



Audit Oversight Committee Minutes

1. Call to Order and Roll Call

Minutes:

CHAIR SEAMAN called the meeting to order at 10:00 a.m.

PRESENT: CHAIR SEAMAN and MEMBERS THRONEBERRY, PREISS, FIORE, and GAUGHAN

ALSO PRESENT: JORGE CERVANTES, City Manager, RADFORD SNELDING, City Auditor, BRYAN SMITH, Internal Audit Section Manager, JOHN CURTAS, Deputy City Attorney, LUANN D. HOLMES, City Clerk, and ASHLEY FOSTER, Deputy City Clerk

2. Announcement Regarding: Compliance with Open Meeting Law

Minutes:

ANNOUNCEMENT MADE: This meeting has been properly noticed and posted at the following locations in accordance with the State of Nevada Executive Department Declaration of Emergency Directive 006: The City of Las Vegas website – www.lasvegasnevada.gov and The Nevada Public Notice Website – notice.nv.gov.

3. Public Comment: 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.

Minutes:

None.

4. For possible action to approve the Final Minutes by reference of the Regular Meeting of October 15, 2020

Motion made by Joseph Throneberry to Approve

Passed For: 5; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Joseph Throneberry, Victoria Seaman, Eric Preiss, Michele Fiore, Brendan Gaughan;

5. Discussion for possible action regarding the election of Officers to the Audit Oversight Committee for calendar year 2021

Minutes:

CHAIR SEAMAN announced that MEMBER MELANIE ROLLO resigned from the Audit Oversight Committee and thanked her for her service. The Chair nominated MEMBER PREISS to replace MEMBER ROLLO as Vice Chair.

Motion made by Joseph Throneberry to Approve the nomination of Eric Preiss as Vice Chair

Passed For: 5; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Joseph Throneberry, Victoria Seaman, Eric Preiss, Michele Fiore, Brendan Gaughan;

6. Discussion for possible action regarding Audit Oversight Committee quarterly meeting dates for calendar year 2021

Minutes:

CHAIR SEAMAN said due to scheduling conflicts, the 2021 meeting dates for the Audit Oversight Committee had to be changed. She read the proposed meeting dates, which were January 11, April 12, July 12, and October 11, 2021. All meetings will be held at 10:00 a.m.

Motion made by Joseph Throneberry to Approve

Passed For: 5; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Joseph Throneberry, Victoria Seaman, Eric Preiss, Michele Fiore, Brendan Gaughan;

7. Discussion for possible action regarding Audit of Department of Human Resources – WellTrac Contract Compliance (HR005-2021-02)

Minutes:

JAMES BURNETT, Sr. Internal Auditor, reported on the Audit of Department of Human Resources – WellTrac Contract Compliance. The City of Las Vegas provides one comprehensive annual physical to employees and their eligible dependents over the age of 18 at no charge to the participants. To provide this service, the City has contracted with WellTrac located in Henderson, Nevada. The contract between the two entities was entered into on November 17, 2014, with a term of one year with unlimited renewals at the City's discretion. As of January 11, 2021, the contract has been renewed five times with the current agreement continuing through October 31, 2021, and has a maximum yearly value of \$500,000.

The contract with WellTrac was not awarded via competitive bidding, is considered a professional service, and is an exception to the competitive bidding requirement pursuant to Nevada Revised Statutes. The decision to award the contract was because the proprietor of WellTrac was the physician for the previous service provider.

MR. BURNETT summarized that in calendar year 2018, WellTrac was paid for 297 physicals, 278 audiometry tests, 116 treadmill stress tests, 35 bone scans, 6 pap smear handling fees, 97 PSA (prostate-specific antigen) tests, and one HIV (human immunodeficiency virus) test. WellTrac was paid \$127,786 for services rendered during the calendar year 2018 and has been paid \$713,091 since the beginning of the contract. He noted an administrator in the Department of Human Resources has been designated as the project manager over the contract.

MR. BURNETT identified the objectives, findings, and recommendations of this audit. The objectives of this audit were to assess the vendor and the City of Las Vegas' compliance with the provisions of the WellTrac contract and to evaluate the adequacy of the Department's monitoring of compliance. Based upon these objectives, five findings were identified.

