



Audit Oversight Committee Minutes

1. Call to Order

Minutes:

CHAIR THRONEBERRY called the meeting to order at 9:03 a.m.

PRESENT: CHAIR THRONEBERRY and MEMBERS ROLLO, PREISS, KNUDSEN (excused until 9:04 a.m.) and SEAMAN (excused until 9:12 a.m.)

ALSO PRESENT: SCOTT ADAMS, City Manager; GARY AMELING, Chief Financial Officer; TIM HACKER, Chief Public Safety Services Officer; TOM PERRIGO, Executive Director, Community Development; RADFORD SNELDING, City Auditor; BRYAN SMITH, Internal Audit Section Manager; BRYAN SCOTT, Assistant City Attorney; JOHN CURTAS, Deputy City Attorney; and LUANN D. HOLMES, City Clerk

CHAIR THRONEBERRY welcomed new Audit Committee members BRIAN KNUDSEN (Councilman for Ward 1), VICTORIA SEAMAN (Councilwoman for Ward 2) along with ERIC PREISS, the Director of the Nevada Film Office. He noted the City Auditor's Office has new staff as well.

BRYAN SMITH, Internal Audit Section Manager, welcomed the new members and introduced GARY PHILLIPS, Sr. Internal Auditor, JAMES BURNETT, Sr. Internal Auditor, LOUIS HLAD, Sr. Information Technology Auditor, NANCY CARDOZA, Internal Auditor II, and MICHAEL HERENICK, Internal Auditor II. He said their office now has a great staff.

MEMBER KNUDSEN introduced himself at the request of the Chair.

CHAIR THRONEBERRY expressed his thanks for COUNCILMAN ANTHONY'S service on the Audit Oversight Committee for the past two years.

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: 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 April 24, 2019

NOTE: The video did not capture the vote for this item.

Motion made by Melanie Rollo to Approve

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

For-Joseph Throneberry, Eric Preiss, Melanie Rollo, Brian Knudsen; Excused-Victoria Seaman;

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

Minutes:

Prior to making the presentation on this item, BRYAN SMITH, Internal Audit Section Manager, stated earlier he failed to acknowledge BONNIE MOCEK, Sr. Management Analyst, and CITY AUDITOR RADFORD SNELLING from the City Auditor's Office.

MR. SMITH provided the following brief summary of their office's audit recommendation follow-up process. He explained prior to the finalization of every audit report, City management provides their office with a response to each audit recommendation with a date by which they intend to have fully addressed the audit recommendation, which is known as the Estimated Date of Completion. These responses can be found at the back of every audit report.

Upon release of an audit report, an audit recommendation is classified as Not Due. Once an audit recommendation's Estimated Date of Completion passes and the recommendation has not yet been verified as being complete by an auditor, the classification of the recommendation is changed to Incomplete. Once an audit recommendation has been verified by an auditor as having been addressed, the recommendation classification is changed to Complete.

He noted the auditors work closely with City departments as they address the audit recommendations and encourage staff to alert their office when they believe they have fully addressed an audit recommendation so the verification process can begin.

MR. SMITH reviewed the slides included in the backup summarizing the audit recommendation activity since the January 2019 meeting. At that meeting, there were 31 Incomplete audit recommendations and 18 Not Due recommendations. Since then, an additional 14 recommendations were issued from five different audit reports, and 45 audit recommendations were completed during this period.

Currently, there are zero Not Due recommendations and 18 Incomplete recommendations, 10 of which were Incomplete as of January.

MR. SMITH reviewed the 18 Incomplete audit recommendations by department. The slides shown included a paraphrased audit recommendation along with management's original Estimated Date of Completion. He noted their office requested that representatives from the related departments attend this meeting to respond to any questions the Committee may have about the status of the recommendations.

Office of Cultural Affairs – MR. SMITH reported the Office of Cultural Affairs has six Incomplete audit recommendations from the Audit of Artist Contracts report issued in January 2017. The recommendations address the need for procedures over the creation and execution of contracts with artists hired by the Office of Cultural Affairs and the need for clarification on insurance requirements for these artists. He noted ALLY HAYNES-HAMBLEN, Director of Cultural Affairs, was present to answer questions from the Committee.

