



Audit Oversight Committee Minutes

1. Call to Order and Roll Call

Minutes:

CHAIR SEAMAN called the meeting to order at 10:00 a.m.

PRESENT: CHAIR SEAMAN and MEMBERS THRONEBERRY, PREISS, and FIORE

EXCUSED: MEMBER GAUGHAN

ALSO PRESENT: JORGE CERVANTES, City Manager, GARY AMELING, Chief Financial Officer, RADFORD SNELDING, City Auditor, BRYAN SMITH, Internal Audit Section Manager, NANCY CARDOZA, Sr. Internal Auditor, BRYAN SCOTT, City Attorney, LUANN D. HOLMES, City Clerk, and ASHLEY FOSTER, Deputy City Clerk

2. Announcement Regarding: Compliance with Open Meeting Law

Minutes:

ANNOUNCEMENT MADE: This meeting has been properly noticed and posted at the following locations in accordance with the 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 12, 2021

Motion made by Eric Preiss to Approve

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

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

5. Discussion for possible action regarding Audit Oversight Committee quarterly meeting dates for calendar year 2022

Minutes:

CHAIR SEAMAN read the quarterly meeting dates for 2022, which were shown on a PowerPoint slide, a copy of which is included in the backup. All of the meetings will be held at 10:00 a.m.

Motion made by Eric Preiss to Accept

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

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

6. Discussion for possible action regarding Audit of the Department of Finance – Accounting Operations – Petty Cash Funds (CW012-2122-01)

Minutes:

As a PowerPoint presentation was shown, a copy of which was attached as backup, NANCY CARDOZA, Sr. Internal Auditor, reported that the Department of Finance oversees the administration of all City petty cash funds, approves or denies requests for petty cash funds, and is responsible for enforcing the City of Las Vegas' Petty Cash and Change Funds Policies/Procedures (FN305). These funds are typically used for immediate and emergency cash payments of \$100 or less and must be in compliance with Nevada Revised Statutes, city codes, and policies.

Staff performed an audit of the Accounting Operations Division (Accounting Operations), which manages four petty cash funds totaling \$25,000 and are used for travel advances and to reimburse departments for qualifying petty cash expenditures. Staff's objectives were to verify the existence of the four Accounting Operations petty cash funds; verify Accounting Operations' compliance with FN305; and determine whether the controls in place are adequate.

Finding #1 – Staff identified the following transactions that were either not reimbursable using petty cash according to or that were not addressed in the policy: 17 travel advances were identified that exceeded the petty cash limit of \$100; five transactions exceeded the petty cash transaction limit of \$100; one transaction was for the purchase of a gift card; seven transactions included reimbursement for sales tax; and instances of reimbursement for tips were found. The policy states that employees shall not circumvent the \$100 per occurrence limitation by submitting multiple requests below the \$100 threshold, but it needs to be more clearly defined. According to the policy, custodians are required to deny a request for reimbursement if the request is not reimbursable under FN305. It was recommended that management evaluate and address audit testing results and the policy deficiencies identified during the audit, consider creating a separate policy and procedure for the handling of the Accounting Operations petty cash funds, provide additional training on the policy to the custodians, and evaluate whether travel advances should continue to be made from the Accounting Operations petty cash funds.

Finding #2 – There were 11 transactions identified with incomplete or improper supporting documentation including no itemized receipt, incomplete descriptions of the nature of the business expense, incorrect documentation used in the purchase of a gift card, and reimbursements for expenses greater than \$100 that should have been processed using a Direct Payment Request form rather than petty cash. Staff recommended that management: provide additional training to the Accounting Operations custodians on the documentation required prior to disbursement of petty cash funds and the procedures to follow when documentation is incomplete; and document and implement procedures requiring their enhanced review of the adequacy of the supporting documentation being accepted by fund custodians with each fund replenishment.

Finding #3 – There were several deficiencies found in the petty cash fund management documentation including fund custodians only completing logs when a cash replenishment is needed rather than as each payment is made, and logs were missing the required signatures. The Director of Finance or designee is not informed of any permanent changes in custodians via e-mail as required by policy and, instead, is only informed verbally. Lastly, staff noted that a copy of FN305 is not kept with each petty cash fund as required by policy. It was recommended that management provide additional training to the custodians on the documentation that must be maintained in managing the petty cash funds and document and implement procedures for periodically reviewing compliance by the fund custodians.

Finding #4 – Two of the four funds were noted as being used infrequently and, as a result, do not need to be replenished monthly. Accordingly, these funds may be eligible to be recalled or reduced in accordance with the policy. Staff recommended management implement procedures for periodically reviewing the disbursement

activity of the Accounting Operations petty cash funds and evaluate whether the funds should continue to be used, reduced, closed, or combined with another fund.

MS. CARDOZA appreciated the assistance of management and staff. She indicated the Department has already addressed recommendations 2.1 and 3.1, and staff has verified their completion. Additionally, staff will work with the Department to verify the implementation of updated policies and procedures. ARIANNA RODRIGUEZ-MORA, Accounting Manager, and ABBE YACOBEN, Deputy Finance Director, were present to answer questions.

CHAIR SEAMAN wondered when everything would be completed. She believed it would take 45 to 60 days for completion. MS. YACOBEN stated that updates to the policy have been completed, which audit staff is reviewing. The policy will then be distributed to City management and will then be implemented, and staff will receive training. MEMBER FIORE asked if anything would be delayed. MS. YACOBEN did not believe so, stating that there is a current policy in place, and she noted this audit was related to the Department's internal petty cash funds and would not impact other departments.

