



## Audit Oversight Committee Minutes

### 1. Call to Order

Minutes:

ACTING CHAIR THRONEBERRY called the meeting to order at 9:00 a.m. after which he announced that MEMBER KNUDSEN has resigned as Chair and thanked him for his time and efforts while on the Committee. An appointment of another Councilperson to serve on the Committee is in process.

PRESENT: ACTING CHAIR THRONEBERRY and MEMBERS PREISS and SEAMAN

EXCUSED: MEMBER ROLLO

ALSO PRESENT: SCOTT ADAMS, City Manager; RADFORD SNELDING, City Auditor; BRYAN SMITH, Internal Audit Section Manager; JOHN CURTAS, Deputy City Attorney; and LUANN D. HOLMES, 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 30, 2020

Motion made by Victoria Seaman to Approve

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

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

### 5. Discussion for possible action on Citywide Audit of Management Controls Over Insurance Certificates (CW014-2021-01)

Minutes:

A PowerPoint presentation, which has been attached as backup, was displayed as BRYAN SMITH, Internal Audit Section Manager, explained that a citywide audit of management controls over insurance certificates was conducted. He provided a brief background on the matter.

At the time of the audit, the Office of the City Manager oversaw 18 departments that regularly enter into contracts and agreements and issue licenses and permits that require the public to submit Certificates of Liability Insurance as evidence of insurance coverage. These insurance certificates contain important information such as identification of those insured, types of coverage, policy numbers, insurance limits, and effective and expiration dates.

An example of a Certificate of Liability Insurance form and an Additional Insured endorsement page were shown. He commented that the Additional Insured endorsement page confirms that a party has been named as an additional insured to the insurance policy.

The Purchasing and Contracts Division uses MyCOI, an insurance tracking service provider for monitoring the insurance certificates required by contracts they execute on behalf of departments. MR. SMITH noted that the scope of the audit did not include a review of this process and the service being provided.

Staff identified 10 out of the 18 departments have transactions requiring insurance certificates but do not utilize an insurance tracking service; therefore, the responsibility for the receipt, review, and monitoring of these insurance certificates is that of the departments. It was reported that more than 2,300 different contracts, agreements, licenses, and permits require insurance certificates. Staff focused its audit on these 10 City departments.

MR. SMITH stated that staff's objective in completing this audit was to evaluate the adequacy of management controls over the review and monitoring of insurance certificates not being monitored by MyCOI. Staff reviewed the adequacy of management oversight of this process, documented policies and procedures, training, tracking methods, insurance requirement guidelines provided to the public, and the retention of the insurance certificates. He then reviewed staff's findings with the Committee.

Finding #1 – The City of Las Vegas does not have a citywide process for oversight of the activities of the departments in the receipt, review, and monitoring of insurance certificates. No staff has been assigned and no documentation exists. Staff has not been assigned to provide this oversight and no documented citywide policies or procedures exist giving direction to departments on their roles and responsibilities.

Finding #2 – Among the 10 departments subject to the audit, eight did not have any written procedures that address the receipt, review, monitoring, and retention of insurance certificates and two have incomplete written procedures.

Finding #3 – No formalized citywide training was identified for staff on how to appropriately review insurance certificates to ensure insurance requirements have been met. While interviewing staff, it was found that 25 of the 28 department staff directly involved with the receipt of insurance certificates had never received formalized training.

Finding #4 – Inconsistencies were found among the 10 departments in the tools used for tracking insurance certificate information and the information being tracked.

Finding #5 – Staff found that the insurance requirements were not always clearly defined and documented in their review of written guidelines provided to applicants. Guidelines did not always require a description of the associated project, event, or another unique identifier on the insurance certificate. Additionally, the guidelines did not always provide an accurate address and name of the department where the insurance certificate and endorsements should be sent.

One of the consequences of these incomplete guidelines is that insurance certificates are regularly reviewed by staff for which the corresponding department cannot be identified. Over 150 insurance certificates lacking identifiable department information were routed to the Department of Human Resources during the period of the audit, and staff from multiple departments reported regularly receiving unidentifiable insurance certificates.

MR. SMITH reviewed the recommendations which included the Office of the City Manager to develop and implement a citywide process for the oversight of the receipt, review, monitoring, and retention of insurance certificates by departments; develop, documents and implement citywide policies and procedures; work with department management to develop, update, document, and implement department policies and procedures; identify and document all employees involved with reviewing insurance certificates; develop, document, and

implement a training program, evaluate whether additional departments would benefit from the utilization of MyCOI; update guidelines provided to applicants; update written guidelines for city agreements/contracts with insurance provisions.

