

**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**

**May 22, 2014**  
**10:00 AM**

ITEMS LISTED ON THE AGENDA MAY BE TAKEN OUT OF THE ORDER PRESENTED; 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. BACKUP MATERIAL FOR THIS AGENDA MAY BE OBTAINED FROM BEVERLY K. BRIDGES, CITY CLERK, AT THE CITY CLERK'S OFFICE AT 495 SOUTH MAIN STREET, 2<sup>ND</sup> FLOOR OR ON THE CITY'S WEBPAGE AT [www.lasvegasnevada.gov](http://www.lasvegasnevada.gov).

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 November 21, 2013
5. Discussion for possible action on the appointment of the Chairperson and Vice Chairperson for calendar year 2014
6. Discussion for possible action on Rescheduling the remaining two Audit Committee Quarterly Meeting Dates for Calendar Year 2014
7. Discussion for possible action on General Report by the City Auditor
8. Report for possible action regarding an update of the Audit of Leisure Services - Sport Fields Administration (1603-1011-03)
9. Discussion for possible action on Software Audit - Parks, Recreation and Neighborhood Services (2803-1314-06)
10. Discussion for possible action on Software Audit - Fire and Rescue (2801-1314-07)
11. Discussion for possible action on Audit of Parks, Recreation and Neighborhood Services - Management Controls over Deposits from Drop Safes (1605-1314-08)
12. Discussion for possible action on Audit of Parks, Recreation, and Neighborhood Services - Management Controls over Employee Overtime (1604-1314-09)
13. 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
14. 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. Dial 7-1-1 for Relay Nevada.

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: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR**  
**DIRECTOR: RADFORD SNELDING**

**SUBJECT:**  
**CALL TO ORDER**



**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

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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: MAY 22, 2014**

**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: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR**  
**DIRECTOR: RADFORD SNELDING**

**SUBJECT:**

For Possible Action - Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of November 21, 2013



**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**  
**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Discussion for possible action on the appointment of the Chairperson and Vice Chairperson for calendar year 2014

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

The By Laws require the appointment of the Chairperson and Vice Chairperson for the calendar year 2014.

**RECOMMENDATION:**

Appoint a Chairperson and Vice Chairperson for calendar year 2014.

**BACKUP DOCUMENTATION:**

Chairperson and Vice Chairperson Slide



# Appointments for Calendar Year 2014:

## 1. Chairperson

## 2. Vice Chairperson

Mr. Paul Workman has resigned from the Audit Oversight Committee and a replacement for Vice Chairperson is required.

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## 2013 Appointments:

**CW Lois Tarkanian, Chairwoman**

**Paul Workman, Vice Chairman**

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Discussion for possible action on Rescheduling the remaining two Audit Committee Quarterly Meeting Dates for Calendar Year 2014

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

The purpose is to reschedule the remaining two Audit Committee Quarterly Meeting Dates for Calendar Year 2014.

The proposed dates are:

Thursday, August 21, 2014 - 10:00 a.m. -- Noon

Thursday, November 20, 2014 - 10:00 a.m. -- Noon

**RECOMMENDATION:**

Approval

**BACKUP DOCUMENTATION:**

Reschedule Two Audit Committee Quarterly Meeting Dates for Calendar Year 2014 Slide



**Reschedule The Remaining Two  
Audit Committee Quarterly Meeting Dates  
for Calendar Year 2014**

**1. NEW DATE:**

**AUGUST 21, 2014  
THURSDAY  
10:00 a.m.– Noon**

**OBSOLETE DATE:**

**JULY 17, 2014  
THURSDAY  
10:30 a.m.– 12:30 P.M.**

**2. NEW DATE:**

**NOVEMBER 20, 2014  
THURSDAY  
10:00 a.m.– Noon**

**OBSOLETE DATE:**

**OCTOBER 16, 2014  
THURSDAY  
10:30 a.m.– 12:30 P.M.**

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**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Discussion for possible action on 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: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**  
**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Report for possible action regarding an update of the 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: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**  
**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Discussion for possible action on Software Audit - Parks, Recreation and Neighborhood Services (2803-1314-06)

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

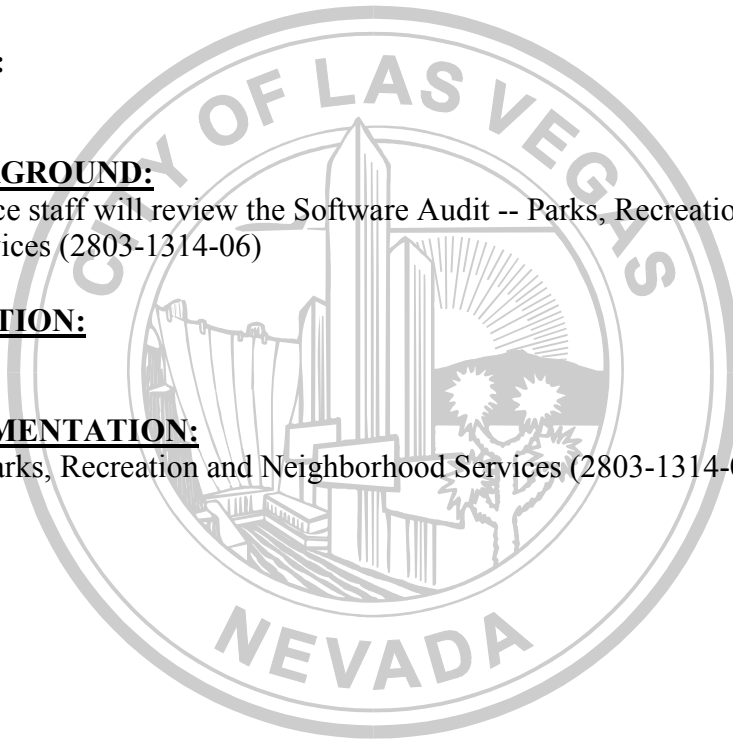
City Auditor's Office staff will review the Software Audit -- Parks, Recreation and Neighborhood Services (2803-1314-06)

**RECOMMENDATION:**

Accept the report.

**BACKUP DOCUMENTATION:**

Software Audit - Parks, Recreation and Neighborhood Services (2803-1314-06)



# **CITY AUDITOR'S OFFICE**



## **SOFTWARE AUDIT PARKS, RECREATION AND NEIGHBORHOOD SERVICES**

**Report No. CAO 2803-1314-06**

**April 23, 2014**

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

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Neighborhood Services (PRNS)..... 4**

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# **Software Audit**

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

### **CAO 2803-1314-06**

#### **BACKGROUND**

Computer software, or just software, is a collection of computer programs and related data that provides the instructions for telling a computer what to do and how to do it. In other words, software is a set of programs, procedures, algorithms and its documentation concerned with the operation of a data processing system.

Much of the software used has been developed, written, and sold by businesses. This software is often times protected from copyright infringement of software (often referred to as software piracy). These vendors are in the software business and have proprietary rights to their software. Occasionally, this software is taken and used without authorization. Penalties for copyright infringement of this kind vary globally. In the United States, willful copyright infringement carries a maximum penalty of \$150,000 per instance. If copyrighted software is on any City of Las Vegas (City) computer, even if the City had no part in the installation, the copyright owner has the right to seek monetary damages against the City.

In order to mitigate penalties of copyright infringement of software the City utilizes Software Asset Management (SAM). SAM is a set of policies, procedures, technologies and people within the organization. SAM allows management to have relative assurance that software products are properly deployed, and unauthorized software is identified and appropriately handled. Without a strong software asset management system there are no assurances as to how many licenses of the software product the entity has and where they are deployed, this can lead to the business using software that is unlicensed. Even though these infringements may be accidental, the owner of the hardware still risks litigation. There is also the issue of the computer user installing unauthorized software on City hardware. The increasing availability of illegal software on-line has made it even more difficult to manage software effectively.

As a part of the enforcement of City policies and procedures, periodic reviews and audits are conducted. These audits could be internal to the Department, by the Information Technologies Department (IT), by members of City Management or by the City Auditor's Office.

The numerous approved policy and procedures governed all aspects of information technology. These policies and procedures were used to audit against.

- IT Policy IT002.2 (issued 11/29/10)
- IT101.1 (issued 3/15/05) govern the City's right to audit all City's owned computers and their contents

- Software control requirements are also stated in Internet Procedure IT122a.3 (issued 3/4/04) referencing various responsibilities
- Internet Policy IT122.2 (issued 3/5/04) reference software downloading
- Policy IT134a.1 Information Security Procedure (issued 2/25/08) requires “Each Department must work with IT to ensure software accountability is maintained by identifying name, version, property code and license number”.
- City Policies That Govern Software and Hardware
- Computer Hardware Policy IT108.1 (issued 7/16/10)
- Windows Local Administrator Privilege Policy IT153 (issued 6/25/13)

## **OBJECTIVE**

The objective of our audit was to:

- Identify violations of City software policies and procedures.

## **SCOPE AND METHODOLOGY**

The scope of this audit was limited to a review of current software installed on selected computers assigned or unassigned within the PRNS. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- The utilization of SAM software: Microsoft SQL - Server Reporting Services extracts and Audit Wizard Software,
- Research of applicable guidelines, policies, and procedures,
- Interviews of City employees,
- Observations,
- Analysis and detail testing of available data,
- A search of all IT HEAT records (at the time of audit there were 34,175 HEAT records searched). HEAT is a software management database system used in the Information Technology Department to maintain the documentation regarding all computer issues and the documented resolution of those issues. It is the electronic file providing documentation proof of work done.
- No additional databases or methodologies were noted by IT as source for authorized software.

We conducted this compliance 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 effect on the audit or the assurances provided.

There are two separate areas of responsibility regarding software installation on city owned computers. Based on current published policy and guidelines IT department has ultimate responsibility over software and monitoring of that software, regardless of the software source. The departments are required to inform and obtain IT approval for desired software.

The report findings are addressed to the department that the management response is requested of.

## **CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

The following conclusions were noted:

*Identify violations of City software policies and procedures.*

- Twenty-seven personal software programs were found. (Finding 1)
- Seven programs lacked proper authorized documentation. (Finding 2)
- Seven shareware or freeware programs lacked proper authorized documentation. (Finding 3)

Further information is contained in the following sections.

## **1. Non-Business Software Programs – Parks, Recreation & Neighborhood Services (PRNS)**

### **Criteria**

#### Computer Hardware Policy (IT108.1)

Policy – “...City of Las Vegas employees may not utilize City computer systems for any purpose other than work related to the City of Las Vegas business unless specifically approved in a separate policy. Personal letter, accounting, checkbook balancing etc., and personal entertainment ... are examples of prohibited uses of these devices...”

#### Computer Software Policy (IT002.2)

Acquisition of Computer Software – “All software acquired by the City of Las Vegas must be purchased through IT.”

### **Conditions**

Data Mining on 323 PRNS computers found the following:

- 27 different unauthorized software programs installed on 31 PRNS City of Las Vegas computers and details have been given to management.

These software programs did not have a business use and we were unable to determine if they were purchased through IT. The search of the IT HEAT records provided no support showing authorization or installation for the software in PRNS.

### **Cause**

Failure to follow existing CLV Policy and Procedures

### **Effect**

CLV is at risk by being out of compliance with issued city policies and procedures.

### **Recommendations**

- 1.1 The identified software programs should be removed from CLV microcomputers by a request being made to IT to remotely remove them.
- 1.2 PRNS employees should be instructed on applicable CLV Policies and Procedures related to computer software and hardware use.

## **2. Unauthorized Business Software Programs - IT**

### **Criteria**

#### Computer Software Policy (IT002.2)

Acquisition of Computer Software – “All software acquired by the City of Las Vegas must be purchased through IT. Software acquisition channels are restricted to ensure that the City has a complete record of all software purchased for City computers so IT can register, support, and upgrade such software accordingly.”

### **Condition**

Seven software programs were found on computers in PRNS. They were determined to have a business purpose.

- PSC WebClient 10.2B
- PrintMaster 7.0
- Professional Payroll Software
- TaxWise 2004
- VSI RecTrac (Parks & Rec Mgt Software)

The search of the IT HEAT records provided support showing authorization or installation for the above five software programs but not always for the specific computer under review.

- American Greetings Art & More
- Serif Draw Plus 3.0

The above two programs may have a business purpose but nothing definitive could be determined and no HEAT record could be located for them.

The PRNS stated they contacted IT for purchase and installation of the software but did not retain any correspondence or licensing documentation.

IT could not provide detail documentation that the questioned software was authorized, purchased, or installed by IT.

### **Cause**

Failure to follow existing CLV Policy and Procedures or inadequate documentation of authorization, purchase, or installation

### **Effect**

CLV is at risk by being out of compliance with software licensing requirements.

### **Recommendation**

2.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs and they should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

2.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

**AUDITOR’S NOTE: (This is the same recommendation previously made to Information Technologies in the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion was revised to March 31, 2014 because IT concluded upon due diligence that what is needed was far more complex than initially expected.)**

## **3. Unauthorized Shareware or Freeware Software Programs - IT**

### **Criteria**

Computer Software Policy (IT002.2)

Shareware/Freeware –

Shareware software is copyrighted software that is distributed freely through bulletin boards and on-line systems. It is the policy of the City of Las Vegas to pay shareware authors the fee they request for the use of their products. Acquisition and registration of shareware products shall be handled the same way as commercial software products.

Freeware software is copyrighted software that can legally be shared and copied without payment to the developer. While the City can legally use such products, they shall only be installed:

With the permission of the Department Director, or designee, and the concurrence of IT; and

After having been checked for compatibility with the City's computing environment by IT; and

After having been checked for absence of viruses by IT.

