

**CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE**  
**CITY HALL, 495 S. Main Street**  
**Las Vegas, Nevada 89101**  
**CITY CLERK'S 2<sup>ND</sup> FLOOR CONFERENCE ROOM**  
**City of Las Vegas Internet Address: [www.lasvegasnevada.gov](http://www.lasvegasnevada.gov)**

**AGENDA**

**November 29, 2012**  
**10:00 AM**

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 August 23, 2012
5. Discussion for possible action on Scheduled Meeting Dates: Thursday, March 14, 2013; Thursday, May 23, 2013; Thursday, August 22, 2013; and Thursday, November 21, 2013
6. General Report by the City Auditor
7. Report for possible action regarding an update of Audit of Leisure Services - Sport Fields Administration (1603-1011-03)
8. Discussion for possible action on the Annual Audit Recommendation Follow-up as of June 30, 2012 (2601-1213-02)
9. Discussion for possible action on Audit of Economic Urban Development - Neighborhood Stabilization Program (1803-1213-03)
10. 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
11. 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, 495 South Main Street, 1<sup>st</sup> Floor  
Clark County Government Center, 500 South Grand Central Parkway  
Grant Sawyer Building, 555 East Washington Avenue  
City of Las Vegas Development Services Center, 333 North Rancho Drive

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**DEPARTMENT: CITY AUDITOR**

**DIRECTOR: RADFORD SNELDING**

**SUBJECT:**

**CALL TO ORDER**



**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**DEPARTMENT: CITY AUDITOR**

**DIRECTOR: RADFORD SNELDING**

**SUBJECT:**

**ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW**





**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

**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



**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

---

**DEPARTMENT: CITY AUDITOR**

**DIRECTOR: RADFORD SNELDING**

**SUBJECT:**

For Possible Action - Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of August 23, 2012



**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

☐ Consent ☒ Discussion

**SUBJECT:**

Discussion for possible action on Scheduled Meeting Dates: Thursday, March 14, 2013;  
Thursday, May 23, 2013; Thursday, August 22, 2013; and Thursday, November 21, 2013

**Fiscal Impact**

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

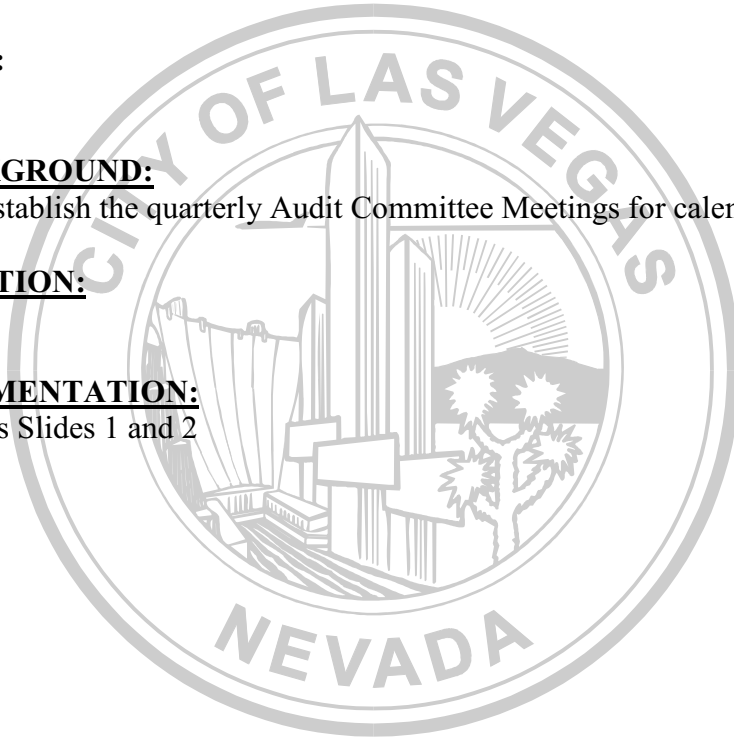
The purpose is to establish the quarterly Audit Committee Meetings for calendar year 2013.

**RECOMMENDATION:**

Approval

**BACKUP DOCUMENTATION:**

2013 Meeting Dates Slides 1 and 2



# Audit Committee Scheduled Meeting Dates

- The purpose is to establish the quarterly Audit Committee Meetings for calendar year 2013.
- This is required to be established during the 4th quarterly meeting of the preceding year.

# **Audit Committee Scheduled Meeting Dates**

- 1. Thursday, March 14, 2013**
- 2. Thursday, May 23, 2013**
- 3. Thursday, August 22, 2013**
- 4. Thursday, November 21, 2013**

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

---

**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

☐ Consent ☒ Discussion

**SUBJECT:**

General Report by the City Auditor

**Fiscal Impact**

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

To give a status report on the audits and projects in progress and open investigations and control reviews. The City Auditor's Office has audits, projects, investigations, and control reviews as assigned in the annual audit plan. At each of the Audit Oversight Committee Meetings the City Auditor reports on the status of work currently open.

**RECOMMENDATION:**

Report only; no action required.

**BACKUP DOCUMENTATION:**

None

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

☐ Consent ☒ Discussion

**SUBJECT:**

Report for possible action regarding an 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:**

None



**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**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, 2012 (2601-1213-02)

**Fiscal Impact**

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

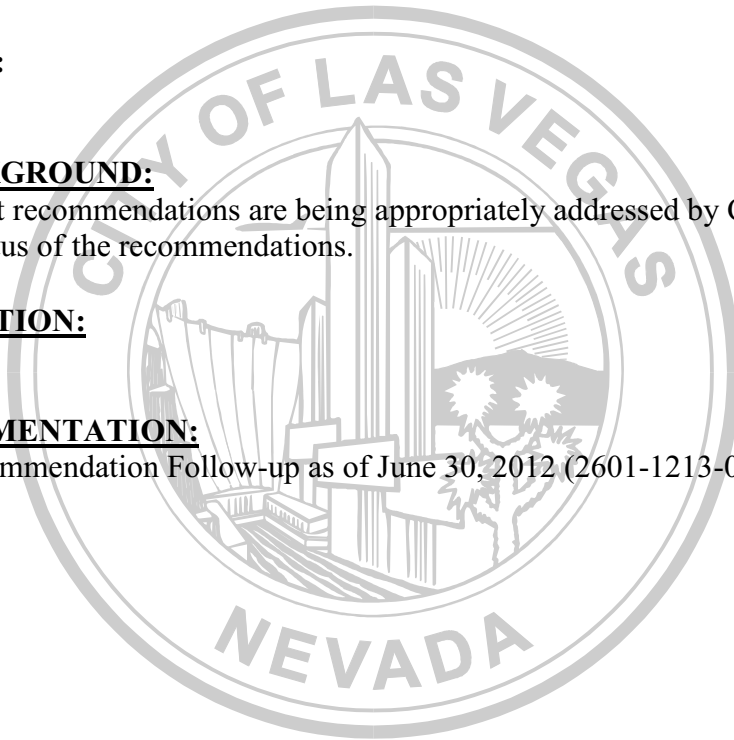
To ensure that audit recommendations are being appropriately addressed by City management and to track the status of the recommendations.

**RECOMMENDATION:**

Approval

**BACKUP DOCUMENTATION:**

Annual Audit Recommendation Follow-up as of June 30, 2012 (2601-1213-02)





# **CITY AUDITOR'S OFFICE**



## **ANNUAL AUDIT RECOMMENDATION FOLLOW-UP AS OF JUNE 30, 2012**

**Report No. CAO 2601-1213-02  
October 30, 2012**

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

**CITY AUDITOR**

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**Annual Audit Recommendation Follow-up  
As of June 30, 2012  
CAO 2601-1213-02**

**BACKGROUND**

Audits completed by the City Auditor's Office contain findings which indicate a condition that requires corrective action. Recommendations are made to address those circumstances and eliminate or mitigate the noted condition. Management is asked to provide a management plan of action and an estimated date of completion for each of the recommendations. These management assertions are included in the audit report. The City Auditor's Office tracks the status of these recommendations.

The status of each audit recommendation is classified using the following categories:

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

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.

An audit recommendation remains in Incomplete, Extended, or Not Due until City management completes the recommendation and notifies the City Auditor's Office, including forwarding applicable documentary support. Subsequently, audit staff evaluates evidence supporting management's representation. If the evidence demonstrates that the recommendation has been adequately addressed, the auditor identifies the recommendation as being Complete and notifies city management.

The City Auditor's Office has provided 1,341 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, 2012.

## **OBJECTIVE**

The objective of our audit was to:

- Track and report the status of audit recommendations.

## **SCOPE AND METHODOLOGY**

The scope of this audit was the activity related to recommendations contained in reports issued from Fiscal Year 1999-2000 through Fiscal Year 2011-2012. The scope of our work on internal control was limited to the controls within the context of the audit objective and the scope of the audit.

