies and procedures.
- While the sheds and shipping containers that are used for inventory storage at the East and West Yards are padlocked, there is no master listing of the employees who have been given keys to these padlocks.
- One of the sheds at the East Service Yard was secured with a double padlocked gate and barbed wire. Despite the appearance of security, this shed was accessed with ease with a simple push on the gate. In addition, padlocks to a gated inventory storage area were observed to be unlocked during the day on two separate occasions.
- Per the city locksmith, TEFO is using non-city authorized padlocks for securing a variety of inventory storage areas (e.g., sheds, gated areas, and shipping containers). The keys for these padlocks are easily duplicated and there is no assurance that only authorized users are accessing the inventory areas. In addition, the use of unauthorized padlocks could hinder access to the areas by the fire department. The city locksmith recommends that only city authorized padlocks be used as the keys for these locks cannot be duplicated, are limited in their distribution, and are controlled by the city's locksmith shop.

Cause

- Lack of documented inventory security policies and procedures.
- Lack of adequate evaluation of inventory safeguarding and security measures.

Effect

- Lack of assurance that inventory storage areas are only being accessed by TEFO employees.
- Inadequate security over padlocked storage areas with use of unauthorized padlocks.

Recommendations

4.1 TEFO management should document and implement inventory security policies and communicate these policies to employees.

4.2 TEFO management should document which employees have access to the various inventory storage areas.

4.3 TEFO management should replace all unauthorized padlocks used in inventory storage areas with padlocks authorized by the city locksmith.

4.4 TEFO management should document and implement procedures to conduct at a minimum an annual walkthrough of its inventory storage areas to identify security concerns and deficiencies. This procedure could be completed in conjunction with the annual physical inventory.

5. SAFEGUARDING OF TOOLS AND EQUIPMENT

Criteria

Tools and equipment should be safeguarded from unauthorized use and theft.

Condition

TEFO uses various tools and equipment in conjunction with their operations. Efforts have been made by staff members to place more valuable/desirable tools and equipment in secured closets or cabinets. The following concerns were identified upon observation of these areas:

- No formal records of who has access to these areas are maintained.
- No formal records of valuable tools and equipment are maintained.
- No periodic inventory of valuable tools and equipment is completed and documented.
- There have been past incidents of theft of valuable tools and equipment.

Cause

- Lack of a formalized program for tracking valuable tools and equipment.

Effect

- Lack of assurance that valuable tools and equipment are adequately safeguarded from theft.

Recommendations

5.1 TEFO management should identify and document which tools and equipment they deem to be valuable (i.e., requiring a higher level of security and monitoring).

5.2 TEFO management should begin maintaining records of valuable tools and equipment. The tools and equipment records should include at a minimum a description of each item, serial or identification numbers, and the storage location of the items. Consideration should be given to retaining a photo of each item.

5.3 TEFO management should conduct an evaluation of the adequacy of the storage areas where the valuable tools and equipment are being stored, document which employees have access to these areas, and review the appropriateness of this access.

5.4 TEFO management should document and implement procedures for securing and tracking its valuable tools and equipment and conducting periodic verifications of the existence of these items.

6. DAMAGE AND LOSS REPORTING

Criteria

The city's *Safety Loss Control Manual* (approved and adopted by the City Council on February 2, 2011, Chapter 7, Section 2) states the following:

Damage Loss Reports *– Recovery of City property damaged by a third party is an important factor in reducing expenses of the Department for repair or replacement of damages. Therefore, all Departments are responsible for reporting any damage or loss of City property to Insurance Services Division. A City of Las Vegas Equipment Damage or Loss Report form must be submitted to Insurance Services Division, accompanied by a Deputy City Marshal's Event Number and a quote from a vendor for replacement. Note: Deputy City Marshals are not required to file an event number in cases involving lost cellular telephones, radios or graffiti. Once the claim is processed, a check will be issued to the vendor for replacement. Insurance Services Division will* ***normally*** *replace losses under the following circumstances:*

- *A non-preventable vehicular accident.*
- *Stolen and/or vandalized City property or equipment*
- *Acts of nature (on a case by case basis)*

Condition

TEFO completes and submits a paper form known as the *Equipment Damage or Loss Reports* (damage/loss reports) to the city's Insurance Services Risk Management Division of Human

Resources (Human Resources) when city lighting, traffic signals, or signage are damaged in a vehicle accident. Human Resources uses this information to seek reimbursement for repair costs incurred (including labor, material, and vehicle use) from third parties or insurance companies. While the city has general guidelines in its *Safety Loss Control Manual* on the submittal of damage/loss reports to Human Resources, TEFO has not documented how its staff members are to comply with these guidelines.

The city's *Safety Loss Control Manual* states that "*all Departments are responsible for reporting* ***any*** *damage or loss of City property to Insurance Services Division*." In addition, the manual states that Insurance Services will normally replace losses for "stolen and/or vandalized city property or equipment" and "acts of nature". While TEFO submits damage/loss reports for damage or loss to city assets caused by a vehicle, TEFO is not currently submitting damage/loss reports for graffiti repairs or acts of nature. Per discussions with Human Resources personnel, these losses should be reported.

TEFO management must currently record information on the damage/loss reports that is already captured in the work order system (Hansen) and accessible by Human Resources. This creates unnecessary work for TEFO staff members.

In a review of a sample of TEFO damage/loss claims, the following issues were noted:

Labor Rate

A fully burdened labor rate (wages and benefits) was not always used by Human Resources in subrogating TEFO labor costs to third parties due to an incorrect system generated report being used. During the course of the audit, a new report was created for use by Human Resources to correct this issue.

Material Costs

TEFO maintains a listing of material costs within the work order system (Hansen). These costs are included in damage/loss reports used by Human Resources. Upon review of the process by which these costs are updated, we found the following:

- Approximately 61% of the material costs have not been updated since January 2009.
- Approximately 31% of the costs have not been updated since 2007.
- A couple work units failed to provide all required cost information to the employee with responsibility for updating the work order system.
- No formalized procedures exist on the process to be followed for updating the material costs within the work order system.

Vehicle Use Rates

The methodology for the current vehicle rates per hour being used for TEFO damage/loss claims is not documented. While an evaluation of vehicle costs was not completed, these rates do not appear to be adequate to properly compensate the city for all of the costs associated with the use of city vehicles (e.g., maintenance, repairs, fuel, tires, etc.). A comparison of these hourly rates to a schedule of rates used by the Federal Government to compensate contractors for vehicle use during disasters and emergencies (*FEMA's Schedule of Equipment Rates*) showed significant differences. For example, the city uses $4 per hour for its use of a pickup truck while the FEMA schedule recommends rates of $14 to $30 per hour depending on the capacity of the pickup truck. The city uses $8 per hour for its use of a dump truck while the FEMA schedule recommends rates of $35 to $105 per hour depending on the size and capacity of the dump truck. Similar differences exist with the other standard vehicle rates being used by the city.

Cause

- Lack of internal documented procedures on how TEFO complies with the city's damage/loss reporting requirements.
- Redundant information on damage/loss claims is being reported to Human Resources.
- Incorrect system cost reports were being used by Human Resources for capturing the fully burdened labor rate for employees.
- Lack of formalized procedures for updating material costs in the work order system.
- The adequacy of the vehicle rates per hour has not been recently evaluated or updated.

Effect

- Lack of full compliance with the city's damage/loss reporting requirements.
- Inefficiencies created in having to manually document damage/loss information on the damage/loss report that is already captured in the Hansen system.
- The material costs included in damage/loss claims may not be current.
- The vehicle rates per hour being used in TEFO damage/loss claims do not appear to reflect actual costs.

Recommendations

6.1 TEFO management should document and implement procedures addressing how TEFO employees are to comply with the damage/loss reporting guidelines within the city's *Safety Loss Control Manual*.

6.2 TEFO management should begin reporting damage and losses from acts of nature and graffiti to Human Resources and document this requirement in its procedures.

6.3 TEFO management should work with Human Resources in eliminating having to manually report damage/loss information that is already captured in the Hansen system.

6.4 TEFO management should follow-up with Human Resources to ensure they are using the correct system reports for capturing the fully burdened labor rate for damage/loss claims.

6.5 TEFO management in consultation with the city's Fleet Services division should re-evaluate the adequacy of the vehicle use rates currently being used for damage/loss reporting. FEMA's Schedule of Equipment Rates used by the Federal Government should be considered for use as a benchmark reference. The vehicle use rate methodology should be documented for future reference.

6.6 TEFO management should document and implement procedures to annually review the adequacy of the vehicle rates being used and verify that these rates and the fully burdened labor rates are being used with TEFO damage/loss claims.

6.7 TEFO management should document and implement procedures for updating the material costs within the work order system. These procedures should include at a minimum an annual review by management of the material listing within the work order system to ensure that the information is complete and that the costs are current.

7. SIGN SHOP CONTINGENCY PLAN

Criteria

Reliance on a single individual in an organization's operations creates a risk of loss of valuable information and technical expertise if that individual separates from employment or has an extended leave of absence from work.

Condition

TEFO relies on one of its Signing and Marking Technicians who has been with the city for over 30 years for the fabrication of most of the street signage for the city. This job requires specific expertise in utilizing a variety of tools and computer software. Limited cross training has been completed with this position.

Cause

- Reliance on existing employee without adequate cross-training.

Effect

- Potential for loss of significant knowledge base if the employee has an extended leave of absence from work or separates from employment.

Recommendations

7.1 TEFO management should begin cross-training additional employees on the skills required to operate the sign shop.

7.2 TEFO management should document the procedures followed within the sign shop for the fabrication of signage. This documentation should include information on the use of equipment and software.

MANAGEMENT RESPONSES

1. INVENTORY MANAGEMENT

Recommendation 1.1

TEFO management should evaluate and document the cost and benefits of implementing a perpetual inventory system for the maintenance and repairs inventory.

Management Action Plan

Traffic Engineering Field Operations currently uses no perpetual inventory system, but does extensively use Hansen's Customer Service, Work Order, and Asset modules to track its performance during the course of its operations. Accordingly, since this enterprise-wide software program is already being used for asset management and costing purposes, it seems a logical fit to expand to the "Inventory" module already within Hansen. Therefore, though other inventory programs may be reviewed for their acceptability with regards to costs and benefits, TEFO management will primarily focus its evaluation of the costs and benefits associated with using Hansen when implementing its perpetual inventory system.

Estimated Date of Completion

January 1, 2012

Recommendation 1.2

While adoption of a full perpetual inventory may not be practical or cost effective for TEFO at this time, TEFO management should at a minimum implement a limited perpetual inventory tracking system for selected inventory based on established criteria. Management should consider tracking frequently used inventory, higher-valued inventory, and/or inventory with significant lead times.

Management Action Plan

Dependent upon the outcome of the previous item (1.1), TEFO management will implement the use of either Hansen or another computerized program to track the disposition of higher value inventory items, items with greater risk of loss, and items procured for specific project and/or use. The items to be tracked will be those located in the shops or in the yards that have been procured by the City, but have yet to be deployed for use at a specific location.

Estimated Date of Completion

July 1, 2012

Recommendation 1.3

TEFO management should document their purchasing methodology and procedures and distribute them to employees with purchasing responsibility.

Management Action Plan

TEFO management will focus on greater centralization of its procurement decisions, and has already taken some steps to this end. First of all, much of the physical operations of the division have been relocated and centralized at the West Service Center, which has already created an environment for better communication between those individuals with procurement responsibilities. Additionally, purchasing responsibilities shall be limited to provide better oversight of buying decisions. As such, specific individuals will be made responsible for procurement of specific assets to be used by TEFO. Finally, TEFO management will develop a handbook that defines both specific as well as general procurement and purchasing guidelines. This handbook will build upon the City's Purchasing & Contracts requirements, as it relates specifically to the needs of the TEFO organization. This handbook will be distributed to all staff, and will formally document the processes and methodologies that shall be undertaken by all staff when procuring goods or services during the course of performing his or her respective duties.

Estimated Date of Completion

July 1, 2012

Recommendation 1.4

TEFO management should document and implement procedures that promote increased coordination in inventory purchasing decisions between senior staff members at TEFO's three locations.

Management Action Plan

With some changes that have recently occurred, such as the consolidation of its operations and relocation of most of its staff to the West Service Center, as well as proposed organizational changes to its supervisory structure, TEFO management will be integrating greater centralization of the division's procurement decisions into its operations. These procedures shall be documented in the handbook noted within the response in item 1.3.

Estimated Date of Completion

July 1, 2012

2. ANNUAL PHYSICAL INVENTORY COUNTS

Recommendation 2.1

TEFO management should document and implement annual physical inventory count procedures to be followed by their employees. Consideration should be given to the deficiencies identified during the audit when developing these procedures.

Management Action Plan

TEFO has performed annual physical inventory counts in conjunction with the Finance Department's requirements in mid-June every year. As such, this process will be documented and formalized, and coupled with any perpetual inventory system that has been chosen to be employed for use by the division as noted in item 1.1 and 1.2. These procedures shall be documented in the handbook noted within the response in item 1.3.