Installation of freeware shall be registered in the software inventory for the computer. Support and training for such products will not be provided by City Staff.

### **Condition**

Seven shareware or freeware software programs were found on computers in the PRNS. These programs may have a business purpose.

- ALOT Toolbar
  - Coupon Printer
  - Delta Chrome Toolbar
  - Delta Toolbar
  - My Calendar
  - NetAssistant
  - WiseConvert Toolbar
- 
- No evidence exists that the above noted shareware or freeware was authorized by the department director or designee.
  - The search of the IT HEAT records provided no support showing authorization or installation for the above software.
  - IT could not provide documentation that the questioned software was authorized, purchased, or installed by IT.
  - No evidence exists of compatibility checking, virus checking, or registry in the computers software inventory by IT.

### **Cause**

Failure to follow existing CLV Policy and Procedures or inadequate documentation of authorization, purchase, or installation

### **Effect**

- Programs may be on the CLV systems without appropriate authorization.
- Programs could cause compatibility problems with CLV systems.
- Programs may contain viruses because appropriate tests have not been completed.
- Requested licensing fees may not have been paid by the CLV.

### **Recommendation**

- 3.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs and they should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.
- 3.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

**AUDITOR’S NOTE: (This is the same recommendation previously made to Information Technologies in the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion was revised to March 31, 2014 because IT concluded upon due diligence that what is needed was far more complex than initially expected.)**

## **Management Responses**

### **1. Non-Business Software Programs – PRNS**

#### **Recommendation**

- 1.1 The identified software programs should be removed from CLV microcomputers.
- 1.2 PRNS employees should be instructed on applicable CLV Policies and Procedures related to computer software and hardware use.

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

I've instructed the department's employee who handles the IT issues to have IT remove the unauthorized software from PRNS computers

The individual issued requests to IT to remove the unauthorized software. All software was removed by January 27, 2014.

In addition, we will instruct PRNS employees on applicable CLV Policies and Procedures related to computer software (IT002.2) and hardware (IT108.1)

**Estimated Date of Completion:** Completed on January 27, 2014

### **2. Unauthorized Business Software Programs - IT**

#### **Recommendation**

- 2.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs and they should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.
- 2.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

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

- 1) City IT is currently working on procurement for new software that will augment our existing tools for discovery and accounting of licenses. We expect this software to be in place before no later than March 31, 2014, barring any

unforeseen circumstances. Once the software is in place we will begin a more effective policing strategy by scanning all existing installations and working to resolve them (see point 2, below). An additional outcome will be that we will have an accurate electronic inventory of licenses for the myriad software titles we use at the City, and reporting for same.

- 2) During our initial scans for clean-up, in each case where unauthorized software is discovered, City IT will address by working with the department to either remove or authorize and appropriately license said software. We will authorize software through our electronic service desk, and that will be a permanent record for such authorizations. We will then continue routine scans quarterly. We expect that we can finish all initial scans and mitigation by the end of the calendar year.
- 3) IT has issued a new policy – IT153 Windows Local Administrator Privilege Policy dated June 25, 2013. This policy will restrict the granting of computer administrator privilege to users. Administrator Rights allows the user to add and delete software to their computers. This will reduce unauthorized software from being added to city computers.

**Estimated Date of Completion:** By December 31, 2013

**AUDITOR’S NOTE: (This is the same response previously made by Information Technologies for the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion is by March 31, 2014.)**

### **3. Unauthorized Shareware or Freeware Software Programs - IT**

#### **Recommendation**

- 3.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs and they should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.
- 3.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

**Management Action Plan:**

One other factor in the propagation of illicit software is that there is a proliferation of users who have had the administrative ability to install software on their computer without intervention from IT. This practice is largely being discontinued in favor of a more controlled approach and mitigation of some of the problems that were originally solved by allowing administrative control. We are implementing the change with the roll out of new computers and software images, and so we anticipate complete migration to our new policy sometime in the first quarter of 2014.

Also see IT management response to audit finding #2 Unauthorized Business Software Programs

**Estimated Date of Completion:** By March 31, 2014

**AUDITOR’S NOTE: (This is the same response previously made by Information Technologies for the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion is by March 31, 2014.)**

**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

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**DEPARTMENT:** CITY AUDITOR'S OFFICE  
**DIRECTOR:** RADFORD SNELDING

Consent  Discussion

**SUBJECT:**

Discussion for possible action on Software Audit - Fire and Rescue (2801-1314-07)

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

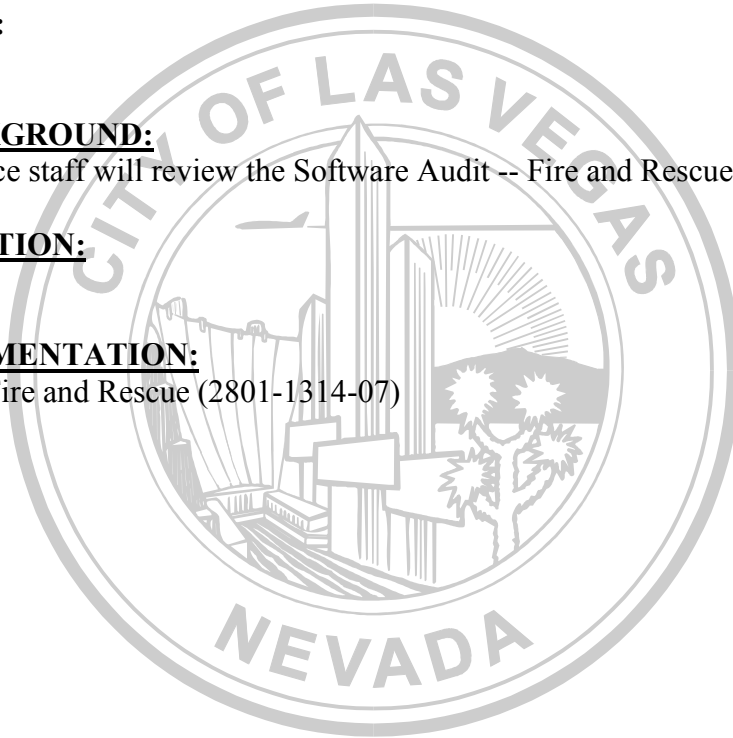
City Auditor's Office staff will review the Software Audit -- Fire and Rescue (2801-1314-07)

**RECOMMENDATION:**

Accept the report.

**BACKUP DOCUMENTATION:**

Software Audit -- Fire and Rescue (2801-1314-07)



# **CITY AUDITOR'S OFFICE**



## **SOFTWARE AUDIT FIRE AND RESCUE**

**Report No. CAO 2801-1314-07**

**May 12, 2014**

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

**CITY AUDITOR**

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# **Software Audit Fire and Rescue**

## **CAO 2801-1314-07**

### **BACKGROUND**

Computer software, or just software, is a collection of computer programs and related data that provides the instructions for telling a computer what to do and how to do it. In other words, software is a set of programs, procedures, algorithms and its documentation concerned with the operation of a data processing system.

Much of the software used has been developed, written, and sold by businesses. This software is often times protected from copyright infringement of software (often referred to as software piracy). These vendors are in the software business and have proprietary rights to their software. Occasionally, this software is taken and used without authorization. Penalties for copyright infringement of this kind vary globally. In the United States, willful copyright infringement carries a maximum penalty of \$150,000 per instance. If copyrighted software is on any City of Las Vegas (City) computer, even if the City had no part in the installation, the copyright owner has the right to seek monetary damages against the City.

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The numerous approved policy and procedures governed all aspects of information technology. These policies and procedures were used to audit against.

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- IT101.1 (issued 3/15/05) govern the City's right to audit all City's owned computers and their contents
- Software control requirements are also stated in Internet Procedure IT122a.3 (issued 3/4/04) referencing various responsibilities
- Internet Policy IT122.2 (issued 3/5/04) reference software downloading

- Policy IT134a.1 Information Security Procedure (issued 2/25/08) requires “Each Department must work with IT to ensure software accountability is maintained by identifying name, version, property code and license number”.
- City Policies That Govern Software and Hardware
- Computer Hardware Policy IT108.1 (issued 7/16/10)
- Windows Local Administrator Privilege Policy IT153 (issued 6/25/13)

## **OBJECTIVE**

The objective of our audit was to:

- Identify violations of City software policies and procedures.

## **SCOPE AND METHODOLOGY**

The scope of this audit was limited to a review of current software installed on selected computers assigned or unassigned within the Fire and Rescue. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- The utilization of SAM software: Microsoft SQL - Server Reporting Services extracts and Audit Wizard Software,
- Research of applicable guidelines, policies, and procedures,
- Interviews of City employees,
- Observations,
- Analysis and detail testing of available data,
- A search of all IT HEAT records (at the time of audit there were 34,156 HEAT records searched). HEAT is a software management database system used in the Information Technology Department to maintain the documentation regarding all computer issues and the documented resolution of those issues. It is the electronic file providing documentation proof of work done.
- No additional databases or methodologies were noted by IT as source for authorized software.

We conducted this compliance 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 effect on the audit or the assurances provided.

There are two separate areas of responsibility regarding software installation on city owned computers. Based on current published policy and guidelines IT department has ultimate responsibility over software and monitoring of that software, regardless of the software source. The departments are required to inform and obtain IT approval for desired software.

The report findings are addressed to the department with a request for management responses.

## **CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

The following conclusions were noted:

*Identify violations of City software policies and procedures.*

- Thirty personal software programs were found on fifty-five computers. (Finding 1)
- One program lacked proper authorized documentation. (Finding 2)
- Four shareware or freeware programs lacked proper authorized documentation. (Finding 3)

Further information is contained in the following sections.

## **1. Non-Business Software Programs – Fire and Rescue**

### **Criteria**

Computer Hardware Policy (IT108.1)

Policy – “...City of Las Vegas employees may not utilize City computer systems for any purpose other than work related to the City of Las Vegas business unless specifically approved in a separate policy. Personal letter, accounting, checkbook balancing etc., and personal entertainment ... are examples of prohibited uses of these devices...”

Computer Software Policy (IT002.2)

Acquisition of Computer Software – “All software acquired by the City of Las Vegas must be purchased through IT.”

### **Conditions**

Data Mining on 260 Fire and Rescue computers found the following:

- 30 different unauthorized software programs installed on 55 Fire and Rescue City of Las Vegas computers and details have been given to management.

These software programs did not have a business use and we were unable to determine if they were purchased through IT. The search of the IT HEAT records provided no support showing authorization or installation for the software in Fire and Rescue.

### **Cause**

Failure to follow existing CLV Policy and Procedures

### **Effect**

CLV is at risk by being out of compliance with issued city policies and procedures.

### **Recommendations**

- 1.1 The identified software programs should be removed from CLV microcomputers by a request being made to IT to remotely remove them.
- 1.2 Fire and Rescue employees should be instructed on applicable CLV Policies and Procedures related to computer software and hardware use.

## **2. Unauthorized Business Software Programs - IT**

### **Criteria**

Computer Software Policy (IT002.2)

Acquisition of Computer Software – “All software acquired by the City of Las Vegas must be purchased through IT. Software acquisition channels are restricted to ensure that the City has a complete record of all software purchased for City computers so IT can register, support, and upgrade such software accordingly.”

### **Condition**

One software programs was found on a computer in Fire and Rescue. It is a medical program which has a business purpose.

- DR Systems Web Ambassador

The search of the IT HEAT records provided no support showing authorization or installation for the above software program.

Fire and Rescue stated they contacted IT for purchase and installation of the software but did not retain any correspondence or licensing documentation.

IT could not provide detail documentation that the questioned software was authorized, purchased, or installed by IT.

### **Cause**

Failure to follow existing CLV Policy and Procedures or inadequate documentation of authorization, purchase, or installation

### **Effect**

CLV is at risk by being out of compliance with software licensing requirements.

### **Recommendation**

2.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified program and it

should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

2.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

**AUDITOR’S NOTE: (This is the same recommendation previously made to Information Technologies in the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion was revised to March 31, 2014 because IT concluded Fire and Rescue due diligence is far more complex than initially expected.)**

### **3. Unauthorized Shareware or Freeware Software Programs - IT**

#### **Criteria**

Computer Software Policy (IT002.2)

Shareware/Freeware –

Shareware software is copyrighted software that is distributed freely through bulletin boards and on-line systems. It is the policy of the City of Las Vegas to pay shareware authors the fee they request for the use of their products. Acquisition and registration of shareware products shall be handled the same way as commercial software products.

Freeware software is copyrighted software that can legally be shared and copied without payment to the developer. While the City can legally use such products, they shall only be installed:

With the permission of the Department Director, or designee, and the concurrence of IT; and

After having been checked for compatibility with the City’s computing environment by IT; and

After having been checked for absence of viruses by IT.

Installation of freeware shall be registered in the software inventory for the computer. Support and training for such products will not be provided by City Staff.

## **Condition**

Four shareware or freeware software programs were found on computers in Fire and Rescue. These programs may have a business purpose.

- Hand Brake
- Good Search Toolbar
- Google Chrome (2) – IT now allows Google Chrome to be installed, but at the time of the audit Google Chrome was not allowed.
- No evidence exists that the above noted shareware or freeware was authorized by the department director or designee.
- The search of the IT HEAT records provided no support showing authorization or installation for the above software.
- IT could not provide documentation that the questioned software was authorized, purchased, or installed by IT.
- No evidence exists of compatibility checking, virus checking, or registry in the computers software inventory by IT.

## **Cause**

Failure to follow existing CLV Policy and Procedures or inadequate documentation of authorization, purchase, or installation

## **Effect**

- Programs may be on the CLV systems without appropriate authorization.
- Programs could cause compatibility problems with CLV systems.
- Programs may contain viruses because appropriate tests have not been completed.
- Requested licensing fees may not have been paid by the CLV.