Our audit methodology included:

- Review of management assertions,
- Research of applicable guidelines,
- Interviews with City personnel,
- Observations of operations,
- Observations of work processes, and
- Analysis and detail testing.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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**

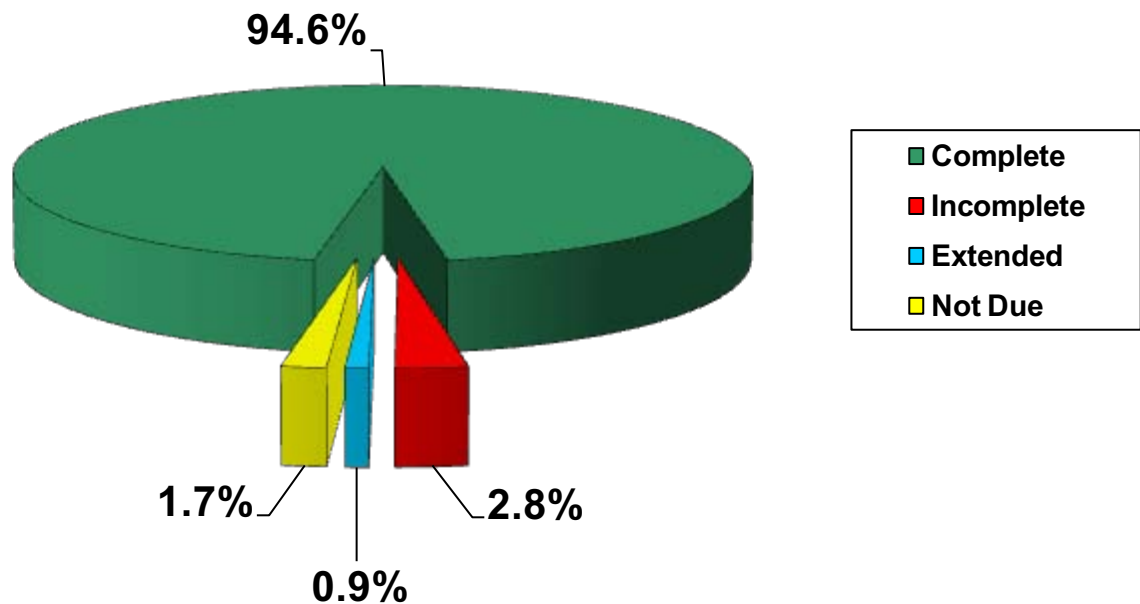
The following conclusions were noted:

Track and report the status of audit recommendations.

- One Thousand Two Hundred Sixty Eight Recommendations (or 94.6% of all recommendations) were COMPLETE.
- Thirty-Seven Recommendations (or 2.8% of all recommendations) remain as INCOMPLETE.
- Thirteen Recommendations (or .9% of all recommendations) remain as EXTENDED.
- Twenty-three Recommendations (or 1.7% of all recommendations) remain as NOT DUE.

Further information is contained in the following sections.

## Recommendations Summary January 1999 – June 2012



|                  | COMPLETE<br>1,268 | INCOMPLETE<br>37 | EXTENDED<br>13 | NOT DUE<br>23 | TOTAL<br>1,341 |
|------------------|-------------------|------------------|----------------|---------------|----------------|
| <b>2011-2012</b> | 41                | 4                | 0              | 15            | <b>60</b>      |
| <b>2010-2011</b> | 38                | 30               | 4              | 8             | <b>80</b>      |
| <b>2009-2010</b> | 73                | 1                | 2              | 0             | <b>76</b>      |
| <b>2008-2009</b> | 70                | 2                | 1              | 0             | <b>73</b>      |
| <b>2007-2008</b> | 46                | 0                | 2              | 0             | <b>48</b>      |
| <b>2006-2007</b> | 62                | 0                | 0              | 0             | <b>62</b>      |
| <b>2005-2006</b> | 71                | 0                | 0              | 0             | <b>71</b>      |
| <b>2004-2005</b> | 72                | 0                | 2              | 0             | <b>74</b>      |
| <b>2003-2004</b> | 39                | 0                | 0              | 0             | <b>39</b>      |
| <b>2002-2003</b> | 88                | 0                | 0              | 0             | <b>88</b>      |
| <b>2001-2002</b> | 156               | 0                | 2              | 0             | <b>158</b>     |
| <b>2000-2001</b> | 113               | 0                | 0              | 0             | <b>113</b>     |
| <b>1999-2000</b> | 399               | 0                | 0              | 0             | <b>399</b>     |

## **Incomplete Recommendations Summary**

| <b>DEPARTMENT</b>                                       | <b>Fiscal Year</b>    |                       |                       |                       | <b>TOTAL</b> |
|---------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
|                                                         | <b>2008-<br/>2009</b> | <b>2009-<br/>2010</b> | <b>2010-<br/>2011</b> | <b>2011-<br/>2012</b> |              |
| <b>Fire &amp; Rescue</b>                                | --                    | --                    | 1                     | --                    | <b>1</b>     |
| <b>Municipal Court</b>                                  | --                    | 1                     | --                    | --                    | <b>1</b>     |
| <b>Operations and Maintenance</b>                       | 2                     | --                    | 2                     | --                    | <b>4</b>     |
| <b>Parks, Recreation, and<br/>Neighborhood Services</b> | --                    | --                    | 15                    | 4                     | <b>19</b>    |
| <b>Public Works</b>                                     | --                    | --                    | 12                    | --                    | <b>12</b>    |
| <b>TOTAL</b>                                            | <b>2</b>              | <b>1</b>              | <b>30</b>             | <b>4</b>              | <b>37</b>    |

## ***DEPARTMENTAL AUDIT RECOMMENDATION FOLLOW-UP INDEX***

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| <b>Audit of Building and Safety</b>                                                     |                                |                                                     |  |                      |                    |
| <b>1</b>                                                                                | <b>0753 0708 01 03.</b>        | Hansen Expired Permit Fee Assessment                |  | Extended             | 11                 |
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| <b>Audit of The Municipal Court Work Program</b>                                        |                                |                                                     |  |                      |                    |
| <b>10</b>                                                                               | <b>1104 1112 04 04. 01.</b>    | Inadequate Supporting Documentation for Time Sheets |  | Not Due              | 17                 |
| <b>11</b>                                                                               | <b>1104 1112 04 05. 01.</b>    | Time Sheet Irregularities                           |  | Not Due              | 17                 |
| <b>12</b>                                                                               | <b>1104 1112 04 06. 01.</b>    | Ineffective Participant Assignment Process          |  | Not Due              | 18                 |

## ***DEPARTMENTAL AUDIT RECOMMENDATION FOLLOW-UP INDEX***

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|                               | <b>Audit of The Municipal Court Work Program</b>                  |                                                               |  |  |  |                      |                    |
| <i><b>13</b></i>              | <b>1104 1112 04 06. 02.</b>                                       | Ineffective Participant Assignment Process                    |  |  |  | Not Due              | 19                 |
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| <i><b>17</b></i>              | <b>1104 1112 04 10. 01.</b>                                       | Ineffective Monitoring Procedures                             |  |  |  | Not Due              | 21                 |
| <i><b>18</b></i>              | <b>1104 1112 04 10. 02.</b>                                       | Ineffective Monitoring Procedures                             |  |  |  | Not Due              | 21                 |
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| <i><b>24</b></i>              | <b>1703 0809 01 10.</b>                                           | Standard Operating Procedures                                 |  |  |  | Incomplete           | 26                 |
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| <i><b>25</b></i>              | <b>1705 1011 02 01. 01.</b>                                       | Fuel Transaction Monitoring                                   |  |  |  | Extended             | 27                 |
| <i><b>26</b></i>              | <b>1705 1011 02 01. 02.</b>                                       | Fuel Transaction Monitoring                                   |  |  |  | Extended             | 27                 |
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***Parks, Recreation, and Neighborhood Services***

**Audit of the Municipal Sports Unit**

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| 46 | 2902 1112 03 02. | 02. | Failure to Pay Required Fees        | Incomplete | 40 |
| 47 | 2902 1112 03 03. | 01. | Employee-Vendor Relationship Issue  | Incomplete | 41 |
| 48 | 2902 1112 03 04. | 01. | Outside Employment Policy Issues    | Incomplete | 42 |
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**Audit of Parks, Recreation and Neighborhood Services: Outside Employment & Cell Phone Issues**

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| 51 | 2903 1112 07 01. | 02. | Control over Outside Employment      | Not Due | 45 |
| 52 | 2903 1112 07 02. | 01. | Control over City issued cell phones | Not Due | 46 |
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***Public Works***

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

|    |                  |     |                                  |            |    |
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| 54 | 1503 1011 07 01. | 01. | Inventory Management             | Incomplete | 48 |
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| 56 | 1503 1011 07 01. | 03. | Inventory Management             | Not Due    | 49 |
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| 60 | 1503 1011 07 03. | 01. | Inventory Storage                | Incomplete | 51 |
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***DEPARTMENTAL AUDIT RECOMMENDATION  
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***Public Works***

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

|           |                             |                                     |            |    |
|-----------|-----------------------------|-------------------------------------|------------|----|
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**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 Reports          | Due Date: *06/30/2008-R. Extended<br>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 | Due Date: 10/30/2009 | Extended |
|   | 07.          | Account Receivables                                |                      |          |

#### **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.

## ***Fire and Rescue***

6    2010 1011 06    Audit of The Metropolitan Medical Response System Grant Program  
01.    **Pharmaceutical and Equipment Management    Due Date: 01/01/2012    Incomplete**

### **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

**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***

|   |              |                                                        |                      |          |
|---|--------------|--------------------------------------------------------|----------------------|----------|
| 7 | 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***

- 8    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***

- 9    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***

|    |              |                                                     |                      |         |
|----|--------------|-----------------------------------------------------|----------------------|---------|
| 10 | 1104 1112 04 | Audit of The Municipal Court Work Program           |                      |         |
|    | 04. 01.      | Inadequate Supporting Documentation for Time Sheets | Due Date: 01/31/2013 | Not Due |

#### **Recommendation:**

**Municipal Court management should establish, document, and implement policies and procedures that require worksites to maintain supporting documentation of Work Program participant work activity.**

#### **Management Action Plan:**

The Downtown Beautification Office is an approved worksite and has systems in place to properly account for workers. As such, this site will be used as a model to implement worksite participant tracking policy and procedures. A Worksite Participant procedure. Community Service Work Program Supervisor Unannounced Site Visit procedure will be implemented to resolve the issue.