Finding #1 – The Department of Human Resources does not have any documentation management, verification, or oversight procedures for monitoring the provisions within the contract. Staff recommended Human Resources management develop, document, and implement procedures for managing contract provisions, verify a sample of invoices received, and ensure proper management oversight.

Finding #2 – Staff found that WellTrac is not providing the City with a quarterly aggregate report, which details the health risk findings of each eligible employee as required by the contract. Staff recommended that Human Resources management evaluate the requirement that WellTrac provide quarterly aggregate reports and either require compliance with the contract or amend the contract to reflect the expectations of management if they differ from the current provisions within the contract.

Finding #3 – Staff found that a business license for WellTrac was never obtained with the City of Las Vegas. Staff recommended that Human Resources management require WellTrac to work with the Business

Licensing Division to obtain a business license.

Finding #4 – Staff found that the Department of Human Resources failed to notify WellTrac in writing of the change of project manager as required by the contract. Staff recommended that Human Resources management develop, document, and implement procedures to require that WellTrac be notified in writing when there is a change of project manager.

Finding #5 – Lastly, MR. BURNETT stated that a review of the invoices found that the number of treadmill stress tests and bone density scans, which have the same cost, were combined by Human Resources staff when entering the details into the Oracle procurement module. Additionally, in June of 2018, the invoice processed for payment included a minor difference between what was charged by WellTrac versus what should have been charged. Since the contractual amounts for services performed are pre-populated in Oracle, Human Resources staff had to adjust the number of services performed to ensure that WellTrac was paid the correct amount on the invoice. Staff recommended that Human Resources management develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Human Resources management should also implement procedures to periodically verify the accuracy of the information being entered into Oracle by their staff.

He appreciated the support of the Department during this audit and noted that management estimated they would complete all of the recommendations by December 31, 2020.

CHAIR SEAMAN asked if WellTrac is the service provider or a third party that oversees the program. MR. BURNETT replied it is the service provider. VINCE ZAMORA, Director of Human Resources, informed the Chair that WellTrac obtained their Business License for the City as of September of 2020. He explained to MEMBER THRONEBERRY that management has reviewed and accepted all of the recommendations by the City Auditor's Office and has developed a standard operating procedure that has been submitted to CHIEF FINANCIAL OFFICER GARY AMELING who is in the process of reviewing it. Since that time, the Department has complied with staff's recommendations and is awaiting a sign-off on the standard operating procedures by MR. AMELING.

Motion made by Joseph Throneberry to Accept the report

Passed For: 5; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Joseph Throneberry, Victoria Seaman, Eric Preiss, Michele Fiore, Brendan Gaughan;

8. Discussion for possible action regarding Audit of Department of Public Works – Capital Projects Administration (PW008-2021-03)

Minutes:

NANCY CARDOZA, Sr. Internal Auditor, provided a brief background on the Department of Public Works which is split into three divisions: the Transportation Engineering Division, the Environmental Division, and the City Engineering Division. The City Engineering Division is responsible for oversight of major capital improvement projects within the City of Las Vegas and oversees the design services, construction management, special improvements, and more for City facilities, and manages most high-value capital improvement projects.

She explained the objectives were to determine whether the capital improvement project funds are being properly budgeted and approved and to evaluate the adequacy of management controls over capital improvement project consultants. Additionally, staff was tasked with evaluating the adequacy of management controls over capital improvement project bids and construction contracts. Lastly, staff evaluated the adequacy of the management controls over capital improvement project payments and the adequacy of documented policies and procedures.

Finding #1 – Consultant contracts for capital improvement projects that are over \$50,000 and construction contracts over \$1,000,000 require City Council approval. During the course of the audit, staff found that two of the 14 capital improvement projects reviewed contained a contract that did not correctly reflect the amounts that were approved by the City Council. Staff recommended that Public Works management implement additional

controls that ensure agenda items are reviewed and agree with recorded contract amounts prior to being sent out for approval by the City Council.