## **Recommendation**

3.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs. They should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

- 3.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

**AUDITOR’S NOTE: (This is the same recommendation previously made to Information Technologies in the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion was revised to March 31, 2014 because IT concluded Fire and Rescue due diligence is far more complex than initially expected.)**

## **Management Responses**

### **1. Non-Business Software Programs – Fire and Rescue**

#### **Recommendation**

- 1.1 The identified software programs should be removed from CLV microcomputers.
- 1.2 Fire and Rescue employees should be instructed on applicable CLV Policies and Procedures related to computer software and hardware use.

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

The department's personnel who handles IT issues has requested IT to remove the unauthorized software from Las Vegas Fire & Rescue computers. The individual issued requests to IT to remove the unauthorized software. All software was removed by March 20, 2014. In addition, we will instruct Las Vegas Fire & Rescue personnel on applicable CLV Policies and Procedures related to computer software (IT002.2) and hardware (IT108.1)

**Estimated Date of Completion:** Completed on March 20, 2014

### **2. Unauthorized Business Software Programs - IT**

#### **Recommendation**

- 2.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs. They should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.
- 2.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

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

- 1) City IT is currently working on procurement for new software that will augment our existing tools for discovery and accounting of licenses. We expect this software to be in place before no later than March 31, 2014, barring any unforeseen circumstances. Once the software is in place we will begin a more effective policing strategy by scanning all existing installations and working to

- resolve them (see point 2, below). An additional outcome will be that we will have an accurate electronic inventory of licenses for the myriad software titles we use at the City, and reporting for same.
- 2) During our initial scans for clean-up, in each case where unauthorized software is discovered, City IT will address by working with the department to either remove or authorize and appropriately license said software. We will authorize software through our electronic service desk, and that will be a permanent record for such authorizations. We will then continue routine scans quarterly. We expect that we can finish all initial scans and mitigation by the end of the calendar year.
  - 3) IT has issued a new policy – IT153 Windows Local Administrator Privilege Policy dated June 25, 2013. This policy will restrict the granting of computer administrator privilege to users. Administrator Rights allows the user to add and delete software to their computers. This will reduce unauthorized software from being added to city computers.

**Estimated Date of Completion:** By December 31, 2013

**AUDITOR’S NOTE: (This is the same response previously made by Information Technologies for the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion is by March 31, 2014.)**

### **3. Unauthorized Shareware or Freeware Software Programs - IT**

#### **Recommendation**

- 3.1 Licenses, authorization, compatibility checking, virus checking, and registry in the software inventory should be completed for the identified programs. They should be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.
- 3.2 IT must establish a verifiable system of inventory controls over all types of software programs from software acquisition to installation. Licenses for the identified programs should be obtained and be in compliance with CLV Policy and Procedure or the software should be removed from CLV micro-computers.

**Management Action Plan:**

One other factor in the propagation of illicit software is that there is a proliferation of users who have had the administrative ability to install software on their computer without intervention from IT. This practice is largely being discontinued in favor of a more controlled approach and mitigation of some of the problems that were originally solved by allowing administrative control. We are implementing the change with the roll out of new computers and software images, and so we anticipate complete migration to our new policy sometime in the first quarter of 2014.

Also see IT management response to audit finding #2 Unauthorized Business Software Programs

**Estimated Date of Completion:** By March 31, 2014

**AUDITOR’S NOTE: (This is the same response previously made by Information Technologies for the City Clerk Office Software Audit Report. Information Technology staff is currently working on this Procedure. Estimated Date of Completion is by March 31, 2014.)**

**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**  
**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Discussion for possible action on Audit of Parks, Recreation and Neighborhood Services - Management Controls over Deposits from Drop Safes (1605-1314-08)

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

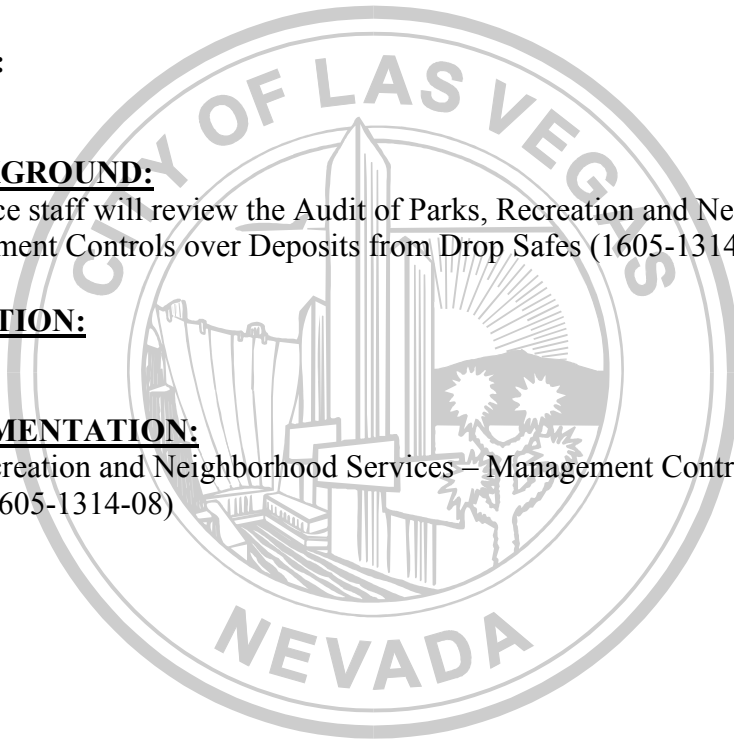
City Auditor's Office staff will review the Audit of Parks, Recreation and Neighborhood Services – Management Controls over Deposits from Drop Safes (1605-1314-08)

**RECOMMENDATION:**

Accept the report.

**BACKUP DOCUMENTATION:**

Audit of Parks, Recreation and Neighborhood Services – Management Controls over Deposits from Drop Safes (1605-1314-08)



# **CITY AUDITOR'S OFFICE**



## **Audit of Parks, Recreation, and Neighborhood Services - Management Controls over Deposits from Drop Safes**

**Report No. CAO 1605-1314-08**

**May 12, 2014**

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

**CITY AUDITOR**

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**AUDIT OF PARKS, RECREATION, AND  
NEIGHBORHOOD SERVICES -  
MANAGEMENT CONTROLS OVER DEPOSITS FROM  
DROP SAFES  
CAO 1605-1314-08**

**BACKGROUND**

Remote Parks Recreation and Neighborhood Services (PRNS) locations handle cash collection independently. These remote locations perform the required cash handling functions as defined and regulated by the City of Las Vegas Cash Handling Policy FN302, Cash Handling Procedure FN302a, and Department of Leisure Services Standard Practice Class Cash Drawer Procedures No: 1.21.

When cash is receipted typically the location has 24 hours to deposit funds in the bank. Deposits are secured in a safe or other secure place. The safe or other secure place should have a log used to record activity. The safe log is used to reconcile and document other control activities.

The City Auditor's Office was provided information concerning a PRNS employee who failed to deposit monies in the bank from Floyd Lamb Park. Finance Department personnel completed a report with the Deputy Marshal Unit advising of the missing cash deposits, and a follow-up criminal investigation was conducted. The investigation determined eight deposits totaling \$2,770 had been taken by an employee. Criminal prosecution is being pursued under NRS 205.0832.

The City Auditors Office subsequently performed an audit of the management controls over the deposits from drop safes in PRNS. The drop safes are located at 13 PRNS community centers and at the 2 year-round pools.

**OBJECTIVES**

The audit objectives were to determine:

- If existing controls over deposits from drop safes are adequate to protect the City's funds;
- If PRNS employees are properly trained on cash handling procedures; and
- If existing controls provide timely identification of missing deposits

## SCOPE AND METHODOLOGY

The scope of this audit was limited to the review of management controls over drop safes located at 15 PRNS community centers and at the municipal pool which is used by the three seasonal pools without drop safes. Our audit methodology included:

- Research of policy and procedures and applicable department guidelines,
- Interviews of PRNS personnel,
- Observations of work processes, and
- Analysis and detail testing of available data.

We conducted this audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

## CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

The following conclusions were noted:

### **Existing Controls over deposits from drop safes are adequate.**

Existing Controls over deposits from drop safes appear to be adequate; however, procedures are not always being followed.

- Cash receipts are not always being provided to customers when the receipting system was inoperative. (Finding 1)
- Deposits were not always made within one business day. (Finding 2)
- Safe log sheets are not always being completed properly. (Finding 3)
- Safe combinations are not being changed according to policy. (Finding 4)

### **PRNS employees are properly trained on cash handling procedures.**

- As indicated in several recommendations included in this report increased efforts regarding training are urged.

**Existing Controls provide timely identification of missing deposits.**

- Use of the Daily Cash Balancing Report Column was deleted from Deposit Log Sheet. (Finding 5)

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

## **1. Customer Receipts Not Provided**

### **Criteria**

The City's Cash Handling Procedure, FN 302a states: "Provide a receipt to the individual making the payment. Include the city name, the department name, and customer name and address on all receipts".

PRNS Class Cash Drawer Procedures, No. 1.21 states: "If the Class Software System goes down and is unavailable, or money needs to be taken in a location other than the front counter a manual system of cash receipting must be adhered to."

### **Condition**

- When performing a site visit to Carlos L. Martinez and Darrio J. Hall (CMDH) Family pool on 7/31/2013, a cash drawer countdown was completed and there was \$98.75 while RecTrack showed receipts of \$67. A total of \$31.75 was not recorded into RecTrack.
- On July 25th, 2013 when conducting a site visit to the Doolittle pool a cash countdown showed that there was \$44 that had not been recorded in RecTrack. There were also coins, mostly pennies in the lock box.
- The pool sites are not preparing or giving receipts to customers.

### **Cause**

- The laptop was shut down and not restarted to see if it was operative.
- The cashier could not give a reasonable answer for the overage of \$44.
- Staff failed to follow the manual receipt procedures

### **Effect**

- Possible cash skimming
- Cash is at risk for theft or fraud.

## **Recommendations**

- 1.1. PRNS Management should implement a manual cash receipting system at the pools.
- 1.2. PRNS Management needs to document and implement procedures to ensure paper receipts are available to customers.
- 1.3. PRNS Management should provide additional cash handling training to their staff.

## **2. Deposits Not Made Within One Business Day**

### **Criteria**

The City's Cash Handling Procedure, FN 302a states: "All revenue collections, regardless of amount, shall be deposited intact within 24 hours." "The designated employee deposits all revenue collections within 24 hours of receipt."

### **Condition**

- Deposits were not made within one business day of receipt.
- One site had 31 deposit bags in the safe with revenues from 4/22/2013 thru 5/1/2013.
- One site had three instances where there was no date of deposit removal, the staff name, or the witness.

### **Cause**

- Failure of PRNS staff to comply with Cash Handling Policy/Procedure

### **Effect**

- Funds are at risk for theft or fraud

### **Recommendations**

- 2.1 PRNS Management should document and implement procedures to verify that all deposits are delivered to the bank within 24 hours of receipt.
- 2.2 PRNS Management should require that two employees are present when transporting and making deposits.

### **3. Incomplete Deposit Log Sheets**

#### **Criteria**

According to the Cash Handling Procedure, FN302a: “If an error is made when completing cash handling documents, the person who made the error draws a single line through the mistake followed by initials and writes the correct information next to the information stricken.”

PRNS CLASS Cash Drawer Procedures states: “The monies must balance to the Daily Cash Balance Report and be verified by another staff member.”

The column heading required the employee name(s) versus their initial(s).

#### **Condition**

- Staff members are using initials instead of their full names on the deposit log sheets.
- Entries on the deposit log sheets were found scribbled over, crossed out, or overwritten.
- Sites have modified the deposit log sheet by deleting the Daily Cash Balance Report column which can be used to reconcile the deposit to the amount in RecTrack.

#### **Cause**

- Failure to follow the cash handling procedures.
- Lack of training on cash handling.
- Staff altered the deposit log sheet without approval.
- Failure of staff to completely fill out the deposit log sheet.

#### **Effect**

- Incomplete and unreliable deposit log sheets.
- Deficient audit trail

#### **Recommendations**

- 3.1 PRNS Management should document and implement procedures to ensure that staff are signing rather than initialing the deposit logs.
- 3.2 PRNS Management should document and implement procedures to ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and that the staffs are verifying the amount against deposit bags.

- 3.3 PRNS Management should document and implement procedures to ensure coordinators/supervisors access the bank's online website and verify that deposits are received by the bank within one business day. If deposits are not made on time, PRNS management should follow-up with the appropriate staff and take corrective action.

## **4. Safe Combinations**

### **Criteria**

The City's Cash Handling Procedure, FN 302a states: "The department changes the safe combination(s) yearly or when an employee with safe access separates from employment."

The City's CLASS Cash Drawer Procedures No. 1.21 states: "The safe combination should be changed whenever there is a staff change (that knows the combination), a breach of security or once a year, whichever is soonest."

### **Condition**

Safe combinations are not being changed when key personnel have departed, yearly, or when there has been a breach of the combination. This is evidenced by the following:

- Out of the 15 sites with safes, 8 sites didn't know when the combination had been changed.
- Five sites knew the year and some thought it was 3-4 years ago, 9 sites had key personnel depart from that unit.
- There were 2 sites that had the combination changed and no key staff departed.

### **Cause**

- Staff is not following the safe combination change requirements within the City's Cash Handling Policy and Procedures

### **Effect**

- The contents of safes can be compromised.
- Unauthorized personnel could obtain access to safes contents.

