



## Audit Oversight Committee Minutes

### 1. Call to Order

Minutes:

ACTING CHAIR THRONEBERRY called the meeting to order at 9:01 a.m.

PRESENT: ACTING CHAIR THRONEBERRY (seated as Chair after Item 5) and MEMBERS ANTHONY and ROLLO (seated as Vice Chair after Item 5)

EXCUSED: MEMBER COFFIN

ALSO PRESENT: SCOTT ADAMS, City Manager, TIM HACKER, Chief of Public Safety Services Officer, RADFORD SNELDING, City Auditor, BRYAN SMITH, Internal Audit Section Manager, BRYAN SCOTT, Assistant Deputy City Attorney, ARLENE COLEMAN, Acting City Clerk, and PATTY HLAVAC, 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: City Hall, 495 South Main Street, 1st 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.

### 3. Public Comment: 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.

Minutes:

None.

### 4. For possible action to approve the Final Minutes by reference of the Audit Oversight Committee Meeting of January 10, 2019

Motion made by Melanie Rollo to Approve

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

For-Joseph Throneberry, Stavros Anthony, Melanie Rollo; Excused-Bob Coffin;

### 5. TABLED - Discussion for possible action regarding the election of Officer(s) to the Audit Oversight Committee for the 2019 calendar year

Minutes:

Subsequent to the vote, CHAIR THRONEBERRY took a moment to recognize COUNCILMAN COFFIN for his many years of service on the Audit Oversight Committee.

Motion made by Stavros Anthony to Approve the appointment of Joseph Throneberry as Chair and Melanie Rollo as Vice Chair

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

For-Joseph Throneberry, Stavros Anthony, Melanie Rollo; Excused-Bob Coffin;

6. Report by staff regarding staffing levels within the Office of the City Auditor

Minutes:

BRYAN SMITH, Internal Audit Section Manager, provided the staffing levels report for the Office of the City Auditor. He stated that since the last Audit Committee meeting, their office hired two new staff members: an Internal Auditor II and a Senior IT Auditor. He referenced the Auditor's current organizational chart, a copy of which was submitted for the record.

MR. SMITH introduced MICHAEL HERENICK, their new Internal Auditor II. MR. HERENICK came from the Department of Public Safety where he has been the Accreditation Manager for the past three years. Prior to working for the City, he worked for seven years for the Audit Division of the Legislative Council Bureau of the State of Nevada. MR. HERENICK has a Masters of Public Administration from the University of Nevada, Las Vegas (UNLV).

MEMBER ANTHONY inquired as to who would be taking over the Accreditation Manager position, and MR. HERENICK reported that these duties were turned over to DEPUTY CITY MARSHAL ZACH McCOY. Also, CHIEF MICHELE FREEMAN, Department of Public Safety, notified MARK MOSIER, the Regional Program Manager for the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) of the changeover. MEMBER ANTHONY provided a brief explanation about CALEA, noting that he was appointed as a Commissioner for CALEA. When he found out that the Department of Public Safety was not accredited, he recommended this change, which got the process started. He thanked MR. HERENICK for serving in that capacity.

MR. SMITH continued his report and introduced LOUIE HLAD, their new Senior IT Auditor; however, MR. HLAD could not be present due to training commitment. MR. HLAD started last week, and he worked previously as a Project Manager for the City's Information Technology (IT) Department. Prior to that, he had many years of experience in IT project management and has various IT certifications.

7. Report and discussion for possible action regarding an update of the Audit Recommendations with a Status of Incomplete - Fire & Rescue

Minutes:

BRYAN SMITH, Internal Audit Section Manager, reported that at the last Audit Committee meeting, CHAIR THRONEBERRY requested an update from the Fire & Rescue Department on their one in complete audit recommendation from the Audit of the Fire Department Vehicle Maintenance Shop report, which was issued in July 2016. This recommendation related to the need for procedures on the use of the Fire Department's fleet management software, known as RTA, and the codes used within the software.

CHIEF WILLIAM McDONALD, Fire and Rescue Department, explained they made some progress on the vehicle maintenance data code development; however, they found that the codes had been entered incorrectly over the past several years and were corrupt. They also found that it was not beneficial to evaluate or analyze the data, and after further evaluation of the software program, they determined that even if they purchased the system and started all over, it was not viable for their department. Consequently, they found a more suitable and user-friendly software program.