MS. HAYNES-HAMBLEN stated staff has had several meetings with MR. SMITH, and at this point, there is a solid procedure in place, but that procedure still needs to be documented. Although this was being done as they went through the process, there have been many changes due to staff turnover and reorganization of the department. She noted the most difficult component has been insurance compliance mostly due to the City working with a number of different departments to figure out how best the organization as a whole should keep track of the various insurance requirements for the different contracts. They have been participating in that process and a number of different avenues were considered (i.e., a third party tracking system, specialized training for staff, etc.), but that has slowed down the process of finalizing this audit finding. She pointed out, however, that as a result of all of this work, it was discovered the insurance needs for the Office of Cultural

Affairs are not as robust as originally feared, and they will be able to track this internally. MS. HAYNES-HAMBLÉN was confident they would be able to complete this audit item in the very near future.

CHAIR THRONEBERRY asked about the timeline considering some recommendations dated back to 2017. MS. HAYNES-HAMBLÉN thought documenting the procedure would be completed by the end of the month. After that MR. SMITH and his team would need to ensure adherence to that process for a period of time.

Fire & Rescue – MR. SMITH reported Fire & Rescue has one Incomplete audit recommendation from the audit of the Fire Department Vehicle Maintenance Shop report issued in July 2016. This recommendation relates to the need for procedures on use of the Fire Department's fleet management software. He noted GARY PHILLIPS, Sr. Internal Auditor, was the lead auditor on this audit and representatives from Fire & Rescue were present to answer any questions from the Committee.

FIRE CHIEF WILLIAM McDONALD, Director of Fire & Rescue, stated at the last Audit Committee meeting, they reported they intended to evaluate a new software program. Presentations were made by the company being considered, and the Department of Information Technologies was involved in the evaluation. Steps have been taken to collect vehicle maintenance reporting standards that do not exist in the trucking industry that are specific to fire apparatus. This was done by researching fire departments in the southwest to obtain their data and to consider utilization of their codes. A decision is expected sometime in the near future at which time, they will be in a position to purge the old data and enter the new codes in order to have this recommendation inputted by the one-year period stated at the last meeting.

Department of Public Safety – MR. SMITH reported the Department of Public Safety (DPS) has five Incomplete audit recommendations from the Animal Control audit issued in April 2018. These Incomplete recommendations address the need to correct errors in the address query function used by the pet licensing vendor, the need for monthly reconciliation procedures of the pet licensing activity of the City and the animal shelter to the pet licensing vendor reports and the need for review of the adequacy of the systems security standards being followed by the pet licensing vendor and the animal shelter. He stated both organizations issue licenses on behalf of the City.

MR. SMITH stated he was the lead auditor on this audit, and he has been working closely with LIEUTENANT MARK McCOY, DPS, who was present to answer any questions regarding this audit.

LT. McCOY thanked MR. SMITH for working through these recommendations. A process has been documented, and they are ready to implement that process to demonstrate to the City Auditor's Office that they have satisfactorily met the recommendations. He noted he has learned through the process that it is not just about implementing and documenting the process, but also proving and showing a large enough sample size to verify the recommendations have been met. He estimated this would be completed within the next 90 days. He confirmed for CHAIR THRONEBERRY that there are some minor tweaks needed regarding reporting from the vendor who handles pet licensing to ensure appropriate coding. He has worked with the vendor who assured him they will start doing a thorough audit of the report prior to sending it to DPS.

MEMBER ROLLO asked who the vendor was; LT. McCOY responded PetData. He added PetData was recently awarded the RFP (Request For Proposal), so they will continue to be their vendor and has been so in the past.

MR. SMITH noted part of the challenge was that LT. McCOY and Animal Control staff had to work with multiple departments and vendors in addressing the Incomplete audit recommendations.

Department of Information Technologies (IT) – MR. SMITH reported IT has two Incomplete audit recommendations from the Animal Control audit report. These recommendations address the need for improved management of the cooperative agreement between the City and North Las Vegas, Henderson, and Clark County and the proper annual billing for the costs of the regional animal records management software application known as Chameleon. He noted he was the lead auditor on this audit and that representatives from IT and DPS were present to respond to any questions regarding the Incomplete recommendations.