## **Recommendations**

- 4.1 PRNS Management should document and implement procedures to ensure that safe combinations are changed in accordance with the cash handling policy and procedures.
- 4.2 PRNS Management should maintain a log that tracks combination changes by D&E locksmiths.

## **5. Daily Cash Balancing Report Column deleted on Safe Log Sheet**

### **Criteria**

Detective controls included an independent review of the Deposit Log Sheet (DLS) and verification that the Daily Cash Balancing Report (DCBR) matched deposit information. This was attested by a third party who initialed the DLS.

PRNS Deposit Log Sheet Procedures states: "...The following procedures must be followed in order for your deposit to be counted as a valid deposit in case of dispute: ... /w/**DCBR** – This is the person that checked these deposits against the work unit's DCBR for the day. Have them put their initials in this box."

### **Condition**

The following was noted:

- Nine sites did not use the DCBR column.
- Two sites eliminated the DCBR column.
- Two sites used the DCBR column but utilized a check mark instead of initials, contrary to policy direction.
- One site used the DCBR column as instructed but later suspended its use.
- Fourteen out of fifteen (93%) of the sites did not use the DCBR column as instructed in the policy.

### **Cause**

- PRNS employees responsible for deposits have eliminated this control.

### **Effect**

- Lack of this control makes it possible for a fraud to occur and be perpetuated without detection for a longer time.

**Recommendations**

- 5.1 PRNS Management should ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and ensures the staff is checking that amount against deposit bags as part of their internal control.
- 5.2 PRNS Management should require each site coordinator to check deposits daily through Bank of America's Cash Pro website to reconcile what was recorded on the Deposit Logs.
- 5.3 PRNS Management should provide additional cash handling training to their staff.

## MANAGEMENT RESPONSE

### 1. Customer Receipts Not Provided

**Recommendation 1.1:** PRNS Management should implement a manual cash receipting system at the pools.

**Management Response:** Section K of the department's Cash Handling Procedures (PRNS - 0005) addresses manual cash receipts for the entire department including the pools.

**Estimated Date of Completion:** December 2014

**Recommendation 1.2:** PRNS Management needs to document and implement procedures to ensure paper receipts are available to customers.

**Management Response:** Section E of the department's Cash Handling Procedures (PRNS - 0005) contains language referring to providing a receipt to customers. In addition, signage will be placed at each site stating the customer is entitled to a receipt.

**Estimated Date of Completion:** December 2014

**Recommendation 1.3:** PRNS Management should provide additional cash handling training to their staff.

**Management Response:** Training is being scheduled for all department staff responsible for handling tender including supervisors and managers and will address the department's updated Cash Handling Procedures.

**Estimated Date of Completion:** December 2014

### 2. Deposits Not Made Within One Business Day

**Recommendation 2.1:** PRNS Management should document and implement procedures to verify that all deposits are delivered to the bank within 24 hours of receipt.

**Management Response:** The department's Cash Handling Procedures (PRNS - 0005) contains language referring to bank deposits and verification procedures to ensure deposits are done within 1 business day. It is not feasible for some sites to make a bank deposit within 24 hours after a facility closes (i.e., after hours, weekends, holidays). PRNS has included procedures to ensure deposits match the daily Cash Journal Report from RecTrac

Audit of Parks, Recreation, and Neighborhood Services -  
Management Controls Over Deposits from Drop Safes  
CAO 1605-1314-08  
May 12, 2014

and dated on the Deposit Log under dual control. All deposits are locked in the facility safe until removed the next business day for bank deposit. The community program supervisor will be required to access the bank's website using CashPro on a daily basis to verify bank deposits are made and match the Cash Journal Report.

**Estimated Date of Completion:** December 2014

**Recommendation 2.2:** PRNS Management should require that two employees are present when transporting and making deposits.

**Management Response:** It is not practical with our current facility staffing levels to allow two employees to leave the site and transport deposits to the bank. There are procedures to ensure deposits are logged on the daily Deposit Log and deposit bag under dual control, and address verification of deposits in the Cash Handling Procedures (PRNS – 0005). The community program supervisor will be required to access the bank's website using CashPro on a daily basis to verify bank deposits are made and match the Cash Journal Report.

**Estimated Date of Completion:** December 2014

### **3. Incomplete Deposit Log Sheets**

**Recommendation 3.1:** PRNS Management should document and implement procedures to ensure that staff is signing rather than initialing the deposit logs.

**Management Response:** The Department's Cash Handling Procedures (PRNS - 0005) contains language that requires signatures instead of initials on all deposit forms. Examples are provided in the procedure.

**Estimated Date of Completion:** December 2014

**Recommendation 3.2:** PRNS Management should document and implement procedures to ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and that the staffs are verifying the amount against deposit bags.

**Management Response:** Section M of the department's Cash Handling Procedures (PRNS - 0005) contains language requiring the principal community program specialist verify the daily Deposit Log and deposit bag matches the Cash Journal Report from RecTrac.

**Estimated Date of Completion:** December 2014

**Recommendation 3.3:** PRNS Management should document and implement procedures to ensure coordinators/supervisors access the bank's online website and verify that deposits are received by the bank within one business day. If deposits are not made on time, PRNS management should follow-up with the appropriate staff and take corrective action.

**Management Response:** Section F of the department's Cash Handling Procedures (PRNS - 0005) contains language that requires the community program supervisor to access the bank's website using CashPro on a daily basis to verify bank deposits are made and match the Cash Journal Report. Allowances for after hours, weekends and holidays will be considered for any variances for deposits made outside the 1 business day requirement. The community program supervisor will address any discrepancies with bank deposits with the appropriate staff and take corrective action as necessary.

**Estimated Date of Completion:** December 2014

#### **4. Safe Combinations**

**Recommendation 4.1:** PRNS Management should document and implement procedures to ensure that safe combinations are changed in accordance with the cash handling policy and procedures.

**Management Response:** Section L.8 of the department's Cash Handling Procedures (PRNS - 0005) contains language that addresses facility safe combinations specifically requiring the principal community program specialist change the facility safe combination a minimum of once a year, when there is a staff change, and/or when the combination is considered compromised.

**Estimated Date of Completion:** December 2014

**Recommendation 4.2:** PRNS Management should maintain a log that tracks combination changes by D&E locksmiths.

**Management Response:** Section M of the department's Cash Handling Procedures (PRNS - 0005) contains language that requires the principal community program specialist develop and maintain a log of all facility safe combination changes completed by the D&E Locksmiths. The principal community program specialist will follow appropriate records retention procedures to track the work requests sent to and completed by the D&E Locksmiths.

**Estimated Date of Completion:** December 2014

## **5. Daily Cash Balancing Report (DCBR) Column deleted on Safe Log Sheet**

**Recommendation 5.1:** PRNS Management should ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and ensures the staff is checking that amount against deposit bags as part of their internal control.

**Management Response:** Section I of the department's Cash Handling Procedures (PRNS - 0005) addresses deposit logs, bank bags, and deposit slips and requires dual control for matching the Cash Journal Report from RecTrac to the amount stated on the deposit bag.

**Estimated Date of Completion:** December 2014

**Recommendation 5.2:** PRNS Management should require each site coordinator to check deposits daily through Bank of America's Cash Pro website to reconcile what was recorded on the Deposit Logs.

**Management Response:** Section F of the department's Cash Handling Procedures (PRNS - 0005) contains language that requires the community program supervisor to access the bank's website using CashPro on a daily basis to verify bank deposits are made and reconciles to the Cash Journal Report from RecTrac. The Deposit Log is onsite at the facility and is already reconciled under dual control by the principal community program specialist prior being deposited at the bank.

**Estimated Date of Completion:** December 2014

**Recommendation 5.3:** PRNS Management should provide additional cash handling training to their staff.

**Management Response:** Training is being scheduled for all department staff responsible for handling tender including supervisors and managers and will address the department's updated Cash Handling Procedures (PRNS - 0005). The principal community program specialist will provide training for all new employees upon hire. Any additional training may be held in conjunction with the annual review of the department's standard operating procedures.

**Estimated Date of Completion:** December 2014

**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR'S OFFICE**  
**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

Discussion for possible action on Audit of Parks, Recreation, and Neighborhood Services - Management Controls over Employee Overtime (1604-1314-09)

**Fiscal Impact**

No Impact

Augmentation Required

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

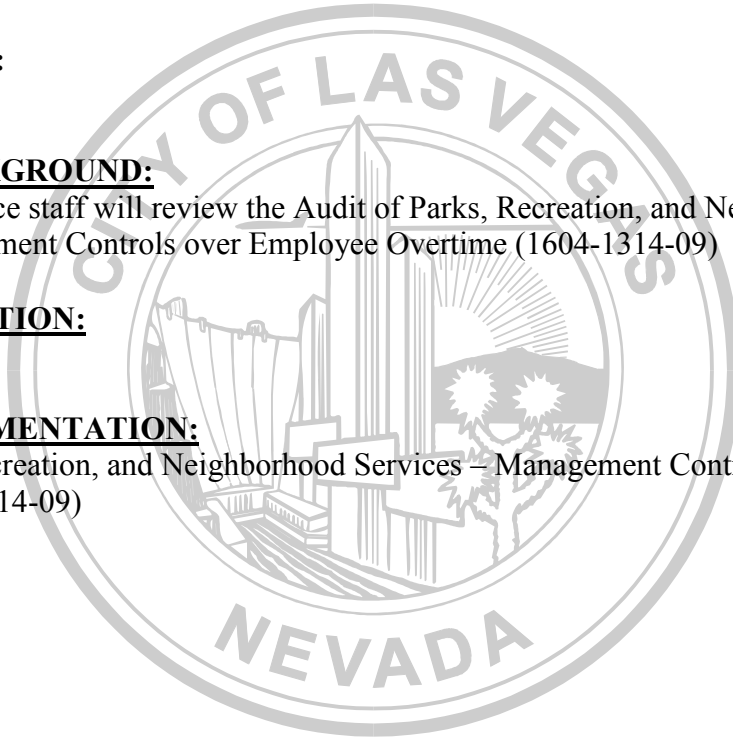
City Auditor's Office staff will review the Audit of Parks, Recreation, and Neighborhood Services – Management Controls over Employee Overtime (1604-1314-09)

**RECOMMENDATION:**

Accept the report.

**BACKUP DOCUMENTATION:**

Audit of Parks, Recreation, and Neighborhood Services – Management Controls over Employee Overtime (1604-1314-09)



# **CITY AUDITOR'S OFFICE**



## **AUDIT OF PARKS, RECREATION, AND NEIGHBORHOOD SERVICES**

### **Management Controls over Employee Overtime**

**Report No. CAO 1604-1314-09**

**May 12, 2014**

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

**CITY AUDITOR**

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**AUDIT OF PARKS, RECREATION, AND NEIGHBORHOOD SERVICES  
MANAGEMENT CONTROLS OVER EMPLOYEE OVERTIME  
CAO 1604-1314-09**

**BACKGROUND**

The Parks, Recreation, and Neighborhood Services Department (PRNS) has 13 appointive employees, 105 full-time classified employees, 6 part-time classified employees, and approximately 591 hourly employees. The full-time classified employees are eligible for overtime when working beyond their regular work hours.

PRNS employees are subject to timekeeping and overtime rules outlined in the following:

- City Policies and Procedures (see Exhibit 4)
- Department Policies and Procedures (see Exhibit 5)
- Las Vegas City Employees Association (LVCEA) Labor Contract (see Exhibit 6)
- Applicable Nevada Revised Statutes
- Official Policies of the Public Employees’ Retirement System of Nevada (NVPERS) (see Exhibit 7)

During calendar years 2011 and 2012 combined, PRNS paid out approximately \$352,000 in overtime. The following table summarizes the ten PRNS employees with the most overtime hours recorded in calendar years 2011 and 2012 combined. The names of the employees have been replaced with the abbreviation OT and their respective ranking.

<b>PRNS TOP TEN OVERTIME HOURS SUMMARY CALENDAR YEARS 2011 AND 2012 COMBINED</b>					
<b>EMPLOYEE</b>	<b>REGULAR OVERTIME HOURS (1)</b>	<b>CALLBACK HOURS (2)</b>	<b>TILO HOURS (3)</b>	<b>TOTAL HOURS</b>	<b>TOTAL \$ PAID (4)</b>
OT1	194.50	1,797.00	0.00	<b>1,991.50</b>	<b>\$102,155</b>
OT2	458.00	1.50	126.00	<b>585.50</b>	<b>\$31,519</b>
OT3	489.25	1.50	0.00	<b>490.75</b>	<b>\$37,067</b>
OT4	345.00	6.00	47.50	<b>398.50</b>	<b>\$17,380</b>
OT5	179.00	0	88.00	<b>267.00</b>	<b>\$8,258</b>
OT6	83.00	0	137.00	<b>220.00</b>	<b>\$4,361</b>
OT7	203.00	0	9.00	<b>212.00</b>	<b>\$9,673</b>
OT8	190.00	0	1.50	<b>191.50</b>	<b>\$7,748</b>
OT9	97.00	0	90.50	<b>187.50</b>	<b>\$4,643</b>
OT10	92.50	12.00	71.00	<b>175.50</b>	<b>\$7,177</b>

Notes:

- (1) Hours worked beyond an employee’s regular shift. Employees are paid for regular overtime at 1.5 times their hourly rate of pay including longevity. Hours were obtained from Oracle CLV Timecard Reports.
- (2) A special category of overtime for emergency situations requiring immediate attention where an employee who is off duty for any period of time is asked to return to duty after completing a regular shift with less

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than 12 hours' notice. Employees are paid for callback hours at 1.5 times their hourly rate of pay plus longevity. Hours were obtained from Oracle CLV Timecard Reports.