CHIEF McDONALD reported that the Fire and Rescue Department is currently moving forward with purchasing the system known as Dossier; however, there are still some challenges ahead with the setup and implementation processes for the program. Concurrently, they will be changing out the hardware and billing software related to their patient record system, which is a priority.

CHIEF McDONALD thought that much of the City staff that would be utilized to implement and train his department with the billing software enhancement would also be needed for the vehicle maintenance software upgrade.

Moving forward, he reported that their department intends to purchase the new system, develop a project implementation plan, ensure that both the specialized and standard codes are entered appropriately, and train the department; however, they will need some time to do all of this work.

CHAIR THORNEBERRY inquired as to the estimated time of completion. Because of the complexity of the system and setup, CHIEF McDONALD thought this would be subject to the availability of the consultant, as well as the City's Information Technology (IT) Department; however, he anticipated it would take another 12-month period before they could have the system in place.

MR. SMITH acknowledged that the Auditor's Office would continue to monitor the Fire and Rescue Department's progress in addressing this recommendation. For the time being, he suggested that this matter remain an outstanding recommendation, as this will allow the Audit Department an opportunity to review and verify that everything gets implemented within one year.

Motion made by Melanie Rollo to Accept the Report with direction to staff to retain the status as incomplete

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

For-Joseph Throneberry, Stavros Anthony, Melanie Rollo; Excused-Bob Coffin;

8. Report and discussion for possible action on Audit of Department of Parks and Recreation - Darling Tennis Center - Contract Compliance (PR014-1819-07)

Minutes:

JAMES BURNETT, Senior Internal Auditor, provided the audit report for the Parks and Recreation – Darling Tennis Center contract compliance. He provided some brief background, noting that the City built the Amanda and Stacy Darling Memorial Tennis Center at Kellog-Zaher Park in the Summerlin area, which opened in 2005 and is Nevada's largest facility with 23 lighted tennis courts on 11 acres. Through an endowment with the Amanda and Stacy Darling Memorial Foundation, the City received \$1 million for maintenance and operations. Additionally, the Center is located on land that the City holds a patent on from the Bureau of Land Management (BLM) for use as a park.

In 2010, the City requested proposals for the operation and management of the Center, and a local management company, known as CJMS Tennis Management was selected to be the operator. The City entered into a five-year contract with them on September 3, 2010, which is also renewable for three additional five-year periods.

The first renewal began on September 1, 2015, and since the execution of the original contract, there have been five modifications. If all of the renewals are exercised, the contract will run until September 2030.

CJMS will manage the Center and offer: court rentals, various adult and youth tennis programs, leagues, tournaments, and private lessons. All revenue generated from the Center will be retained by CJMS, and operational expenses will be their responsibility, as well as a good portion of the maintenance. Additionally, a Senior Management Analyst within the Parks and Recreation Department has been designated as the Project Manager over the contract.

MR. BURNETT reported that the Auditor's objective in completing this audit was to assess the adequacy of compliance with the contract by both CJMS and the City. The Auditor's found that CJMS was not complying with various contract provisions as discussed in the audit report and as referenced on Slide 14 of the PowerPoint presentation, a copy of which was submitted for the record. The noncompliances noted included: 1) various deliverables not being submitted; 2) bank statements not being provided; 3) financial statements not being reviewed by an independent auditor; 4) daily deposits not made; 5) an inventory of City property not being maintained; 6) background checks and drug tests not being completed, and 7) marketing materials not being submitted for approval by the City.

MR. BURNETT discussed the Auditor's recommendations, which included the following: 1) Parks and Recreation management should evaluate the areas of non-compliance and either request compliance or amend the contract accordingly to reflect the expectations of management, and 2) Parks and Recreation Management should review the contract as a whole and determine if any other provisions differ from their expectations and make changes as necessary.