Finding #2 – Staff found that most of the policies and procedures on the Public Works Capital Management Documents and Information website have not been updated for many years and are not in compliance with City of Las Vegas policies. Some of these policies and procedures contained outdated references to state regulations and the Las Vegas Municipal Code. She displayed a table with a sample of policies and procedures that have not been updated, a copy of which has been included in the backup. Staff recommended that Public Works management update its policies and procedures, and document and implement a process to periodically review and update them to ensure they reflect new regulations and standards that are released.

She appreciated the support of the City Engineering Division management and staff during this audit and noted that Recommendation 1.1 has already been addressed, and staff has verified its completion. Management is currently working to address Recommendation 2.1, and MS. CARDOZA will follow up on the recommendation when she is informed of its completion.

CHAIR SEAMAN wondered how projects are paid for with amounts that differ from what was approved by the City Council. EXECUTIVE DIRECTOR MIKE JANSSEN said some projects have an agenda item that is prepared by the Purchasing and Contracts Division, and for one matter specifically, there was no opportunity to verify the accuracy of the agenda item. He asserted there is now a policy in place to ensure the agenda item matches the contract exactly. MR. JANSSEN welcomed the recommendations of staff and believed the new policy will help ensure accuracy.

Motion made by Victoria Seaman to Accept the report

Passed For: 5; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Joseph Throneberry, Victoria Seaman, Eric Preiss, Michele Fiore, Brendan Gaughan;

9. Discussion for possible action regarding Audits of Fueling Transactions Oversight; Audit of Office of Economic and Urban Development – Fueling Transactions Oversight (CW015-2021-04); Audit of Office of Community Services – Fueling Transactions Oversight (CW015-2021-05); Audit of Department of Public Safety – Fueling Transactions Oversight (CW015-2021-06); Audit of Office of Cultural Affairs – Fueling Transactions Oversight (C015-2021-07); and Audit of Department of Parks and Recreation – Parks and Ground Maintenance Division – Fueling Transactions Oversight (CW015-2021-08)

Minutes:

BRIAN SMITH, Internal Audit Section Manager, provided a brief background on the audits stating that the Fleet and Fuel Services Division (Fleet Services) of the Department of Operations and Maintenance administers the City of Las Vegas' fueling operations. Fleet Services oversees the operation of 19 fuel sites, and employees utilize the fuel pumps at these fuel sites for fueling City vehicles and equipment. To access a fuel pump, a plastic electronic fob known as a ProKee must be utilized. There are two types of ProKees, primary and secondary. The primary ProKee is affiliated with a specific vehicle while secondary ProKees are not assigned to a specific vehicle and are used to fill gas cans or small pieces of equipment. There is a greater risk of fuel theft with secondary ProKees because they are not assigned to any specific vehicle or piece of equipment. Staff chose to perform fueling transactions oversight audits within all City departments with secondary ProKees.

MR. SMITH showed a photo of a fueling ProKee as well as a copy of the Secondary ProKee Request Form, which he explained is needed to obtain a secondary ProKee. An employee and their manager must complete and sign the form and agree to comply with a list of rules including tracking all fuel disbursements and the reconciliation of disbursement logs. The Small Equipment Fueling Operations Procedure further explains that the departments are responsible for recording all disbursements on a log sheet and for reconciling the log sheet against a monthly disbursement report provided by Fleet Services. Copies of the Quarterly Primary ProKee Fueling Transaction Report and Monthly Secondary ProKee Fueling Transaction Reports were shown. MR. SMITH stated that these reports are e-mailed by Fleet Services to the other departments and highlight, in different colors, transactions that may be unusual such as transactions before 6:00 a.m. and after 6:00 p.m.,

transactions greater than a vehicle's tank capacity, or transactions within 60 minutes of the previous transaction. According to the Fuel Transaction Monitoring Procedure, departments are responsible for reviewing reports for assigned units, identifying and investigating concerns, and taking appropriate action for misuse of the fuel system by subordinate staff.