- (3) TILO or "Time in Lieu Of" is where an employee accepts time off rather than overtime pay. An employee receives 1.5 hours of TILO for each hour worked. Hours were obtained from Oracle CLV Timecard Reports.
- (4) Obtained from payroll data provided by the Department of Finance.

In June 2012, Finance's payroll unit ran various reports of the top overtime earners in the city. Upon review of these reports, Finance identified a PRNS employee with a significant amount of callback time (identified as OT1 in table above) and began questioning the number of overtime hours being recorded and the appropriateness of the classification of these hours as callback. Finance shared this information with Human Resources and they subsequently joined Finance in questioning this employee's overtime. Our office was subsequently notified of this employee's overtime. An analysis of this employee's overtime is included in this audit.

## **OBJECTIVES**

The primary audit objective was to evaluate the adequacy of the management controls in place to ensure overtime hours incurred by PRNS employees are properly approved, classified, and recorded.

## **SCOPE AND METHODOLOGY**

The scope of this audit was limited to an evaluation of the management controls over the approval, classification, and recording of overtime hours by PRNS employees during calendar years 2011, 2012, and 2013 (through June). The scope of our work on internal controls was limited to the controls within the context of the audit objectives and the scope of the audit. The last fieldwork date of this audit was October 30, 2013.

Our audit methodology included:

- Research of applicable city and state regulations,
- Research of applicable policies and procedures,
- Interviews of city personnel,
- Observations of work processes, and
- Analysis of available data.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

## **CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS**

The following conclusions were noted:

- PRNS management needs to implement a more efficient and effective process for approving and monitoring employee overtime. (Finding #1)
- A PRNS employee recorded a significant number of callback hours during 2011 and 2012 without adequate documentation supporting the classification of these hours as callback. We recommended that Finance management review the appropriateness of the classification of these callback hours against NVPERS policies and review the city's documented payroll policies and procedures and training documents to ensure they clearly and accurately reflect documentation requirements and overtime policies contained within the LVCEA labor contract and NVPERS policies. (Finding #2)
- Deficiencies were identified in PRNS management's oversight of employee overtime. (Finding #3)
- Finance needs to implement a formalized process for routinely monitoring employee overtime on a city-wide basis to timely identify trends, errors, and irregularities. (Finding #4)
- Human Resources needs to improve the verbiage on callback time in the LVCEA labor contract so that it more clearly reflects the NVPERS policies. (Finding #5)

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

## 1. Overtime Approval and Monitoring Process Deficiencies

### Criteria

An effective and efficient overtime approval and monitoring process includes:

- Policies and procedures that clearly outline the overtime approval and monitoring process.
- Efficient process to obtain timely management approval for overtime.
- Uniform enforcement of policies and procedures by management.
- Supervisory review of employee timecards for accuracy and policy compliance.
- Management review of employee overtime for errors and irregularities.

### Condition

PRNS employees are required to obtain pre-approval from management for all overtime including regular overtime, callback, and TILO. An employee obtains pre-approval by completing the paper *Overtime/PERS Callback Form* (paper overtime approval form) (see Exhibit 1) and submitting it to their supervisor who then forwards it to the respective manager, deputy director, and the department director for approval.

Information from the paper overtime approval forms is input by an administrative staff identified as a department timekeeper into an excel spreadsheet (see Exhibit 2). This overtime spreadsheet is available for reference by the timekeepers and supervisors. The paper overtime approval forms are retained in a file drawer.

Employees complete bi-weekly electronic timecards that are approved electronically by their supervisors (see Exhibit 3). If an employee records any type of overtime, they must complete the electronic *Overtime/PERS Callback Form* (see Exhibit 3). The information input into this form is a master record that can be made available to NVPERS for evaluation of the city's compliance with NVPERS policies.

The following inefficiencies and deficiencies were identified with PRNS' current overtime approval and monitoring process:

- **Outdated Policies and Procedures** – While the PRNS work rules and regulations briefly address the overtime approval process, the *PRNS Overtime and TILO Policy and Procedures* (see Exhibit 5) are outdated and do not fully reflect the current overtime approval and monitoring process within the department.
- **Inconsistent Submittal of Paper Overtime Approval Forms** – Employees did not consistently submit paper overtime approval forms during calendar years 2011 and 2012 as evidenced by the following analysis of the ten PRNS employees with the most overtime hours recorded during these years combined:

<b>Calendar Years 2011 and 2012 Combined</b>	
<b>Employee</b>	<b>Percentage of Overtime (Regular, Callback, and TILO) Supported by a Paper Overtime Approval Form</b>
OT1	19%
OT2	54%
OT3	30%
OT4	1%
OT5	70%
OT6	33%
OT7	47%
OT8	51%
OT9	37%
OT10	50%

In 2013, PRNS management emphasized in department communications to employees and through an update to the department’s work rules that paper overtime approval forms are required. We saw increased compliance with this requirement in 2013.

- **Inconsistencies and Errors in Completion of Paper Overtime Approval Forms** – In our testing we found inconsistencies in how the paper overtime approval forms were completed by PRNS employees. We also found reoccurring errors and incomplete sections on the forms.
- **Inefficient Management Approval Process** – The paper overtime approval forms must be forwarded from remote work sites to city hall and to multiple members of management for approval. With PRNS being a decentralized organization with work sites all around the city, the forms are not always approved in a timely manner and the forms are susceptible to getting lost or sitting in an employee’s mailbox for an extended period if they are on leave.
- **Lack of Confirmation of Management Approval** – Department procedures state that “a copy of the [overtime] request will be kept on file and one will be given to the employee who performed the overtime” (see Exhibit 5). While the original paper overtime form is filed after being approved by upper management, PRNS employees do not receive a copy as confirmation that their overtime was approved and do not have access to the information on the paper overtime approval form when completing their bi-weekly timecards.
- **Redundant Information Captured in Overtime Spreadsheet** – Information already documented on the paper overtime approval forms is being input into an overtime spreadsheet for reference by the department timekeepers and supervisors. Errors and inconsistencies were identified in this spreadsheet and the maintenance of this spreadsheet is time consuming. While the overtime spreadsheet allows the timekeepers

to easily identify whether paper approval forms were submitted by employees without referring directly to the forms, the value and extent to which it is used by management appears to be minimal.

- **Lack of Defined Responsibilities for Ensuring Accurate Recording of Overtime** – The PRNS timekeepers ensure paper overtime approval forms have been received for overtime hours recorded on employee timecards. This was not consistently done during 2011 and 2012. The division of responsibility and accountability between timekeepers and supervisors for ensuring employees have obtained approval for their overtime and accurately recorded their overtime on their timecards has not been formally defined and documented and may lead supervisors to inappropriately assume that the timekeepers are ensuring the accuracy of the overtime on employee timecards. While the timekeepers are able to identify whether the overtime recorded on the timecard agrees with the number of hours documented on the paper overtime approval form, the timekeepers are not in a position to know whether the overtime was actually worked, how many hours were worked, and whether the overtime was properly classified. This responsibility rests with the supervisors who approve employee timecards. According to city policy, the supervisors are responsible for certifying through their electronic signature “that the hours on the timecard are accurate and the employee is entitled to payment for those hours” (see Exhibit 4).
- **Incomplete and Inaccurate Electronic Timecards** – Errors were found within the data input by employees into the electronic *Overtime/PERS Callback Form*. In addition, PRNS supervisors who approve employee timecards are not completing the “Acknowledgment” section of the electronic *Overtime/PERS Callback Form* (see Exhibit 3) where they are to identify the time and date that they had knowledge of the need for staffing. This information is important for demonstrating the city’s compliance with NVPERS requirements. With supervisors failing to complete this section of the timecard, it raises questions on the adequacy of the supervisory review of the overtime hours on the timecards.
- **Lack of Formal Department Overtime Monitoring Process** – PRNS Management has not implemented a formal process for monitoring the overtime of its employees on a department-wide basis to:
  - ensure proper classification of overtime hours,
  - identify overtime trends and irregularities,
  - evaluate alternatives to the overtime being incurred, and
  - evaluate overtime hours against budgeted hours.

### Cause

- Inefficient overtime approval and monitoring process.
- Lack of fully documented procedures on all aspects of the overtime approval and monitoring process.
- Lack of uniform enforcement of department policy requiring overtime pre-approvals using the paper overtime approval form.

## Effect

- Lack of assurance that employee overtime has been properly and timely approved.
- Lack of assurance that employee overtime has been properly recorded on timecards.
- Employees are unaware of whether their overtime has been properly approved.

## Recommendations

- 1.1 PRNS management should implement a more efficient and effective overtime approval and monitoring process that includes the following elements:
  - a. **A more efficient and timely process by which employees can alert management of and receive approval for scheduled overtime and unplanned overtime worked.** This process should allow for timely communication of approval of overtime back to employees. Consideration should be given to reducing the number of management approvals required for approval of overtime. The approval of the employee's direct supervisor and the employee's timecard approving supervisor if different from the direct supervisor may be sufficient with the implementation of the additional controls recommended in this audit report. Consideration should be given to exploring alternatives to using the paper *Overtime/PERS Callback Form* as the method by which overtime approval is documented. Alternatives may include use of the city's email system or the implementation of an automated process similar to that used by PRNS for approval of annual or sick leave.
  - b. **A methodology for retention of overtime approvals.** If an automated approach is adopted for overtime approval, a methodology for retention of the electronic approvals would be needed.
  - c. **Increased responsibility and reliance on timecard approving supervisors (rather than the timekeepers) to monitor overtime approval, the number of overtime hours worked, and to ensure that the overtime on the employee's timecard is "accurate and the employee is entitled to payment for those hours."** With the implementation of a new overtime approval process and increased responsibility by the timecard approving supervisors for monitoring overtime, there should no longer be a need for the overtime approval spreadsheet currently being maintained by the timekeepers.
  - d. **Training of PRNS employees in the proper completion of the electronic *Overtime/PERS Callback Form* to ensure this information is complete and accurate.** While the paper *Overtime/PERS Callback Form* may no longer be used in the overtime approval process, the information thereon must still be entered by employees when completing their bi-weekly timecard.
  - e. **Review of the electronic *Overtime/PERS Callback Form* by timecard approving supervisors in conjunction with their review and approval of employee timecards.** The timecard approving supervisors should review and approve all sections of employee timecards to ensure their completeness and

accuracy. In addition, the “Acknowledgement” section of the electronic *Overtime/PERS Callback Form* must be completed by the supervisor.

- f. **Implementation of a formalized department overtime monitoring process** whereby upper management routinely reviews summaries of overtime being recorded within their department to identify trends and irregularities and explores alternative work arrangements to reduce or eliminate the overtime. Management should consult with Finance and create or identify reports that can be run on a regular basis to facilitate the overtime monitoring.
- 1.2 PRNS management should update its documented policies and procedures and work rules to coincide with the newly implemented overtime approval and monitoring process. The procedures should clearly outline all aspects of the overtime approval and monitoring process including the following:
    - a. The roles and responsibilities of employees, supervisors, and management in the process.
    - b. The information that must be shared with a supervisor when requesting scheduled overtime approval.
    - c. How and when to appropriately report unplanned overtime to a supervisor.
    - d. What employees must do if they end up working less or more overtime than anticipated when they requested approval.
  - 1.3 PRNS management should train employees in the new overtime approval and monitoring process.

## **2. Inadequate Support for Callback Hours**

### **Criteria**

The classification of employee overtime hours must be in accordance with the requirements outlined in the *Official Policies of the Public Employees’ Retirement System of Nevada* (see Exhibit 7).

### **Condition**

The city requires employees to identify on their bi-weekly timecards whether their overtime hours are regular overtime or callback. The *Official Policies of the Public Employees’ Retirement System of Nevada* (see Exhibit 7) have specific requirements that must be met for overtime hours to be classified as callback.

This differentiation between overtime and callback is important as callback pay impacts an employee’s retirement benefits while overtime pay does not. According to the NVPERS policies, the compensation used to calculate an employee’s retirement benefits is the monthly average of the highest consecutive 36 months of salary reported by the employer. The city is

required to include callback pay and exclude overtime in an employee's reported salary and in the calculation of its contribution to NVPERS.

Our audit included a review of the overtime of the top ten PRNS overtime earners in 2011 and 2012 combined. Their overtime included time spent on various special events, tournaments, camps, registrations, covering shifts, and the implementation of a new system. The employee identified as OT1 in the table at the beginning of this report stands out among these employees due to the significant amount of overtime reported and the classification of most of his overtime as callback. Accordingly, additional analysis was completed on this employee's overtime.