In addition to the non-compliances found by CJMS, the Auditors also found that Parks and Recreation management needed to improve their monitoring of the contract. The Auditor's recommendations for Parks and Recreation Management were as follows: 1) document and implement procedures for the Project Manager to follow in monitoring the provisions within the contract; 2) track receipt of contract deliverables and maintain files for storage of the required deliverables; 3) document and implement procedures outlining the extent of the

reviews to be completed on the contract deliverables and identify other City staff that should be involved with the reviews; 4) while working with CJMS, document all City-owned property and equipment at the Center and periodically verify its continued existence, as well as document the procedures they want CJMS to follow in the disposal of City property; 5) maintain a listing of the City's equipment, along with their estimated lives, for evaluating CJMS reimbursement requests; 6) request that Operations and Maintenance personnel begin completing quarterly on-site inspections of the Center and provide written inspection reports to both CJMS and the Project Manager, as well as follow-up on issues identified; 7) review the reasonableness of fees currently being charged at the Center and any future revisions to the fees, and 8) review and approve marketing materials of the Center.

With respect to Finding 1, MEMBER ANTHONY asked if the Auditors felt these were serious or minor concerns. MR. BURNETT thought they were minor, as these were generally housekeeping type procedures. He shared that background checks were now being completed on employees, and even though bank statements were not being provided, the operator had them. He clarified that the operator was receiving compiled financial statements; however, the contract required that the statements be reviewed; therefore, the Auditor was not expressing an opinion as to the actuality of them.

MAGGIE PLASTER, Acting Parks and Recreation Director, added that the United States Tennis Association (USTA) conducts background checks on all of their tennis instructors; however, they were not submitting them. Additionally, CJMS has been submitting financial reports to the Parks and Recreation Department. Staff has been working with the City Attorney's Office to modify the contract so that it will be more in line with the City's expectations for the operator.

MEMBER ANTHONY wanted assurances that nothing illicit had been found and that the only issues were with reviewing and recordkeeping practices, to which MR. BURNETT affirmed.

MEMBER ROLLO talked about her experience with public accounting, noting that there is a significant difference between a compiled financial statement, a reviewed financial statement, and an audited financial statement. She wondered, based on MS. PLASTER'S previous comment, if staff was considering changing the type of financial statement they would be receiving in the future under the contract. MS. PLASTER explained that the contract states independently reviewed financial statements; however, staff plans to change this language to state the compilation of financial statements. MEMBER ROLLO conveyed that a compiled financial statement does not give any assurance that the operator is recording information correctly within the financial statement. For this reason, she was concerned, unless the Parks and Recreation Department had staff members with a Certified Public Accountant (CPA) license or certification that could review a compiled financial statement and ensure compliance. MS. PLASTER understood that one concern was over the expense to the operator. She pointed out that the City has access to the operator's bank accounts, which they can review regularly. She also thought there were a few CPAs in the City's Finance Department.

MR. BURNETT provided a brief explanation on the contract language, noting that the operator pays the expenses and keeps all of the revenue, which means no revenue is being transferred between the operator and the City; therefore, any errors would only affect his business.

CHAIR THRONEBERRY wanted assurance that no misappropriation of funds or discrepancies were found during the audit, to which MR. BURNETT affirmed that there were none.

Motion made by Melanie Rollo to Accept the Report

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

For-Joseph Throneberry, Stavros Anthony, Melanie Rollo; Excused-Bob Coffin;

9. Report and discussion for possible action on Audit of the Department of Planning - Business Licensing Division - Change Funds (CW012-1819-08)

Minutes:

GARY PHILLIPS, Senior Internal Auditor, provided the audit report on the Audit of the Business Licensing Division Change Funds. He stated that the Auditor's Office performed surprise cash counts of the four change funds totaling \$1,200. Their objectives in completing the audit were to review compliance with the Change Funds policies and procedures and to observe the general security over the funds.

The Auditors found that the Business Licensing Division did not have a copy of the City-wide Petty Cash and Change Funds Policy and Procedure with the Change Funds as required by policy FN305. The Auditor's recommendation to Business Licensing management was to ensure that the Fund Custodian received a copy of said Policy and Procedure FN305 and keep it with the change funds for easy reference.

MR. PHILLIPS noted that the Business Licensing Division had already completed this recommendation and that the Auditor's Office had verified its completion.

CHAIR THRONEBERRY wanted assurance that no misappropriation of funds or discrepancies were found during the audit, to which MR. PHILLIPS affirmed that there were none.