Auditor: N. Beaty

### ***Municipal Court***

|    |              |                                           |                      |         |
|----|--------------|-------------------------------------------|----------------------|---------|
| 11 | 1104 1112 04 | Audit of The Municipal Court Work Program |                      |         |
|    | 05. 01.      | Time Sheet Irregularities                 | Due Date: 01/31/2013 | Not Due |

#### **Recommendation:**

**The Work Program supervisor should work with the worksites to develop, document, and implement appropriate worksite management oversight at all city Work Program worksites.**

#### **Management Action Plan:**

The Community Service Work Program Supervisor unannounced site visits will be modified to include routine, random audits to ensure court documentation matches up with worksite documentation. Community Service Work Program Supervisor Unannounced Site Visit procedure will be implemented to resolve the issue. The Downtown Beautification Office is an approved worksite and has systems in place to properly account for workers. As such, this site will be used as a model to implement worksite participant tracking policy and procedures.

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.

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Municipal Court***

**12    1104 1112 04    Audit of The Municipal Court Work Program**  
**06. 01.            Ineffective Participant Assignment Process      Due Date: 01/31/2013      Not Due**

**Recommendation:**

**Municipal Court management should work with site representatives to evaluate and document the number of participants that their worksites can effectively accommodate based upon actual work requirements and their ability to provide adequate supervision.**

**Management Action Plan:**

**Worksite policy will be developed to ensure participant supervision at all times. Sites violating policy will be inactivated. Further, a Community Service Work Program Supervisor Unannounced Site Visit procedure will include a requirement of auditing for such supervision. The Downtown Beautification Office is an approved worksite and has systems in place to properly supervise program participants. As such, this site will be used as a model to implement worksite participant tracking policy and procedures.**

**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.**

### ***Municipal Court***

|    |              |                                            |                      |         |
|----|--------------|--------------------------------------------|----------------------|---------|
| 13 | 1104 1112 04 | Audit of The Municipal Court Work Program  |                      |         |
|    | 06. 02.      | Ineffective Participant Assignment Process | Due Date: 12/31/2012 | Not Due |

#### **Recommendation:**

Municipal Court management should establish maximum assignments that can be made by front counter employees to each worksite based on the evaluations completed in response to Recommendation #6.1 and other pertinent criteria.

#### **Management Action Plan:**

Program participants have multiple obligations to the court, one of which is work hour completion. Participants may also be employed and have a work schedule that varies by week, making scheduling difficult. There is also a significant no show rate for those sites and events we do schedule. As such, the following changes will be implemented to address the issue:

1. Worksite Supervisors will be required to advise the Community Service Work Program Supervisor if work is currently not available or no longer available so the site can be inactivated temporarily or permanently.
2. Procedures will be implemented at Parks so that defendants report to central area and bused to the parks can utilize the participants.
3. As long as there is a need for program participants at a site, the worksites will be given the ability to turn workers away, as the Downtown Beatification Site does, if too many workers appear for a specific shift.

Auditor: N. Beaty

### ***Municipal Court***

|    |              |                                            |                      |         |
|----|--------------|--------------------------------------------|----------------------|---------|
| 14 | 1104 1112 04 | Audit of The Municipal Court Work Program  |                      |         |
|    | 06. 03.      | Ineffective Participant Assignment Process | Due Date: 01/31/2013 | Not Due |

#### **Recommendation:**

Municipal Court management should establish periodic reassessments of the evaluations made in the completion of recommendations #6.1 and #6.2 and adjust the worksite assignments accordingly.

#### **Management Action Plan:**

An unannounced worksite checklist will be developed. The Community Service Worksite Supervisor will be required to access and discuss program participant need during site visits.

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.                     |

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Municipal Court***

|    |              |                                                  |                      |         |
|----|--------------|--------------------------------------------------|----------------------|---------|
| 15 | 1104 1112 04 | Audit of The Municipal Court Work Program        |                      |         |
|    | 07. 01.      | Daily Deposit Reconciliation Process Limitations | Due Date: 08/31/2012 | Not Due |

**Recommendation:**

**Municipal Court management should establish, document, and implement daily procedures for reconciling the number of Work Program time sheets and hours processed to the court management system.**

**Management Action Plan:**

**The existing timesheet posting procedure will be modified to include items identified in the audit. A report will be created for the accounting unit to easily access the number of time sheets and hours posted, by user. The report will be used as an auditing tool.**

**Auditor: N. Beaty**

***Municipal Court***

|    |              |                                                               |                      |         |
|----|--------------|---------------------------------------------------------------|----------------------|---------|
| 16 | 1104 1112 04 | Audit of The Municipal Court Work Program                     |                      |         |
|    | 08. 01.      | Inadequate Oversight of Authorized Site Supervisor Signatures | Due Date: 10/31/2012 | Not Due |

**Recommendation:**

**Municipal Court management should document and implement policies and procedures to periodically update the Work Program site book to ensure all authorized worksite supervisors have been included.**

**Management Action Plan:**

**This item is partially addressed in item 11.1, Worksite Specification Sheets. In addition the policy identified as an action item for 11.1, the Community Service Work Program unannounced site visit audit will include the requirement of worksite signatory review to ensure the contacts the court has approved are accurate and that worksite staff not formally approved as a signatory are not approving timesheet hours.**

**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.**

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Municipal Court***

- 17    1104 1112 04    **Audit of The Municipal Court Work Program**  
**10. 01.            Ineffective Monitoring Procedures            Due Date: 09/30/2012            Not Due**

**Recommendation:**

**Municipal Court management should establish, document, and implement effective Work Program monitoring policies and procedures taking into consideration the results of this audit report.**

**Management Action Plan:**

**Manual audits of timesheets are being conducted by the Court's Accounting Unit. The Community Service Work Program Supervisor will be expected to review the audit and take action on procedural violations.**

**Auditor: N. Beaty**

***Municipal Court***

- 18    1104 1112 04    **Audit of The Municipal Court Work Program**  
**10. 02.            Ineffective Monitoring Procedures            Due Date: 01/31/2013            Not Due**

**Recommendation:**

**Municipal Court management should establish, document, and implement procedures to track exceptions to Work Program policies and procedures at worksites. When exceptions are identified, they should be communicated to the respective worksite representatives.**

**Management Action Plan:**

**An unannounced site visit checklist and procedure will be implemented outlining the Community Service Work Program Supervisor's responsibilities for site visits.**

**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.**

### ***Municipal Court***

- 19    1104 1112 04    Audit of The Municipal Court Work Program  
10. 03.            Ineffective Monitoring Procedures            Due Date: 01/31/2013            Not Due

#### **Recommendation:**

Municipal Court management should periodically evaluate each worksite's compliance with Work Program policies and procedures to determine whether additional training is required or whether a worksite should be removed from the program.

#### **Management Action Plan:**

An unannounced site visit checklist and procedure will be implemented outlining the Community Service Work Program Supervisor's responsibilities for site visits. Worksite compliance with program policy and procedure will be accessed during the site visits. Training will occur at each site prior to activation and if as needed or requested. Ongoing non compliance and/or non compliance of a serious nature will result in deactivation of the worksite.

Auditor: N. Beaty

### ***Municipal Court***

- 20    1104 1112 04    Audit of The Municipal Court Work Program  
11. 01.            Inaccurate Work Program Site Specifications            Due Date: 10/31/2012            Not Due

#### **Recommendation:**

Municipal Court management should document and implement procedures requiring that site specification sheets more regularly be updated with input and confirmation from the site representatives.

#### **Management Action Plan:**

The Worksite Specification sheet has been revised. To date, we have updated site specifications for two active sites. All sites will be updated over the next several months. In addition, a Worksite Specification policy has been drafted. Once approved, the policy will be disseminated to all sites.

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.



### ***Operations and Maintenance***

21 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

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***

|    |              |                                                    |                      |            |
|----|--------------|----------------------------------------------------|----------------------|------------|
| 22 | 1703 0809 01 | Audit of Sanitary Sewer System Maintenance Section |                      |            |
|    | 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***

23 1703 0809 01 Audit of Sanitary Sewer System Maintenance Section  
03. Clark County Permits Due Date: 03/01/2009 Extended

### **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 rejected 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***

24 1703 0809 01 Audit of Sanitary Sewer System Maintenance Section  
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***

|    |              |                                                            |                      |          |
|----|--------------|------------------------------------------------------------|----------------------|----------|
| 25 | 1705 1011 02 | Audit of Field Operations -- Fueling Access and Monitoring |                      |          |
|    | 01. 01.      | Fuel Transaction Monitoring                                | Due Date: 04/01/2011 | Extended |

#### **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***

|    |              |                                                            |                      |          |
|----|--------------|------------------------------------------------------------|----------------------|----------|
| 26 | 1705 1011 02 | Audit of Field Operations -- Fueling Access and Monitoring |                      |          |
|    | 01. 02.      | Fuel Transaction Monitoring                                | Due Date: 05/15/2011 | Extended |

#### **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***

- 27    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***

- 28    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

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 | 1705 1011 02 | Audit of Field Operations -- Fueling Access and Monitoring |                      |          |
|    | 07. 01.      | Fueling Operations Policies and Procedures                 | Due Date: 06/15/2011 | Extended |

#### **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***

|    |              |                                                            |                      |          |
|----|--------------|------------------------------------------------------------|----------------------|----------|
| 30 | 1705 1011 02 | Audit of Field Operations -- Fueling Access and Monitoring |                      |          |
|    | 08. 01.      | Standard Operating Procedures                              | Due Date: 06/15/2011 | Extended |

#### **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.

***Parks, Recreation, and Neighborhood Services***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 31 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 01. 01.      | Limited Assurance Fees were<br>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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 32 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 02. 01.      | Segregation of Duties Deficiencies                       | Due Date: 09/30/2011 | Incomplete |

