



## 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, and GAUGHAN

EXCUSED: MEMBER FIORE

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](http://www.lasvegasnevada.gov) and The Nevada Public Notice Website – [notice.nv.gov](http://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 January 11, 2021

Motion made by Joseph Throneberry to Approve

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

### 5. Discussion for possible action regarding Audit of Public Works Department – Fueling Transactions Oversight (CW015-2021-09)

Minutes:

JAMES BURNETT, Sr. Internal Auditor, said during the previous Audit Oversight Committee meeting, the Members were briefed on five Fueling Transactions Oversight audits. MR. BURNETT provided a continuation of these audits in two additional departments.

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 over 19 fuel sites, and employees utilize the fuel pumps for fueling City vehicles and equipment. To access a fuel pump, a ProKee must be placed into a slot at the fuel pump. A primary ProKee is affiliated with a specific vehicle while secondary ProKees are not; therefore, there is a greater risk of theft occurring with secondary ProKees. He showed several photos of a ProKee and a City of Las Vegas fueling site, the fueling system equipment, and the slot in which Prokees are inserted. Additionally, he displayed a copy of the secondary ProKee request form. In order to obtain a secondary ProKee, an employee and their manager must complete and sign this form, which requires the employee and manager to agree to comply with a list of rules documented on the form 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, as shown on another PowerPoint presentation slide included in the backup, and for reconciling the log sheet against monthly fueling reports provided by Fleet Services.

Quarterly primary ProKee fueling transaction reports are also generated by Fleet Services and are e-mailed to City departments. These highlight in different colors transactions that may be unusual such as fill ups before or after normal work hours. According to the Fuel Transaction Monitoring Procedures, departments are responsible for reviewing the fueling reports, identifying and investigating concerns, and taking appropriate action for misuse of the fuel system by their employees.

MR. BURNETT identified 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.

During Fiscal Year 2020 – The Department of Public Works (Public Works) had 2,762 primary ProKee transactions and 65 secondary ProKee transactions. The Department has seven secondary ProKees – five in the Transportation Engineering Division and two in the Environmental Division.

He reviewed the findings: 1) six of the seven Secondary ProKee Request Forms were signed by employees and/or managers that no longer work for the City; 2) secondary ProKee Use Logs were not being maintained for two of the seven secondary ProKees; 3) secondary ProKee Use Logs are being maintained and reconciliations performed for five of the seven secondary ProKees; however, there were no documented explanations for unusual transactions on the fueling reports, and the reconciliations were not signed and dated by the preparer or manager who reviewed and approved the reconciliations; 4) there are no department procedures addressing the use of secondary ProKees, the maintenance of use logs, and the reconciliation of the logs to the fueling reports; 5) two of the seven secondary ProKees are not being used; 6) monthly and quarterly fueling reports are not all being adequately reviewed by management; 7) there is a lack of documented evidence of reviews such as signatures, dates, identification of irregular transactions and explanation for transactions; and 8) there are no documented department procedures outlining how the review of the fueling reports is to be completed, documented and by whom.

Staff recommended that Public Works management complete the following recommendations: 1.1 Work with Fleet Services to update outdated secondary ProKee request forms; 1.2 Evaluate whether all of its secondary ProKees are still needed; 1.3 Document and implement department procedures requiring that use logs be maintained for all secondary ProKees, and that they be reconciled to the fueling reports and signed and dated by the preparer and reviewer; and 2.1 Document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed for irregular transactions and that the reviews be appropriately documented.

As an addendum to this audit, staff has reviewed and confirmed Recommendations 1.1 and 1.2 have been completed.

There were no questions or comments from the Members.

See Item 6 for related discussion.

Motion made by Joseph Throneberry to Approve the report

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

6. Discussion for possible action regarding Audit of Fire & Rescue Department – Fueling Transactions Oversight (CW015-2021-10)

Minutes:

JAMES BURNETT, Sr. Internal Auditor, stated that the objectives for this audit were the same as those under Item 5. Las Vegas Fire and Rescue (Fire and Rescue) had 12,574 primary ProKee transactions during Fiscal Year 2020 (FY20) and 104 secondary ProKee transactions. Currently, the Department has 45 secondary ProKees.