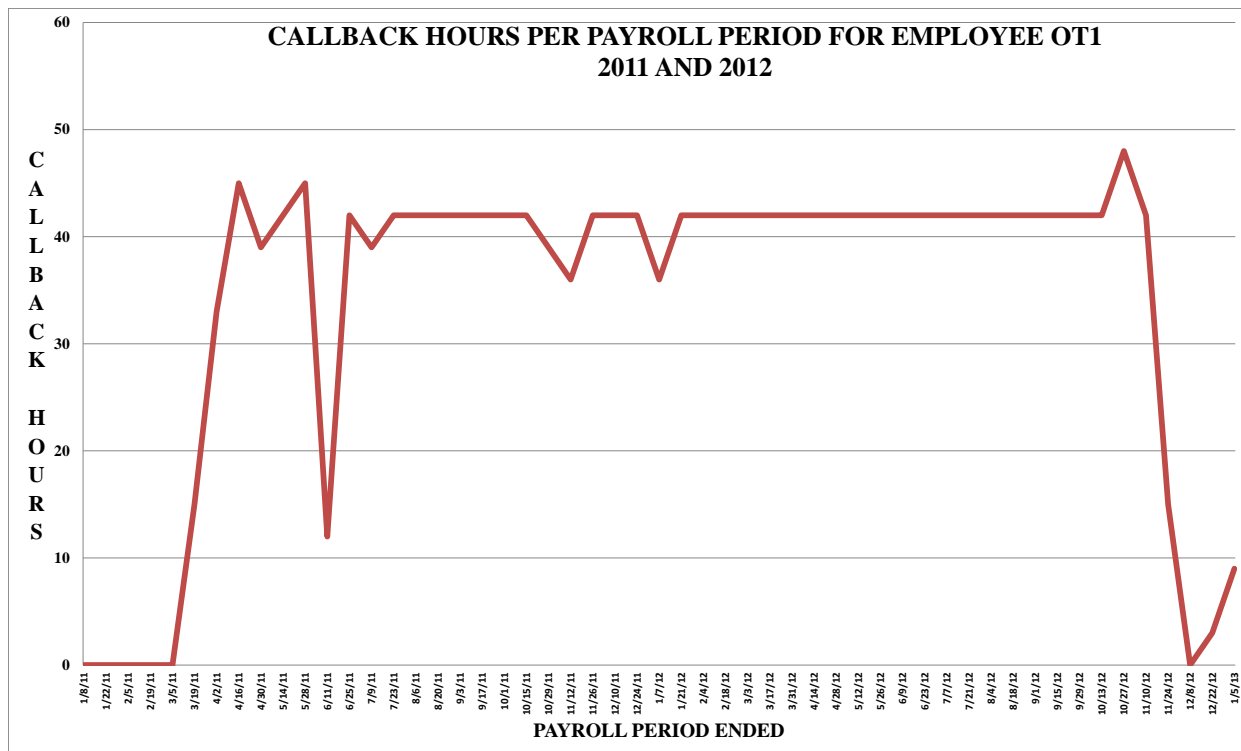
#### *Evaluation of OT1's Overtime Hours*

During calendar years 2011 and 2012 combined, OT1 recorded 1,797 hours of callback and received approximately \$92,000 for these callback hours in addition to his annual base salary (including longevity) of approximately \$71,000. The regularity of the callback time being recorded by OT1 is highlighted in the following data.

- OT1 accounted for approximately **93% of all callback hours** recorded by PRNS employees during 2011 and 2012 combined. The employee with the second highest number of callback hours during this period only had 22.5 hours compared to OT1's 1,797 hours.
- Between March 10, 2011 (initial recording of 3 hours of callback) and November 12, 2012, OT1 recorded 3 hours of callback on **94% of the days** including holidays and weekends.
- Between July 1, 2011 and November 12, 2012, OT1 recorded 3 hours of callback on **99% of the days** including holidays and weekends.
- In addition to callback hours, OT1 recorded 194.50 hours of regular overtime in calendar years 2011 and 2012 combined.
- During calendar years 2011 and 2012, OT1 only used 4.5 and 19 hours of annual leave, respectively.

The following chart shows the regularity of OT1's recording of callback time by payroll period during calendar years 2011 and 2012. During those weeks where OT1 recorded three hours of callback per day, he accumulated a total of 42 hours of callback time during the payroll period (14 days x 3 hours).

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While the frequency of OT1’s callback hours began decreasing in November 2012, he continued to record callback hours. For the period from January 1, 2013 through June 30, 2013, OT1 recorded 127 callback hours.

OT1 consistently recorded the following information on his electronic *Overtime/PERS Callback Form*:

Data Field in Electronic Timecard (see Exhibit 3)	Information Recorded by OT1
<b>Normal work hours:</b>	7:00 a.m. to 5:00 p.m.
<b>Overtime/Callback hours:</b>	5:00 p.m. to 11:00 p.m.
<b>Time of Notification:</b>	5:00 p.m.
<b>Arrival Time:</b>	5:00 p.m.
<b>Notified by:</b>	PRNS Deputy Director
<b>Reason for Overtime /Callback Hours:</b>	
7/24/2011 to 8/7/2011	<i>On call for all CLV sports field light programming and related maintenance issues.</i>
8/8/2011 to 6/9/2012	<i>On call for all CLV sports field light/allocated user group programming and related maintenance issues.</i>
6/10/2012 to 6/23/2012	<i>Manage Musco field lighting system, City Field Monitors, City adult sports leagues, allocated permit user group field/park issues and weekend permitted tournament usage.</i>

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6/24/2012 to 7/7/2012	<i>Manage and program Musco Lighting System for all CLV sports fields, supervise CLV staff Field Monitors and handle allocated/tournament user group issues.</i>
7/8/2012 to 11/24/2012	<i>Manage and program Musco Lighting system for all CLV Sports Fields and additional Park areas. Assist CLV Field Monitors with all field and allocated user group, tournament, CLV Adult Sports programs, and maintenance issues and or concerns.</i>

In order for OT1’s overtime to be classified as callback under NVPERS policies (see Exhibit 7), the following conditions must be met:

- Employee returns to duty after completing his regular shift.
- Employee is off duty for any period of time.
- Employee is requested to return to duty with less than 12 hours’ notice.

OT1’s overtime hours do not appear to meet these conditions based upon our interpretation of the policies and our understanding of his work arrangement. However, an evaluation of OT1’s overtime is hindered by incomplete and unauditible supporting documentation as follows:

- OT1 only submitted paper overtime approval forms for approximately 19% of his overtime and callback hours.
- OT1 did not document the event that initiated the callback on each day (e.g., phone call, text, email) and when it occurred on his electronic timecard or elsewhere.
- OT1 did not document the actual hours of overtime worked on his electronic timecard or elsewhere. Instead, OT1 repeatedly reported three hours of callback, his “Overtime/Callback hours” as being from 5:00 p.m. to 11:00 p.m. (immediately after his regular shift ending at 5:00 p.m.), and his “Arrival Time” as 5:00 p.m. regardless of the actual hours worked.
- OT1 did not document the details of the work performed on his electronic timecard or elsewhere. Instead, OT1 repeated the same general description of work performed for extended periods on his electronic *Overtime/PERS Callback Form* (see table above).

Note: NVPERS is the governing authority over the interpretation of their policies and any conclusions by them on this matter would supersede our conclusions.

**Cause**

- OT1 failed to adequately document work performed during overtime hours to support the classification of his overtime as callback and the number of hours worked.
- PRNS management did not adequately understand the callback requirements.

**Effect**

- Inadequate documentation for evaluation of proper recording of overtime.

## Recommendations

- 2.1 Finance management should review the appropriateness of the classification of OT1's callback hours against NVPERS policies in consultation with NVPERS representatives and submit any required adjustments to NVPERS.
- 2.2 Finance should complete a review of its documented payroll policies and procedures and training documents to ensure they clearly and accurately reflect documentation requirements and overtime policies contained within the LVCEA labor contract and NVPERS policies.
- 2.3 PRNS management should implement a process requiring management and staff to periodically attend payroll policy and timecard completion training conducted by Finance.

## 3. Overtime Management Deficiencies

### Criteria

Effective management of overtime hours requires:

- A clear understanding of applicable overtime rules by both management and employees
- Regular training of employees in the applicable overtime rules
- Continual consideration and evaluation of alternatives to overtime hours
- Management oversight and review of overtime hours being recorded on timecards to ensure the applicable overtime rules are being followed
- Continual monitoring of overtime hours against budgeted hours

### Condition

The following deficiencies were identified in PRNS management's oversight of employee overtime:

- **Inadequate Understanding of Overtime Rules** – PRNS management acknowledged deficiencies in their understanding of the overtime rules. PRNS management did not adequately understand the callback rules and the financial consequences of callback time to employees and the city as evidenced by the acceptance of OT1's work arrangement.
- **Lack of Uniform Enforcement of Departmental Policy** – The PRNS overtime policy states that an employee "may not work overtime of any kind without advance written authorization of their immediate Supervisor and/or Division Manager" (see Exhibit 5). This policy was not uniformly enforced by PRNS management during 2011 and 2012 as evidenced by the lack of submittal of paper overtime approval forms by employees during this period (see Finding #1).

- **Inefficient Overtime Approval Process** – As discussed in Finding #1, the overtime approval process is inefficient and ineffective at providing employees timely approval of their overtime requests.
- **Inadequate Management Monitoring of Employee Overtime** – As discussed in Finding #2, the PRNS employee identified as OT1 repeatedly recorded callback hours on his electronic timecard without adequate information to support the classification of the overtime hours as callback and the number of hours of callback.
- **Inadequate Supervisory Review of Employee Timecards** – PRNS Supervisors are not adequately reviewing and approving all sections within the electronic timecard as evidenced by the following:
  - Errors were found within the data input by employees into the electronic *Overtime/PERS Callback Forms*.
  - The “Acknowledgement” section of the electronic *Overtime/PERS Callback Form* is not being completed by the supervisors.
  - The PRNS employee identified as OT1 had four different supervisors who approved his bi-weekly timecard between March 10, 2011 (initial recording of 3 hours of callback) and November 12, 2012. These supervisors failed in their responsibility as timecard approvers to verify that the time being recorded by OT1 was in compliance with policy and that the information being input into the electronic timecard supported the classification of his overtime as callback and the number of hours of callback. OT1 was permitted to repeatedly input the same general description of work performed on his electronic timecard rather than details of the specific work performed each day.
- **Inadequate Evaluation of Overtime Work Arrangement** – PRNS management failed to adequately evaluate the implications of OT1’s work arrangement and alternative options to the significant amount of overtime:
  - An employee with an annual salary of \$71,000 (including base pay plus longevity) was assigned to work a significant number of reoccurring overtime hours rather than adjusting the shift of a less highly compensated employee or using a part-time or hourly employee.
  - PRNS management relied exclusively on OT1 for overseeing and making changes to the lighting system. This reliance increased the risk of not being able to satisfy the sports field lighting requirements of the sports leagues.

### Cause

- Inadequate oversight and scrutiny of employee overtime by various levels of PRNS management.

### Effect

- Inadequate management controls in place to timely identify employee overtime errors and irregularities.

## **Recommendations**

- 3.1 The PRNS Director should evaluate whether any disciplinary measures should be taken against any employees as a result of the management deficiencies identified in this finding.
- 3.2 PRNS management should implement a formalized department overtime monitoring process whereby upper management routinely reviews summaries of overtime being recorded within their department to identify trends and irregularities and explores alternative work arrangements to reduce or eliminate the overtime. Management should consult with Finance and create or identify reports that can be run on a regular basis to facilitate the overtime monitoring.
- 3.3 PRNS management should attend training by Finance on the proper application of overtime policies and completion of timecards. Management who approve timecards should be trained on how to appropriately review and approve employee timecards and reminded of their responsibility for ensuring the completeness and accuracy of the timecards they review.
- 3.4 PRNS management should request that Finance train their employees more thoroughly on how to appropriately comply with overtime policies and complete their timecards. Employees should be reminded that they are responsible for ensuring their timecards are complete and accurate.
- 3.5 PRNS management should formally review department policies and procedures and revise them as needed so that they clearly reflect current overtime rules and regulations.

## **4. Enhancements Needed in Overtime Monitoring by Finance**

### **Criteria**

Effective management of an organization's overtime hours includes a formalized and routine process for monitoring and analyzing overtime hours recorded for trends, irregularities and against budgeted hours.

### **Condition**

Finance is deserving of much credit in identifying OT1's unusual amount of callback hours and in bringing this irregularity to the attention of Human Resources and PRNS. However, Finance does not have a formalized process in place for routinely reviewing employee overtime city-wide and analyzing the overtime hours for possible errors or irregularities. Finance could have identified this overtime irregularity in a more timely manner with such a process.

### **Cause**

- Lack of a formalized process in Finance for routinely analyzing overtime on a city-wide basis to identify trends and irregularities.

### **Effect**

- Overtime irregularities not identified in a timely manner.
- Increased difficulty in correcting an irregularity that has been occurring over a long period of time.

### **Recommendations**

- 4.1 Finance should implement a formalized process for routinely monitoring overtime on a city-wide basis to timely identify trends, errors, and irregularities. Finance employees should be encouraged to question departments on any irregularities noted.
- 4.2 Finance should create or identify reports that can be run on a regular basis that facilitate overtime monitoring and analysis.
- 4.3 Finance should implement a formalized process whereby overtime reports are routinely made available and/or shared with departments and the City Manager's Office for use in fulfilling their responsibility to monitor the overtime of their employees.

## **5. Clarifications Needed in Labor Contract Verbiage**

### **Criteria**

Labor contract verbiage should reflect applicable laws and regulations where applicable.

### **Condition**

The verbiage within the LVCEA labor contract regarding callback (see Exhibit 6) inadequately reflects the NVPERS policies as follows:

- The term callout is used in the labor contract rather than callback.
- NVPERS has different policies on callback depending on the employee's effective date of membership (i.e., on or before June 30, 2008, on or after July 1, 2008, on or after January 1, 2010). These differences are not reflected in the labor contract.
- The requirements of being "off-duty" and "returning to duty" are not adequately discussed.
- The 12 hour notification requirements are not addressed.

**Cause**

- Dated contractual language.

**Effect**

- LVCEA labor contract rules on callback do not fully reflect NVPERS policies.

**Recommendation**

- 5.1 Human Resources management in consultation with Finance management should improve the verbiage in the LVCEA labor contract in future negotiations so that it more accurately reflects the NVPERS policies on callback time.