Estimated Date of Completion

July 1, 2012

Recommendation 2.2

TEFO management should implement procedures to ensure that annual physical inventory counts are completed for all of the work units.

Management Action Plan

TEFO management will require submission of the annual physical counts to the Assistant Traffic Manager for review and approval for all work units. They will be performed by the appropriately designated and trained employee with the adequate level of responsibility, then compiled and forwarded to the Finance Department as a single submission only after this action. These new procedures shall be documented in the handbook noted within the response in item 1.3.

Estimated Date of Completion

April 1, 2012

Recommendation 2.3

TEFO management should expand the information required to be documented on the count sheets during the physical inventory to include the date(s) of the count, the employee(s) performing the count, the specific location of the inventory, and identification of estimates made.

Management Action Plan

TEFO management will create a new inventory count sheet to be used during all annual physical counts. This sheet will include the date(s) of the count, the employee(s) performing the count, the specific location of the inventory, and identification of estimates made. The process used to determine asset valuation of the inventory shall be identified for division-wide uniformity, as well. These new procedures shall be documented in the handbook noted within the response in item 1.3.

Estimated Date of Completion

April 1, 2012

Recommendation 2.4

Upon implementation of a full or partial perpetual inventory system, TEFO management should use the results of the physical inventory counts to adjust the perpetual inventory records as needed and research the cause of any identified differences.

Management Action Plan

TEFO management will use its newly-implemented perpetual inventory system that resulted from the evaluation completed in item 1.1 and 1.2, and integrate the annual physical count data into the reconciliation process. A formalized internal audit process to resolve differences or similarities between the data gleaned through the annual physical count, and that inventory used throughout the year during the course of TEFO's operations shall be developed and implemented.

Estimated Date of Completion

July1, 2012

Recommendation 2.5

TEFO management should document and implement procedures to complete at a minimum an annual evaluation of its inventory including an evaluation of the adequacy of the inventory levels and the identification of any unusual trends or irregularities. This information should also be used in developing future inventory purchasing strategies.

Management Action Plan

TEFO management plans to use the data gained from the annual reconciliation process, and the associated formalized internal audit process to objectively evaluate procurement processes, adjust future purchasing amounts, address better security measures, develop greater loss mitigation efforts, or revise sustained inventory levels, based on actual data as opposed to individual judgment.

Estimated Date of Completion

July 1, 2012

3. INVENTORY STORAGE

Recommendation 3.1

TEFO management should complete an evaluation of the adequacy of the inventory organization and storage practices being followed at the service yards (including earlier generation and recycled inventory) and address the identified concerns.

Management Action Plan

With the recent relocation of the division, TEFO management will perform a formalized evaluation of inventory organization. Stored assets that need more secure storage or better protection from the elements shall be relocated accordingly. Documentation providing an authorized "*Inventory Location Plan*" shall be developed and updated as needs change.

Estimated Date of Completion

April 1, 2012

Recommendation 3.2

TEFO management should implement a program for documenting the earlier generation and recycled inventory. This could be completed in conjunction with the annual physical inventory count.

Management Action Plan

TEFO management will perform a formalized evaluation of its legacy inventory components which are still needed because standing assets remain in the field that require maintenance, and a supplier is no longer available for procuring replacement parts. Once complete, management will formally evaluate the inventory storage practices associated with these earlier-generation or recycled assets. These assets will ultimately be part of TEFO's documentation as defined in the new "*Inventory Location Plan*." Alterations to this plan shall be developed and updated as needs change.

Estimated Date of Completion

April 1, 2012

Recommendation 3.3

TEFO management should document and implement procedures to conduct at a minimum an annual walkthrough of its inventory to identify damaged, obsolete, earlier generation, and recycled inventory that is no longer needed and any inventory storage deficiencies. This procedure could be completed in conjunction with the annual physical inventory count.

Management Action Plan

TEFO management will create an administrative policy for treatment of legacy equipment. Part of this policy shall define when the recycled assets are no longer required to remain in the division's inventory for maintenance purposes. Additionally, management will mandate staff to perform a formalized evaluation of all legacy inventory components as part of the annual inventory process in mid-June. Ultimately, the location of these assets will be part of TEFO's "*Inventory Location Plan*." Alterations to this plan shall be developed and updated as needs change.

Estimated Date of Completion

July 1, 2012

4. INVENTORY SECURITY

Recommendation 4.1

TEFO management should document and implement inventory security policies and communicate these policies to employees.

Management Action Plan

TEFO management will create a formal document referred to as its "*Asset Control Manual*" which defines inventory security policies, and once complete, the document will be distributed to all staff. Adherence to the policies shall be made mandatory.

Estimated Date of Completion

April 1, 2012

Recommendation 4.2

TEFO management should document which employees have access to the various inventory storage areas.

Management Action Plan

TEFO management will create a formal document referred to as its "*Asset Control Manual*" which defines who has access, at what facility, and at what level this access includes. Furthermore, though some the areas containing TEFO's inventory assets can limit access division staff only, some of the areas do not currently offer this possibility. As funding becomes available in the future, consideration should be made in the City's Capital Project Program to provide better security with greater restrictions for non-authorized individuals. This will include installing additional storage buildings, pavement, fences, gates, locks, and block walls.

Estimated Date of Completion

July 1, 2012

Recommendation 4.3

TEFO management should replace all unauthorized padlocks used in inventory storage areas with padlocks authorized by the city locksmith.

Management Action Plan

TEFO management will meet with Detention & Enforcement staff, and will coordinate with the locksmiths so they can procure the appropriate number of authorized padlocks to replace all of those that are currently being used. Once procured, the padlocks will be installed by TEFO staff.

Estimated Date of Completion

October 1, 2011

Recommendation 4.4

TEFO management should document and implement procedures to conduct at a minimum an annual walkthrough of its inventory storage areas to identify security concerns and deficiencies. This procedure could be completed in conjunction with the annual physical inventory.

Management Action Plan

TEFO management will implement a procedure to perform a formalized evaluation of its inventory storage areas to identify security concerns and deficiencies, as part of the annual inventory process in mid-June. Documentation of the procedure shall be part of the formal document defining inventory security policies as noted in item 4.1, which will be referred to as TEFO's "*Asset Control Manual*."

Estimated Date of Completion

April 1, 2012

5. SAFEGUARDING OF TOOLS AND EQUIPMENT

Recommendation 5.1

TEFO management should identify and document which tools and equipment they deem to be valuable (i.e., requiring a higher level of security and monitoring).

Management Action Plan

TEFO management will create a formal document referred to as "*Asset Control Manual*" containing a listing of tools and equipment considered to be of sufficient value or at greater risk of loss. These will be those assets requiring a higher level of security and more frequent monitoring.

Estimated Date of Completion

April 1, 2012

Recommendation 5.2

TEFO management should begin maintaining records of valuable tools and equipment. The tools and equipment records should include at a minimum a description of each item, serial or identification numbers, and the storage location of the items. Consideration should be given to retaining a photo of each item.

Management Action Plan

TEFO management will create a formal document referred to as "*Asset Control Manual*" containing a not only a list, but also a photo of tools and equipment considered to be of sufficient value or of greater risk of loss. The assets will include a description of each item, serial number, City identification numbers, and the location the item is stored when not in use.

Estimated Date of Completion

April 1, 2012

<u>Recommendation 5.3</u>

TEFO management should conduct an evaluation of the adequacy of the storage areas where the valuable tools and equipment are being stored, document which employees have access to these areas, and review the appropriateness of this access.

Management Action Plan

TEFO management will create a formal document referred to as an "*Asset Control Manual*" defining who has access to tools and equipment, at what storage area, and at what level this access includes. With the recent consolidation of most of TEFO's staff to the West Service Center, much of this issue has already been resolved, but some further enhancements to facilities could be made to improve access and security to authorized staff. Therefore, as funding becomes available in the future, consideration should be made in the City's Capital Expenditure Program to provide better security with greater restrictions for non-authorized individuals. This will include installing additional storage buildings, pavement, fences, gates, locks, and block walls. Additionally, the locksmiths in the Detention & Enforcement Department have recommended the installation of a badge access system to verify appropriate access as the best method to effectively secure and safeguard TEFO tools and equipment. Consideration should be given to fund such an investment.

Estimated Date of Completion

April 1, 2012

<u>Recommendation 5.4</u>

TEFO management should document and implement procedures for securing and tracking its valuable tools and equipment and conducting periodic verifications of the existence of these items.

Management Action Plan

TEFO management will create a formal document referred to as "*Asset Control Manual*" defining its procedures for securing and tracking its valuable tools and equipment and in the manual periodic verifications of the presence of these items in the proper location by the appropriate staff will be mandated.

Estimated Date of Completion

April 1, 2012

6. DAMAGE AND LOSS REPORTING

Recommendation 6.1

TEFO management should document and implement procedures addressing how TEFO employees are to comply with the damage/loss reporting guidelines within the city's *Safety Loss Control Manual*.

Management Action Plan

TEFO management will create a formal document referred to as "*Damage Loss Handbook*" defining how TEFO staff is to comply with the damage/loss reporting guidelines within the city's *Safety Loss Control Manual*. This document will be created in conjunction with Human Resources Insurance Service Division staff.

Estimated Date of Completion

January 1, 2012

Recommendation 6.2

TEFO management should begin reporting damage and losses from acts of nature and graffiti to Human Resources and document this requirement in its procedures.

Management Action Plan

TEFO management has met with Human Resources Insurance Service Division staff to determine the best approach for achieving this recommendation. Since this will likely include well over 400 to 500 instances of such acts per month, it was agreed (by mutual consent) that a monthly report retrieving Work Order data directly from Hansen will be created. This report will be run, and sent to Human Resources at the end of each month noting losses from acts of nature and graffiti. This procedure will be noted in the newly developed "*Damage Loss Handbook*."

Estimated Date of Completion

January 1, 2012

Recommendation 6.3

TEFO management should work with Human Resources in eliminating having to manually report damage/loss information that is already captured in the Hansen system.

Management Action Plan

TEFO management has met with Human Resources Insurance Service Division staff, and has created a viable process for achieving this recommendation. TEFO staff is already testing this process for adequacy. Once this testing has been completed to the satisfaction of Human Resources and Public Works, the outcome will be noted in the newly developed "*Damage Loss Handbook*."

Estimated Date of Completion

January 1, 2012

Recommendation 6.4

TEFO management should follow-up with Human Resources to ensure they are using the correct system reports for capturing the fully burdened labor rate for damage/loss claims.

Management Action Plan

TEFO management has met with Human Resources Insurance Service Division staff, and has verified they are using the correct system reports for capturing the fully burdened labor rate for damage/loss claims. A new Hammer Launch report was created by Public Work's Senior Technical Systems Analyst, and has been provided to Human Resources for their use. This report captures the fully burdened labor rate as provided by the Finance Department. This process will be noted in the newly developed "*Damage Loss Handbook*."

Estimated Date of Completion

January 1, 2012

Recommendation 6.5

TEFO management in consultation with the city's Fleet Services division should re-evaluate the adequacy of the vehicle use rates currently being used for damage/loss reporting. FEMA's Schedule of Equipment Rates used by the Federal Government should be considered for use as a benchmark reference. The vehicle use rate methodology should be documented for future reference.

Management Action Plan

TEFO management has met with Human Resources Insurance Service Division staff and they have agreed to support this recommendation when billing subrogation parties. After approval by Vehicle Service management, TEFO staff will modify the charge rates used for vehicles within

Hansen, utilized in the Damage Reports sent by TEFO to Insurance Services. The source of these rates will be noted in the newly developed "*Damage Loss Handbook*."

Estimated Date of Completion

January 1, 2012

<u>Recommendation 6.6</u>

TEFO management should document and implement procedures to annually review the adequacy of the vehicle rates being used and verify that these rates and the fully burdened labor rates are being used with TEFO damage/loss claims.

Management Action Plan

TEFO management will create a formal document referred to as the "*Damage Loss Handbook*." As part of this document, procedures will be identified as to how TEFO will verify and review the adequacy of the vehicle rates on a yearly basis as defined in FEMA's Schedule of Equipment Rates used by the Federal Government. This annual process for validating the fully burdened labor rates will be part of the document, as well.

Estimated Date of Completion

January 1, 2012

<u>Recommendation 6.7</u>

TEFO management should document and implement procedures for updating the material costs within the work order system. These procedures should include at a minimum an annual review by management of the material listing within the work order system to ensure that the information is complete and that the costs are current.

Management Action Plan

As part of the "*Damage Loss Handbook*," TEFO management will document and implement procedures for updating the material costs within the Hansen work order system. It will be noted in the document that an annual review by management will be part of this procedure. This will include reviewing the material listing within the Hansen work order system, and verifying the adequacy of costs and types of materials entered.

Estimated Date of Completion

January 1, 2012

7. SIGN SHOP CONTINGENCY PLAN

Recommendation 7.1

TEFO management should begin cross-training additional employees on the skills required to operate the sign shop.