**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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 33 | 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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 34 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 04. 01.      | CLASS Data Input Inconsistencies                         | Due Date: 09/30/2011 | Incomplete |

**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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 35 | 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 | Incomplete |

**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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 36 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 06. 01.      | Lighting of Sport Fields                                 | Due Date: 08/31/2011 | Incomplete |

**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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 37 | 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***

38 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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 39 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 06. 04.      | Lighting of Sport Fields                                 | Due Date: 08/31/2011 | Incomplete |

**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 vet with the City Council.
- Pros Consulting is performing this service and analyses for the Department and is expected to present their final draft at the end of August. (LS will make pricing recommendations and present to council their findings (Completion Date: May 2011)
- LS Management will incorporate language requiring weekly light logs into Facility Use agreement (Completion Date: August 2011)

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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 40 | 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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 41 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 09. 01.      | League and Tournament User Group                         | Due Date: 09/30/2010 | Incomplete |
|    |              | 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 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

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***

- 42    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

***Parks, Recreation, and Neighborhood Services***

- 43    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

**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***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 44 | 1603 1011 03 | Audit of Leisure Services -- Sport Fields Administration |                      |            |
|    | 12. 01.      | Concession Permits                                       | Due Date: 09/30/2011 | Incomplete |

**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

***Parks, Recreation, and Neighborhood Services***

|    |              |                                                          |                      |            |
|----|--------------|----------------------------------------------------------|----------------------|------------|
| 45 | 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.

***Parks, Recreation, and Neighborhood Services***

|    |              |                                    |                      |            |
|----|--------------|------------------------------------|----------------------|------------|
| 46 | 2902 1112 03 | Audit of the Municipal Sports Unit |                      |            |
|    | 02. 02.      | Failure to Pay Required Fees       | Due Date: 02/29/2012 | Incomplete |

**Recommendation:**

**Parks, Recreation, and Neighborhood Services management should establish, document, and implement policies and procedures for independent verification of information submitted by user groups that is used in the calculation of fees.**

**Management Action Plan:**

**Tournaments are the only events that we rely on the organizers to provide us the information.**

- **Field monitors will check 25% of the yearly tournaments held at City of Las Vegas facilities to assure teams are accurately reporting the amount of teams participating in their tournaments which will assure the City accurate collections of revenue base on 15% of the registration fee.**
- **When a tournament organizer requests a facility from the City, the organizer will be required to establish the number of teams that will be participating in the tournament.**
- **The tournament organizer will also be required to establish the format of the tournament, i.e., single elimination, double elimination, or round robin and provide their website address.**
- **Staff will check the website for tournament brackets as well as the number of teams advertised to verify the information provided by the organizer.**
- **The MSU staff can ascertain from the number of teams and format how many fields, hours of play will be needed for the tournament.**
- **Based on the typical format for a tournament bracket, staff can determine if the organizer is trying to acquire additional fields and times to accommodate teams that may not be declared to the City.**
- **This will be a “red flag” for staff and staff will either discuss with the organizer or dispatch field monitors to count the numbers of teams playing in the tournament.**
- **If staff finds that there are more teams in a tournament then was represented to the city, the organizer will be billed for the additional teams. Additionally, the organizer will be placed on probation and if caught again they may be banned from future allocation rentals.**

**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    2902 1112 03    Audit of the Municipal Sports Unit  
03. 01.    Employee-Vendor Relationship Issue    Due Date: 01/01/2012    Incomplete

**Recommendation:**

Parks, Recreation, and Neighborhood Services management should be alert to inappropriate employee-vendor relationships and implement policies and procedures to ensure the department's compliance with the city's Employee-Vendor Relationship and Outside Employment Policies.

**Management Action Plan:**

PRNS will provide all staff with the official policy and procedure as it relates to appropriate employee-vendor relationships and outside employment through a mix of communication channels, including, but not limited to, staff meetings, monthly business workshops, weekly e-mail bulletins, and an update to their official Policy and Procedure Manual. Additionally, employee-vendor relationships and outside employment will be covered in each employee's annual performance evaluation to ensure understanding and compliance. PRNS will enforce HR 3.12.01 Outside Work Request Policy.

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    2902 1112 03    Audit of the Municipal Sports Unit  
04. 01.    Outside Employment Policy Issues    Due Date: 01/01/2012    Incomplete

**Recommendation:**

Parks, Recreation, and Neighborhood Services management should document and implement policies and procedures to:

- Remind employees of the requirement to comply with the Outside Employment Policy and Procedure.
- Review all Outside Employment Request forms to ensure employee conflicts of interest are avoided.
- Forward approved Outside Employment Request forms to the Department of Human Resources for their review and approval.
- File copies of the approved Outside Employment Request forms in the department employee file.
- Provide employees with a copy of the approved Outside Employment Request forms or notify them when requests are not approved.

**Management Action Plan:**

PRNS will provide all staff with the official policy and procedure as it relates to appropriate employee-vendor relationships and outside employment through a mix of communication channels, including, but not limited to, staff meetings, monthly business workshops, weekly e-mail bulletins, and an update to their official Policy and Procedure Manual. Additionally, employee-vendor relationships and outside employment will be covered in each employee's annual performance evaluation to ensure understanding and compliance. PRNS will enforce HR 3.12.01 Outside Work Request Policy.

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.

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Parks, Recreation, and Neighborhood Services***

49    2902 1112 03    **Audit of the Municipal Sports Unit**  
**05. 01.            Inappropriate Use of City Resources                      Due Date: 01/01/2012            Incomplete**

**Recommendation:**

**Parks, Recreation, and Neighborhood Services management should formally remind employees that city-issued cell phones should be primarily used for city business and that employees are required to reimburse the city for all personal calls.**

**Management Action Plan:**

**PRNS management will formally communicate the appropriate usage of city-issued cell phones through the Director's weekly e-mail newsletter to all staff, at an upcoming department business workshop, and as part of the employee's annual performance evaluation.**

**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 | 2903 1112 07 | Audit of Parks, Recreation and Neighborhood Services: Outside Employment & Cell Phone Issues |                      |         |
|    | 01. 01.      | Control over Outside Employment                                                              | Due Date: 09/30/2012 | Not Due |

**Recommendation:**

**Parks, Recreation and Neighborhood Services Management should routinely remind all employees that outside employment forms must be approved by the department and Human Resources.**

**Management Action Plan:**

The Parks, Recreation and Neighborhood Services Department (formerly Neighborhood Services Department) consistently followed the established Outside Employment policy and made employees aware of the policy through the Department work rules and new employee orientation conducted by HR. The incident referenced in the audit, dates back to 2007 wherein an employee was approved for Outside Employment at the behest of Human Resources (HR) and the Las Vegas City Employees Association, despite the fact that the employee's outside business created a perceived and/or actual conflict of interest. Furthermore, HR does not require employees to have a valid business license in order for an outside employment request to be approved. The PRNS department initiated the process to revoke the employee's outside employment approval, based on the recent audit and HUD monitoring recommendations, however, the employee resigned in lieu of termination on April 24, 2012.

The PRNS department continues to notify employees (Full-time, part-time and hourly's) about the outside employment policy and procedures through the Director's weekly e-newsletter, Steve's Soundbytes (see attached) and as part of the internal new employee orientation. New employees are also provided the form and respective policy during the new employee orientation conducted by the Human Resources Department.

Human Resources (contact person is Christina Rost) is in the process of updating the Outside Employment Policy and we will inform staff of any future changes.

**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***

- 51 2903 1112 07 Audit of Parks, Recreation and Neighborhood Services: Outside  
Employment & Cell Phone Issues

**01. 02. Control over Outside Employment Due Date: 09/30/2012 Not Due**

**Recommendation:**

**Parks, Recreation and Neighborhood Services Management should update the Work Rules and Regulations Manual to include the Employee-Vendor Relationship Policy.**

**Management Action Plan:**

In October 2010, the City formally adopted an Employee-Vendor Relationship Policy. The incident referenced in the audit, dates back to 2007 wherein an employee was approved for Outside Employment at the behest of the Human Resources and Las Vegas City Employees Association, despite the fact that the employee's outside business created a perceived and/or actual conflict of interest. In 2007, concerned that the employee's outside employment closely resembled the employee's full-time job, The Parks, Recreation and Neighborhood Services Department (formerly Neighborhood Services Department) created stipulations that prohibited the employee from doing business with the City or other related service providers as a safeguard. The Department used reasonable measures to monitor and prevent an employee-vendor relationship conflict.

Since 2011, the department routinely notifies employees (Full-time, part-time and hourly's) about the outside employment policy and procedures through the Director's weekly e-communication (employee news and updates), Steve's Soundbytes (see attached) and as part of the internal new employee orientation. The newly revised department work rules will also address Policy CM 403- Employee- Vendor Relationship Policy.

**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***

|    |              |                                                                                              |                      |         |
|----|--------------|----------------------------------------------------------------------------------------------|----------------------|---------|
| 52 | 2903 1112 07 | Audit of Parks, Recreation and Neighborhood Services: Outside Employment & Cell Phone Issues |                      |         |
|    | 02. 01.      | Control over City issued cell phones                                                         | Due Date: 09/30/2012 | Not Due |

**Recommendation:**

Parks, Recreation and Neighborhood Services management needs to follow the City's policy requiring review of cell phone records.

**Management Action Plan:**

Prior to 2011 city cell phone bill reports were not readily accessible for review by management. Subsequently, employees were responsible for reviewing and verifying that the calls made were business related. Additionally, employees were required to reimburse the city for non-business related calls. The employee referenced in this audit verified that the calls were business related.

