



Audit Oversight Committee Minutes

1. Call to Order and Roll Call

Minutes:

VICE CHAIR PREISS called the meeting to order at 10:02 a.m.

PRESENT: VICE CHAIR PREISS, THRONEBERRY, FIORE (via teleconference), and GAUGHAN

EXCUSED: CHAIR SEAMAN

ALSO PRESENT: GARY AMELING, Chief Financial Officer; RADFORD SNELDING, City Auditor; BRYAN SMITH, Internal Audit Section Manager; NANCY CARDOZA, Sr. Internal Auditor; JOHN CURTAS, Deputy City Attorney IV; 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 noticing standards as outlined in NRS 241.020: City Hall, 495 South Main Street, 1st Floor; 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 July 11, 2022

Motion made by Joseph Throneberry to Approve

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

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

5. Discussion for possible action regarding Audit Oversight Committee quarterly meeting dates for calendar year 2023

Minutes:

VICE CHAIR PREISS read the quarterly meeting dates for 2023, which were shown on the PowerPoint presentation slide included as backup. All of the meetings will be held at 10:00 a.m. Prior to the meeting, BONNIE MOCEK, Sr. Management Analyst, distributed copies of 2022 and 2023 meeting calendars to the Members, copies of which were submitted and attached as backup.

Motion made by Joseph Throneberry to Accept the dates and times

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

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

6. Discussion for possible action regarding Audit of Department of Neighborhood Services – Gift Card Controls and Policy Compliance (CS006-2223-01)

Minutes:

While a PowerPoint presentation was shown, a copy of which was included as backup, NANCY CARDOZA, Sr. Internal Auditor, reported on the gift card policy audit report for the Department of Neighborhood Services. Gift cards are used to assist individuals experiencing homelessness with needs such as groceries, clothing, and housing assistance, and as awards during special events. Additionally, during the pandemic, Neighborhood Services management and staff participated in the operations of the ISO-Q (Isolation and Quarantine) Complex from April to June 2020. During that time, gift cards were distributed to individuals experiencing homelessness at testing events as incentives for them to participate. For the audit period, there were a total of 38 purchase transactions of 766 gift cards totaling \$29,112. The purchases were made by Neighborhood Services staff as well as the Department of Youth Development and Social Initiatives staff who were assigned to work in the ISO-Q.

MS. CARDOZA reviewed the audit objectives, which were to verify compliance with the City's gift card policies and procedures and to determine whether internal controls are effectively mitigating the risk of gift card fraud.

Finding #1 – Staff found that several gift card purchases did not comply with the requirements for gift card purchase approval. She noted there were no approved purchase request forms for 23 gift card transactions that were made in May 2020 to be used in the ISO-Q facility operations. Additionally, two of these transactions were made prior to the date of the Department's approval identified on the purchase request form, and another two transactions were made by an employee using their personal credit card rather than with a p-card (purchasing card) as required by the policy. Regarding other purchased gift cards unrelated to the pandemic, staff found that one did not have an approved purchase request form, and one transaction was made prior to the date of the Department's approval identified on the purchase request form. Staff recommended the documentation and implementation of procedures outlining the approval process be followed by staff when purchasing gift cards. In addition, management shall provide additional training to verify compliance by employees with the procedures.

Finding #2 – For gift cards used as COVID-19 testing incentives, rather than using the required gift card log per policy, gift cards were instead tracked on an electronic spreadsheet. While the spreadsheet contained much of the required information, it was missing distributor names, there were no distributor signatures, there were duplicate and incorrect gift card numbers, and 84 gift cards were identified on the spreadsheet as still being on hand. However, staff noted that none of these gift cards were found, and there were no records showing they had been distributed. Additionally, 33 gift cards that were identified via purchase review were not found on this spreadsheet or any other inventory or distribution records. Regarding other purchased gift cards unrelated to the pandemic, staff found that two of the transactions were not recorded on any log or spreadsheet. Gift cards used at the Recuperative Care Center were not recorded on the required gift card log when purchased, but rather on a spreadsheet, and were only recorded upon distribution. Staff recommended Neighborhood Services management document and implement department procedures outlining how gift card purchases and distributions are to be recorded, provide additional training to staff on the proper way to complete the gift card logs when purchasing and distributing gift cards, and verify compliance with the gift card policy by periodically reviewing the completed logs.