Management Action Plan

TEFO management will develop a formal rotational process designed to train numerous Signing & Marking Technicians regarding the operation of the sign manufacturing function. The tasks related to these functions are already part of the Signing & Marking Technician classification specification, and the formal rotational process will be a voluntary rotation among this level employee that will adhere to the LVCEA rules associated with such actions.

Estimated Date of Completion

October 1, 2011

Recommendation 7.2

TEFO management should document the procedures followed within the sign shop for the fabrication of signage. This documentation should include information on the use of equipment and software.

Management Action Plan

The necessary documentation needed for the fabrication of signage will be an integral part of the formal rotational process implemented by TEFO management which has been developed to train Signing & Marking Technicians. As staff is rotated into the sign production shop to more fully learn all operations of the sign manufacturing function, they will be required to document what they learn while in training. These individual reports will be compiled with knowledge held by the current individual already performing the function, and used to create a manual defining the procedures followed within the sign shop for the fabrication of signage.

Estimated Date of Completion

July 1, 2012

City of Las Vegas

Agenda Item No.: **10.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
Discussion for possible action on Audit of Public Works - Consultant Selection Committee (1502-1112-01)

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
City Auditor's Office staff will review the Audit of Public Works - Consultant Selection Committee (1502-1112-01)

RECOMMENDATION:
Approval

BACKUP DOCUMENTATION:
Audit of Public Works - Consultant Selection Committee (1502-1112-01)

CITY AUDITOR'S OFFICE

Audit of Public Works – Consultant Selection Committee

Report No. CAO 1502-1112-01

August 25, 2011

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

Audit of Public Works – Consultant Selection Committee

CAO 1502-1112-01

BACKGROUND

The City Auditor's Office has completed an audit of the Public Works Consultant Selection Committee (Committee). This Committee is responsible for the selection of professional service consultants for the City Engineer Division (CED) of the Public Works department. This process is not subject to competitive bidding requirements pursuant to NRS 332.115 and NRS 625.530. The type of projects that the Committee selects consultants are primarily professional services such as geological analysis, environmental impact studies, architectural design, roadway engineering, etc. The following data was identified during the audit:

SOQ Period	Number of Contract Selections	Total Contract Awards
2006-2008	88	$38.5 million
2008-2010	70	$29.6 million
Total	158	$68.1 million

The basic elements of the selection process are outlined in City Manager Information Report (CMIR) No. 020.04 dated October 07, 2004. This CMIR was the result of discussions in the Audit Oversight Committee held on August 10, 2004 where the Audit of Professional Services Contracts Report No. CAO 2002-0102-10 was reviewed. As stated in the CMIR "…The Process should be open, objective and equitable…"

The process of selecting professional service consultants begins with the Statement of Qualifications (SOQ). The SOQ contains information about a firm's size, equipment, professional staff members, resumes, and previously completed projects. SOQs are generated by firms that would like to perform work for the City and are delivered to the department of Public Works. The SOQs are then evaluated and assigned numerical scores by teams made up of select Public Works personnel and employees of other local municipalities. The firms are then sorted from highest to lowest score in the categories in which they qualify and these categories are assembled into the final SOQ list. This process is conducted every two years.

The final SOQ list is used by the Committee to assist in the selection of a firm. The Committee consists of five voting members all of whom are senior managers within the Public Works' division of City Engineering. Project managers, who are subject matter experts are responsible for briefing the Committee about their respective projects and recommending firms that are qualified to work on a project. After each presentation, the Committee members review the SOQ category relevant to the project and briefly discuss any relevant details. After the discussion, a Committee member makes a motion on who they believe should be awarded the project and the motion is approved by majority vote.

OBJECTIVES

The objectives of our audit were to:

- Determine if management controls are adequate to ensure that Committee activities are properly authorized and reported.
- Evaluate the overall effectiveness and efficiency of the Committee selection process.
- Determine if program objectives and benefits are established, monitored and accomplished.

SCOPE AND METHODOLOGY

The scope of this audit was limited to a review of the Public Works Consultant Selection Committee and related processes in the Public Works Department – City Engineer Division. 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 included a review of Committee meetings and project selections for the period from 3/30/2006 to 05/25/2010.

Our audit methodology included:

- Research of applicable guidelines,
- Interviews with City personnel,
- Observing the operation of the Committee,
- Observations of work processes,
- Analysis and detail testing of available data, and
- Review of previous audit recommendations.

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 if management controls are adequate to ensure that Committee activities are properly conducted, authorized, and reported.

- The Committee process lacks a formal written procedure. (Finding 1)
- City Management is not represented on the Selection Committee. (Finding 4)
- Prior audit recommendations related to notification of City Management have been discontinued. (Finding 7)

Evaluate the overall effectiveness and efficiency of the Committee selection process.

- A firm's past work performance is not considered in the SOQ process. (Finding 2)
- The Committee lacks a uniform evaluation report. (Fining 5)

Determine if program objectives and benefits are established, monitored and accomplished.

- Receiving an SOQ score may create a perception that a firm will be selected. (Finding 3)
- Current usage of Blanket Purchase Orders should be evaluated. (Finding 6)

Further information is contained in the following sections.

1. Formal Written Committee Procedures

Criteria

Formal written procedures are an integral part of management control. A formal procedure identifies those polices and processes that management requires to indicate compliance with management's directives. These procedures should be written so as to minimize possible misunderstanding.

Condition

- The Committee process lacks formal written procedures. The process by which the firms are contacted, scored, ranked, selected and evaluated is not documented.
- Personnel in Public Works are familiar with the selection process, but written procedures are needed to provide uniformity and consistency.

Cause

Formal written procedures have not been completed.

Effect

The selection process may not be completed in compliance with management's directions and misunderstanding may occur.

Auditor's Note: Subsequent to reviewing this finding with the City Engineering Division, an SOQ policy was completed.

Recommendation

1.1 CED management should formally document Committee procedures.
1.2 CED management should implement the recently completed SOQ policy.

2. SOQ Firm Work Experience

Criteria

In order to adequately evaluate the suitability of a prospective firm, past work experience should be evaluated.

CMIR No. 020.04 states:
"Specific criteria for use in the rating process include: …A 5-year history of interaction with the firm…"

Condition

- The SOQ ranking process does not formally include past performance indicators (e.g. report cards, general thoughts of City Project Managers) in each firm's final score as indicated in the CMIR.

- Firm performance, as indicated on Report Cards, for work completed during the SOQ period is not formally included for consideration by the Committee. This data could influence Committee decisions.

Cause

Management has not required performance to be formally considered in the SOQ.

Effect

Performance may not be considered in the selection process.

Recommendation

2.1 CED management should establish, document, and implement a process to formerly include performance reporting in the SOQ ranking process.

2.2 CED management should establish, document, and implement a process to include performance reporting for work completed during the SOQ period for Committee consideration.

3. SOQ Score & Perception

Criteria

CMIR No. 020.04 states:
“Certain goals are established for the ranking process:
The process should be open, objective and equitable,
The process should be reliable in selecting the best candidate…”

Project performance that is below minimum standards needs to be communicated to the Consultant Committee immediately so as to prevent the consultant from receiving more work from the City until the performance issues are addressed and remedied.

Condition

- As indicated in the table below, many of the firms participating in the SOQ process are not selected.

CONTRACTOR SUMMARY

	SOQ Period 2006-2008	**SOQ Period 2008-2010**
Total SOQ Contractors	67	114
Contractors w/1 Selection	39	31
More than 1 Selection	22	20
More than 2 Selections	14	9
Not Selected	28	83
Percentage Not Selected	41.8 %	72.8%

- The intention of the selection process is to obtain the best qualified firm and balance that with providing opportunity to as many other firms as is practical. Providing opportunity for other firms aids in identifying additional qualified firms.

- Some firms will not be considered for selection because of their low SOQ rating. Those firms with SOQ ratings too low to be considered should be notified to aid in managing expectations.

Cause

Not all firms submitting SOQs and receiving a rating are selected.

Effect

Firms could have the erroneous perception that receiving an SOQ rating would indicate they would be selected.

Recommendation

3.1 CED management should establish, document, and implement a process to create tiers of firms to be considered for selection by the Committee. These tiers should be created to identify the most qualified firms. Tiers that include firms that will not be consideration for selection should be notified to prevent any misunderstanding.

4. Selection Committee Composition

Criteria

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

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

As noted in the Audit of Professional Service Contracts CAO 2002-0102-10 dated June 14, 2002 a recommendation was made regarding management of the oversight of the Committee.

- 4. Selection Committee Oversight
    1. Copies of the minutes of the selection committee should be forwarded by Public Works to both Purchasing and the City Manager's Office for review.
    2. Annual reconciliation of firms selected for projects to SOQ rankings should be created and forwarded by Public Works to Purchasing and the City Manager's Office for review.

Condition

- The Committee consists of five voting members all of whom are senior managers within the Public Works' division of City Engineering. This can lend to the perception of the public and the competing firms that the process may not be open, objective, and equitable.

- Recommendations from a 2002 audit issued by the City Auditor's Office are not being followed. Copies of minutes of the Committee are not being forwarded to the City Manager's Office. Additionally, an annual reconciliation of firms selected for projects to SOQ rankings is not being created and forwarded to the City Manager's Office.

Cause

Committee is limited to employees of the CED.

Effect

The lack of broad representation on the Committee may detract from the process being open, objective, and equitable.

Recommendation

4.1 The Committee should be changed to include voting members representing the City Manager's Office, Purchasing and Contracts, Finance and Business Services, Public Works Department, and an additional department on a rotating basis. Non voting members should be members of the engineering staff to act as subject matter experts. These subject matter experts should present the expert information to aid the voting members in making the selection.

5. Report Cards

Criteria

The basic elements of the evaluation process are outlined in CMIR No. 020.04 dated October 07, 2004. As stated in the CMIR:

> During the course of the contract with the selected firm, City staff performs two levels of evaluations and review. Interim reviews are established to review progress, address work quality and potential change orders, evaluate status of time and cost budgets, assess consultant interaction with staff, and review overall performance.
>
> A final evaluation is done upon the close of the contract. In addition to those review performance during the interim review, City staff will determine if the consultant met and exceeded expectations, if the consultant personnel were local, if the consultant maintained an active office in Las Vegas, and whether the City staff would recommend this consultant in the future. These reviews are discussed with the consultant upon their completion.

Condition

- The evaluation process is referred as the "Report Card". The Report Card process is not standardized. City Engineers and Architects create the report cards in two different formats. One is rated by a single evaluator and the other is by multiple evaluators. The score in one instance is on a numerical basis while the other is on a letter grade.
- Grade reports from periods prior to the current SOQ period are not included in the SOQ rating process.
- Results of Report Cards completed for firms selected in the current SOQ period are not formally included for consideration by the Committee. As a result, project performance that is below minimum standards may not be communicated to the Committee.

Cause

Report Card information is not standardized and available in a timely manner.

Effect

The selection of firms may not be based on the most current and complete information.

Recommendation

5.1 CED management should establish, document, and implement a process to standardize Report Cards in accordance with CMIR No. 020.04 dated October 07, 2004.
5.2 CED management should establish, document, and implement a process to incorporate previous Report Card results from a prior period into the SOQ rating.
5.3 CED management should establish, document, and implement a process to incorporate Report Card results recorded as a result of selections during the SOQ period for consideration by the Committee.

6. Blanket Purchase Orders

Criteria

CMIR No. 020.04 states:
"Certain goals are established for the ranking process:
The process should be open, objective and equitable,
The process should be reliable in selecting the best candidate…"

Project performance that is below minimum standards needs to be communicated to the Consultant Committee immediately, so as to prevent the consultant from receiving more work from the City until the performance issues are addressed and remedied.

Condition

- During the two SOQ selection periods, five blanket purchase orders were utilized. The five blanket purchase orders ranged from $200,000 to $2,500,000. Blanket contracts commit a significant number of projects to a single firm.

- The Committee uses blanket contracts to assign similar work to a firm, thereby saving meeting time. These single contracts represent multiple projects that could be assigned to multiple firms. Breaking these blanket contracts into smaller contracts could provide an opportunity to evaluate firms not being selected.

Cause

Several similar projects are aggregated and a single firm is selected.

Effect

The pool of possible firms is limited by the number of firms that are allowed to participate in the selection process and be evaluated by City staff.

Recommendation

6.1 CED management should study breaking the blanket purchase orders into smaller increments to allow more firms the opportunity to participate in City contracts. This study should be documented and include the rationale supporting the results of the study.

7. Prior Audit Recommendations

Criteria

- The Audit of Professional Service Contracts CAO 2002-0102-10 dated June 14, 2002 contained two findings related to the current operation.
  - Selection and Evaluation of Service Providers
    - 3.5 Purchasing should design a generic contractor performance evaluation form for use by city departments to document the performance of service providers on an annual basis. City departments may customize the generic form to meet their specific needs and should consider the evaluation in the future selection of service providers.