Since June 2011, the department receives quarterly phone bill reports from the Information Technologies Department for cell phone and long distance usage. This information is provided to the management team for review and verification. The PRNS department also generates a routine delinquency report that lists employees who fail to review their phone bills in a timely manner. This information is also provided to the management team for review and verification. Lastly, employees are still responsible for reviewing and verifying phone usage is for city related business.

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.



**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Parks, Recreation, and Neighborhood Services***

|           |                     |                                                                                                         |                             |                |
|-----------|---------------------|---------------------------------------------------------------------------------------------------------|-----------------------------|----------------|
| <b>53</b> | <b>2903 1112 07</b> | <b>Audit of Parks, Recreation and Neighborhood Services: Outside Employment &amp; Cell Phone Issues</b> |                             |                |
|           | <b>02. 02.</b>      | <b>Control over City issued cell phones</b>                                                             | <b>Due Date: 09/30/2012</b> | <b>Not Due</b> |

**Recommendation:**

**Parks, Recreation and Neighborhood Services management should remind their employees that all personal calls made on their City cell phone needs to be reimbursed to the City.**

**Management Action Plan:**

Since 2011, the department routinely notifies (Full-time, part-time and hourly's) about the outside employment policy and procedures through the Director's weekly e-communication (employee news and updates), Steve's Soundbytes (see attached) and as part of the internal new employee orientation. The newly revised department work rules will also address employee responsibilities related to personal calls on city-issued cell phones and long distance calls.

**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.

***Public Works***

|     |              |                                                                                                                |                                 |
|-----|--------------|----------------------------------------------------------------------------------------------------------------|---------------------------------|
| 54  | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                                 |
| 01. | 01.          | Inventory Management                                                                                           | Due Date: 01/01/2012 Incomplete |

**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***

|     |              |                                                                                                                |                              |
|-----|--------------|----------------------------------------------------------------------------------------------------------------|------------------------------|
| 55  | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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.                     |

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                      |         |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|---------|
| 56 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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.**

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                              |
|----|--------------|----------------------------------------------------------------------------------------------------------------|------------------------------|
| 57 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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***

|    |              |                                                                                                                |                              |
|----|--------------|----------------------------------------------------------------------------------------------------------------|------------------------------|
| 58 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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

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

## Annual Audit Recommendation Follow-up

As of June 30, 2012

Report No. CAO 2601-1213-02

October 30, 2012

### ***Public Works***

|    |              |                                                                                                                |                      |         |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|---------|
| 59 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 60 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 03. 01.      | Inventory Storage                                                                                              | Due Date: 04/01/2012 | Incomplete |

#### **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

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

Annual Audit Recommendation Follow-up

As of June 30, 2012

Report No. CAO 2601-1213-02

October 30, 2012

***Public Works***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 61 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 03. 02.      | Inventory Storage                                                                                              | Due Date: 04/01/2012 | Incomplete |

**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

***Public Works***

|    |              |                                                                                                                |                      |         |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|---------|
| 62 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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

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

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 63 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 04. 01.      | Inventory Security                                                                                             | Due Date: 04/01/2012 | Incomplete |

**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***

|    |              |                                                                                                                |                      |         |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|---------|
| 64 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>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

**Incomplete:** Not implemented.

**Extended:** Not implemented due to circumstances beyond the department’s control.

**Not Due:** Due date identified by management has not passed.

Annual Audit Recommendation Follow-up

As of June 30, 2012

Report No. CAO 2601-1213-02

October 30, 2012

**Public Works**

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 65 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 04. 04.      | Inventory Security                                                                                             | Due Date: 04/01/2012 | Incomplete |

**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**

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 66 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 05. 01.      | Safeguarding Of Tools and Equipment                                                                            | Due Date: 04/01/2012 | Incomplete |

**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

Incomplete: Not implemented.

Extended: Not implemented due to circumstances beyond the department's control.

Not Due: Due date identified by management has not passed.



**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 67 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 05. 02.      | Safeguarding Of Tools and Equipment                                                                            | Due Date: 04/01/2012 | Incomplete |

**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**

**Incomplete:** Not implemented.

**Extended:** Not implemented due to circumstances beyond the department’s control.

**Not Due:** Due date identified by management has not passed.

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                                      |
|----|--------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 68 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                                      |
|    | 05. 03.      | Safeguarding Of Tools and Equipment                                                                            | Due Date: 04/01/2012      Incomplete |

**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**

**Incomplete:** Not implemented.

**Extended:** Not implemented due to circumstances beyond the department’s control.

**Not Due:** Due date identified by management has not passed.

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 69 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 05. 04.      | Safeguarding Of Tools and Equipment                                                                            | Due Date: 04/01/2012 | Incomplete |

**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***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 70 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 06. 01.      | Damage and Loss Reporting                                                                                      | Due Date: 01/01/2012 | Incomplete |

**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***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 71 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 06. 06.      | Damage and Loss Reporting                                                                                      | Due Date: 01/01/2012 | Incomplete |

#### **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***

|    |              |                                                                                                                |                      |            |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|------------|
| 72 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |            |
|    | 06. 07.      | Damage and Loss Reporting                                                                                      | Due Date: 01/01/2012 | Incomplete |

#### **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

Incomplete: Not implemented.

Extended: Not implemented due to circumstances beyond the department’s control.

Not Due: Due date identified by management has not passed.

**Annual Audit Recommendation Follow-up**

**As of June 30, 2012**

**Report No. CAO 2601-1213-02**

**October 30, 2012**

***Public Works***

|    |              |                                                                                                                |                      |         |
|----|--------------|----------------------------------------------------------------------------------------------------------------|----------------------|---------|
| 73 | 1503 1011 07 | Audit of Public Works - Traffic Engineering Field Operations<br>Inventory Management and Damage/Loss Reporting |                      |         |
|    | 07. 02       | Sign Shop Contingency Plan                                                                                     | 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**

**Incomplete:** Not implemented.

**Extended:** Not implemented due to circumstances beyond the department's control.

**Not Due:** Due date identified by management has not passed.

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

---

**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

☐ Consent ☒ Discussion

**SUBJECT:**

Discussion for possible action on Audit of Economic Urban Development - Neighborhood Stabilization Program (1803-1213-03)

**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 Economic Urban Development - Neighborhood Stabilization Program (1803-1213-03)

**RECOMMENDATION:**

Approval

**BACKUP DOCUMENTATION:**

Audit of Economic Urban Development - Neighborhood Stabilization Program (1803-1213-03)



# **CITY AUDITOR'S OFFICE**



## **AUDIT OF ECONOMIC URBAN DEVELOPMENT - NEIGHBORHOOD STABILIZATION PROGRAM**

**Report No. CAO 1803-1213-03**

**November 5, 2012**

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

**CITY AUDITOR**

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**Audit of Economic Urban Development –  
Neighborhood Stabilization Program  
CAO 1803 - 1213- 03**

## **BACKGROUND**

Congress created the Neighborhood Stabilization Program (NSP) to assist cities, counties, and states with community problems resulting from the mortgage foreclosure crisis. The NSP grant program is administered by the Department of Housing and Urban Development (HUD). HUD allocated \$6.82 billion to 307 NSP1 grantees, 56 NSP2 grantees, and 270 NSP3 grantees. During phase 1 (NSP1), the city of Las Vegas (city) received \$14,775,270 in direct allocations through HUD and \$5,920,350 in a pass-through grant with the State of Nevada. During phase 3 (NSP3), the city received \$10,450,623 in direct allocations through HUD.

Economic Urban Development's Neighborhood Development Division (Neighborhood Development) oversees the NSP grant program. They purchase, rehabilitate, and either resell or provide low income rental housing for qualified individuals. Seventy-five percent of the grant funding was used to purchase and rehabilitate homes for resell and 25 percent of the grant funding was used purchase and rehabilitate homes for long term rentals (scattered sites). Income generated from the resale and rental of homes is called program income. Program income is required to be reinvested in the program. Neighborhood Development purchases additional properties with these funds.

## **OBJECTIVES**

The audit objective was to ensure that management controls are in place for the acquisition, rehabilitation, sale, and property management of homes purchased through the NSP grant program.

## **SCOPE AND METHODOLOGY**

The scope of the audit included an examination of a sample of properties purchased and rehabilitated with NSP1 grant funding against grant, contract, and program guidelines. The last day of fieldwork was August 2, 2012.

Our audit methodology included:

- Research of applicable guidelines,
- Interviews,
- 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**

Through the completion of our audit procedures, we noted the following management control issues:

- Monitoring procedures were not established over the agency contracted to provide property management of properties purchased and held by the city as long term rentals. Deficiencies were identified with the client screening and selection process used by the agency to determine program eligibility. (Finding #1)
- Monitoring procedures were not established over the non-profit agencies contracted to assist potential homebuyers of properties purchased and rehabilitated by the city for resale. (Finding #2)
- Deficiencies were identified with environmental review forms for the properties purchased by the city. (Finding #3)
- Inconsistencies were identified in the procedures completed to verify the debarred and suspended status of contractors who completed rehabilitation work. (Finding #4)
- Inefficiencies were identified with the initial inspections completed of properties purchased by the city. (Finding #5)
- Inconsistencies were identified with the change order documentation for the housing rehabilitation contracts that showed it was not always possible to determine whether specific work had been previously included in the scope of work. (Finding #6)
- Inconsistencies were identified in how the signed waivers were obtained at the conclusion of the housing rehabilitation contracts. (Finding #7)
- Contract disclosures were not obtained as required by the housing rehabilitation contracts. (Finding #8)
- Two practices were identified that would impede the ability for the city to collect liquidated damages if work specified in the housing rehabilitation contracts was not completed by a set date. (Finding #9)
- Periodic verifications are not completed to ensure that properties purchased and sold are included on the city's SOV listing for property insurance coverage. (Finding # 10)
- The Housing Rehabilitation Contracts have the same insurance requirements as larger contracts. The certificates of insurance were not always submitted in accordance with the contract terms. (Finding #11)

Further information is contained in the sections below.