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## **EXHIBITS**

**Exhibit 1 – Paper Overtime/PERS Callback Form**



**OVERTIME/PERS CALLBACK FORM**

**It is requested that:**

Employee Name \_\_\_\_\_ Employee # \_\_\_\_\_ Hire Date \_\_\_\_\_

**Be:**  Paid  TILO (Select One) **For:**  Call-Back  Overtime (Select One)

Total # of Hours \_\_\_\_\_

**From:** \_\_\_\_\_ **To:** \_\_\_\_\_  
Time Date Time Date

**Normal Work Hours:** \_\_\_\_\_ **To** \_\_\_\_\_

**Were you called in?**  Yes  No **OR** **Held Over?**  Yes  No

**Standby?**  Yes  No

**Notified by whom?** \_\_\_\_\_

**Time and Date Notified:** \_\_\_\_\_  
Time Date

**Time Arrived for duty:** \_\_\_\_\_  
Time Date

**Reason for Call-Back/Overtime:**

\_\_\_\_\_  
 \_\_\_\_\_

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

**Indicate the time and date that the employer had knowledge of the need for staffing:**

\_\_\_\_\_  
Time Date

Supervisor/Manager/Director Signature \_\_\_\_\_ Date \_\_\_\_\_

\*\*\*\*Must attach a copy of declaration of emergency for employees enrolled after July 1, 2008\*\*\*\*

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**Exhibit 2 – Overtime Approval Form Tracking Spreadsheet**

FIRST NAME	LAST NAME	Employee #	Hours	Type	Date	Start Time	End Time	Comments
			8	Overtime	3/3/2012	7:00 AM	4:00 PM	Corporate Challenge Torch Relay
			2	OT/TILO	3/3/2012	4:30PM	6:30 PM	Youth connections monthly meeting
			10	TILO/OT	3/5/2012	7:30 AM	5:30 PM	I am needed to open and cover the facility. Our site has only two full time employees.
			10	TILO	3/17/2012	7:00 AM	5:00 PM	Corporate Challenge Table Tennis
			2	OT/TILO	3/23/2012	10:00AM	12:00PM	Youth connections monthly meeting special tour of smith center.
			12	OT/TILO	3/24/2012	7:00 AM	7:00 PM	Corporate Challenge
			8	TILO	3/24/2012	8:00 AM	4:00 PM	Corporate Challenge Track and Field Event
			13	TILO	3/24/2012	7:00 AM	8:00 PM	Corporate Challenge
			5.5	TILO	3/24/2012	7:00 AM	12:30 PM	Corporate Challenge
			4	TILO	3/31/2012	6:00 AM	10:00 AM	Working Corporate Challenge event 5K
			1	Overtime	4/2/2012	7:00 PM	8:00 PM	Cimarron Rose is running Spring Break Camp. Need to cover facility closure.
			5	Overtime	4/13/2012	12:00 PM	5:00 PM	Call Center Coverage
			4	TILO	4/13/2012	8:00 AM	12:00 PM	Call Center Coverage
			7.5	TILO	4/21/2012	7:30 AM	5:00 PM	Corporate Challenge Swimming
			9	TILO	4/21/2012	7:30 AM	8:30 PM	Corporate Challenge Swimming

Note: Employee names and numbers have been removed from this exhibit.

### Exhibit 3 – Electronic Timecard and Overtime/PERS Callback Form

#### Electronic Timecard

[Show Accrual Balances](#)

Period:   Comments:

Template:

Hours Type	Projects	Task	Options	Sun, Sep 29	Mon, Sep 30	Tue, Oct 01	Wed, Oct 02	Thu, Oct 03	Fri, Oct 04	Sat, Oct 05	Sun, Oct 06	Mon, Oct 07	Tue, Oct 08	Wed, Oct 09	Thu, Oct 10	Fri, Oct 11	Sat, Oct 12	Total
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0
<input type="button" value="Add Another Row"/> <input type="button" value="Recalculate"/>				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Template Name:

#### Electronic Overtime/PERS Callback Form

##### Overtime/PERS Callback Form

\* Indicates required field

Employee Name:  Employee #:

TIP \*\*\* OT form exists

* Paid or TILO: <input type="text"/>	* Callback or Overtime: <input type="text"/>
* From Date: <input type="text"/> (example: 16-Sep-2013)	* To Date: <input type="text"/> (example: 16-Sep-2013)
* From Time: <input type="text"/> (example: 09:15, 15:45, etc.)	* To Time: <input type="text"/> (example: 09:15, 15:45, etc.)
* Normal Work Hours From: <input type="text"/> (example: 09:15, 15:45, etc.)	* Normal Work Hours To: <input type="text"/> (example: 09:15, 15:45, etc.)
* Called In (Y/N): <input type="text"/>	* Held Over/Scheduled (Y/N): <input type="text"/>
* Standby (Y/N): <input type="text"/>	
* Notified By: <input type="text"/>	
* Date Notified: <input type="text"/> (example: 16-Sep-2013)	* Arrived for Duty Date: <input type="text"/> (example: 16-Sep-2013)
* Time Notified: <input type="text"/> (example: 09:15, 15:45, etc.)	* Arrived for Duty Time: <input type="text"/> (example: 09:15, 15:45, etc.)

##### Reason

Reason for Call-Back/Overtime:

\* Reason:

##### Acknowledgement

Indicate the time and date that the employer had knowledge of the need for staffing:

\* Acknowledged By:

\* Acknowledged Date:  (example: 16-Sep-2013)

\* Acknowledged Time:  (example: 09:15, 15:45, etc.)

## **Exhibit 4 – City Timecard Procedure Excerpts**

The following are selected excerpts from the city's *Timecard Procedure (FN207a)*:

**Employees** are responsible for:

- Ensuring the time entered on the timecard and labor distribution record is accurate and legible
- Signing and dating the timecard to certify that the hours on the timecard are accurate and they are entitled to payment for those hours
- Submitting timecards by the designated date/time established by the supervisor
- Submitting forms with employee signature and date, as required by policy:
  - Leave slips - Documents to be retained by the individual departments for 3 years
  - Overtime justification forms, if required by Division Manager – If used, documents to be retained by the individual departments for 3 years

**Departmental Timekeepers** are responsible for:

- Verifying the biweekly hours recorded on the timecard reflect total compensable hours for that pay period.
- Correcting any information on the timecard to reflect information provided by the employee and/or supervisor, securing both the employee and supervisor signatures authorizing the changes, and submitting the changes in a timely manner to the Payroll Office.

**Managers and/or Supervisors** are responsible for:

- Review and approval of all timecards and changes to timecards.
- Signing the timecard and revised timecard to certify that the hours on the timecard are accurate and the employee is entitled to payment for those hours.
- Final Approval of electronic timecard prior to deadline established by Payroll.

The **Department Directors** are responsible for:

- Ensuring that timecards are signed and a signor has been designated in their absence.
- Review and approval of all timecards and revised timecards for those under their direct supervision to certify that the hours on the timecard are accurate and the employee is entitled to payment for those hours.

## **Exhibit 5 – PRNS Overtime Policies and Procedures Excerpts**

The following are selected excerpts from PRNS department policies, procedures, and work rules:

### **Overtime and TILO Policy (LS-7, effective 6/25/2007)**

#### Scheduled Overtime and TILO

The Department policy is to allow overtime and TILO opportunity to all eligible staff as long as they are qualified for the work required within the classification. An eligible employee may not work overtime of any kind without advance written authorization of their immediate Supervisor and/or Division Manager.

#### Emergency/ADHOC Overtime and TILO

The Department policy is to allow overtime and TILO opportunity to all eligible staff as long as they are qualified for the work required. An eligible employee may request verbal approval by their immediate Supervisor and/or Division Manager based on the circumstances. Once the work is completed, the written authorization will then need to be completed and signed by the immediate Supervisor and/or Division Manager.

### **Overtime and TILO Procedures (LS-7-PR, effective 6/25/2007)**

#### Scheduled Overtime and TILO

Overtime/TILO request may be initiated by the employee, or the supervisor. In either case, the overtime request will be indicated on the overtime request form. The form requires that the overtime hours to be worked, the date the overtime is to be performed, the work that will be accomplished and an explanation or reason why the work must be accomplished using overtime and cannot be done during regular hours. The supervisor will review the request. The supervisor will ensure that there is budget money available and that the task warrants overtime use. If both conditions are true, the supervisor will pre-approve the overtime, by signing and dating the form and then forwarding it to the division manager for final approval, if required by the applicable Division Manager.

#### Emergency/ADHOC Overtime and TILO

Overtime/TILO request may be initiated by the employee, or the supervisor. If an emergency arises that necessitates the employee work overtime or TILO the employee must contact their supervisor and get an oral approval. An overtime request must be completed once the work is completed that required the employee to work beyond their designated work hours. The request requires the overtime hours worked, the date the overtime was performed, the work that was accomplished and an explanation or reason why the work had to be accomplished using overtime and could not be done during regular hours. The supervisor will then formally approve the overtime by signing and dating the form and forwarding the form to the Division Manager for notification and approval. A copy of the request will be kept on file and one will be given to the employee who performed the overtime.

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**Work Rules and Regulations (dated 2/5/13)**

Overtime/PERS Callback

Overtime must be pre-approved by completing in its entirety the Overtime/PERS Callback form and forwarded to your immediate supervisor, manager and department director for approval. Failure to obtain approval could result in disciplinary action.

Persons with pre-approved overtime are also required to complete the electronic overtime/callback section of their timecard with their approved hours.

## **Exhibit 6 – LVCEA Labor Contract Excerpts**

The following are selected excerpts from the *Las Vegas City Employees' Association Labor Contract (June 18, 2006 – June 22, 2014)*:

### **23.3.1 Overtime**

**Compensation.** Overtime pay is defined as additional compensation earned by an employee who comes in early for a regularly scheduled shift, or who is held over on a regularly scheduled shift, or who returns to work after completing a normal shift as requested, or who reports to work on a day in which a normal shift is not scheduled, or works hours in addition to their regular shift.

Employees who work longer than their normal work day shall be paid overtime on a time and one-half (1½) hourly rated basis based on their hourly rate of pay at their normal weekly working hours, including longevity, for all overtime work; provided however that if the overtime worked is not in conjunction with the employee's regular hours the employee shall be paid a minimum of three (3) hours or the actual time worked whichever is greater.

Employees who do not report to work but who respond to telephone calls or perform work related tasks through use of a computer will be paid a minimum of one and a half (1.5) hours overtime or the actual time performing those tasks, whichever is greater.

### **23.3.2 Call Out**

**Compensation.** In emergency situations requiring immediate attention, where the department head or designee feels that it is necessary to call out one or more members of a department, an employee shall be paid overtime on a time and one-half (1½), plus longevity, rated basis, for all call-out hours or any fraction thereof worked. The employee shall be paid for a minimum of three (3) hours regardless of having returned to work for less than three (3) hours on the total call-out. In the event that the period of call-out extends into the employee's normal working shift, the employee shall be paid for a minimum of three (3) hours in addition to the normal working shift. If the period of call-out exceeds three (3) hours, but does not extend into the employee's normal working shift, the employee shall be paid for the amount of time actually worked at the overtime rate.

**Multiple Call Outs.** An employee who returns to work for less than three (3) hours on the initial call-out and is then called out a second time during the initial three (3) hour period shall not be entitled to any additional overtime pay unless the aggregate time worked for both occurrences shall exceed three (3) hours, in which case he shall be paid for the aggregate time so worked. In the event an employee is called out for a second time after the expiration of three (3) hours from the first call-out, he shall be paid for a minimum of three (3) hours for each call-out except as provided in the previous paragraph.

### **23.3.4 TILO (Time in Lieu Of)**

**In General.** Because the workload of some functions fluctuates both within and beyond the payroll period, employees may work Time in Lieu of (TILO). The purpose of TILO is to allow employees to accumulate and to take TILO time in conjunction with workload peaks and lows, rather than be paid at the overtime rate. Employees shall have the option of TILO accumulation rather than overtime pay up to the maximum allowed. In situations involving special funding, the City and the LVCEA will meet, discuss and agree to the method of overtime payment.

**Accumulation of TILO.** To accumulate TILO time, employees may volunteer to accept time off rather than overtime pay. This TILO time will be accumulated at a time and one-half (1½) rate for payment purposes. No employee can be required to take time off rather than be paid at the overtime rate. No employee may have an accumulated balance of TILO time exceeding two hundred forty (240) hours at the end of any pay period. Employees may not have a deficit TILO time balance. Employee shall be paid for any TILO time in excess of two hundred forty (240) hours.

**Use of TILO.** To use TILO time, employees must schedule their absence from work with their supervisor in advance of the absence. Such absences will normally only be scheduled when the workload will allow the employee to be absent. This means that employees may be denied the use of TILO time whenever, in the supervisor's judgment, it is felt that to allow the employee to use such time will require the City to pay other employees at the overtime rate or accumulate TILO time.

### **23.3.5 Stand-By Time**

**In General.** Stand-by time is defined as time that an employee is assigned, in writing and in advance, to be ready to work outside their normal work hours.

**Schedule and Response.** While on stand-by time, the employee must be ready and able to report to work within forty-five (45) minutes if so notified by telephone, pagers, or other electronic device provided by the City. Stand-by time shall be scheduled so that an employee does not have a day of stand-by time that is isolated from either a normal workday or another stand-by day. Employees on stand-by shall be subject to the call out provisions of this Article.

**Payment.** Stand-by time shall be paid at a rate of thirty-five dollars (\$35) per day on a normal day worked and fifty (\$50) per day on a normal day off. Stand-by time shall not be included in the computation of overtime. No employee shall receive stand-by pay while out on sick leave.