Finding #3 – Staff found there to be inadequate gift card security. Neighborhood Services stores gift cards in a safe located in the Recuperative Services Center. Although the safe is located in a limited access area, staff found the City Locksmith has no record of the combination to the safe ever being changed despite the policy requiring that the combination be changed annually or when an employee with access to the safe separates from employment. Additionally, there is no log of individuals with access to the safe as required by the policy. Staff recommended Neighborhood Services management document and implement procedures requiring that gift cards be appropriately secured and that safe combination changes be made and documented in accordance with the City's cash handling policy. Management should also periodically verify that gift cards are

properly secured and that the combinations for safes being utilized for storage are changed in accordance with the policy.

Finding #4 – Lastly, staff found that Neighborhood Services management does not inspect and audit the gift card logs and inventory of unissued gift cards as required by the policy. Staff recommended the documentation and implementation of department procedures requiring the director and/or division managers to periodically perform independent inspections and audits of the unissued gift cards and logs in accordance with the policy.

MS. CARDOZA noted that management responses and their estimated dates of completion to the audit recommendations can be found at the back of the report included as backup. She appreciated the help of Neighborhood Services management and staff in completing this audit.

MEMBER GAUGHAN believed gift cards to be like cash and wondered if staff was working to enforce compliance with the policy that is currently in place. MS. CARDOZA said they will be following up to ensure staff is following the policy and will investigate missing gift cards.

MEMBER FIORE asked if the missing gift cards can be canceled. She was concerned and wondered if the gift cards could be tracked. MS. CARDOZA replied no. Since the policy was not adhered to there is no documentation to follow up on. She assured that staff will perform a further investigation into the missing gift cards and agreed with the Member that this was unacceptable and that procedures must be implemented. Staff will follow up with the Department and ensure everything is in compliance with the policy. MS. CARDOZA offered to forward the amount spent on gift cards and the amount on hand to MEMBER FIORE. CITY AUDITOR RADFORD SNELDING wished to re-enforce that staff will be reviewing the individual circumstances with regard to the questionable transactions, and a report will be provided to the Members in the future. VICE CHAIR PREISS agreed a summary of the total amounts would be appropriate.

MEMBER THRONEBERRY wondered what type of gift cards were missing. MS. CARDOZA said most are \$30 gift cards for Walmart. MEMBER THRONEBERRY suggested working with the Department of Public Safety and Walmart to verify which gift cards have been used, to which MS. CARDOZA affirmed. MR. SNELDING added that the auditors who worked on these audits also conducted additional research on the gift card transactions, and their comments can be found in the findings. He confirmed that staff will conduct a further review and report back to the Committee.

See Item 7 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, Eric Preiss, Michele Fiore, Brendan Gaughan; Excused-Victoria Seaman;

7. Discussion for possible action regarding Audit of Department of Youth Development and Social Initiatives – Gift Card Controls and Policy Compliance (YD006-2223-02)

Minutes:

While a PowerPoint presentation was shown, a copy of which was included as backup, NANCY CARDOZA, Sr. Internal Auditor, reported on the gift card audit for the Department of Youth Development and Social Initiatives (YDSI). The Department provides programs and services focusing on youth and education and seeks to improve educational achievement, attendance, and graduation rates. YDSI utilizes gift cards for employee recognition and community events. Initially, staff found a total of 26 purchase transactions of 512 gift cards totaling over \$17,000 were made. Of this amount, 20 transactions totaling \$16,975 were made in May 2020 for the Isolation and Quarantine (ISO-Q) team with approval from the Department of Neighborhood Services management. These transactions were excluded from this report and included in the Neighborhood Services audit report discussed under Item 6. As such, this audit only included six purchase transactions of 27 gift cards.

MS. CARDOZA reviewed the audit objectives, which were to verify compliance with the City's gift card policies and procedures and to determine whether internal controls are effectively mitigating the risk of gift card fraud.