## **1. Property Management Monitoring Deficiencies**

### **Criteria**

Grantees are responsible for ensuring that sub-recipient activities are in compliance with all applicable grant program requirements and the performance of the sub-recipients is in accordance with objectives set forth by the grantee.

### **Condition**

Neighborhood Development contracted with another agency to provide property management of properties purchased and held by the city as long term rentals. Neighborhood Development staff and agency representatives indicated that the city has not audited the property management files to ensure compliance with federal grant requirements. Our audit fieldwork procedures included reviewing nine property files maintained by this agency. These procedures showed deficiencies with the client screening and selection process used to determine program eligibility, as follows:

- The 24 CFR Part 5 definition of income is used to calculate household income for qualifying applicants for city NSP rental housing. One property was leased in 2011 to a household of four individuals. The calculated income for the household was \$36,372. To qualify, client income limits must be at or below the very low (50%) income limit category. The FY 2011 Income Limits Documentation System shows the very low (50%) income limit category for a household of four was \$32,550. Therefore, the income for this household is greater than the maximum allowable income and the household should not have qualified for the program.
- Supporting documentation was not always included in the files that show third party verification of represented client information such as:
  - Income
  - Unemployment status and/or payments
  - Full-time student 18 years or older
  - Assets
- Individuals wishing to lease city properties complete a client application. A review of the property management files showed two versions of the application were used. One application requests asset information while the other does not. The 24 CFR Part 5 definition of income includes calculating income earned from assets. Since asset information was not always requested, income from assets was not considered in the calculation for program eligibility.

Resident ledgers are listings of the charges and payments made for the property rentals. A review of the resident ledgers for the nine properties tested showed the following issues:

- One property ledger included a \$30 late fee reversal; however, the client had not been charged a late fee.
- The amount listed on one property ledger for the security deposit was \$512, however the property lease agreement stated the security deposit was \$537. The

correct security deposit was \$537; therefore, the client was not charged the correct security deposit.

### **Cause**

- Ineffective process used by property manager.
- Monitoring process has not been implemented to ensure compliance.

### **Effect**

Non-compliance with Federal requirements.

### **Recommendation**

- 1.1 Neighborhood Development management should establish, document, and implement monitoring policies and procedures over the property management of city rental properties.

## **2. Lack of Monitoring of Non-Profit Agencies**

### **Criteria**

Grantees are responsible for ensuring that sub-recipient activities are in compliance with all applicable program requirements and the performance of sub-recipients is in accordance with objectives set forth by the grantee.

### **Condition**

Neighborhood Development contracted with three non-profit agencies to assist potential home buyers of the properties purchased and rehabilitated by the city for resale. Neighborhood Development staff and agency representatives indicated that the city has not performed any procedures to ensure that these agencies are in compliance with the grant requirements. Our audit fieldwork procedures included reviewing 17 property files maintained by these agencies. These procedures showed the following exceptions:

- For one application, the monthly food stamp allocation was included in the income calculation.
- For one application, although the client's bank statements showed assets of greater than \$5,000, the income calculation did not include a calculation for income from assets.
- On three occasions, the client's application included dependents. The files did not include verification that the dependents were in the country legally by providing social security numbers/cards or copies of birth certificates.

### **Cause**

Monitoring process has not been implemented.

### **Effect**

Non-compliance with Federal requirements.

### **Recommendation**

- 2.1 Neighborhood Development management should establish, document, and implement monitoring policies and procedures of the agencies contracted to assist clients with the purchase of city properties.

## **3. Environmental Review Deficiencies**

### **Criteria**

Properties purchased with Federal grant funding are subject to certain environmental review requirements.

### **Condition**

Neighborhood Development housing rehabilitation specialists perform environmental reviews of properties purchased with NSP grant funding in accordance with Federal guidelines. To document compliance, standard forms are used that include a column called “supporting documentation”. The supporting documentation column includes standard verbiage that describes compliance. Audit fieldwork procedures included interviewing the housing rehabilitation specialists who performs these reviews and reviewing completed environmental review forms. The following deficiencies were noted:

- **Historic Preservation:** The supporting documentation column states: “SHPO concurs with the City that no historic properties will be affected by the project. Per MOU with SHPO dated March 2, 2009.” This MOU was amended on April 13, 2012.
- **Sole Source Aquifers:** The supporting documentation column states: “There are no EPA designated Sole Source Aquifers in Nevada according to HUD-EPA MOU of April 1990. Also the EPA website designating Sole Source Aquifers in EPA Region IX. Website: [www.wpa.gov/safewater/swp/ssa/reg9.html](http://www.wpa.gov/safewater/swp/ssa/reg9.html).” The referenced website address is no longer valid.
- **Endangered Species:** The supporting documentation column states: “Urban area, no tortoise.” This is a standard statement with no documentation specified to support the position.

- **Wild and Scenic Rivers:** The supporting documentation column states: “No scenic rivers in Nevada. Wild & Scenic Rivers Locations Map posted on the National Wild and Scenic Rivers System website: [www.nps.gov/rivers/wildriverlist.html](http://www.nps.gov/rivers/wildriverlist.html).” The referenced website address is no longer valid.
- **Clean Air Act:** The supporting documentation column states: "Clark County has non-attainment for Carbon Monoxide as of January 2002 and Particulate Matter as of June 2000." The housing rehabilitation specialist has not verified that the statement is still accurate. The Clark County website includes a reference to the Carbon Monoxide Saturation Study from 2002, however it references a Particulate Matter Saturation Monitoring Study from 2007 not 2000.
- **Farmland Protection:** The supporting documentation column states: “Zoning is General Industrial, information from the City of Las Vegas website. No land is being converted from farmland to non-agricultural uses. U.S. Dept. of Agriculture’s of Prime Farmland Map, January 2001 Website [www.nhq.nrcs.usda.gov/land/lgif/m49831.gif](http://www.nhq.nrcs.usda.gov/land/lgif/m49831.gif).” The referenced website address is no longer valid.
- **Environmental Justice:** The supporting documentation column states: “Our project has no adverse impact on anyone. Therefore there will be no disproportionate adverse effects on the minority or disabled population.” This is a standard statement with no documentation specified to support the position.

## Cause

Standard verbiage has been used for many of the individual line items. Periodic verification of the verbiage has not occurred.

## Effect

Non-compliance with Federal requirements.

## Recommendation

- 3.1 Neighborhood Development management should evaluate the process used to complete the environmental review, document, and update the process accordingly.

## 4. Debarred and Suspended Status Verification Inconsistencies

### Criteria

#### ***24 CFR Part 85.35 Sub-awards to debarred and suspended parties***

*Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or*

*ineligible for participation in Federal assistance programs under Executive Order 12549, “Debarment and Suspension.”*

### **Condition**

Audit fieldwork procedures showed inconsistencies in how the city’s housing rehabilitation specialists verify compliance with 24 CFR Part 85.35 to ensure that debarred or suspended parties were not awarded or part of any tier of a contract, as follows:

- A signed copy of the Certification of Non-debarred Status was located in some but not all the project files.
- Using the Excluded Parties List System, the housing rehabilitation specialists verify whether contractors have been debarred or suspended. However, various criteria were used to query the system, as follows:
  - Upon contract award
  - After completion of the work
  - For the contractor’s business name
  - For the contractor’s name
  - For both the contractor and the business names
  - Subcontractors were queried for some projects but not for others
  - As of a specific date
  - For a period of time
- Circumstances were found where the contract periods were extended and work was not started for extended periods of time. The status was not re-verified when the notice to proceed was issued.

### **Cause**

A consistent process for verifying whether contractors have been debarred or suspended was not implemented.

### **Effect**

Non-compliance with 24 CFR Part 85.35.

### **Recommendation**

4.1 Neighborhood Development management should:

- Determine when staff should verify whether contractors were debarred or suspended.
- Determine whether a process should be implemented to verify the debarred status of all subcontractors listed on the Contract Disclosure listing. (See Finding #8)
- Develop and implement policies and procedures on the process.

## **5. Initial Housing Rehabilitation Inspection Inefficiency**

### **Criteria**

The use of inspection checklists when determining work to be completed on rehabilitation work provides a comprehensive analysis of what type of work that should be completed.

### **Condition**

Audit fieldwork procedures showed that for 15 of 24 (62.5 percent) rehabilitation contracts reviewed, an inspection checklist was not used to document the initial inspection of the property. Instead, the inspection was documented on lined paper or on a map to the property.

### **Cause**

Inspection Checklist not required to be used.

### **Effect**

- Potential for an increase in number and dollar amount of change order items.
- Increase in monitoring time for housing rehabilitation specialists.
- Potential for an increase in time to complete the rehabilitation work.

### **Recommendation**

- 5.1 Neighborhood Development management should establish, document, and implement guidelines on how the housing rehabilitation specialists are to complete the initial inspection for rehabilitation contracts.

## **6. Change Order Documentation Inconsistencies**

### **Criteria**

Change orders are used to increase, decrease, and/or modify the scope of the work to be completed in the Housing Rehabilitation contracts. Clearly defined individual line item descriptions increase the ability to ensure that work is only requested and paid for once.