- Selection Committee Oversight
    - 4.1 Copies of the minutes of the selection committee should be forwarded by Public Works to both Purchasing and the City Manager's Office for review.
    - 4.2 Annual reconciliation of firms selected for projects to SOQ rankings should be created and forwarded by Public Works to Purchasing and the City Manager's Office for review.

Condition

- The Selection Committee utilizes different evaluation forms for Architectural Services and the City Engineer's Office. (see Finding 5)
- The Selection Committee is not currently forwarding minutes of the committee to Purchasing and the City Manager's Office as previously recommended by the City Auditor's Office and agreed to by management.
- The Selection Committee is not currently forwarding an annual reconciliation of firms selected for projects to SOQ rankings to Purchasing and the City Manager's Office as previously recommended by the City Auditor's Office and agreed to by management.

Cause

Public Works management discontinued procedures previously implemented as a result of the Audit of Professional Service Contracts.

Effect

Relative assurance does not exist to ensure that actions by the Selection Committee are known by Purchasing management and the City Manager's Office management and therefore in accordance with management directives.

Recommendation

7.1 The Selection Committee should either, resume the practice of forwarding the minutes to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's Office of the detailed actions of the committee, or implement Recommendation 4.1 of this report.

7.2 The Selection Committee should either resume the practice of creating an annual reconciliation of firms selected for projects to SOQ rankings and forward it to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's of an annual reconciliation of firms selected for projects to SOQ rankings, or implement the Recommendation 4.1 of this report.

Management Response

1. Formal Written Committee Procedures

Recommendation

1.1 CED management should formally document Committee procedures.
1.2 CED management should implement the recently completed SOQ policy.

Management Action Plan:

1.1 The City Engineer Division will further develop procedures for the Consultant Selection Committee as recommended by the audit. The procedures will be used internally to guide committee members in the selection of design consultants.
1.2 The City Engineer Division is updating the SOQ Procedures as a result of this audit. The procedure will be distributed to consultants during each term of the SOQ process and will be made available to the public on the CLV Public Works webpage.

Estimated Date of Completion:

December 31, 2011

2. SOQ Firm Work Experience

Recommendation

2.1 CED management should establish, document, and implement a process to formerly include performance reporting in the SOQ ranking process.

2.2 CED management should establish, document, and implement a process to include performance reporting for work completed during the SOQ period for Committee consideration.

Management Action Plan:

2.1 The City Engineer Division will develop and implement a formal written process for performance reporting in future SOQ selections. The performance reporting process will include evaluations at 70% design, 100% design and 100% construction. Performance reports will be kept for 5-years on past projects.

2.2 The City Engineer Division will develop and implement a formal written process for performance reporting for work completed during the SOQ period for Committee consideration. This process will be included in the Consultant Selection Committee Process.

Estimated Date of Completion:

December 31, 2011

3. SOQ Score & Perception

Recommendation

3.1 CED management should establish, document, and implement a process to create tiers of firms to be considered for selection by the Committee. These tiers should be created to identify the most qualified firms. Tiers that include firms that will not be consideration for selection should be notified to prevent any misunderstanding.

Management Action Plan

3.1 The City Engineer Division will develop and implement a formal written procedure to create tiers for firms that submit for the SOQ process. The process will include a two tier system which will be divided between large, more complex projects and small, less complex projects. Firms that fall outside of acceptable tiers will be notified that they will not be considered for projects during the SOQ term.

Estimated Date of Completion:

December 31, 2011

4. Selection Committee Composition

Recommendation

4.1 The Committee should be changed to include voting members representing the City Manager's Office, Purchasing and Contracts, Finance and Business Services, Public Works Department, and an additional department on a rotating basis. Non voting members should be members of the engineering staff to act as subject matter experts. These subject matter experts should present the expert information to aid the voting members in making the selection.

Management Action Plan:

4.1 The City Engineer Division will change the composition of the Consultant Selection Committee to include a voting member from the City Manager's Office, Finance and Business Services (Purchasing & Contracts), Public Works, Field Operations, and Parks, Recreation & Neighborhood Services. City Engineer's Division staff will attend to offer expert information on their recommendations. The Consultant Selection Committee procedures will identify the makeup of the committee and the process.

Estimated Date of Completion:

December 31, 2011

5. Report Cards

Recommendation

5.1 CED management should establish, document, and implement a process to standardize Report Cards in accordance with CMIR No. 020.04 dated October 07, 2004.
5.2 CED management should establish, document, and implement a process to incorporate previous Report Card results from a prior period into the SOQ rating.
5.3 CED management should establish, document, and implement a process to incorporate Report Card results recorded as a result of selections during the SOQ period for consideration by the Committee.

Management Action Plan:

5.1 The City Engineer Division has developed standardized Report Cards/performance reporting between Architectural, Engineering and Construction Management.
5.2 The City Engineer Division has developed a process to document Report card results for the period prior to the SOQ and will implement this process during the next SOQ selection process.
5.3 The City Engineer Division will develop and implement a formal written process for performance reporting for work completed during the SOQ period for Committee consideration. This process will be included in the Consultant Selection Committee Process, see response 2.1 above.

Estimated Date of Completion:

December 31, 2011

6. Blanket Purchase Orders

Recommendation

6.1 CED management should study breaking the blanket purchase orders into smaller increments to allow more firms the opportunity to participate in City contracts. This study should be documented and include the rationale supporting the results of the study.

Management Action Plan:

6.1 The City Engineer Division has reviewed the awarding of blanket contracts and will limit the value of blanket purchase orders and increase the number of the contracts in order to help spread these contracts to more consultants in the future. A process covering the award of blanket purchase orders will be established and implemented in the Consultant Selection Committee procedures.

Estimated Date of Completion:

December 31, 2011

7. Prior Audit Recommendations

Recommendation

7.1 The Selection Committee should either resume the practice of forwarding the minutes to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's Office of the detailed actions of the committee, or implement Recommendation 4.1 of this report.

7.2 The Selection Committee should either resume the practice of creating an annual reconciliation of firms selected for projects to SOQ rankings and forward it to Purchasing management and the City Manager's Office, implement another practice that notifies Purchasing and the City Manager's of an annual reconciliation of firms selected for projects to SOQ rankings, or implement the Recommendation 4.1 of this report.

Management Action Plan:

7.1 City Engineer Division will implement Recommendation 4.1 of this report and forward the selection information to the Purchasing office and CMO after each Consultant Selection meeting or devising another method in conjunction with including members on the committee from these departments. The specific process and procedure will be covered in the Consultant Selection Committee Process.

7.2 City Engineer Division will implement Recommendation 4.1 of this report and will review the need for creating a separate report for reporting the annual results of the committee selections. The specific process and procedure will be covered in the Consultant Selection Committee Process.

Estimated Date of Completion:

December 31, 2011

City of Las Vegas

Agenda Item No.: **11.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR'S OFFICE

DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:

Discussion for possible action on the Annual Audit Recommendation Follow-Up As of June 30, 2011 (2600-1112-02)

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:

Annual Audit Recommendation Follow-Up As of June 30, 2011 (2600-1112-02)

CITY AUDITOR'S OFFICE

ANNUAL AUDIT RECOMMENDATION FOLLOW-UP AS OF JUNE 30, 2011

Report No. CAO 2600-1112-02

October 25, 2011

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

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Annual Audit Recommendation Follow-Up
As Of June 30, 2011
Report No. CAO 2600-1112-02
October 25, 2011

BACKGROUND

The City Auditor's Office has provided 1,281 audit recommendations requiring corrective action to City Departments since January 1, 1999. This report summarizes the status of these audit recommendations as of June 30, 2011.

OBJECTIVES

The objective of our follow-up program is to ensure that audit recommendations are being appropriately addressed by City management and to track the status of the recommendations. Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. City management is responsible for addressing audit recommendations. This follow-up is a process to help management fulfill this responsibility.

SCOPE AND METHODOLOGY

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

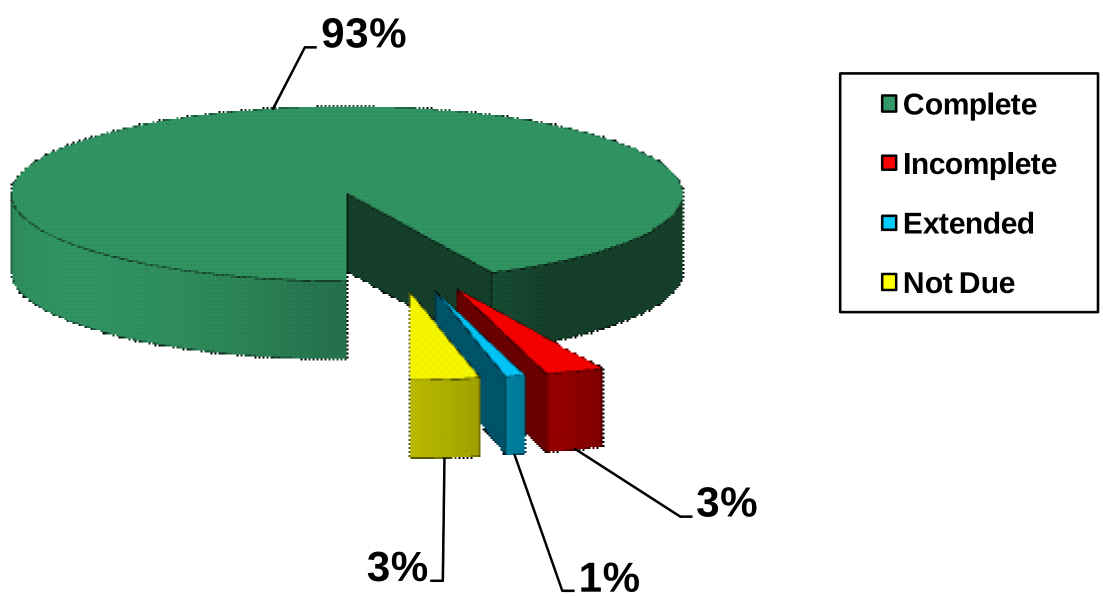
	Complete	The recommendation has been implemented, some other action has been taken to effectively correct the deficiency, or other circumstances warrants a status of completion.
	Incomplete	The recommendation has not been implemented.
	Extended	The recommendation has not been implemented due to circumstances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

For each audit recommendation, City management provides an estimated completion date. An audit recommendation is classified as being Not Due until this date has passed and then the audit recommendation becomes Incomplete or Extended. An audit recommendation remains in one of these classifications until City management completes the recommendation and notifies our Office. Subsequently, audit staff obtain and evaluate evidence supporting management's representation. If the evidence demonstrates that the recommendation has been adequately addressed, the auditor identifies the recommendation as being Complete.

CONCLUSION

The accompanying chart and tables (pages 2 and 3) summarize the status of the audit recommendations. Following the chart, each audit recommendation is classified as Incomplete, Extended, or Not Due and listed by department. The Management Action Plan response was obtained from the original audit report. While city management has made progress toward the implementation of the audit recommendations contained in the various reports, additional efforts should be made in finalizing incomplete and extended recommendations.

Recommendations Summary
January 1999 - June 2011



	COMPLETE 1,190	INCOMPLETE 36	EXTENDED 12	NOT DUE 43	TOTAL 1,281
2010-2011	10	27	0	43	**80**
2009-2010	68	4	4	0	**76**
2008-2009	69	4	0	0	**73**
2007-2008	46	0	2	0	**48**
2006-2007	61	1	0	0	**62**
2005-2006	69	0	2	0	**71**
2004-2005	72	0	2	0	**74**
2003-2004	39	0	0	0	**39**
2002-2003	88	0	0	0	**88**
2001-2002	156	0	2	0	**158**
2000-2001	113	0	0	0	**113**
1999-2000	399	0	0	0	**399**

Incomplete Recommendations Summary

DEPARTMENT	Fiscal Year 2006 - 2007	2008 - 2009	2009 - 2010	2010 - 2011	TOTAL
Finance	1	--	--	--	**1**
Municipal Court	--	--	4	--	**4**
Operations and Maintenance	--	4	--	16	**20**
Parks, Recreation, and Neighborhood Services	--	--	--	11	**11**
TOTAL	1	4	4	27	**36**

DEPARTMENTAL AUDIT RECOMMENDATION FOLLOW-UP INDEX

DEPARTMENTAL AUDIT RECOMMENDATION FOLLOW-UP INDEX

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DEPARTMENTAL AUDIT RECOMMENDATION FOLLOW-UP INDEX

Public Works

Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

FOLLOW-UP DETAIL: AUDIT RECOMMENDATIONS BY DEPARTMENT

Building and Safety

1 **0753 0708 01 Audit of Building and Safety**

03. Hansen Expired Permit Fee Assessment Due Date: 03/31/2008 Extended

Recommendation:

Building and Safety management should resolve the expired permit fee function deficiencies. Once the issues are resolved, the process should be documented and staff instructed of established procedures.