Finding #1 – Staff found that one of the six transactions did not have an approved gift card purchase request

form, and another transaction had a purchase request form that was approved more than one month after the purchase had been made. This purchase request form also lacked the Department of Finance's approval. Additionally, there were no documented department procedures on how gift card purchases are to be approved within the Department. Staff recommended YDSI management document and implement department procedures outlining the approval process to be followed by staff when purchasing gift cards, provide training to employees on the gift card purchase approval procedures, and periodically verify compliance by their employees with the gift card approval procedures.

Finding #2 – It was noted that of the 27 gift cards purchased, 23 were not recorded on the log. In addition, there are no documented department procedures outlining the proper recording of purchases and distributions. Staff recommended the documenting and implementation of procedures outlining how gift card purchases are to be recorded, that management provides additional training to staff on the proper way to complete the gift card logs when purchasing and distributing gift cards, and that management verify compliance with the gift card policy by periodically reviewing the completed logs.

Finding #3 – MS. CARDOZA stated that City departments must notify the Payroll Division about any employee gift card distributions; however, per Payroll, YDSI did not send any employee gift card logs during the audit period despite gift cards being given to employees during that time. Additionally, non-employees who receive more than \$600 in a calendar year must be issued a 1099 form; however, there are no procedures in place to track the number of gift cards being given to non-employees. Staff recommended that management document and implement procedures requiring that gift card logs be scanned and e-mailed to Payroll before the end of each pay period when gift cards have been given to the employees, as well as procedures to track the number of gift cards being given to non-employees each calendar year and alert Finance if the amount ever exceeds \$600.

Finding #4 – Lastly, staff found that the gift card logs and inventory of unissued gift cards are not inspected and audited by the director and management as required by the policy. Staff recommended the documenting and implementation of department procedures requiring the director and/or division managers to periodically perform independent inspections and audits of the unissued gift cards and logs in accordance with the policy. She indicated that management responses and their estimated dates of completion to the audit recommendations can be found at the back of the report included as backup. She appreciated the help of YDSI management and staff in completing this audit.

Motion made by Brendan Gaughan to Approve the report

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

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

8. Discussion for possible action regarding Audit of Finance Department – Gift Card Policy and Procedures (FI009-2223-03)

Minutes:

While a PowerPoint presentation was shown, which was included as backup, BRYAN SMITH, Internal Audit Section Manager, reported that staff has completed gift card policy compliance audits of the Municipal Court and the Parks, Recreation and Cultural Affairs, Neighborhood Services, and Youth Development and Social Initiatives Departments. There were various needed improvements identified during these audits.

The objectives of this audit were to evaluate the adequacy of the gift card policy and compliance monitoring being performed by the Department of Finance.

Finding #1 – Staff identified 29 deficiencies in the gift card policy in six areas, which MR. SMITH displayed on a PowerPoint slide. Additionally, these deficiencies were presented in a table within the report included in the backup. Staff recommended that Finance management review and evaluate the deficiencies and recommend policy improvements identified in this finding, and update the gift card policy to provide improved direction to City staff. They also recommended that the required purchase request form and gift card log be updated as deemed appropriate.

Finding #2 – The gift card policy does not adequately segregate the various responsibilities for gift cards

among different employees. Under the current policy, an employee could purchase, record the purchase and distribution of, maintain custody of, and distribute gift cards, which violates the segregation of duties standards and increases the risk of error, misuse, or fraud. It was recommended that Finance update the gift card policy to address the appropriate segregation of duties that must exist in the approval, purchasing, recording, custody, and distribution of gift cards.

Finding #3 – Staff found that Finance has not documented its procedures for monitoring and auditing department compliance with the gift card policy, and the gift card transactions are not readily available for monitoring purposes. Additionally, gift card purchases must be identified through queries of the description field using the terms 'gift' or 'gift card' within the p-card (purchasing card) system. If the description of a p-card purchase failed to include the term 'gift card', the transaction may not be identified without reviewing actual p-card purchase receipts. The gift card policy states that Finance and the City Auditor may inspect the physical inventory and review the security of gift cards at any time with or without notice. This implies that the City Auditor's Office has responsibility for enforcement of the gift card policy similar to that of Finance, which he said is not accurate. While the City Auditor's Office may periodically audit department compliance with the gift card policy, the primary responsibility for oversight and enforcement is with department management and Finance. The City Auditor's Office prepares audit plans independent of Finance and is not a primary internal control to ensure department compliance with the policy. Staff recommended that management document and implement procedures for monitoring and auditing department compliance with the gift card policy, require p-cardholders and/or reconcilers to include the term 'gift card' in the description field when gift cards are purchased, evaluate whether gift card purchases could be flagged in the p-card system for easier identification and monitoring, and consider removing reference to the City Auditor's Office from the gift card policy.