### **Condition**

A review of the original contract bid line items and the change order line items for 24 Housing Rehabilitation property contracts showed that it was not always possible to determine whether specific work had been previously included in the scope of work. The following inconsistencies



between the original bid documents and subsequent change orders contributed to the inability to determine whether items were only included and paid for once:

- The work being completed was identified by location (i.e., kitchen, master bedroom). Within the same contract, the work was identified by the type of work being completed (i.e., electrical, flooring).
- The description of the work included items that were also listed as separate items. (i.e., the flooring installation descriptions included the removal of the old flooring and separate line item descriptions referenced the removal of old flooring).
- Multiple line items included the same description with different quantities. Since the installation location was not identified, it was not clear if the items were included more than once.
- Items were included in the original bid document or in a change order. Within the same contract, same items/descriptions were included in subsequent change orders.

### **Cause**

Inconsistent process followed to prepare change orders.

### **Effect**

Potential for duplicate payments on change orders.

### **Recommendation**

- 6.1 Neighborhood Development management establish, document, and implement standardized categories and line item descriptions to describe work completed for housing rehabilitation contracts.
- 6.2 Neighborhood Development management should evaluate the feasibility of creating a report that identifies all the work being completed by each category.

## **7. Conditional Waiver and Release Inconsistencies**

### **Criteria**

General contractors selected to complete the rehabilitation work on the homes purchased with the NSP grant funding sign the NSP Housing Rehabilitation contract. The current contract includes certain provisions relating to lien waivers or releases, as follows:

#### ***Housing Rehabilitation Contract***

***14.11 Payments c) Conditions for Payments.*** *No payment will be made to the Contractor until occurrence of the following conditions:*

*(ii) For the completed Work, or portion thereof for which payment is requested, the Housing Rehabilitation Specialist has been provided with proper lien waivers or releases as may be required by the City from the Contractor, and/or from the subcontractors performing any portion of the Work for which payment is requested, which waivers or releases are in a form satisfactory to the Housing Rehabilitation Specialist.*

**14.14 Liens.** *Neither the final Payment or any partial payment, nor any part of the retained percentage, shall become due until the Contractor, if required, delivers to the City a completed waiver or release of all liens arising out of the Work as required.*

### **Condition**

Before contractors receive payment for work completed on a housing rehabilitation contract, they are required to sign a Conditional Waiver and Release Upon Final Payment form (waiver). Audit fieldwork procedures showed inconsistencies in how signed waivers are obtained, as follows:

- A signed waiver is submitted by the contractor.
- Signed waivers are submitted by the contractor and subcontractors. However, since the files do not include listings of all subcontractors (as required by the contract), it is not possible to determine whether all subcontractors submitted the signed waiver.
- Different variations of the waiver are submitted by the contractors including Conditional Waivers, Unconditional Waivers, and Material and Labor Releases.

### **Cause**

Inconsistent process used for obtaining waivers.

### **Effect**

Potential for liens to be filed on properties owned by the city when contractor does not pay subcontractors and suppliers.

### **Recommendation**

7.1 Neighborhood Development management should:

- Determine what waiver and release format and/or language is deemed to be acceptable.
- Determine whether the waiver and release form should be signed by subcontractors and entities that provide more than \$500 of supplies as listed on the contractor disclosure listing. (Finding #8)
- Document and implement appropriate policies and procedures.

## **8. Contract Disclosure Requirement Non-Compliance**

### **Criteria**

General contractors selected to complete the rehabilitation work on the homes purchased with the NSP grant funding sign the NSP Housing Rehabilitation contract. The current contract includes certain contract disclosure requirements, as follows:

#### ***Housing Rehabilitation Contract***

**12.07 Disclosures.** *NRS 624.600 requires disclosures by the general building contractor: A general building contractor shall provide in writing to the City of Las Vegas owner of a single-family residence where he has contracted to perform work:*

- a. The name, license number, business address and telephone number of;*
  - 1) All subcontractors with whom he has contracted on the project; and*
  - 2) All persons who furnish materials of the value of \$500 or more to be used on the project.*

### **Condition**

A review of various housing rehabilitation project files showed that the general contractor listing of all the subcontractors who worked on the project and all the persons who furnished materials of value of \$500 or more to be used on the project is not obtained.

### **Cause**

A process has not been established to obtain the disclosure listing from the contractor.

### **Effect**

- Non-compliance with contract disclosure requirements.
- Limits the ability to:
  - Verify debarred and suspended parties (Finding #4).
  - Obtain Conditional and Waiver Releases (Finding #7).

### **Recommendation**

- 8.1 Neighborhood Development management should establish, document, and implement a process to ensure that the Housing Rehabilitation contractors submit a listing of all subcontractors and all persons who furnish materials of the value of \$500 or more for use on the project.

## 9. Housing Rehabilitation Contract Process Inefficiencies

### Criteria

General contractors selected to complete the rehabilitation work on the homes purchased with the NSP grant funding sign the NSP Housing Rehabilitation contract. The current contract includes the ability for the city to collect liquidated damages if work has not been completed by the completion date, as follows:

#### ***NSP Housing Rehabilitation Contract:***

**14.13 Liquidated Damages:** *The Contractor acknowledges that time is an essential element of this Contract and for that reason the Work needs to be completed by the Completion Date set forth in Section 3 above. The Contractor further acknowledges that the City will suffer damages which are difficult to ascertain if the Work is not completed by the Completion Date, such as, but not necessarily limited to, the loss of the use of the Work by the City, the additional cost to the City of protecting and maintain the Property which is the site of the Work, the inability of the City to offer the Property for sale to the public thereby relieving the community need for affordable housing, and the loss suffered by the person and families who are in need of affordable housing because of the current economic climate existing in Clark County, Nevada. Because it is difficult and impractical to fix the amount of actual damages which would be suffered by the City and the public if the Contractor fails to complete the Work by the Completion Date, the Contractor agrees to pay liquidated damages in the amount of One Hundred Dollars (\$100) (the “Liquidated Damages”) to the City for each day beyond the Completion Date that the Contractor fails to reach final completion of the Work. By executing this Contract, the Contractor agrees that the amount of liquidated damages set forth herein is fair and reasonable.*

### Condition

Two practices were identified that would impede the ability for the city to collect liquidated damages if work specified in the housing rehabilitation contracts were not completed by a set date, as follows:

- Change orders are used to increase, decrease, and/or modify the scope of the work to be completed in the Housing Rehabilitation contract. These modifications may or may not impact the amount of time required to complete the work. The change order document does not specify whether the completion date changed as a result of modifications to the scope of work.
- Extension letters are used to adjust the amount of time required to complete the work. Audit fieldwork procedures noted that, at times, the time period is extended “until the Notice of Completion is Issued” instead of listing an actual date.

### **Cause**

Inadequate current practice.

### **Effect**

- Limits the city's ability to timely finalize projects.
- Limits the city's ability to collect liquidated damages.

### **Recommendation**

- 9.1 Neighborhood Development management should establish, document, and implement policies and procedures to:
- Document whether the work indicated in change orders will extend the completion date.
  - Require that a date be used as the completion date in extension letters.

## **10. Property Insurance Coverage Discrepancies**

### **Criteria**

Upon notification, Insurance Services requests that city assets be added to the Schedule of Values List (SOV), the city's property insurance coverage policy. Inclusion in the SOV ensures that city assets are protected from losses valued at \$10,000 or more.

### **Condition**

Thirteen resale properties and nine scattered site properties were randomly selected to verify whether properties were being added to and removed from the city's SOV listing for property insurance coverage. The following discrepancies were noted:

- Two properties, sold in March 2011 and July 2011, were inappropriately included on the May 2012 SOV listing.
- One property, purchased in August 2010, was included on the May 2012 SOV listing; however the street name was incorrect.
- One property, purchased in August 2010 as a scattered site, was not included on the May 2012 SOV listing.

### **Cause**

A process has not been established to periodically verify that the SOV listing has been updated correctly.

## **Effect**

Potential that the city may not be reimbursed for losses of \$10,000 or more.

## **Recommendation**

- 10.1 Neighborhood Development staff should work with the city's Real Estate Division staff to immediately verify that the current Schedule of Values (SOV) list correctly includes all current NSP properties. Procedures should be implemented to periodically verify that the SOV list has been correctly updated.

# **11. Housing Rehabilitation Contract Insurance Requirements**

## **Criteria**

General contractors selected to complete the rehabilitation work on properties purchased with the NSP grant funding sign the NSP Housing Rehabilitation contract. The contract includes certain insurance coverage requirements which include:

- Commercial General Liability Insurance with coverage amounts of \$1,000,000 per occurrence and \$2,000,000 aggregate limits,
- Automobile Liability Insurance coverage of \$1,000,000 combined single limits,
- Workers' Compensation coverage with statutory limits,
- A cancellation and modification of insurance clause,
- An endorsement and waiver clause, and
- Additional insured parties' requirements.

## **Condition**

The city purchased properties appraised at amounts between \$100,000 and \$200,000 with NSP 1 grant funding. The purchasing limit for NSP 3 grant funding was increased to \$300,000. The rehabilitation contracts for these properties range from \$20,000 to \$50,000. The insurance requirements for these smaller projects are comparable to the insurance requirements for much larger projects. Yet the rehabilitation work for these smaller projects is normally performed by smaller contractors with limited resources. These smaller contractors have difficulty complying with the contract insurance requirements and the Neighborhood Development staff member who reviews the submitted certificates of insurance had difficulty in obtaining certificates of insurance that comply with all the contract requirements.

A review of the general liability, automobile, workers compensation certificates of insurance submitted by the general contractors in accordance with the NSP Housing Rehabilitation contracts showed the certificates were not always submitted in accordance with the contract terms in the following areas:

- the cancellation and modification of insurance clause
- the endorsements and waivers clause
- additional insured parties requirements

### **Cause**

- An evaluation has not been completed to determine whether the standard city insurance requirements are appropriate for smaller rehabilitation contracts.
- Insurance coverage monitoring does not include verifying that the certificates include all of the required verbiage.