Management Action Plan:

- **Problems with incorrect expiration of permits: This trigger has been disabled and is currently being re-designed by the Hansen Project Team**
- **As an interim solution, a new policy has been put in place that all permit renewals must go through a Supervisor for approval and pricing.**

Auditor: N. Beaty

Building and Safety

2 **0753 0708 01 Audit of Building and Safety**

06. Performance Report Due Date: *06/30/2008-R. Extended
12/31/2007-O.

Recommendation:

Building and Safety management should develop and document more accurate methods for calculating monthly performance reports.

Management Action Plan:

- **Data entry error and variance in reporting still to be resolved.**
- **Valuation report has some data entry problems which can be addressed once we are fully on Hansen by producing an automated report. A new valuation report will be available by the end of October '07.**
- **A new cashiering system will be in place with Hansen by the end of November '07.**

A new revenue report will be generated from Hansen in December '07 with a few additions from Legacy/Mainframe such as Sign permits, Express Inspections & Refees on existing Legacy permits. The new report will be cross-checked for accuracy against the existing Oracle reports in September and October.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**
Due Date:	***R.=Revised /O.=Original**

Building and Safety

3 **1802 0910 03 Audit of Neighborhood Services Rapid Response Team**

07. Account Receivables Due Date: 10/30/2009 Extended

Recommendation:

Neighborhood Services management should determine whether it would be cost effective to place liens on properties for services performed by the Rapid Response Team.

Management Action Plan:

Abatement costs are currently manually added on a case when work is performed by RRT. We are working with IT/CMO Project Staff to automate our systems to generate a fee and a bill. We are currently in the test phase and should have this complete shortly. This will ensure that all charges for services are billed. Charges that are billed, for RRT services such as pool pumping are typically billed to the property owner and if not paid are sent to collections. We are investigating the possibility of placing liens on properties that have not paid their bills in 90 days.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Finance

4 **1501 0102 02 Audit of Wastewater Pollution Control Facility and Sewer Services**

B. 04. 01. Performance Reports Due Date: 12/31/2002 Extended

Recommendation:

Sewer Services should create a monthly performance report with additional performance data needed by upper management.

Management Action Plan:

As mentioned, the BSD anticipates converting the current sewer billing system to the Oracle-based Hansen Industries system. The new system, fully integrated with the planning, building inspection, public works, business licensing, and finance functions, will allow for the creation of many different management reports. In order to best allocate personnel resources (both BSD and Information Technology), no changes will be made to the legacy system, but rather the improved management reports will be focused on the new Hansen system when it is brought up in late Fall, 2002.

Auditor: B. Smith

Finance

5 **1501 0102 02 Audit of Wastewater Pollution Control Facility and Sewer Services**

B. 04. 02. Performance Reports Due Date: 12/31/2002 Extended

Recommendation:

For information that is not easily accessible from the sewer service system, Sewer Services should work with Information Technologies to access this data.

Management Action Plan:

As mentioned, the BSD anticipates converting the current sewer billing system to the Oracle-based Hansen Industries system. The new system, fully integrated with the planning, building inspection, public works, business licensing, and finance functions, will allow for the creation of many different management reports. In order to best allocate personnel resources (both BSD and Information Technology), no changes will be made to the legacy system, but rather the improved management reports will be focused on the new Hansen system when it is brought up in late Fall, 2002.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Finance

6 **0601 0607 06 Audit of Financial Services Grant Fiscal Administration**

01. Allocation of Indirect Costs for Federal Grants Due Date: 07/01/2008 Incomplete

Recommendation:

City Management should review the benefits and costs identified in this audit for an indirect cost allocation plan for Federal Grant Awards and evaluate whether such a plan would be beneficial to the City.

Management Action Plan:

Financial Services Division will evaluate cost allocation methodologies and goals to develop a comprehensive cost allocation strategy.

Estimated Date of Completion:
Implementation in fiscal year 2008

Auditor: N. Beaty

Incomplete:	Not implemented.
Extended:	Not implemented due to circumstances beyond the department's control.
Not Due:	Due date identified by management has not passed.

Fire and Rescue

7 **2010 1011 06** **Audit of The Metropolitan Medical Response System Grant Program**

01. **Pharmaceutical and Equipment Management** **Due Date: 01/01/2012** **Not Due**

Recommendation:

The MMRS coordinator should establish, document, and implement an inventory management plan. This plan should include:

- **Compliance with 44 CFR Part 13.32 Equipment standards.**
- **Policies and procedures to mark equipment purchased with Federal grant funds.**
- **Policies and procedures to minimize large periodic variations in supplies due to coinciding purchases and expiration dates.**

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Fire and Rescue

8 **2010 1011 06** **Audit of The Metropolitan Medical Response System Grant Program**

02. **Reconciliation of Pharmaceutical and Equipment Purchases** **Due Date: 01/01/2012** **Not Due**

Recommendation:

The MMRS coordinator should establish, document, and implement an inventory management control system that includes the following procedures:

- **Confirm the receipt of pharmaceuticals and equipment purchases to invoices and purchases orders.**
- **Add the purchases to physical inventory records that include the categories listed in 44 CFR Part 13.32 (d)(1).**
- **Review the quarterly financial reports to ensure that the grant reimbursements agree with the actual purchases. Follow-up on any discrepancies accordingly.**
- **Update the physical inventory records for any status changes.**

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Fire and Rescue

9 **2010 1011 06 Audit of The Metropolitan Medical Response System Grant Program**

03. Exercise Management Due Date: 01/01/2012 Not Due

Recommendation:

The MMRS coordinator should establish, document, and implement policies and procedures to ensure that:

- **All exercises are pre-approved by Nevada Department of Public Safety Division of Emergency Management Exercise Officer (EO).**
- **All exercises are coordinated with the EO to ensure that the exercises are conducted in accordance with appropriate guidelines.**
- **After Action Report/Improvement Plans (AAR/IP) are submitted within 60 days to the EO with a copy provided to the Grants & Project Analyst.**

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Fire and Rescue

10 **2010 1011 06 Audit of The Metropolitan Medical Response System Grant Program**

04. Award Adjustments Due Date: 01/01/2012 Not Due

Recommendation:

The MMRS coordinator should establish, document, and implement policies and procedures to ensure that:

- **Written requests or notifications are completed and retained to notify the Nevada Department of Public Safety Division of Emergency Management of grant award adjustments.**
- **When received, written approvals for grant award adjustments are retained.**

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Fire and Rescue

11 **2010 1011 06** **Audit of The Metropolitan Medical Response System Grant Program**

05. **Costs Requiring Prior Approval** **Due Date: 01/01/2012** **Not Due**

Recommendation:

The MMRS coordinator should establish, document, and implement policies and procedures to ensure that prior approval is obtained before the MMRS coordinator prepares subsequent MMRS grant proposals and modifies existing awards. For future grant proposals, consideration should be given to adding these job responsibilities to MMRS coordinator job description in the Investment Justification.

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Fire and Rescue

12 **2010 1011 06** **Audit of The Metropolitan Medical Response System Grant Program**

06. **Employee Certification** **Due Date: 01/01/2012** **Not Due**

Recommendation:

Fire and Rescue management should establish, document, and implement policies and procedures to ensure compliance with 2 CFR Part 225. Periodic certifications should be submitted to the Nevada Department of Public Safety Division of Emergency Management that state the MMRS coordinator worked solely on the MMRS grant. The certifications should be signed by an official who has firsthand knowledge of the work performed by the MMRS coordinator.

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Fire and Rescue

13 **2010 1011 06** **Audit of The Metropolitan Medical Response System Grant Program**

07. **Quarterly Progress Reports** **Due Date: 01/01/2012** **Not Due**

Recommendation:

The MMRS coordinator should establish, document, and implement standardized policies and procedures to ensure:

- **Timely submittal of quarterly reports.**
- **Documentation is maintained to confirm the timely submittal of the required reports.**
- **Continuity of the timely submittal of the quarterly progress reports when a change in the MMRS coordinator position occurs.**

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Fire and Rescue

14 **2010 1011 06** **Audit of The Metropolitan Medical Response System Grant Program**

08. **Record Retention Requirements** **Due Date: 01/01/2012** **Not Due**

Recommendation:

The MMRS coordinator should:

- **Determine what documents should be retained to support the MMRS grant program.**
- **Designate a centralized location to systematically store applicable documents related to the MMRS grant program.**
- **Implement a retention schedule for all applicable documents.**
- **Ensure continuity of documents when a change in the MMRS coordinator position occurs.**
- **Establish, document, and implement written policies and procedures for the retention of required documents.**

Management Action Plan:

Accept and implement recommendations.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Information Technologies

15 **2001 0405 03 Audit of Controls Over City Utility Payments And Costs**

01. 02. Utility Usage Monitoring Due Date: 10/04/2005 Extended

Recommendation:

In conjunction with the development of the utility usage monitoring program, Information Technologies should evaluate the needs of this program and use this information in establishing utility processing on a new systems platform.

Management Action Plan:

Information Technologies Management agrees that a program to monitor usage would establish the bases for identifying support solutions. The functional needs of the program, as well as whom and how many would be using it will help I.T. determine the appropriate system requirement. Early identification of the software requirements, users, and access will aid in the determination of the hardware component requirement as well. Additionally, the assessment of third party monitoring tools in the market could both automate and accelerate the discovery of system solutions and the implementation process.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Municipal Court

16 1103 0910 09 **Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

01. 01. Areas of Non-Compliance With MAS Due Date: 09/30/2010 Incomplete

Recommendation:

Court Management should address the identified areas of non-compliance with the MAS Checklist standards.
Written Policy and Procedure Deficiencies (#2j p. 16, #129a, b, and c p. 64)

Management Action Plan:

Our Management Action Plan is to review all policies and procedures as they relate to our new case management system (CMOR) that went live in November. The areas identified as non-compliant by the audit staff will receive additional scrutiny to ensure compliance with the MAS Checklist standards. The Court will also coordinate the applicable policies and procedures with the Detention & Enforcement Department (D&E) ensuring that the procedures used by D&E on behalf of the Court comply with the MAS Checklist standards as well.

Auditor: B. Smith

Municipal Court

17 1103 0910 09 **Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

01. 02. Areas of Non-Compliance With MAS Due Date: 09/30/2010 Extended

Recommendation:

Court Management should address the identified areas of non-compliance with the MAS Checklist standards.
Documentation on Distribution of Policies and Procedures to Court Employees (#3 p.17, #68 p. 38, #101 p. 54, #130 p. 65)

Management Action Plan:

Our Management Action Plan is to review all policies and procedures as they relate to our new case management system (CMOR) that went live in November. The areas identified as non-compliant by the audit staff will receive additional scrutiny to ensure compliance with the MAS Checklist standards. The Court will also coordinate the applicable policies and procedures with the Detention & Enforcement Department (D&E) ensuring that the procedures used by D&E on behalf of the Court comply with the MAS Checklist standards as well.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Municipal Court

18 **1103 0910 09** **Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

01. 03. Areas of Non-Compliance With MAS Due Date: 09/30/2010 Incomplete

Recommendation:

Court Management should address the identified areas of non-compliance with the MAS Checklist standards.
Limitations on Amount of Cash in Cash Drawers (#18c, p. 21)

Management Action Plan:

Our Management Action Plan is to review all policies and procedures as they relate to our new case management system (CMOR) that went live in November. The areas identified as non-compliant by the audit staff will receive additional scrutiny to ensure compliance with the MAS Checklist standards. The Court will also coordinate the applicable policies and procedures with the Detention & Enforcement Department (D&E) ensuring that the procedures used by D&E on behalf of the Court comply with the MAS Checklist standards as well.

Auditor: B. Smith

Municipal Court

19 **1103 0910 09** **Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

01. 05. Areas of Non-Compliance With MAS Due Date: 09/30/2010 Incomplete

Recommendation:

Court Management should address the identified areas of non-compliance with the MAS Checklist standards.
Implementation of Procedures to Comply with IRS Reporting Requirements (#29, p. 23)

Management Action Plan:

Our Management Action Plan is to review all policies and procedures as they relate to our new case management system (CMOR) that went live in November. The areas identified as non-compliant by the audit staff will receive additional scrutiny to ensure compliance with the MAS Checklist standards. The Court will also coordinate the applicable policies and procedures with the Detention & Enforcement Department (D&E) ensuring that the procedures used by D&E on behalf of the Court comply with the MAS Checklist standards as well.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Municipal Court

20 **1103 0910 09 Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

01. 07. Areas of Non-Compliance With MAS Due Date: 09/30/2010 Extended

Recommendation:

Court Management should address the identified areas of non-compliance with the MAS Checklist standards.
Accounts Receivable (#105a p. 56, #106 p. 56, #110 p. 57, #112 p. 57, #120 p. 60)

Management Action Plan:

Our Management Action Plan is to review all policies and procedures as they relate to our new case management system (CMOR) that went live in November. The areas identified as non-compliant by the audit staff will receive additional scrutiny to ensure compliance with the MAS Checklist standards. The Court will also coordinate the applicable policies and procedures with the Detention & Enforcement Department (D&E) ensuring that the procedures used by D&E on behalf of the Court comply with the MAS Checklist standards as well.