He appreciated the support and cooperation of all the City departments who worked with staff as well as the Office of the City Manager. He also thanked MIKE HERENICK, who recently transferred to the Office of Strategic Services, for his work on this audit. MR. SMITH noted that the Office of the City Manager's responses can be found at the back of the report and who anticipated the completion of all but one of the recommendations prior to the end of the calendar year.

ACTING CHAIR THRONEBERRY wished to hear from the City Manager regarding the findings. GARY AMELING, Chief Financial Officer, appreciated the work of the Office of the City Auditor on this audit and confirmed that staff would work to address the audit recommendations. He mentioned working with three other municipalities prior to the City of Las Vegas that each had a fairly centralized risk management function. The City has not had a centralized risk management function and one of the proposals made for the budget process of Fiscal Year 2021 is to add two additional positions to aid in this to ensure there is additional oversight reporting directly to the City Manager. In the current decentralized approach, MR. AMELING stated that the citywide Safety Officer position, housed in the Department of Human Resources, is responsible for many things including management over the insurance certificate process. The decentralized approach has not been working well, and he believed there were things that could be done to correct this; therefore, staff will be working diligently with various departments to ensure proper policies and procedures are in place.

MEMBER PREISS asked if each finding would be broken down for discussion moving forward, and MR. SMITH replied that was possible. MEMBER PREISS pointed out that eight of the 10 departments do not use MyCOI to which MR. AMELING said MyCOI has an associated cost; however, staff has explored putting more funding into the budget to help other departments obtain the service.

Motion made by Victoria Seaman to Accept the Report

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

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

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

Minutes:

A PowerPoint presentation, which has been attached as backup, was displayed as BRYAN SMITH, Internal Audit Section Manager, provided a brief summary of the Office of the City Auditor's follow-up process. Prior to the finalization of every audit report, management provides a response to each audit recommendation including an estimated date of completion. He explained the three types of completion status which are Not Due, Incomplete, and Complete noting staff works closely with departments as they address the audit recommendations and encourages these departments to alert them when they believe they have fully addressed an audit recommendation.

Currently, staff reviews Incomplete audit recommendations twice a year. As of the January 30, 2020, meeting, there have been 16 Incomplete and four Not Due audit recommendations. Since that time, and additional 10 audit recommendations were issued to the Office of the City Manager in the citywide audit of management controls over insurance certificates, and seven audit recommendations have been completed. Seven audit recommendations were completed during this period, and these seven audit recommendations include one closed by the Department of Information Technologies (IT), one closed by the Department of Finance, and five closed by the Office of Cultural Affairs. Additionally, 13 audit recommendations remain Incomplete and 10 remain Not Due. Of the 13 Incomplete audit recommendations, nine were incomplete as of January 30<sup>th</sup> including one from the Office of Cultural Affairs, one from Las Vegas Fire and Rescue, three from the Department of IT, and four from the Department of Public Safety.

Office of Cultural Affairs – MR. SMITH reported that the Office of Cultural Affairs has one Incomplete audit recommendation from the audit of the Artist Contracts report issued in January of 2017. This audit recommendation requested that the Office document and implement the process to be followed by staff in ensuring that artists comply with the insurance requirements in the contracts. ALLEY HAYNES-HAMBLEN, Director of the Office of Cultural Affairs, said this is the final item from the Office’s audit relating to insurance requirements, and a number of different procedures have been put in place that have been adjusted based upon staff rearrangement and staff turnover. A long conversation was held with Office of the City Auditor about combining this audit recommendation with that of the citywide audit of management controls over insurance certificates to which ACTING CHAIR THRONEBERRY thought this made sense. He wondered when MS. HAYNES-HAMBLEN anticipated the revised timeline of completion. MS. HAYNES-HAMBLEN believed this audit recommendation could be done by the end of the calendar year as most contracts are not as robust as they used to be.

Las Vegas Fire and Rescue – MR. SMITH stated that the Fire Department has one Incomplete audit recommendation from the audit of the Fire Department Vehicle Maintenance Shop report issued in July of 2016. This audit recommendation relates to the need for procedures on the use of the Fire Department’s fleet management software. DEPUTY FIRE CHIEF ROBERT NOLAN and ERIC MOON, Fire Administrative Battalion Chief, were present. MR. MOON said an assessment of the RTA (Ron Turley Associates) Fleet Management Software has been completed, and it was determined that the Fire Department will continue to use this system. Modifications have been made starting with the three VMRS (Vehicle Maintenance Reporting Standards) codes which have expanded to eight categories of VMRS codes for a total of over 50. The VMRS codes have been added to the RTA, and the procedures for utilizing VMRS codes have been implemented and are currently in use. The standard operating procedures (SOP) as far as governing the creation, use, and retirement of the VMRS codes are in development. He informed ACTING CHAIR THRONEBERRY that he anticipated being able to complete the audit recommendations within 30 days.