### **Effect**

- Smaller contractors do not have the resources to comply with the extensive requirements, therefore they choose to not bid on the smaller rehabilitation projects.
- Per NSP Housing Rehabilitation Contract 9.12, *Failure to provide or maintain any of the insurance coverage required herein shall constitute a breach of this Contract.*
- Increased risk exposure to the city when inappropriate insurance coverage is obtained.

### **Recommendation**

- 11.1 Neighborhood Development management working with the city's Human Resources Safety Loss Control section should evaluate the insurance requirements for small rehabilitation contracts to determine what the appropriate insurance requirements should be and modify the boilerplate contract to include the revised criteria.
- 11.2 Neighborhood Development management should establish, document, and implement policies and procedures to review the submitted certificates of insurance to ensure that they include the required criteria established in Recommendation Number 11.1.

## **MANAGEMENT RESPONSE**

### **1. Property Management Monitoring Deficiencies**

#### **Recommendation**

- 1.1 Neighborhood Development management should establish, document, and implement monitoring policies and procedures over the property management of city rental properties.

#### **Management Plan of Action**

- a. Recommend adding the Affordable Housing Program (AHP), Scattered Site property management to Monitoring Schedule.
- i. Review the existing NSP Monitoring Manual and amend as needed to accommodate NSP program.

#### **Estimated Date of Completion**

Provide the Schedule and begin Monitoring by the week of December 10, 2012.

### **2. Lack of Monitoring of Non-Profit Agencies**

#### **Recommendation**

- 2.1 Neighborhood Development management should establish, document, and implement monitoring policies and procedures of the agencies contracted to assist clients with the purchase of city properties.

#### **Management Plan of Action**

- a. Recommend adding the three currently contracted Homebuyer Assistance agencies to the Monitoring Schedule.
- i. Review the existing NSP Monitoring Manual and amend as needed to accommodate NSP program.

#### **Estimated Date of Completion**

Provide the Schedule and begin Monitoring by the week of January 14, 2013.



### **3. Environmental Review Deficiencies**

#### **Recommendation**

- 3.1 Neighborhood Development management should evaluate the process used to complete the environmental review, document, and update the process accordingly.

#### **Management Plan of Action**

- a. Verify that all references and forms are updated under the “Supporting Documentation” column of our standard form.
- i. Review with Rehabilitation Specialists to be sure they are using the updated forms.

#### **Estimated Date of Completion**

Provide updated Environmental Review form by October 18, 2012.

### **4. Debarred and Suspended Status Verification Inconsistencies**

#### **Recommendation**

- 4.1 Neighborhood Development management should:
- Determine when staff should verify whether contractors were debarred or suspended.
  - Determine whether a process should be implemented to verify the debarred status of all subcontractors listed on the contract disclosure listing. (See Finding #8)
  - Develop and implement policies and procedures on the process.

#### **Management Plan of Action**

- a. Amend the Rehab Manual as needed to reflect a consistent policy for checking Debarred Status.
- i. Review the related Citation (NRS 624.600) for requirement to check debarred status of Sub-Contractors providing services or materials valued at or above \$500.00.
1. According to Local HUD Representative, we are only required to check Debarred Status one time, before any contract is executed; there is no requirement for subsequent Status Checks.

Completed: Amend Policies and Procedures to reflect HUD required debarred status review regulations.

### **Estimated Date of Completion**

October 22, 2012

## **5. Initial Housing Rehabilitation Inspection Inefficiency**

### **Recommendation**

- 5.1 Neighborhood Development management should establish, document, and implement guidelines on how the housing rehabilitation specialists are to complete the initial inspection for rehabilitation contracts.

### **Management Plan of Action**

- a. Recommend Rehab Specialists meet to create an Initial Inspection Check List.
  - i. Merge the existing Final Walk-Through Check list and Inspection Check list to create a starting point for review and comment.
  - ii. Add the requirement for use of an Initial Inspection check list to the Rehab Manual.

Completed: Provide Initial Inspection Check list to Manager on October 15, 2012.

### **Estimated Date of Completion**

October 15, 2012

## **6.1 Change Order Documentation Inconsistencies**

### **Recommendation**

- 6.1 Neighborhood Development management establish, document, and implement standardized categories and line item descriptions to describe work completed for housing rehabilitation contracts.

### **Management Plan of Action**

- a. Recommend Rehab Specialist review existing Charge Order format and determine whether to categorize changes by trade and Room or by Room and Trade.
- b. Input the format requirement into the Rehab Manual.

Schedule a meeting with Auditor's Office and NSP Team for further discussion.

### **Estimated Date of Completion**

November 22, 2012

## **6.2 Change Order Documentation Inconsistencies**

### **Recommendation**

- 6.2 Neighborhood Development management should evaluate the feasibility of creating a report that identifies all the work being completed by each category.

### **Management Plan of Action**

Schedule a meeting with Auditor's Office and NSP Team for further discussion.

### **Estimated Date of Completion**

November 22, 2012

## **7 Conditional Waiver and Release Inconsistencies**

### **Recommendation**

- 7.1 Neighborhood Development management should:
- Determine what waiver and release format and/or language is deemed to be acceptable.
  - Determine whether the waiver and release form should be signed by subcontractors and entities that provide more than \$500 of supplies as listed on the contractor disclosure listing. (Finding #8)
  - Document and implement appropriate policies and procedures.

### **Management Plan of Action**

- a. Add a new policy to the Rehab Manual and reference to One Roof Change Order form format.
  - i. Request change to the Change Order form from One Roof to include language referencing Listing of all Sub-Contractors.
  - ii. Determine whether we do rehab to list Sub-Contractors who provide \$500 in services or materials to a rehab job (NRS 624.600).
  - iii. Submit all proposed changes to the City Attorney's office for review and approval as to form.

Language provided by City Attorney's office and standard Waiver form drafted. Meet with City Attorney's office to ensure the language and format is legally binding. HUD determined that listing of sub-contractors and vendors is not required.

#### **Estimated Date of Completion**

November 29, 2012

### **8 Contract Disclosure Requirement Non-Compliance**

#### **Recommendation**

- 8.1 Neighborhood Development management should implement a process to ensure that the Housing Rehabilitation contractors submit a listing of all subcontractors and all persons who furnish materials of the value of \$500 or more for use on the project.

#### **Management Plan of Action**

- a. Recommend Rehabilitation Specialists review NRS 624.600 and meet to determine whether this recommendation is required.

Completed: The contract has been amended to remove the requirement and ensure consistency with HUD regulations. Language was provided by the City Attorney's Office. HUD determined that listing of sub-contractors and vendors is not required.

#### **Estimated Date of Completion**

October 22, 2012

### **9 Housing Rehabilitation Contract Process Inefficiencies**

#### **Recommendation**

- 9.1 Neighborhood Development management should establish, document, and implement policies and procedures to:
- Document whether the work indicated in change orders will extend the completion date.
  - Require that a date be used as the completion date in extension letters.

#### **Management Plan of Action**

- a. Recommend that the Rehab Specialists meet to determine the appropriate procedures for enforcing Liquidated Damages.

- i. Request One Roof to add language to the Change Order form indicating the Liquidated Damages provision and a place for the new completion date.

The proposed changes have been sent to the One Roof proprietor. NDD is awaiting completion notice from the proprietor.

#### **Estimated Date of Completion**

October 22, 2012

### **10 Property Insurance Coverage Inconsistencies**

#### **Recommendation**

- 10.1 Neighborhood Development staff should work with the city's Real Estate Division staff to immediately verify that the current Schedule of Values (SOV) list correctly includes all current NSP properties. Procedures should be implemented to periodically verify that the SOV list has been correctly updated.

#### **Management Plan of Action**

- a. The process for communicating property Acquisitions and Sales to ensure accuracy of the Schedule of Values List was reviewed and amended so that properties are added and removed in a timely manner.

The NSP Project Manager sends e-mail confirmation upon completion of any acquisitions or sales of NSP properties. The City's Real Estate Division, NSP Brokers and NDD Management are copied on the e-mails.

#### **Estimated Date of Completion**

Completed

### **11.1 Housing Rehabilitation Contract Insurance Requirements**

#### **Recommendation**

- 11.1 Neighborhood Development management working with the city's Human Resources Safety Loss Control section should evaluate the insurance requirements for small rehabilitation contracts to determine what the appropriate insurance requirements should be and modify the boilerplate contract to include the revised criteria.

**Management Plan of Action**

Insurance Services made a determination and provided their recommendation on October 16, 2012 for further discussion with the City Attorney's Office. The requested amendments were submitted to the City Attorney's Office for drafting on October 29, 2012.

**Estimated Date of Completion**

December 19, 2012

**11.2 Housing Rehabilitation Contract Insurance Requirements**

**Recommendation**

Neighborhood Development management should establish, document, and implement policies and procedures to review the submitted certificates of insurance to ensure that they include the required criteria established in Recommendation Number 11.1.

**Management Plan of Action**

Amend policies and procedures manual to reflect the changes to the NSP insurance requirements as approved by the City Attorney's office.

**Estimated Date of Completion**

December 19, 2012

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**DEPARTMENT: CITY AUDITOR**

**DIRECTOR: RADFORD SNELDING**

**SUBJECT:**

**CITIZENS PARTICIPATION:** Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the Committee. No subject may be acted upon by the Committee unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited



**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: NOVEMBER 29, 2012**

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**DEPARTMENT: CITY AUDITOR**

**DIRECTOR: RADFORD SNELTING**

☐ Consent ☒ Discussion

**SUBJECT:**

ADJOURNMENT