Motion made by Melanie Rollo to Accept the Report

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

For-Joseph Throneberry, Stavros Anthony, Melanie Rollo; Excused-Bob Coffin;

10. Report and discussion for possible action on Audit of the Department of Building and Safety - Change Funds (CW012-1819-09)

Minutes:

GARY PHILLIPS, Senior Internal Auditor, provided the audit report on the Audit of Building and Safety's Change Funds. He stated that the Auditor's Office performed surprise cash counts on six change funds totaling \$3,500. Their objectives in completing the audit were to review compliance with the Change Funds policies and procedures and to observe the general security over the funds.

The Auditors found that the Building and Safety Department did not have a copy of the Petty Cash and Change Funds Policy and Procedures with the Change Funds as required by policy FN305. The Auditor's recommendation to Building and Safety management was to ensure that the Fund Custodian received a copy of said Policy and Procedure FN305 and keep it with the change funds for easy reference.

MR. PHILLIPS noted that the Building and Safety Department had already completed this recommendation and that the Auditor's Office had verified its completion.

CHAIR THRONEBERRY wanted assurance that no misappropriation of funds or discrepancies were found during the audit, to which MR. PHILLIPS affirmed that there were none.

Motion made by Melanie Rollo to Accept the Report

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

For-Joseph Throneberry, Stavros Anthony, Melanie Rollo; Excused-Bob Coffin;

11. Report and discussion for possible action on current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, reported that the City Auditor's Office is currently involved in the following audits: 1) City-wide Petty Cash and Change Funds; 2) Information Technologies (IT) Inventory Management; 3) Human Resources – Contract compliance; 4) City-wide – Contract Administration / Insurance Monitoring, and 5) Public Safety – City Marshals. In addition to these audits, the Auditor's Office will be involved with verifying the completion of previously issued audit recommendations.

CHAIR THRONEBERRY inquired as to the specifics related to the Public Safety - City Marshals audit, to which MR. SMITH explained that the City Manager's Office hired an outside consultant to do a review of certain divisions within the Department of Public Safety (DPS). The consultant, known as the International County/City Management Association (ICMA), issued their report in October 2018. A few weeks ago, staff from the Auditor's Office met with CHIEF MICHELE FREEMAN to receive a briefing on the DPS action plan in response to the consultant's report, and they are currently evaluating DPS's responses, as well as evaluating how they can best utilize the consultant's report. Additionally, there have been discussions about identifying some of the recommendations, as well as the follow-up to ensure they are adequately addressed.

RADFORD SNELDING, City Auditor, stated that staff is referencing the outside consultant report, as they are very interested in the results to see if it would limit or alter anything they may be considering with respect to the effectiveness and efficiency of current operations in the DPS.

MEMBER ROLLO wondered if staff had an idea of the number of outstanding recommendations from past audits. MR. SMITH did not have this information on hand; however, he noted that their office anticipated reviewing all incomplete audit recommendations at the July 2019 Audit Oversight Committee meeting, as their office has gotten into a routine of reviewing all incomplete audit recommendations twice per year. The Committee members agreed that this would be beneficial.

12. **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 any 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 regarding the proposal.

Minutes:

MEMBER ROLLO requested a future agenda item on the positions to be filled on the Audit Oversight Committee. RADFORD SNELDING, City Auditor, reported that there are three new City Council members coming on board after the General Election. At that point, he thought the City Council would have a decision as to the two City Council members who will be appointed to the Committee. He also felt that the City Council would address the vacancy caused by the resignation of GREGORY HEADLEE within the very near future.

MR. SNELDING, appreciated the conversation about reviewing incomplete audit recommendations and inquired as to how often the Committee members would like to review them. CHAIR THRONEBERRY suggested one report mid-year at the July meeting and the second report towards the end of the year, such as the October meeting or the following January meeting. MEMBER ROLLO agreed.

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.

Minutes:

There being no one present to speak, ACTING CHAIR THRONEBERRY adjourned the meeting at 9:31 a.m.

Respectfully submitted:

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Patty Hlavac, Deputy City Clerk

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Arlene Coleman, Acting City Clerk

THIS MEETING WAS PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS:

City Hall, 495 South Main Street, 1st 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