Auditor: B. Smith

Municipal Court

21 **1103 0910 09 Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

01. 09. Areas of Non-Compliance With MAS Due Date: 09/30/2010 Incomplete

Recommendation:

Court Management should address the identified areas of non-compliance with the MAS Checklist standards.
Bail Reconciliation (#134, p. 66)

Management Action Plan:

Our Management Action Plan is to review all policies and procedures as they relate to our new case management system (CMOR) that went live in November. The areas identified as non-compliant by the audit staff will receive additional scrutiny to ensure compliance with the MAS Checklist standards. The Court will also coordinate the applicable policies and procedures with the Detention & Enforcement Department (D&E) ensuring that the procedures used by D&E on behalf of the Court comply with the MAS Checklist standards as well.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Municipal Court

22 **1103 0910 09** **Procedures Performed -- Minimum Accounting Standards Checklist For Nevada Courts**

02. **MAS Policy and Procedures** **Due Date: 12/01/2010 Extended**

Recommendation:

Court Management should review and update the MAS System of Internal Controls document.

Management Action Plan:

Our Management Action Plan is to begin a five-stage review of all policies and procedures upon the implementation of the new case management system (CMOR). The initial stage of the review is to identify and correct programming issues that may arise. The second stage of the review is to ensure all reports are created and have been validated for accuracy. The third stage is to develop procedures that are compliant with MAS Checklist standards and City Policy. The fourth stage of the review is to document the policies and procedures and obtain Court approval. The final stage of the review is to issue the policies and procedures to Court personnel.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

23 1701 0405 05 Audit of Durango Hills Golf Course Management Contract

07. 01. Property Tax Due Date: 06/30/2005 Extended

Recommendation:

The Project Manager should seek formal resolution from the City Attorney's Office as to whether the current outsourcing arrangement for DHGC qualifies for tax exemption.

Management Action Plan:

The Project Manager should certainly be involved, however, a directive for formal resolution from the City Attorney's Office would be more appropriately made from the City Manager's Office.

Auditor: R. Snelding

Operations and Maintenance

24 1702 0506 02 Audit of City Vehicle Replacement Program

02. 01. Projected Vehicle Useful Lives Due Date: 06/01/2006 Extended

Recommendation:

The Fleet Services Manager should assign each vehicle's projected useful life based on the history of the vehicle being replaced and the projected annual usage.

Management Action Plan:

Fleet Management and Finance will establish criteria for the assignment of useful life. At a minimum, the process will address historical trending, projected use, and governmental accounting guidelines.

As we discussed, the use of a fleet specific Fleet Management software program, as opposed to the City's current Hansen Program, would make this an easier task to accomplish. Indeed, the consultant that was hired by the Auditing department was surprised that we use the Hansen program and advocated a canned fleet management program to replace it. Estimated cost of this type of program is $100,000. There are sufficient reserves in the Divisional operating budget to cover this expense. In the absence of this type of program, an internal review of vehicles and equipment's useful lives, though cumbersome under Hansen, would be utilized.

Auditor: B. Smith

Operations and Maintenance

25 **1702 0506 02 Audit of City Vehicle Replacement Program**

02. 02. Projected Vehicle Useful Lives Due Date: 01/03/2006 Extended

Recommendation:

The Fleet Services Manager should consider rotating low-use and high-use vehicles among staff/departments to balance and optimize the use of all vehicles in the fleet.

Management Action Plan:

Dovetails with item 2.1 above. A fleet specific software program will make this a doable task in a timely fashion. The Vehicle Advisory Committee (more fully discussed in recommendation 3.1 below) would be charged with making recommendations to allocate the City's vehicular fleet, that is not assigned to specific individuals, to maximize their usefulness. This committee should have the authority to direct changes to the fleet configuration where resistance is encountered and, quite frankly, expected.

Timetable: January 3, 2006

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

26 1703 0809 01 Audit of Sanitary Sewer System

02. Spill Reporting Requirements Due Date: 09/15/2008 Incomplete

Recommendation:

Sewer Maintenance management working with the City's Public Works Environmental Division should seek clarification from NDEP on whether sewer stoppages without an overflow need to be included in the Quarterly SSO Report. If not needed, Sewer Maintenance should discontinue use of the SSO Report for documenting stoppages without an overflow and create an alternative means for documenting and monitoring these stoppages.

Sewer Maintenance management should create documented policies and procedures giving direction to their employees on how to comply with the Spill Reporting Policy. These policies and procedures should include guidance on the following areas:

- **staff member responsibilities**
- **proper completion of data fields on SSO Reports**
- **when to complete a 24-hour report and the required distribution of the report**
- **supporting documentation requirements**

Management Action Plan:

- **In accordance with the definition of an SSO in the original reporting policy developed in conjunction with staff from the Nevada Department of Environmental Protection, which states that "SSO means any diversion, bypass, spill, overflow or discharge of untreated or partially treated wastewater from wastewater treatment, collection, or conveyance facilities under control of the permittee, other than through points of discharge identified in a discharge permit", staff will no longer report stoppages without overflows as an SSO. Instead full and partial stoppages will be tracked internally only, via the activity sheets described in Item 1, and a TBD graphical format (e.g., a map with color coded incidents, GIS layer input added in conjunction with PW staff).**
- **A SSO procedure will be compiled and all staff trained on response and documentation requirements and activities.**
- **The procedure will include 24-hour and 5-day report requirements, but primary responsibility for those activities will remain with the Division Manager, as these incidences will by nature have property damage and/or regulatory citation liabilities.**
- **Compilation of mitigation costs will be added to the SSO tracking.**

Estimated Date of Completion:

- **Identification of stoppages without overflows, in the SSO reporting submitted to NDEP, will be eliminated on July 1, 2008.**
- **Training and implementation of internal SSO response and documentation procedure will be implemented by September 15, 2008.**

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

27 1703 0809 01 Audit of Sanitary Sewer System

03. Clark County Permits Due Date: 03/01/2009 Incomplete

Recommendation:

Sewer Maintenance management working with the City Attorney's Office and Public Works should enter into discussions with Clark County representatives to create an intergovernmental agreement giving them access to the city sewer lines running through Clark County land without the need for individual permits.

Management Action Plan:

- **Previous S&S requests to have this issue addressed in associated agreements have been ejected by PW and CAO, so this will need to be a stand-alone agreement. The City will have little leverage with the County in any negotiations, and the County would likely prefer to treat the City similar to other utility providers (e.g., Nevada Power, Southwest Gas). Unless the City is willing to take a firm stance on this issue (e.g., no further connections until an agreement is executed), we may find the County uncooperative and/or unrealistic. Nonetheless S&S staff will work with County maintenance staff to draft an agreement for review by the respective Public Works and Attorney staffs.**

Estimated Date of Completion:

- **The draft will be forwarded for PW and CAO review and action by March 1, 2009.**

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

28 1703 0809 01 Audit of Sanitary Sewer System

08. Performance Measurements Due Date: 05/01/2009 Incomplete

Recommendation:

Sewer Maintenance management should:

- **Evaluate the appropriateness and value of the current performance measurements being tracked.**
- **Evaluate whether additional performance measurements should be tracked.**
- **Document the definition and derivation of each performance measurement used.**
- **Ensure the performance measurement titles properly reflect the data being reported.**

Management Action Plan:

- **Identification of improved performance measurements will be considered during development of policies and procedures, with emphasis placed on quantitative cost-benefit analysis, productivity, and resource "leakage" due to external causes (e.g., support for other City Divisions, mandatory training).**

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

29 1703 0809 01 Audit of Sanitary Sewer System

10. Standard Operating Procedures Due Date: 05/01/2009 Incomplete

Recommendation:

Sewer Maintenance management should create documented standard operating procedures for its three primary functions to enhance management oversight, improve staff accountability, provide orientation and reference material for staff, and document the institutional knowledge of existing staff in case of employee turnover or extended absences. For purposes of this audit, documented standard operating procedures should be created for the following areas:

Sanitary sewer conveyance component maintenance and repairs (cleaning of main lines, line repairs, video inspections, manhole repairs, diversion operations)

- **Daily responsibilities of work crews including documentation requirements (see Finding #1)**
- **Use of Hansen customer complaint/service system**
- **Monthly activity summarization and reporting**
- **Video inspection program (see Finding #4)**
- **Equipment and supplies inventory control program (see Finding #6)**
- **Overtime and after-hours call-out rotation**
- **Performance measurement summarization (see Finding #8)**
- **Document retention compliance guidelines**

Sanitary sewer private collection component responses (identification of lateral issues and provision of customer service assistance)

- **Lateral line customer assistance program**

Sanitary sewer overflow ("SSO") responses (removal of obstructions and restoration of flow, mitigation of contamination, and regulatory compliance reporting)

- **NDEP Spill Reporting Policy compliance (see Finding #2)**
- **Call Before You Dig program compliance (see Finding #5)**

Management Action Plan:

- **Applicable operating procedures will be developed and implemented.**

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

30 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

01. 01. Fuel Transaction Monitoring Due Date: 04/01/2011 Incomplete

Recommendation:

Fleet Services management should implement a process by which all city departments receive monthly detailed fueling transaction reports of their employees along with instructions for review of the reports and a discussion of possible indicators of irregularities.

Management Action Plan:

Develop a Fleet divisional Policy & Procedure involving cross training of staff to provide fueling reports to each Department Director whose staff operate city owned vehicles and equipment on a quarterly basis.

Auditor: B. Smith

Operations and Maintenance

31 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

01. 02. Fuel Transaction Monitoring Due Date: 05/15/2011 Incomplete

Recommendation:

Fleet Services management should evaluate options for increased automation of the generation of the monthly detailed fueling transaction reports and what enhancements can be made to the reports to facilitate the monitoring and identification of fueling transaction irregularities. Consideration should be given to color coding the following types of transactions on the reports to facilitate departmental review.

- **Fueling transactions exceeding tank capacity**
- **Multiple fueling transactions within a short period for the same vehicle**
- **Weekend, holiday, late night, and early morning transactions**
- **Key fob transactions**
- **Unusually large transactions**

Management Action Plan:

In conjunction with 1.1 above, work with I.T. to generate reports to track transactions that appear questionable for Department staff to follow-up with and report back to Fleet Services.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

32 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

01. 03. Fuel Transaction Monitoring Due Date: 04/01/2011 Incomplete

Recommendation:

Fleet Services management should begin tracking fuel tank capacities of vehicles for use in monitoring fueling transactions.

Management Action Plan:

In conjunction with 1.1 above, develop a process to list fuel tank capacities of all city owned vehicles and equipment.

Auditor: B. Smith

Operations and Maintenance

33 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

02. 01. Compressed Natural Gas Card Oversight Due Date: 01/01/2011 Incomplete

Recommendation:

Fleet Services management should implement and document a more formalized process for ensuring all active CNG cards are placed in their assigned vehicles.

Management Action Plan:

Use the current sign-out sheet for city employees driving a CNG fueled vehicle as a cross-check for identifying CNG cards that have been turned in and destroyed. If still in use, insure they are easily accessible by placing them in the glove box with the accident report kit that is in each city owned vehicle. Confirm compliance and indicate such compliance on the work order each time the vehicle is brought in for scheduled service.

Auditor: B. Smith

Operations and Maintenance

34 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

02. 02. Compressed Natural Gas Card Oversight Due Date: 01/01/2011 Incomplete

Recommendation:

Fleet Services management should implement and document procedures outlining actions to be taken with CNG cards upon disposal of a vehicle.

Management Action Plan:

Indicate on the work order generated when a vehicle is brought in for preparation for disposal, that the CNG card has been destroyed by Fleet Services staff.

Auditor: B. Smith

Operations and Maintenance

35 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

02. 03. Compressed Natural Gas Card Oversight Due Date: 01/01/2011 Incomplete

Recommendation:

Fleet Services management should begin tracking the deactivation and card destruction date on the CNG fuel card log and at a minimum complete an annual reconciliation of the CNG fuel card log to the CNG contractor's records.

Management Action Plan:

Same as 2.2 above. Track the specific deactivation date on the CNG fuel card log. Reconcile annually with the fuel billing report generated by the vendor Clean Energy.

Auditor: B. Smith

Operations and Maintenance

36 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

02. 04. Compressed Natural Gas Card Oversight Due Date: 01/01/2011 Incomplete

Recommendation:

Fleet Services management should destroy all deactivated cards and evaluate whether all ten spare CNG cards are necessary.

Management Action Plan:

In addition to 2.1 above, develop a CNG Card Deactivation Log that documents all inactive or returned CNG cards have been destroyed and document the date on the log.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

37 1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring

03. 01. Fueling of Bi-Fuel Vehicles Due Date: 02/15/2011 Incomplete

Recommendation:

Fleet Services management should document a policy for city employees outlining the expectations for use of CNG fuel in bi-fuel vehicles.