MR. SMITH reviewed the objectives of the audit, which were to determine whether a Secondary ProKee Request Form signed by a current employee and manager exists for every secondary ProKee issued; whether a secondary ProKee use log is being maintained and reconciled to the monthly secondary ProKee fueling reports; whether management is reviewing the primary and secondary ProKee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities; and whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures. He displayed a slide showing the number of secondary ProKees in each department that was audited as well as the number of primary and secondary ProKee transactions and the number of gallons dispensed in 2019. He pointed out that the amount of fuel dispensed using the secondary ProKees is much less than the primary ProKees and three of the five departments had three or fewer secondary ProKee transactions in 2019. Exceptions were found in staff's testing of compliance with the fueling procedures. A slide was shown illustrating that not all Secondary ProKee Request Forms reflect current employee and manager signatures, use logs were being maintained and reconciliations performed by only one of the five departments, and reconciliation documentation was incomplete for all five departments. Staff also found that not all departments were reviewing the primary and secondary fueling reports for irregular transactions, and there was a lack of documented evidence of the review of these reports such as the identification of unusual transactions on the fueling reports, notes on the investigation into such transactions, and the signatures of the reviewers and the dates of their review.

Lastly, MR. SMITH reviewed the recommendations of staff that the departments comply with the fueling procedures by working with Fleet Services to update any outdated secondary ProKee request forms; maintain secondary ProKee use logs, reconcile the use logs to the Secondary ProKee Reports and document the reconciliations, and review the Primary and Secondary Fueling Reports for irregular transactions and retain documented evidence of this review including the identification of any irregular transactions, explanations for the transactions, and signatures of the reviewers and dates of the review. He appreciated the support of the audited departments and noted management responses and estimated dates of completion for the recommendations could be found at the back of each report. MR. SMITH indicated that several of the departments have begun to address these recommendations, and staff has begun their verification procedures to ensure they are properly addressed.

MEMBER THRONEBERRY wondered if anything has been provided to staff regarding potential exposure or fraud. MR. SMITH stated that during the audit, staff did not identify any instances of fraud; however, he pointed out that if the departments are not adequately reviewing these reports, then the fraudulent transactions are not going to be appropriately identified. He commented that Fleet Services goes through a lot of work to create the reports on a monthly and quarterly basis for the departments. MEMBER THRONEBERRY wished for management to follow up with staff to determine if any loss was found, whether intentional or unintentional. MEMBER THRONEBERRY also wondered if all ProKees were accounted for, to which MR. SMITH replied that all ProKees were accounted for in the specified departments, but several secondary ProKees were not being used very frequently, and staff suggested those departments evaluate if the secondary ProKee is still needed in that department. Additionally, he informed the Member that secondary ProKees can be used by multiple employees, and the Secondary ProKee Request Form should identify the employees that have used the secondary ProKee.

MEMBER PREISS asked about primary ProKees and the associated risks. MR. SMITH indicated the departments selected for the audit were those with secondary ProKees; however, as part of the auditing procedures, staff reviewed whether these departments were reviewing the primary ProKee reports. Therefore, staff's recommendations not only addressed the secondary ProKees but also the primary ProKees. There are departments that do not have secondary ProKees; however, those departments are not being audited at the moment. He hoped that the City Manager's Office will recognize that there are problems in other departments and will take action to ensure all departments are reviewing the reports. MR. SMITH reiterated that primary ProKees are affiliated with a specific vehicle; therefore, it is easy to identify a discrepancy. He confirmed for

MEMBER PREISS that primary ProKees were a part of the audit; however, staff's task was to review the controls surrounding the review of the reports. In the audit, staff identified transactions they thought might be unusual and posed questions to management about those transactions. No instances of fraud were identified; however, staff hoped these departments will review the reports, document any unusual transactions, and bring those transactions to the attention of the respective employee.

MEMBER FIORE wondered if it would be appropriate to mandate logs for use of the secondary ProKees. MR. SMITH replied that according to the procedure and the forms signed by the employee when the secondary ProKees are checked out, the employee is responsible for keeping a log and to reconcile that log to the reports on a monthly basis. As part of the follow-up, staff ensures implementation of the recommended controls. He added that no discrepancies were found as part of this audit but reminded if the controls are not in place, the discrepancies will not be identified.