MICHAEL SHERWOOD, Director of IT, stated they worked closely with DPS to create new desktop operating procedures to address both issues. The procedures ensure the annual fees for software and for operating the

software will be provided to DPS along with proper impound ratios so the data can be re-analyzed, validated and the billing sent out accordingly.

Office of Community Services – MR. SMITH reported the Office of Community Services has one Incomplete audit recommendation requesting that management obtain a Memorandum of Understanding (MOU) with the Las Vegas Metropolitan Police Department (Metro) documenting each agency's roles and responsibilities for participation in the MORE (Multi-Agency Outreach Resource Engagement) program as required in the MORE Team contract . If no longer deemed necessary or alternative measures are taken, this requirement should be removed from the contract. He noted the MORE Team is a multi-agency homeless outreach team that works in the downtown area to help the homeless.

ARCELIA BARAJAS, Community Services Administrator, Office of Community Services, stated they were unable to obtain an agreement with Metro for the MOU so they moved forward with removing the language from the contracts. The contracts are in Purchasing and Contracts and are scheduled to go to before the City Council for approval on August 7, 2019.

CHAIR THRONEBERRY asked why they were unable to obtain an MOU with Metro. MS. BARAJAS explained Metro was not willing to enter into an agreement for their officers who are a part of the MORE team. While they are still on the team, they are not willing to commit as they are in the process of possibly developing their own type of outreach teams.

Finance Department – Purchasing Division – MR. SMITH reported the Finance Department - Purchasing Division has one Incomplete audit recommendation identified in the audit of Community Services – RDA Set-Aside Funds. The recommendation is for Purchasing to document and implement procedures to more timely identify and address areas of non-compliance with insurance requirements within contracts they monitor using the insurance tracking service vendor. He noted that he and NANCY CARDOZA, Internal Auditor II, worked on this audit and that representatives from the Purchasing Division were present to answer questions.

EDWARD ONEAL, Purchasing & Contracts Manager, stated the audit finding showed some flaws in their current insurance tracking services so they procured a new insurance tracking service vendor and entered into a contract that will provide more robust reporting, compliance tracking and notifications. The audit team recently viewed a training session held with the new vendor, myCOI. The process and procedure will be revised, and they hope to show better tracking of all of the Certificates of Insurance within the next 60-90 days.

Parks and Recreation Department – MR. SMITH stated Parks and Recreation has two Incomplete audit recommendations from the Audit of the Department of Parks and Recreation – Darling Tennis Center – Contract Compliance report that was issued in April 2019. These recommendations relate to the need for improved monitoring of the contract and storage of deliverables required under the contract. They have been working closely with Parks and Recreation management who recently documented and implemented procedures for improved monitoring of the Darling Tennis Center contract. Once the Audit staff sees evidence the procedures are being followed for a few more months, this recommendation will be closed out. He noted that JAMES BURNETT, Sr. Internal Auditor, was the lead auditor on this audit and that MAGGIE PLASTER, Deputy Director of Parks and Recreation, was present to answer any questions.

MS. PLASTER stated they feel they have completed these items, but more time is needed to make sure they are following their end procedures and tracking their deliverables. She noted the lesson they learned was to give themselves a little more time, which they were advised by the City Manager's Office to do, but they should have given themselves a few more months.

CHAIR THRONEBERRY commented the departments involved did a great job in bringing the number of Incompletes down from 31 at the last meeting to 18 at the present time. Having completed 45 recommendations since the first of the year is significant progress.

6. Discussion for possible action on Audit of the Department of Operations and Maintenance on Durango Hills Golf Course Change Funds (CW012-1920-01)

Minutes:

GARY PHILLIPS, Sr. Internal Auditor, reported on the Audit of Durango Hills Golf Course Change Fund. He stated their office performed surprise cash counts of the seven change funds totaling \$1,500 belonging to the

Durango Hills Golf Course. Their objectives in completing this audit were to conduct a surprise cash count of the change funds, review compliance with change fund policies and procedures and to observe the general security over the funds.