Management Action Plan:

Develop a written Policy & Procedure specifying CNG card "user handling and responsibilities" including that CNG fuel use should be the primary fuel of choice i.e. first used.

Auditor: B. Smith

Operations and Maintenance

38 1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring

03. 02. Fueling of Bi-Fuel Vehicles Due Date: 02/15/2011 Incomplete

Recommendation:

Fleet Services management should create a process in which CNG card activity is routinely analyzed for vehicles out of compliance with the established policy. Non-compliant employees should be identified and informed of their non-compliance.

Management Action Plan:

Audit and report compliance on monthly CNG fuel use reports. Notify by e-mail, the Department Director and/or his/her responsible managing designee, of staff non-compliance.

Auditor: B. Smith

Operations and Maintenance

39 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

05. 01. Account Coding Updates to Fuel System Due Date: 11/01/2010 Incomplete

Recommendation:

Fleet Services management working with Finance should establish and document a formal process by which Fleet Services makes necessary accounting coding updates monthly to the fuel system based on feedback from Finance.

Management Action Plan:

Review with Finance and establish a notification process whereby Finance informs Fleet Services Manager when coding changes occur. In turn, the Manager or his designee will enter the new data upon receipt.

Auditor: B. Smith

Operations and Maintenance

40 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

06. 01. Key Fob Use and Oversight Due Date: 01/01/2011 Incomplete

Recommendation:

Fleet Services management should document policies and procedures for city employees on the use and consequences of misuse or loss of key fobs.

Management Action Plan:

Develop a formal Policy & Procedure for the proper use of key fobs.

Auditor: B. Smith

Operations and Maintenance

41 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

06. 02. Key Fob Use and Oversight Due Date: 01/01/2011 Incomplete

Recommendation:

Fleet Services management should update the key fob log with all known outstanding key fobs and the employees with responsibility for safeguarding the key fobs. This will require communication with city departments on which key fobs they have in their possession.

Management Action Plan:

In conjunction with 6.1 above, conduct a physical inventory of all key fobs issued to date. Enlist the assistance of departments currently in possession of key fobs for an accounting and cross check that information with what we have on record.

Auditor: B. Smith

Operations and Maintenance

42 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

06. 03. Key Fob Use and Oversight Due Date: 04/01/2011 Incomplete

Recommendation:

Fleet Services management should include key fob activity on detailed fueling transaction reports distributed to departments and ensure the reports clearly identify the key fob transactions.

Management Action Plan:

In conjunction with 1.1 above, key fob fueling transactions will be included and identified on the quarterly fueling reports to departments for review. Any key fobs with low or no activity will be deactivated.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

43 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

07. 01. Fueling Operations Policies and Procedures Due Date: 06/15/2011 Incomplete

Recommendation:

Fleet Services management should document policies and procedures that address the following areas:

- **Guidelines on the use of city fueling stations by employees**
- **Proper initiation and completion of fueling transactions at the pumps**
- **Guidelines on the use of CNG cards and CNG pump use**
- **Guidelines on the use of key fobs**
- **Consequences for misuse of the city fuel system**
- **Roles and responsibilities of departments in monitoring fueling transactions**

These policies and procedures once adopted should be communicated and made accessible to city employees.

Management Action Plan:

Develop a city wide Policy clearly explaining fueling procedures and in conjunction with recommendation 1.1, provide detailed reports so that each department can readily ascertain suspicious fueling activities and report such activity to appropriate city staff.

Auditor: B. Smith

Operations and Maintenance

44 **1705 1011 02 Audit of Field Operations -- Fueling Access and Monitoring**

08. 01. Standard Operating Procedures Due Date: 06/15/2011 Incomplete

Recommendation:

Fleet Services management should document desk procedures related to its responsibilities in the oversight of the City's fueling operations including the following areas:

- **Fuel System Administration**
- **Fueling Transaction Reporting**
- **CNG Cards Oversight**
- **Key Fobs Oversight**

Management Action Plan:

Develop internal procedures and cross train Fleet Services staff in the monitoring of the city's fuel systems.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Operations and Maintenance

45 **2901 1011 04 Audit of East Service Center Employee Fuel Theft**

01. 01. Security over Fuel in Vehicles Being Serviced Due Date: 04/01/2011 Incomplete

Recommendation:

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

Management Action Plan:

The Department of Detention & Enforcement has been and will continue to conduct unannounced and random surveillance activities in the service bays. Additionally, Fleet Services supervisorial 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.

Auditor: G. Phillips

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

46 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

01. 01. Limited Assurance Fees were Always Collected **Due Date: 01/31/2011** **Incomplete**

Recommendation:

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 Action Plan:

- **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)**

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

47 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

02. 01. Segregation of Duties Deficiencies Due Date: 09/30/2011 Not Due

Recommendation:

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 Action Plan:

- **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)**

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

48 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

03. 01. Proper Authorization of Transactions Due Date: 09/30/2010 Incomplete

Recommendation:

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 Action Plan:

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

Auditor: N. Beaty

Parks, Recreation, and Neighborhood Services

49 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

03. 03. Proper Authorization of Transactions Due Date: 09/30/2010 Incomplete

Recommendation:

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 Action Plan:

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

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

50 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

04. 01. CLASS Data Input Inconsistencies Due Date: 09/30/2011 Not Due

Recommendation:

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 Action Plan:

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.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

51 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

05. 01. Inequities in the Allocation of City Sport Fields — Due Date: 01/31/2012 Not Due

Recommendation:

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 Action Plan:

- **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)**

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

52 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

06. 01. Lighting of Sport Fields Due Date: 08/31/2011 Not Due

Recommendation:

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 Action Plan:

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.

Auditor: N. Beaty

Parks, Recreation, and Neighborhood Services

53 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

06. 02. Lighting of Sport Fields Due Date: 07/31/2010 Incomplete

Recommendation:

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 Action Plan:

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.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

54 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

06. 03. Lighting of Sport Fields Due Date: 09/22/2010 Incomplete

Recommendation:

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 Action Plan:

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.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

55 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

06. 04. Lighting of Sport Fields Due Date: 08/31/2011 Not Due

Recommendation:

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 Action Plan:

- **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 vette 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)**

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

56 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

07. 01. City Sponsored Leagues Liability Waivers Due Date: 01/31/2011 Incomplete

Recommendation:

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 Action Plan:

- **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)**

Auditor: N. Beaty

Parks, Recreation, and Neighborhood Services

57 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

08. 01. Liability Waiver Retention Policy Due Date: 09/30/2010 Incomplete

Recommendation:

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 Action Plan:

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

Auditor: N. Beaty

Parks, Recreation, and Neighborhood Services

58 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

09. 01. League and Tournament User Group Liability Waivers — Due Date: 09/30/2010 — Incomplete

Recommendation:

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 Action Plan:

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

Auditor: N. Beaty

Parks, Recreation, and Neighborhood Services

59 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

10. 01. Certificates of General Liability Insurance — Due Date: 03/31/2011 — Incomplete

Recommendation:

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 Action Plan:

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

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

60 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

11. 01. Security Requirements Due Date: 09/30/2010 Incomplete

Recommendation:

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 Action Plan:

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

Auditor: N. Beaty

Parks, Recreation, and Neighborhood Services

61 **1603 1011 03 Audit of Leisure Services -- Sport Fields Administration**

12. 01. Concession Permits Due Date: 09/30/2011 Not Due

Recommendation:

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 Action Plan:

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.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Parks, Recreation, and Neighborhood Services

62 1603 1011 03 Audit of Leisure Services -- Sport Fields Administration

13. 01. Non-Profit Status Due Date: 01/31/2011 Incomplete

Recommendation:

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 Action Plan:

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.

Auditor: N. Beaty

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Public Works

63 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

01. 01. Inventory Management Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should evaluate and document the cost and benefits of implementing a perpetual inventory system for the maintenance and repairs inventory.

Management Action Plan:

Traffic Engineering Field Operations currently uses no perpetual inventory system, but does extensively use Hansen's Customer Service, Work Order, and Asset modules to track its performance during the course of its operations. Accordingly, since this enterprise-wide software program is already being used for asset management and costing purposes, it seems a logical fit to expand to the "Inventory" module already within Hansen. Therefore, though other inventory programs may be reviewed for their acceptability with regards to costs and benefits, TEFO management will primarily focus its evaluation of the costs and benefits associated with using Hansen when implementing its perpetual inventory system.

Auditor: B. Smith

Public Works

64 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

01. 02. Inventory Management Due Date: 07/01/2012 Not Due

Recommendation:

While adoption of a full perpetual inventory may not be practical or cost effective for TEFO at this time, TEFO management should at a minimum implement a limited perpetual inventory tracking system for selected inventory based on established criteria. Management should consider tracking frequently used inventory, higher-valued inventory, and/or inventory with significant lead times.

Management Action Plan:

Dependent upon the outcome of the previous item (1.1), TEFO management will implement the use of either Hansen or another computerized program to track the disposition of higher value inventory items, items with greater risk of loss, and items procured for specific project and/or use. The items to be tracked will be those located in the shops or in the yards that have been procured by the City, but have yet to be deployed for use at a specific location.

Auditor: B. Smith

Incomplete:	Not implemented.
Extended:	Not implemented due to circumstances beyond the department's control.
Not Due:	Due date identified by management has not passed.

Public Works

65 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

01. 03. Inventory Management Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document their purchasing methodology and procedures and distribute them to employees with purchasing responsibility.

Management Action Plan:

TEFO management will focus on greater centralization of its procurement decisions, and has already taken some steps to this end. First of all, much of the physical operations of the division have been relocated and centralized at the West Service Center, which has already created an environment for better communication between those individuals with procurement responsibilities. Additionally, purchasing responsibilities shall be limited to provide better oversight of buying decisions. As such, specific individuals will be made responsible for procurement of specific assets to be used by TEFO. Finally, TEFO management will develop a handbook that defines both specific as well as general procurement and purchasing guidelines. This handbook will build upon the City's Purchasing & Contracts requirements, as it relates specifically to the needs of the TEFO organization. This handbook will be distributed to all staff, and will formally document the processes and methodologies that shall be undertaken by all staff when procuring goods or services during the course of performing his or her respective duties.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Public Works

66 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

01. 04. Inventory Management Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures that promote increased coordination in inventory purchasing decisions between senior staff members at TEFO's three locations.

Management Action Plan:

With some changes that have recently occurred, such as the consolidation of its operations and relocation of most of its staff to the West Service Center, as well as proposed organizational changes to its supervisory structure, TEFO management will be integrating greater centralization of the division's procurement decisions into its operations. These procedures shall be documented in the handbook noted within the response in item 1.3.

Auditor: B. Smith

Public Works

67 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

02. 01. Annual Physical Inventory Counts Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document and implement annual physical inventory count procedures to be followed by their employees. Consideration should be given to the deficiencies identified during the audit when developing these procedures.

Management Action Plan:

TEFO has performed annual physical inventory counts in conjunction with the Finance Department's requirements in mid-June every year. As such, this process will be documented and formalized, and coupled with any perpetual inventory system that has been chosen to be employed for use by the division as noted in item 1.1 and 1.2. These procedures shall be documented in the handbook noted within the response in item 1.3.

Auditor: B. Smith

Incomplete:	Not implemented.
Extended:	Not implemented due to circumstances beyond the department's control.
Not Due:	Due date identified by management has not passed.

Public Works

68 **1503 1011 07** **Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting**

02. 02. Annual Physical Inventory Counts **Due Date: 04/01/2012** **Not Due**

Recommendation:

TEFO management should implement procedures to ensure that annual physical inventory counts are completed for all of the work units.

Management Action Plan:

TEFO management will require submission of the annual physical counts to the Assistant Traffic Manager for review and approval for all work units. They will be performed by the appropriately designated and trained employee with the adequate level of responsibility, then compiled and forwarded to the Finance Department as a single submission only after this action. These new procedures shall be documented in the handbook noted within the response in item 1.3.

Auditor: B. Smith

Public Works

69 **1503 1011 07** **Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting**

02. 03. Annual Physical Inventory Counts **Due Date: 04/01/2012** **Not Due**

Recommendation:

TEFO management should expand the information required to be documented on the count sheets during the physical inventory to include the date(s) of the count, the employee(s) performing the count, the specific location of the inventory, and identification of estimates made.

Management Action Plan:

TEFO management will create a new inventory count sheet to be used during all annual physical counts. This sheet will include the date(s) of the count, the employee(s) performing the count, the specific location of the inventory, and identification of estimates made. The process used to determine asset valuation of the inventory shall be identified for division-wide uniformity, as well. These new procedures shall be documented in the handbook noted within the response in item 1.3.

Auditor: B. Smith

Public Works

70 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

02. 04. Annual Physical Inventory Counts Due Date: 07/01/2012 Not Due

Recommendation:

Upon implementation of a full or partial perpetual inventory system, TEFO management should use the results of the physical inventory counts to adjust the perpetual inventory records as needed and research the cause of any identified differences.