## **Exhibit 7 – NVPERS Official Policies Excerpts**

The following are excerpts from the *Official Policies of the Public Employees’ Retirement System of Nevada*:

### **286.025(2) 1.11 CALL-BACK PAY**

- a. Except as it may conflict with the Nevada Administrative Code at 284.214, call-back pay is defined as compensation earned for returning to duty after a member has completed his regular shift, is off duty for any period of time, and is requested to return to duty with less than 12 hours’ notice.
- b. Scheduling the 12-hour rule set forth in subsection (a) will be activated by the electronic call-out required for the shift scheduling from the public employer. Any electronic response system must comply with the 12-hour rule and not allow the employee call-in response to govern notification for purposes of the 12-hour rule.
- c. An employer may not convert what would otherwise be an overtime shift to a call-back shift by waiting until there is less than 12 hours’ notice to request a return to duty, if the employer has knowledge more than 12-hours before the start of the shift to be staffed, either through notification or through normal staffing policies, of the staffing need.
- d. This policy applies to all members with an effective date of membership on or before June 20, 2008.**

### **286.025(2) 1.11 CALL-BACK PAY**

- a. Except as it may conflict with the Nevada Administrative Code at 284.214, call-back pay is defined as compensation earned for returning to duty after a member has completed his regular shift and is requested to return to duty with less than 12 hours’ notice to respond to an emergency, except for any member who is (1) called into work while on standby status, (2) not required to leave the premises where he is residing or located at the time of notification in order to respond, or (3) called back to work if the work begins 1 hour or less before or after his scheduled work shift.
- b. For the purposes of this Policy 1.11, “emergency” means a sudden, unexpected occurrence that involves clear and imminent danger and requires immediate action to prevent or mitigate the endangerment of lives, health, or property. Such an emergency must be declared by the governing body or chief administrative officer of the public employer.
- c. Scheduling the 12-hour rule set forth in subsection (a) will be activated by the electronic call-out required for the shift scheduling from the public employer. Any electronic response system must comply with the 12-hour rule and not allow the employee call-in response to govern notification for purposes of the 12-hour rule.
- d. An employer may not convert what would otherwise be an overtime shift to a call-back shift by waiting until there is less than 12 hours’ notice to request a return to duty, if the employer has knowledge more than 12-hours before the start

of the shift to be staffed, either through notification or through normal staffing policies, of the staffing need.

- e. **This policy applies to all members with an effective date of membership on or after July 1, 2008.**

**286.025      1.11    CALL-BACK PAY**

- a. Returning to duty within 12 hours after one's regular working hours to respond to an emergency.
- b. As used in this Policy 1.11(a), "emergency" means a sudden, unexpected occurrence that is declared by the governing body or chief administrative officer of the public employer to involve clear and imminent danger and require immediate action to prevent and mitigate the endangerment of lives, health or property.
- c. **This policy applies to all members with an effective date of membership on or after January 1, 2010.**

**286.025      1.36    OVERTIME PAY**

Except as it may conflict with the Nevada Revised Statutes at 284.180 and the Nevada Administrative Code at 284.250, overtime pay is defined as additional pay earned by a member who is held over on his regular shift or is requested to return to duty under conditions that do not meet the definition of call-back pay applicable to that member.

## MANAGEMENT RESPONSES

### 1. Overtime Approval and Monitoring Process Deficiencies

- 1.1 PRNS management should implement a more efficient and effective overtime approval and monitoring process that includes the following elements:
- a. **A more efficient and timely process by which employees can alert management of and receive approval for scheduled overtime and unplanned overtime worked.** This process should allow for timely communication of approval of overtime back to employees. Consideration should be given to reducing the number of management approvals required for approval of overtime. The approval of the employee's direct supervisor and the employee's timecard approving supervisor if different from the direct supervisor may be sufficient with the implementation of the additional controls recommended in this audit report. Consideration should be given to exploring alternatives to using the paper *Overtime/PERS Callback Form* as the method by which overtime approval is documented. Alternatives may include use of the city's email system or the implementation of an automated process similar to that used by PRNS for approval of annual or sick leave.
  - b. **A methodology for retention of overtime approvals.** If an automated approach is adopted for overtime approval, a methodology for retention of the electronic approvals would be needed.
  - c. **Increased responsibility and reliance on timecard approving supervisors (rather than the timekeepers) to monitor overtime approval, the number of overtime hours worked, and to ensure that the overtime on the employee's timecard is "accurate and the employee is entitled to payment for those hours."** With the implementation of a new overtime approval process and increased responsibility by the timecard approving supervisors for monitoring overtime, there should no longer be a need for the overtime approval spreadsheet currently being maintained by the timekeepers.
  - d. **Training of PRNS employees in the proper completion of the electronic *Overtime/PERS Callback Form* to ensure this information is complete and accurate.** While the paper *Overtime/PERS Callback Form* may no longer be used in the overtime approval process, the information thereon must still be entered by employees when completing their bi-weekly timecard.
  - e. **Review of the electronic *Overtime/PERS Callback Form* by timecard approving supervisors in conjunction with their review and approval of employee timecards.** The timecard approving supervisors should review and approve all sections of employee timecards to ensure their completeness and accuracy. In addition, the "Acknowledgement" section of the electronic *Overtime/PERS Callback Form* must be completed by the supervisor.

- f. **Implementation of a formalized department overtime monitoring process** whereby upper management routinely reviews summaries of overtime being recorded within their department to identify trends and irregularities and explores alternative work arrangements to reduce or eliminate the overtime. Management should consult with Finance and create or identify reports that can be run on a regular basis to facilitate the overtime monitoring.

**Management Action Plan:**

- a. Over the next 12-months, the Information Technologies Department will build an application using current available tools to facilitate and route the overtime requests for approval. Over the long term (2-3 years), IT will request an enhancement from Oracle to include an overtime request process with full integration into the timecard system.
- b. PRNS is working with IT to automate the overtime approval process which will allow the approvals to be tracked and stored electronically. The records will be maintained as part of the employee record.
- c. The existing policy states: “Supervisors must approve the OT Callback form prior to the timecard is approved. To help supervisor with this process, a training guide can be found at the following link: <http://clvportal/sites/DoIT/orp/ot/default.aspx>.”
- d. Training will occur for all affected staff in concert with training provided by the Department of Finance.
- e. Training will occur for all affected staff in concert with training provided by the Department of Finance.
- f. The Overtime/TILO/Callback Pay report is a report for Management to be aware of the amount, both hours and dollars that are being charged to their department. It is reported monthly. Specifically, the month closes around the 4<sup>th</sup> business day of the following month (e.g. January 2014 closed on February 6<sup>th</sup>, 2014). The data is pulled via “CLV OT Summary by Fund/Org report” out of ORACLE. The data is pulled and copied into the template, where it populates the pivot table and verified using the General Ledger by org. If there are any discrepancies a report out of Kbase or ORACLE “CLV Labor Distribution report” is used to determine what org the error occurred in. It is then sent to the Managers to determine if there are any “red-flags” that need to be addressed.

**Estimated Date of Completion:** June 1, 2015 - Training will occur in concert with Finance. Policy approval will occur in Q2, and the management reporting process is complete and currently implemented.

- 1.2 PRNS management should update its documented policies and procedures and work rules to coincide with the newly implemented overtime approval and monitoring process. The procedures should clearly outline all aspects of the overtime approval and monitoring process including the following:
  - a. The roles and responsibilities of employees, supervisors, and management in the process.
  - b. The information that must be shared with a supervisor when requesting scheduled overtime approval.

- c. How and when to appropriately report unplanned overtime to a supervisor.
- d. What employees must do if they end up working less or more overtime than anticipated when they requested approval.

**Management Action Plan:** The PRNS Overtime policy, noted above, is in draft form and is being reviewed by the Departments of Finance and Parks, Recreation & Neighborhood Services. Once the review has been completed, the document will be approved and implemented. Training will occur to ensure staff is aware of the revised policy.

**Estimated Date of Completion:** December 31, 2014

- 1.3 PRNS management should train employees in the new overtime approval and monitoring process.

**Management Action Plan:** Training of employees and supervisors will be in concert with training developed by the Department of Finance.

**Estimated Date of Completion:** December 31, 2014

## **2. Inadequate Support for Callback Hours**

- 2.1 Finance management should review the appropriateness of the classification of OT1's callback hours against NVPERS policies in consultation with NVPERS representatives and submit any required adjustments to NVPERS.

**Management Action Plan:** Finance will review OT1's records, consult with PERS and submit required adjustments.

**Estimated Date of Completion:** April 2014 PERS report

- 2.2 Finance should complete a review of its documented payroll policies and procedures and training documents to ensure they clearly and accurately reflect documentation requirements and overtime policies contained within the LVCEA labor contract and NVPERS policies.

**Management Action Plan:** A review of documented payroll policies, procedures and training documents is currently underway and will be completed.

**Estimated Date of Completion:** July 2014

- 2.3 PRNS management should implement a process requiring management and staff to periodically attend payroll policy and timecard completion training conducted by Finance.

**Management Action Plan:**

**PRNS:** When classes become available, PRNS will require all timecard approving staff to attend payroll policy and timecard completion training at least bi-annually.

**Finance:** Finance will coordinate with PRNS to ensure ample training sessions are offered and require that all Supervisors, Managers and Timekeepers attend.

**Estimated Date of Completion:**

**PRNS:** January 2015

**Finance:** January 2015

### **3. Overtime Management Deficiencies**

- 3.1 The PRNS Director should evaluate whether any disciplinary measures should be taken against any employees as a result of the management deficiencies identified in this finding.

**Management Action Plan:** Management is reviewing issues identified in the audit and working with Human Resources to evaluate whether disciplinary action should be taken against any employees based on the findings. Furthermore, given there have been 11 audits of both the Leisure Services and Parks, Recreation, and Neighborhood Services Departments over the past 10 years, resulting in frequent recurrence of similar audit findings in areas such as procedural controls and financial and cash management among others, the City Manager's Office will be reorganizing the department in such a way as to avoid future reoccurrence of similar findings.

**Estimated Date of Completion:** July 31, 2014

- 3.2 PRNS management should implement a formalized department overtime monitoring process whereby upper management routinely reviews summaries of overtime being recorded within their department to identify trends and irregularities and explores alternative work arrangements to reduce or eliminate the overtime. Management should consult with Finance and create or identify reports that can be run on a regular basis to facilitate the overtime monitoring.

**Management Action Plan:** Since 2012, the PRNS Budget Analyst distributes a monthly Overtime, Callback & TILO report to PRNS executive management team. The report is used to identify "red flags" and to monitor the trending. The Department identified that more training is

necessary to ensure accountability at each level. Additionally, the Department's overtime policy will be updated to reflect the expectations and responsibilities with respect to monitoring and managing overtime. Also, the City Manager's Office will be working with an appropriate department independent of PRNS, most likely Finance, to provide frequent and periodic monitoring of overtime reporting that will be made available to CMO and PRNS management such that early intervention of any overtime usage and discrepancies may be possible.

**Estimated Date of Completion:** December 31, 2014

3.3 PRNS management should attend training by Finance on the proper application of overtime policies and completion of timecards. Management who approve timecards should be trained on how to appropriately review and approve employee timecards and reminded of their responsibility for ensuring the completeness and accuracy of the timecards they review.

**Management Action Plan:** When training is available, PRNS will require all timecard approvers to attend training provided by Finance.

**Estimated Date of Completion:** December 31, 2014

3.4 PRNS management should request that Finance train their employees more thoroughly on how to appropriately comply with overtime policies and complete their timecards. Employees should be reminded that they are responsible for ensuring their timecards are complete and accurate.

**Management Action Plan:** Training of employees and supervisors will be in concert with training developed by the Department of Finance.

**Estimated Date of Completion:** December 31, 2014

3.5 PRNS management should formally review department policies and procedures and revise them as needed so that they clearly reflect current overtime rules and regulations.

**Management Action Plan:** PRNS reviews the department policies and procedures annually and makes revisions as necessary. PRNS management is currently reviewing and revising the overtime policy, which is ultimately approved by the Department Director.

**Estimated Date of Completion:** September 1, 2014

#### **4. Enhancements Needed in Overtime Monitoring by Finance**

- 4.1 Finance should implement a formalized process for routinely monitoring overtime on a city-wide basis to timely identify trends, errors, and irregularities. Finance employees should be encouraged to question departments on any irregularities noted.

**Management Action Plan:** Finance will implement a formalized process for routinely monitoring overtime on a city-wide basis to identify trends, errors and irregularities. Finance employees will be encouraged to question irregularities.

**Estimated Date of Completion:** April 2014

- 4.2 Finance should create or identify reports that can be run on a regular basis that facilitate overtime monitoring and analysis.

**Management Action Plan:** Finance will identify existing reports or work with IT, if needed, to create reports that will facilitate overtime monitoring.

**Estimated Date of Completion:** April 2014

- 4.3 Finance should implement a formalized process whereby overtime reports are routinely made available and/or shared with departments and the City Manager's Office for use in fulfilling their responsibility to monitor the overtime of their employees.

**Management Action Plan:** Overtime reports will be made routinely available/shared with departments and the CMO office.

**Estimated Date of Completion:** April 2014

#### **5. Clarifications Needed in Labor Contract Verbiage**

- 5.1 Human Resources management in consultation with Finance management should improve the verbiage in the LVCEA labor contract in future negotiations so that it more accurately reflects the NVPERS policies on callback time.

**Management Action Plan:** The audit recommendation #5.1 has been accepted and will be negotiated and/or clarified in the current LVCEA negotiations via language changes prior to the sixth meeting, hopefully no later than the end of March 2014.

**Estimated Date of Completion:** March 31, 2014

**AGENDA SUMMARY PAGE**  
**AUDIT OVERSIGHT COMMITTEE MEETING OF: MAY 22, 2014**

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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: MAY 22, 2014**

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**DEPARTMENT: CITY AUDITOR**

**DIRECTOR: RADFORD SNELDING**

Consent  Discussion

**SUBJECT:**

ADJOURNMENT