Findings revealed the Durango Hills Golf Course did not have a copy of the Citywide Petty Cash and Change Funds Policy/Procedure with the change funds as required by policy FN305. It was recommended that Operations and Maintenance management ensure that the Durango Hills Golf Course fund custodian receive a copy of the Petty Cash and Change Funds Policy/Procedure FN305 and file it with the cash handling procedures. He noted this has already been done, and the City Auditor's Office verified its completion.

As the audit items and recommendations were completed, CHAIR THRONEBERRY asked for a motion to accept the report.

Motion made by Melanie Rollo to Accept the Report

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

For-Joseph Throneberry, Eric Preiss, Melanie Rollo, Brian Knudsen, Victoria Seaman;

7. Discussion for possible action on Audit of Municipal Court Change Funds (CW012-1920-02)

Minutes:

GARY PHILLIPS, Sr. Internal Auditor, reported on the Audit of Municipal Court Change Funds. Their office performed surprise cash counts of two change funds totaling \$6,300. Their objectives in completing this audit were to conduct a surprise cash count of the two change funds, review compliance with change fund policies and procedures and to observe the general security over the funds.

Findings were that Municipal Court did not have a copy of the Petty Cash and Change Funds Policy/Procedure with the change funds as required by policy FN305. It was recommended that Municipal Court management ensure that the fund custodians receive a copy of the Petty Cash and Change Funds Policy/Procedure FN305 and file it with the department's cash handling procedures. He stated Municipal Court has done so, and the City Auditor's Office verified its completion. As such, CHAIR THRONEBERRY stated he would entertain a motion to accept the report.

Motion made by Melanie Rollo to Accept the Report

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

For-Joseph Throneberry, Eric Preiss, Melanie Rollo, Brian Knudsen, Victoria Seaman;

8. Discussion for possible action on the Annual Audit Plan (FY 2019-2020) and current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, stated their office audits on a cyclical five-year audit plan. The City of Las Vegas has 13 departments and six offices, excluding the City Auditor's Office.

Their office plans to audit each of the departments and offices at least once during the audit cycle. A table was shown of all of the City departments and offices along with the year an audit was last completed within each department. Objectives and the scope of each audit are determined by reviewing performance measurements and selecting areas that present the greatest risk exposure.

The audit plan allows for substitutions or additions based on Mayor and Council or Audit Committee requests. It also allows for time for follow-up on audit recommendations, investigations and other miscellaneous activities. He noted by approving this plan, the City Auditor's Office can initiate these audits without having to return to the Audit Committee specifically to obtain authorization.

MR. SMITH also showed a slide of the six audits currently in process: 1) Citywide Audit of Insurance Monitoring, 2) Audit of Human Resources – Well Trac Contract Audit; 3) Audit of Finance – Treasury Change

Funds, 4) Audit of Information Technologies – IT Inventory, 5) Audit of Economic & Urban Development - Parking Services Change Fund and 6) Audit of Public Safety – City Marshals.

Motion made by Melanie Rollo to Approve the Audit Plan as presented

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

For-Joseph Throneberry, Eric Preiss, Melanie Rollo, Brian Knudsen, Victoria Seaman;

9. **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 ROLLO commented the Committee previously decided to receive reports on Incomplete recommendations every six months so the next one will be in January; BRYAN SMITH, Internal Audit Section Manager, confirmed. MR. SMITH added if this is a practice they would like to continue, it is up to the Committee how often they would like the departments to be present to discuss those recommendations.

For the benefit of the three new members, CHAIR THRONEBERRY also added that at a previous meeting, they had asked, as a Committee, for the City Auditor's Office to review in detail the status of all Incompletes every six months, similar to what was done at this meeting.

MEMBER KNUDSEN thought six months seemed reasonable and an appropriate amount of time and would be his preference going forward; MEMBER ROLLO agreed.

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

As MEMBER SEAMAN was not present when the new Audit staff members were introduced, CHAIR THRONEBERRY asked her to introduce herself. MEMBER SEAMAN stated she is the Councilwoman for Ward 2, and the members welcomed her.

11. **Adjournment**

Minutes:

The meeting was adjourned at 9:36 a.m.

Respectfully submitted:

Debra A. Outland, Deputy City Clerk

LuAnn D. Holmes, MMC, 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