Staff identified the following findings during their audit: 1) Forty-two of the 45 secondary ProKees were used five or fewer times during FY20; 2) Fourteen of the 45 secondary ProKees were not used at all during FY20; 3) there were only five of the 45 secondary ProKees with request forms on file with one signed by an employee and manager who are no longer with Fire and Rescue; 4) No secondary ProKee use logs are being maintained and reconciled by Fire and Rescue; and 5) Fire and Rescue management is not reviewing the monthly and quarterly fueling reports.

Staff provided the following recommendations for Fire and Rescue management: 1.1 Evaluate whether all of its secondary ProKees are still needed; 1.2 Work with the Fleet and Fuel Services Division (Fleet Services) to complete secondary ProKee request forms for each of its secondary ProKees and updated outdated forms; 1.3 Document and implement department procedures requiring that secondary ProKee use logs be maintained and reconciled to the fueling report; 1.4 Document and implement department procedures requiring that logs and reconciliations be signed and dated by the preparer and reviewer; and 2.1 Document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed for irregular transactions and that the reviews be appropriately documented.

MR. BURNETT expressed appreciation towards Fire and Rescue management and staff for their support in completing this audit. Management responses and estimated dates of completion for the recommendations can be found at the back of the report.

There were no questions or comments from the Members.

See Item 5 for related discussion.

Motion made by Eric Preiss to Approve the report

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

7. Report by staff and discussion for possible action regarding an update on the Audit Recommendations with a Status of Incomplete

Minutes:

BRYAN SMITH, Internal Audit Section Manager, provided a brief summary of the audit recommendation follow-up process. Before the finalization of every audit report, City management provides a response to each audit recommendation with their action plan and an estimated date of completion. The responses are found at the back of every audit report. Upon release of an audit report, an audit recommendation is classified as Not Due. Once an estimated date of completion passes and the recommendation has not yet been verified by an Auditor as having been addressed, the classification of the recommendation is changed to Incomplete. Once it

has been verified by an Auditor as having been addressed, it is changed to Complete. He noted that staff works closely with departments as they address the audit recommendations and encourages them to alert staff of when they believe they have fully addressed an audit recommendation so the verifying process can begin.

Currently, there are 11 Incomplete audit recommendations. He noted that this was different than what was included in the documentation provided to the Members, as five recommendations have been closed out – three from the Department of Information Technologies (IT) and two from the Office of Community Services (Community Services). The remaining audit recommendations were presented on each slide of the PowerPoint presentation included in the backup with management's estimated date of completion.

City Manager's Office – There are eight Incomplete audit recommendations from the Citywide Audit of Management Controls Over Insurance Certificates, which address the need for a Citywide process for oversight of the receipt, review, monitoring, and retention of insurance certificates by City departments including documented Citywide and department policies and procedures, improved tracking of insurance certificates, evaluation of the feasibility of using a tracking service, training for staff, and improved guidelines for the public. There were no questions from the Members, and MEMBER PREISS made a motion to Approve this report, which passed unanimously.

Department of Information Technologies – MR. SMITH indicated that three of the four audit recommendations were verified to be complete. The remaining audit recommendation, 3.1, recommended the completion of a periodic Citywide inventory count to ensure the accuracy of IT's asset records. MICHAEL SHERWOOD, Chief Innovation Officer, stated that ServiceNow has been implemented over the past year, and he believed within the next two months Audit staff would be able to review the completion of Recommendation 3.1. There were no questions from the Members, and MEMBER THRONEBERRY made a motion to Approve this report, which passed unanimously.