Department of IT – MR. SMITH indicated that the Department of IT has seven Incomplete audit recommendations from the audit of the Computer Hardware Inventory report issued in October of 2019. Items 2.2 and 3.1 of the audit recommendations address the need for improved controls over new IT inventory purchases and the need for a periodic inventory count of citywide inventory items. Items 3.2, 4.1, and 4.2 of the audit recommendations address the need for improvements in the controls over the tracking and recording of IT inventory items removed from the IT inventory room and the need for an annual physical inventory count of the IT inventory room. Items 5.1 and 5.2 of the audit recommendations address the need for improved controls over the tracking and destruction of hard drives removed from computers. MICHAEL SHERWOOD, Chief Information Officer, and CHRIS CRAIG, Deputy Information Technologies Director, were present. MR. SHERWOOD said the majority of the audit recommendations are under review of the Office of the Auditor, and regarding Item 2.2, ServiceNow has been implemented as a tracking software. Regarding Item 3.1, staff is underway with a periodic review of inventory, and he noted that staff will work with the Office of the City Auditor on how to address and manage mobile equipment such as laptops which are assigned to individuals and not a specific location.

Items 3.2, 4.1, and 4.2 refer back to asset management and tracking of equipment and ServiceNow is in place to help monitor and manage this equipment. MR. SHERWOOD indicated an annual count of inventory will be conducted through conducting a statistical summary to address Item 4.2, and the next annual count of inventory should be completed around September.

MEMBER SEAMAN wondered if inventory procedures were in place previously to which MR. SHERWOOD said the procedures before were not an automated process where staff could manually inspect inventory on a regular basis which did not always ensure accuracy. He further explained that to begin a purchase order is issued. The equipment is received in IT’s warehouse where it is inventoried. When an individual is hired with the City of Las Vegas they are assigned hardware specific to that person; however, sometimes hardware like a desktop computer is assigned to a location. On a regular basis, staff would inventory these assets manually. As identified by this audit, issues could slip through this process.

MR. SHERWOOD continued his response by stating that Item 5.1 and 5.2 are currently being reviewed by the Office of the Auditor and noted that many of the computers that will be purchased going forward will be diskless, so the destruction of hard drives in the future will no longer be an issue or worry.

MEMBER PREISS asked how many of the outstanding items are in the Office of the City Auditor's position for review to be finalized. MR. SHERWOOD believed Items 2.2, 3.2, 4.1, 4.2, 5.1, and 5.2 are under review. MR. SMITH mentioned that a meeting was held with the Department of IT where IT staff shared copies of their written policies and procedures. He acknowledged that ServiceNow has been implemented; however, before the audit recommendations are closed, it will be important for staff to see evidence of a history of those written policies and procedures being followed. As far as the destruction of hard drives, the Department of IT has had one event where it has requested to have hard drives destroyed.

Department of Public Safety – MR. SMITH stated that the Animal Control Division has four Incomplete audit recommendations from the Animal Control audit issued in April of 2018. Two of the four Incomplete audit recommendations address the need for monthly reconciliation procedures of the pet licensing activity of the city and the animal shelter to the pet licensing vendor reports. He reminded the Members that the pet licensing vendor is PetData. The remaining two Incomplete audit recommendations address the need for a review of the adequacy of the systems security standards being followed by the pet licensing vendor and the animal shelter. While part of the audit recommendation for Item 5.4 specific to the pet licensing vendor has been addressed, the part related to the animal shelter remains open. In order to satisfy this audit recommendation, the Department of IT has requested that the animal shelter provide a PCI (payment card industry) self-assessment questionnaire for their review.

LIEUTENANT JOHN GUILLEN and KITTY WARWICK, Accounting Technician I, were present. LIEUTENANT GUILLEN stated that policies and procedures will be implemented with the assistance of Business Licensing to help train a new Administrative Support Assistant in completing these records. MS. WARWICK added that there are five months of documentation history to reconcile the audit recommendations to ensure consistency within the monthly reports.

LIEUTENANT GUILLEN informed for ACTING CHAIR THRONEBERRY that the PCI compliance is being reviewed by the Department of IT, and he is awaiting a response on further recommendations from them. MR. SMITH confirmed this and believed the two audit recommendations should close very quickly.

NOTE: No action was taken on this item.

7. Report by staff on current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, said the Office of the City Auditor is involved in several audits listed on a PowerPoint presentation slide, which has been attached as backup, including a Healthcare Contract, Department Fueling Transaction Oversight, Funds Management, and an IT (Information Technologies) Change Control. In addition to these audits, the Office of the City Auditor is also involved with verifying the completion of previously issued audit recommendations.

8. **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.

9. **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.

10. **Adjournment**

Minutes:  
The meeting was adjourned at 10:36 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)