Finding #4 – Lastly, there were various issues of non-compliance with the gift card policy that were found during the audits due to a lack of training of City staff on the policy.

MR. SMITH appreciated the help of Finance in completing this audit and noted that SUSAN HELTSLEY, Finance Director, was in attendance.

VICE CHAIR PREISS stated that three of the Members had experience in casino operations and management, and they look at gift cards the same as cash; therefore, procedures must be put into place.

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

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

Minutes:

While a PowerPoint presentation was shown, which was included as backup, BRYAN SMITH, Internal Audit Section Manager, stated that prior to the finalization of every audit report, City management provides a management action plan and an estimated date of completion for each audit recommendation, which 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 by an auditor as having been addressed, 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.

Currently, there are 24 Incomplete recommendations, which MR. SMITH displayed on several PowerPoint slides, which detailed the number of months each audit recommendation has been incomplete. MR. SMITH reviewed the Incomplete recommendations.

City Manager's Office – The City Manager's Office has two Incomplete audit recommendations from the Citywide Audit of Management Controls Over Insurance Certificates report that was issued in July 2020, which address the need for implementation of a Citywide process for oversight of the receipt, review, monitoring, and retention of insurance certificates received by City departments, including documenting Citywide and

department policies and procedures. Subsequent to this audit, the position of Risk Manager in Human Resources (HR) was created. The Risk Manager and HR staff oversee the completion of these recommendations. A Citywide certificate of insurance policy and procedure was created in December 2020, which requires departments to document procedures that specifically identify how insurance certificates are managed. While some departments will continue to review and monitor required certificates of insurance themselves, many have begun using MyCOI for managing their insurance certificates.

VINCE ZAMORA, Director of HR, was present to answer questions. VICE CHAIR PREISS wondered about the progress on the lengthier outstanding items. MR. ZAMORA said staff continues to work with City departments to implement MyCOI, and nine of the 10 departments have complied with that process. The Department of Parks, Recreation and Cultural Affairs is now evaluating its needs for MyCOI. Staff is working closely with MR. SMITH, who mentioned that initially, the City did not think it had the budget to purchase the software, and the initial estimated dates of completion did not consider this. The implementation of MyCOI has taken more time than anticipated.

MR. SMITH informed MEMBER GAUGHAN that staff was awaiting the documented policies and procedures from one department, and part of the follow-up procedures of the auditors is to verify that everything has been implemented appropriately.

Las Vegas Fire and Rescue – Fire and Rescue had one Incomplete audit recommendation from the Audit of Fueling Transactions Oversight report issued in March 2021. The recommendation requested that they document and implement procedures for reviewing fueling reports for irregular transactions. FIRE CHIEF FERNANDO GRAY, Director of Fire and Rescue, ASSISTANT FIRE CHIEF ASHANTI GRAY, and FIRE ADMINISTRATIVE BATTALION CHIEF ERIC MOON, were in attendance to provide an update on their efforts to address this recommendation.

FIRE CHIEF GRAY stated that this audit finding was related to fuel keys, and they have taken steps to deactivate some of the keys that were not in use as well as develop a standard operating procedure (SOP) to ensure there is alignment with the policy. They also met with MR. SMITH and his team to ensure the new SOP meets their expectations. FIRE CHIEF GRAY asserted that they value the audit process to ensure they are continuously improving and that their audit processes are aligned with best practices.

Finance Department – The Department of Finance had six Incomplete recommendations from the Audit of Accounting Operations Petty Cash Funds Management report that was issued in August 2021. The recommendations were shown on several PowerPoint slides and addressed the need for improvements to the Citywide petty cash policy and procedure, additional training on this policy for Accounting Operations staff, and improved oversight of compliance with the policy. SUSAN HELTSLEY, Director of Finance, said they have revised their petty cash policy and have separated it into two different documents. It is currently in the process of being reviewed, and once done so, they will train staff members within the Department as well as those within departments that use petty cash.