Department of Human Resources – This Department had two Incomplete audit recommendations relating to the City's management of its contract with WellTrac that is a provider of annual physicals to City employees. VINCE ZAMORA, Director of Human Resources, stated that the Department has completed five of the audit recommendations and for the remaining two audit recommendations, departmental procedures were developed, implemented and given to the City Auditor's Office awaiting verification. There were no questions from the Members, and MEMBER THRONEBERRY made a motion to Approve this report, which passed unanimously. Subsequent to the vote, MR. SMITH said staff asks the departments to document and implement new procedures as Audit staff would like to see a history of implementation before closing the audit recommendation.

Office of Community Services – The two audit recommendations are Complete.

Motion made by Eric Preiss to Approve the report for the Citywide Audit of Management Controls Over Insurance Certificates

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

Motion made by Joseph Throneberry to Approve the report for the Audit of Computer Hardware Inventory

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

Motion made by Joseph Throneberry to Approve the report for the Audit of Welltrac Contract Compliance

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

8. Report by staff regarding current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, said the City Auditor's Office is involved in the audits listed on the PowerPoint presentation slide included in the backup. In addition to these audits, as previously discussed, the Office is involved with verifying the completion of previously issued audit recommendations. Staff is nearing the end of the fueling audits, and those listed on the slide will be the final reports for the time being.

9. Discussion for possible action regarding the completion of an audit of the City of Las Vegas' cybersecurity threat controls

Minutes:

MEMBER THRONEBERRY stated that he proposed this matter with the City Auditor some time ago and, at that time, said there was not an IT (information technologies) Auditor on staff. He proposed using the MITRE ATT&CK Framework to audit how well the City of Las Vegas is performing in regards to cybersecurity. Depending upon the findings, more technical expertise may be needed, but he believed this was a good place to start. He acknowledged the sensitivity and confidentiality around the findings of this type of audit and felt staff may want to look at what can be shared publicly.

MICHAEL SHERWOOD, Chief Innovation Officer, was familiar with the MITRE ATT&CK Framework, which he explained is a set of 245 different types of attack vectors. He noted staff conducts annual pen (penetration) testing as well as other internal audits; however, MR. SHERWOOD had no issue with using the MITRE ATT&CK Framework. He informed MEMBER THRONEBERRY that a cyber threat analysis has been completed with a third party company to identify specific threats with Office 365 systems as well as other tools at the City's disposal. MEMBER THRONEBERRY wondered if the IT Auditor could review these tools and put something together with the MITRE ATT&CK Framework. MR. SHERWOOD believed this could be done internally with third-party representation to assist the City Auditor's Office. CHAIR SEAMAN thought this was good idea.

MEMBER PREISS asked if a cybersecurity audit has been completed through the City Auditor's Office and wondered if this is something that will be addressed moving forward. RAD SNELDING, City Auditor, replied that there has not been an opportunity to do so, but he believed his staff could work closely with the Department of IT to provide a report for the Committee.

MEMBER GAUGHAN was unfamiliar with the MITRE ATT&CK Framework and asked for additional information. MR. SHERWOOD replied that there are many different frameworks available and some that can be applied frequently. He wished to work with the Committee as well as the City Auditor's Office to review multiple frameworks and different types of attack sequences. MR. SHERWOOD commented on the testing the Department already conducts and mentioned that much of what is tested are vulnerabilities caused by human error.

In response to MEMBER THRONEBERRY'S motion, MR. SNELDING wished to work with the Department of IT as well as members of the Committee to provide information that would answer the Committee's questions but would not create a security problem for the City.

Motion made by Joseph Throneberry to direct staff to conduct a preliminary study to provide a framework for a future audit to be considered

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

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

10. **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:  
None.

11. **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.

12. **Adjournment**

Minutes:  
The meeting was adjourned at 10:35 a.m.

Respectfully submitted:

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Ashley Foster, Deputy City Clerk

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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](http://www.lasvegasnevada.gov)  
and  
The Nevada Public Notice Website – [notice.nv.gov](http://notice.nv.gov)