JERRY WALKER, Director of Operations and Maintenance, asserted that this audit is not a Fleet Services oversight issue but is a departmental oversight issue. He briefly mentioned past fraudulent activity but noted that steps have been taken to mitigate employee theft of the fuel system. MR. WALKER stated that Las Vegas Fire and Rescue and the Department of Parks and Recreation are the two departments that should have much secondary ProKee use. He explained how secondary ProKees should be assigned to one individual, and if the use logs are kept up to date, reconciliation should be simple. He did not believe the procedure to be overly cumbersome and felt the departments need to assign the secondary ProKee to a supervisory-level employee. The use log should then be reviewed by an executive-level (EX-level) employee on a monthly basis. Additionally, MR. WALKER believed the departments need to minimize the number of ProKees in their possession and noted many of the ProKees are used for vehicles such as mowers, power washers, and generators. With respect to primary vehicles, staff is currently conducting an ISF (internal service fund) review to determine how the capital recovery works, when the tanks age out, and what tanks should be replaced. Additionally, MR. WALKER indicated he will conduct a class study of each vehicle class to determine the fuel economy of each vehicle. Lastly, he mentioned having sent MR. SMITH some graphs before the meeting, and as his staff moves through this audit, they will work with MR. SMITH on a better way to review primary ProKee use.

MEMBER GAUGHAN asked about the checkout time limit of secondary ProKees. MR. WALKER explained that primary ProKees are assigned to a specific vehicle and most vehicles are assigned to an employee. The secondary ProKees should not be with subordinate staff and should remain with a CS-level employee. If the secondary ProKee is used by another employee, it should be logged and the fuel transactions reconciled upon its return. If there is a problem employee who does not follow those rules, their privileges to the fuel system are terminated.

See Item 10 for related discussion.

Motion made by Victoria Seaman to Accept the report

Passed For: 5; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Joseph Throneberry, Victoria Seaman, Eric Preiss, Michele Fiore, Brendan Gaughan;

10. Report by staff regarding current audits

Minutes:

BRIAN SMITH, Internal Audit Section Manager, stated that the City Auditor's Office is currently involved in audits of the Department of Information Technologies (IT) change control procedures and the Department of Finance's treasury reimbursement funds. As mentioned under Item 9, staff is currently in the process of auditing the remaining departments with secondary ProKees listed on the slide, a copy of which has been included in the backup. In addition to these audits, the City Auditor's Office is involved with verifying the completion of recommendations by each department.

CHAIR SEAMAN asked for an update on the IT change control procedures. For this audit, LOUIS HLAD, Sr. Information Technology Auditor, said staff is auditing the change control process which is governed by the Department of Information Technologies. Any proposed change to City of Las Vegas hardware, software, or

applications, is evaluated prior to deployment into a live production system. The report for this audit has not yet been published, but he expected the draft form of the report would be shared with IT management soon.

11. **Discussion regarding topics for future agenda items.** Comments made during this portion of the agenda by individual members shall refer solely to proposals for future agenda items and any discussion shall be limited to whether or not such proposed items are within the purview of the Committee and/or whether such proposed items shall be placed on a future agenda. No discussion regarding the substance of any such proposed topic shall occur and no action shall be taken.

Minutes:

MEMBER THRONEBERRY wished for a cybersecurity audit involving the Department of Information Technologies (IT) to determine if the proper policies and procedures are in place to protect the City of Las Vegas from cyber threats. BRIAN SMITH, Internal Audit Section Manager, and RAD SNELDING, City Auditor, confirmed it was at the discretion of the Audit Oversight Committee if it would like staff to review and address the matter.

12. **Citizens Participation:** Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the Committee. No subject may be acted upon by the Committee unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come forward 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.

Minutes:

None.

13. **Adjournment**

Minutes:

The meeting was adjourned at 10:53 a.m.

Respectfully submitted:

Ashley Foster, Deputy City Clerk

LuAnn D. Holmes, MMC, City Clerk

THIS MEETING WAS PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS
IN ACCORDANCE WITH THE STATE OF NEVADA EXECUTIVE DEPARTMENT
DECLARATION OF EMERGENCY DIRECTIVE 006
The City of Las Vegas website – www.lasvegasnevada.gov
and
The Nevada Public Notice Website – notice.nv.gov