Department of Public Works – There were nine Incomplete recommendations from the Audit of Fleet and Fuel Services – Fueling Program Administration report issued in June 2021. These include recommendations to create Citywide fueling policies and procedures, improve communications of the fueling policies and procedures with departments, review compliance by departments periodically, and improve fueling reports being provided to departments. Audit staff also recommended that the Fleet Services Division take steps to keep their fueling records updated and to inquire of departments as to whether secondary ProKees with infrequent use are still needed. These audit recommendations were initially provided to the Fleet and Fuel Services Divisions within the Department of Operations and Maintenance, which was recently dissolved. The Fleet and Fuel Services Divisions became part of the Department of Public Works. TRACEE SCOTT, Fleet Services Manager, stated that they have made significant strides and have updated all fueling documents to show the holders of the secondary ProKees. At the moment, they are working on e-mail templates to send out monthly that have links to required forms, one of which will be the final policy that is currently under review.

Municipal Court – The Municipal Court had two Incomplete audit recommendations from the Gift Card audit report issued in March 2022, which address the need for improved oversight of the purchase and distribution of gift cards. JACK ESLINGER, Court Administrator, said the Municipal Court issued two different audits as a result of the auditors' recommendations. The first audit verified compliance with the gift card policy, and he

noted a monthly audit is conducted of those who possess gift cards as well as their supervisors. They also made changes to the gift card distribution log and implemented a quarterly audit.

Office of Strategic Services – The Office of Strategic Services had one Incomplete audit recommendation from the Audit of Financial Operations of the Customer Care Center report issued in March 2022. The status of this recommendation became Incomplete as management’s estimated date of completion was October 1st. During the audit, staff found that each day’s deposits at the Customer Care Center were picked up the following business day by an armored car carrier service. Friday’s deposits were held in a safe until Monday or the next business day in the case of a holiday; therefore, the Center is not in compliance with the policy requiring that all cash collections, regardless of amount, shall be deposited intact within 24 hours. This recommendation asked Strategic Services to consult with Finance on how they can comply with the City’s current deposit requirements. DINA BABSKY, Strategic Initiatives Manager, indicated they are working closely with Finance to revise the current policy. After review, the item will be closed out properly.

VICE CHAIR PREISS confirmed with MR. SMITH that this policy was applicable to all City departments. He wondered if the operational costs involved in complying with it have been discussed. MR. SMITH anticipated seeing a change to this policy and noted that Finance is exploring its needs. He noted that staff must audit according to the current policy, and by issuing this recommendation, they have instigated some conversation about as well as changes to the policy.

Department of Parks, Recreation and Cultural Affairs – The Department of Parks, Recreation, and Cultural Affairs had three Incomplete recommendations from the Gift Card audit report issued in June 2022, which recently became incomplete as management’s estimated date of completion was September 30th. The recommendations addressed the need for improved management review and oversight of staff compliance with the gift card policy and the documenting and implementing of procedures to track the amounts of gift cards being given to non-employees. STEVE FORD, Director of Parks, Recreation, and Cultural Affairs, said the audit was well intended, and they have completed more than half of the recommendations. The policy is in place, but it needs to be reviewed by an auditor, after which management will ensure it is implemented over the next few months.

MEMBER FIORE thanked the Members for sitting on the Audit Oversight Committee, noting this was her last meeting. She thanked everyone for a great job.

10. Report by staff regarding current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, reported that the City Auditor’s Office is currently involved in the audits of several payment collection sites, which were listed on the PowerPoint presentation slide included as backup. Staff has plans to complete additional unannounced visits to other payment collection sites not listed.

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:

None.

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:

VICE CHAIR PREISS announced that the next Audit Oversight Committee meeting is scheduled for January 9, 2023.

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

Respectfully submitted:

Ashley Foster, CMC, Deputy City Clerk

LuAnn D. Holmes, MMC, City Clerk

THIS MEETING WAS PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS
IN ACCORDANCE WITH THE NOTICING STANDARDS AS OUTLINED IN NRS 241.020:

The City of Las Vegas website – www.lasvegasnevada.gov

The Nevada Public Notice website – notice.nv.gov

City Hall, 495 South Main Street, 1st Floor