Management Action Plan:

TEFO management will use its newly-implemented perpetual inventory system that resulted from the evaluation completed in item 1.1 and 1.2, and integrate the annual physical count data into the reconciliation process. A formalized internal audit process to resolve differences or similarities between the data gleaned through the annual physical count, and that inventory used throughout the year during the course of TEFO's operations shall be developed and implemented.

Auditor: B. Smith

Public Works

71 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

02. 05. Annual Physical Inventory Counts Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures to complete at a minimum an annual evaluation of its inventory including an evaluation of the adequacy of the inventory levels and the identification of any unusual trends or irregularities. This information should also be used in developing future inventory purchasing strategies.

Management Action Plan:

TEFO management plans to use the data gained from the annual reconciliation process, and the associated formalized internal audit process to objectively evaluate procurement processes, adjust future purchasing amounts, address better security measures, develop greater loss mitigation efforts, or revise sustained inventory levels, based on actual data as opposed to individual judgment.

Auditor: B. Smith

Public Works

72 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

03. 01. Inventory Storage Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should complete an evaluation of the adequacy of the inventory organization and storage practices being followed at the service yards (including earlier generation and recycled inventory) and address the identified concerns.

Management Action Plan:

With the recent relocation of the division, TEFO management will perform a formalized evaluation of inventory organization. Stored assets that need more secure storage or better protection from the elements shall be relocated accordingly. Documentation providing an authorized "Inventory Location Plan" shall be developed and updated as needs change.

Auditor: B. Smith

Public Works

73 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

03. 02. Inventory Storage Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should implement a program for documenting the earlier generation and recycled inventory. This could be completed in conjunction with the annual physical inventory count.

Management Action Plan:

TEFO management will perform a formalized evaluation of its legacy inventory components which are still needed because standing assets remain in the field that require maintenance, and a supplier is no longer available for procuring replacement parts. Once complete, management will formally evaluate the inventory storage practices associated with these earlier-generation or recycled assets. These assets will ultimately be part of TEFO's documentation as defined in the new "Inventory Location Plan." Alterations to this plan shall be developed and updated as needs change.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Public Works

74 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

03. 03. Inventory Storage Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures to conduct at a minimum an annual walkthrough of its inventory to identify damaged, obsolete, earlier generation, and recycled inventory that is no longer needed and any inventory storage deficiencies. This procedure could be completed in conjunction with the annual physical inventory count.

Management Action Plan:

TEFO management will create an administrative policy for treatment of legacy equipment. Part of this policy shall define when the recycled assets are no longer required to remain in the division's inventory for maintenance purposes. Additionally, management will mandate staff to perform a formalized evaluation of all legacy inventory components as part of the annual inventory process in mid-June. Ultimately, the location of these assets will be part of TEFO's "Inventory Location Plan." Alterations to this plan shall be developed and updated as needs change.

Auditor: B. Smith

Public Works

75 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

04. 01. Inventory Security Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should document and implement inventory security policies and communicate these policies to employees.

Management Action Plan:

TEFO management will create a formal document referred to as its "Asset Control Manual" which defines inventory security policies, and once complete, the document will be distributed to all staff. Adherence to the policies shall be made mandatory.

Auditor: B. Smith

Public Works

76 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

04. 02. Inventory Security Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document which employees have access to the various inventory storage areas.

Management Action Plan:

TEFO management will create a formal document referred to as its "Asset Control Manual" which defines who has access, at what facility, and at what level this access includes. Furthermore, though some the areas containing TEFO's inventory assets can limit access division staff only, some of the areas do not currently offer this possibility. As funding becomes available in the future, consideration should be made in the City's Capital Project Program to provide better security with greater restrictions for non-authorized individuals. This will include installing additional storage buildings, pavement, fences, gates, locks, and block walls.

Auditor: B. Smith

Public Works

77 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

04. 03. Inventory Security Due Date: 10/01/2011 Not Due

Recommendation:

TEFO management should replace all unauthorized padlocks used in inventory storage areas with padlocks authorized by the city locksmith.

Management Action Plan:

TEFO management will meet with Detention & Enforcement staff, and will coordinate with the locksmiths so they can procure the appropriate number of authorized padlocks to replace all of those that are currently being used. Once procured, the padlocks will be installed by TEFO staff.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Public Works

78 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

04. 04. Inventory Security Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures to conduct at a minimum an annual walkthrough of its inventory storage areas to identify security concerns and deficiencies. This procedure could be completed in conjunction with the annual physical inventory.

Management Action Plan:

TEFO management will implement a procedure to perform a formalized evaluation of its inventory storage areas to identify security concerns and deficiencies, as part of the annual inventory process in mid-June. Documentation of the procedure shall be part of the formal document defining inventory security policies as noted in item 4.1, which will be referred to as TEFO's "Asset Control Manual."

Auditor: B. Smith

Public Works

79 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

05. 01. Safeguarding Of Tools and Equipment Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should identify and document which tools and equipment they deem to be valuable (i.e., requiring a higher level of security and monitoring).

Management Action Plan:

TEFO management will create a formal document referred to as "Asset Control Manual" containing a listing of tools and equipment considered to be of sufficient value or at greater risk of loss. These will be those assets requiring a higher level of security and more frequent monitoring.

Auditor: B. Smith

Public Works

80 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

05. 02. Safeguarding Of Tools and Equipment Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should begin maintaining records of valuable tools and equipment. The tools and equipment records should include at a minimum a description of each item, serial or identification numbers, and the storage location of the items. Consideration should be given to retaining a photo of each item.

Management Action Plan:

TEFO management will create a formal document referred to as "Asset Control Manual" containing a not only a list, but also a photo of tools and equipment considered to be of sufficient value or of greater risk of loss. The assets will include a description of each item, serial number, City identification numbers, and the location the item is stored when not in use.

Auditor: B. Smith

Public Works

81 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

05. 03. Safeguarding Of Tools and Equipment Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should conduct an evaluation of the adequacy of the storage areas where the valuable tools and equipment are being stored, document which employees have access to these areas, and review the appropriateness of this access.

Management Action Plan:

TEFO management will create a formal document referred to as an "Asset Control Manual" defining who has access to tools and equipment, at what storage area, and at what level this access includes. With the recent consolidation of most of TEFO's staff to the West Service Center, much of this issue has already been resolved, but some further enhancements to facilities could be made to improve access and security to authorized staff. Therefore, as funding becomes available in the future, consideration should be made in the City's Capital Expenditure Program to provide better security with greater restrictions for non-authorized individuals. This will include installing additional storage buildings, pavement, fences, gates, locks, and block walls. Additionally, the locksmiths in the Detention & Enforcement Department have recommended the installation of a badge access system to verify appropriate access as the best method to effectively secure and safeguard TEFO tools and equipment. Consideration should be given to fund such an investment.

Auditor: B. Smith

Public Works

82 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

05. 04. Safeguarding Of Tools and Equipment Due Date: 04/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures for securing and tracking its valuable tools and equipment and conducting periodic verifications of the existence of these items.

Management Action Plan:

TEFO management will create a formal document referred to as "Asset Control Manual" defining its procedures for securing and tracking its valuable tools and equipment and in the manual periodic verifications of the presence of these items in the proper location by the appropriate staff will be mandated.

Auditor: B. Smith

Public Works

83 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 01. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures addressing how TEFO employees are to comply with the damage/loss reporting guidelines within the city's Safety Loss Control Manual.

Management Action Plan:

TEFO management will create a formal document referred to as "Damage Loss Handbook" defining how TEFO staff is to comply with the damage/loss reporting guidelines within the city's Safety Loss Control Manual. This document will be created in conjunction with Human Resources Insurance Service Division staff.

Auditor: B. Smith

Incomplete:	**Not implemented.**
Extended:	**Not implemented due to circumstances beyond the department's control.**
Not Due:	**Due date identified by management has not passed.**

Public Works

84 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 02. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should begin reporting damage and losses from acts of nature and graffiti to Human Resources and document this requirement in its procedures.

Management Action Plan:

TEFO management has met with Human Resources Insurance Service Division staff to determine the best approach for achieving this recommendation. Since this will likely include well over 400 to 500 instances of such acts per month, it was agreed (by mutual consent) that a monthly report retrieving Work Order data directly from Hansen will be created. This report will be run, and sent to Human Resources at the end of each month noting losses from acts of nature and graffiti. This procedure will be noted in the newly developed "Damage Loss Handbook."

Auditor: B. Smith

Public Works

85 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 03. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should work with Human Resources in eliminating having to manually report damage/loss information that is already captured in the Hansen system.

Management Action Plan:

TEFO management has met with Human Resources Insurance Service Division staff, and has created a viable process for achieving this recommendation. TEFO staff is already testing this process for adequacy. Once this testing has been completed to the satisfaction of Human Resources and Public Works, the outcome will be noted in the newly developed "Damage Loss Handbook."

Auditor: B. Smith

Public Works

86 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 04. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should follow-up with Human Resources to ensure they are using the correct system reports for capturing the fully burdened labor rate for damage/loss claims.

Management Action Plan:

TEFO management has met with Human Resources Insurance Service Division staff, and has verified they are using the correct system reports for capturing the fully burdened labor rate for damage/loss claims. A new HammerLaunch report was created by Public Work's Senior Technical Systems Analyst, and has been provided to Human Resources for their use. This report captures the fully burdened labor rate as provided by the Finance Department. This process will be noted in the newly developed "Damage Loss Handbook."

Auditor: B. Smith

Public Works

87 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 05. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management in consultation with the city's Fleet Services division should re-evaluate the adequacy of the vehicle use rates currently being used for damage/loss reporting. FEMA's Schedule of Equipment Rates used by the Federal Government should be considered for use as a benchmark reference. The vehicle use rate methodology should be documented for future reference.

Management Action Plan:

TEFO management has met with Human Resources Insurance Service Division staff and they have agreed to support this recommendation when billing subrogation parties. After approval by Vehicle Service management, TEFO staff will modify the charge rates used for vehicles within Hansen, utilized in the Damage Reports sent by TEFO to Insurance Services. The source of these rates will be noted in the newly developed "Damage Loss Handbook."

Auditor: B. Smith

Public Works

88 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 06. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures to annually review the adequacy of the vehicle rates being used and verify that these rates and the fully burdened labor rates are being used with TEFO damage/loss claims.

Management Action Plan:

TEFO management will create a formal document referred to as the "Damage Loss Handbook." As part of this document, procedures will be identified as to how TEFO will verify and review the adequacy of the vehicle rates on a yearly basis as defined in FEMA's Schedule of Equipment Rates used by the Federal Government. This annual process for validating the fully burdened labor rates will be part of the document, as well.

Auditor: B. Smith

Public Works

89 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

06. 07. Damage and Loss Reporting Due Date: 01/01/2012 Not Due

Recommendation:

TEFO management should document and implement procedures for updating the material costs within the work order system. These procedures should include at a minimum an annual review by management of the material listing within the work order system to ensure that the information is complete and that the costs are current.

Management Action Plan:

As part of the "Damage Loss Handbook," TEFO management will document and implement procedures for updating the material costs within the Hansen work order system. It will be noted in the document that an annual review by management will be part of this procedure. This will include reviewing the material listing within the Hansen work order system, and verifying the adequacy of costs and types of materials entered.

Auditor: B. Smith

Public Works

90 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

07. 01. Damage and Loss Reporting Due Date: 10/01/2011 Not Due

Recommendation:

TEFO management should begin cross-training additional employees on the skills required to operate the sign shop.

Management Action Plan:

TEFO management will develop a formal rotational process designed to train numerous Signing & Marking Technicians regarding the operation of the sign manufacturing function. The tasks related to these functions are already part of the Signing & Marking Technician classification specification, and the formal rotational process will be a voluntary rotation among this level employee that will adhere to the LVCEA rules associated with such actions.

Auditor: B. Smith

Public Works

91 1503 1011 07 Audit of Public Works - Traffic Engineering Field Operations Inventory Management and Damage/Loss Reporting

07. 02 Damage and Loss Reporting Due Date: 07/01/2012 Not Due

Recommendation:

TEFO management should document the procedures followed within the sign shop for the fabrication of signage. This documentation should include information on the use of equipment and software.

Management Action Plan:

The necessary documentation needed for the fabrication of signage will be an integral part of the formal rotational process implemented by TEFO management which has been developed to train Signing & Marking Technicians. As staff is rotated into the sign production shop to more fully learn all operations of the sign manufacturing function, they will be required to document what they learn while in training. These individual reports will be compiled with knowledge held by the current individual already performing the function, and used to create a manual defining the procedures followed within the sign shop for the fabrication of signage.

Auditor: B. Smith

City of Las Vegas

Agenda Item No.: **12.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 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

City of Las Vegas

Agenda Item No.: **13.**

AGENDA SUMMARY PAGE

AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 10, 2011

DEPARTMENT: CITY AUDITOR
DIRECTOR: RADFORD SNELDING

☐ **Consent** ☒ **Discussion**

SUBJECT:
ADJOURNMENT