Motion made by Eric Preiss to Approve

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

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

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

Minutes:

As a PowerPoint presentation was shown, a copy of which was attached as backup, BRYAN SMITH, Internal Audit Section Manager, stated that prior to the finalization of every audit report, management provides a management action plan and an estimated date of completion for each audit recommendation, which are found at the back of every audit report. He explained that upon release of an audit report, a 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 32 Incomplete recommendations, which MR. SMITH reviewed by department. Management's original estimated date of completion was included next to each recommendation, some of which were paraphrased on the slides.

The City Manager's Office had eight Incomplete audit recommendations from the Citywide Audit of Management Controls Over Insurance Certificates, which addressed the need for a citywide process for oversight of the receipt, review, monitoring, and retention of insurance certificates received by City departments including documented citywide and department policies and procedures, improved tracking of insurance certificates, evaluation of the feasibility of use of a tracking service, training for staff, and improved guidelines for the public. He noted that recommendation 5.1 was recently completed.

CHIEF FINANCIAL OFFICER GARY AMELING stated that the Office submitted its management response in February of 2020, prior to the COVID-19 pandemic. At that time, allocations were included in the Fiscal Year (FY) 2021 proposed budget for enhancing insurance certificate tracking services from myCOI and to add an additional position for a Risk Manager. Because of the pandemic, the budget was cut and those efforts were delayed; however, management has continued their efforts and has made progress on several of the recommendations. He reviewed what was completed such as requiring the proper address and reference information for insurance certificates, which has greatly reduced the number of misrouted insurance certificates. In December, a citywide insurance policy and procedure was developed and approved by the City Manager and distributed to staff. Additionally, a contact list of all department staff involved with reviewing insurance certificates was created. Staff has also been working with the City of Las Vegas' outside liability insurance broker, Alliant Insurance Services, Inc., who helped train City departments on how to track insurance certificates. In July, a Risk Management Division was created and a Risk Manager was hired. Funding was also enhanced within the budget for a third-party insurance certificate tracking program, which will be implemented in the additional departments that have a need for it. Further, the Risk Management Division is

currently reviewing insurance coverage requirements, and once that renewal is complete, the Risk Manager, Alliant Insurance Services, Inc., and the City Attorney's Office will finalize those insurance standards to ensure adequate coverage. MR. AMELING believed insurance tracking is a relatively low risk area, and to date, no claims have been received, nor has there been any loss due to insurance certificates; however, staff will continue to work on all of the audit recommendations. He anticipated completion of all recommendations by the Spring and informed MEMBER FIORE that training has been completed within City departments, and staff has been trained well.

MR. AMELING confirmed for MEMBER PREISS the City Manager's Office would complete the audit recommendations by April of 2022.

MR. SMITH indicated the Department of Information Technologies (IT) had one Incomplete recommendation. This audit recommendation addressed the need for IT to complete regular inventory counts of City assets, which the Department confirmed it has completed through a new inventory tracking system. Audit staff is currently testing the completeness of IT's inventory records and will close this recommendation once they are satisfied that the assets are appropriately accounted for.

MEMBER THRONEBERRY wondered if audit staff addressed missing or unaccounted for equipment discrepancies during their review process. MR. SMITH indicated that staff is still in the process of testing and will not close this recommendation until they are satisfied that the records are complete. Further, he explained how staff selected a random sample of inventory to test.

MR. SMITH shared that the Department of Public Works had two Incomplete audit recommendations related to oversight of their fueling transactions. Staff verified completion of these two recommendations recently; therefore, the Department no longer has any Incomplete audit recommendations.

Las Vegas Fire & Rescue had five Incomplete audit recommendations related to the oversight of fueling transactions. It was recommended the Department evaluate the number of ProKees it has, update their ProKee request forms, document and implement department procedures for completing the ProKee logs and reconciliations, and document and implement procedures for reviewing the fueling reports for irregular transactions.

CHIEF JOE RICHARDS, Fire Administrative Battalion Chief, appeared on behalf of CHIEF ERIC MOON, Fire Administrative Battalion Chief, and said the Department is working with JERRY WALKER, Director of Operations and Maintenance, on fuel policies and procedures to ensure Las Vegas Fire and Rescue is compliant with the citywide policy that is being developed. The current estimated date of completion is November 3, 2021.

MR. SMITH reminded the Members that audit reports were recently issued to the Facilities, Streets and Sanitation, and Fleet and Fuel Services Divisions of the Department of Operations and Maintenance regarding oversight of fueling transactions. In addition, a report was issued to the Fleet and Fuel Services Division regarding administration of the fueling program. He displayed the Incomplete audit recommendations on four consecutive slides.

The first slide detailed three Incomplete recommendations to the Facilities Division including the need for them to update the secondary ProKee request forms, document and implement secondary ProKee transaction reconciliations, and to review fueling reports for irregular transactions. The second slide outlined recommendations to the Streets and Sanitation Division. The Fleet and Fuel Services Division received nine recommendations, which included improving communication of the policies and procedures with departments, creating citywide fueling policies and procedures, reviewing compliance by City departments periodically, and improving fueling reports provided to other departments. In addition, audit staff recommended that the Fleet and Fuel Services Division take steps to keep their fueling records updated and inquire with City departments whether secondary ProKees infrequently used are still needed.

MR. WALKER stated that several transactions were found in the Streets and Sanitation Division related to one work activity that could not be verified or adequately documented. Management is reviewing this matter, but he did not believe illicit intent to be involved. Rather there may have been a failure to keep proper records and to

follow procedures. MR. WALKER explained that management found the misuse of primary and secondary ProKees for equipment and hour meters were not being recorded. An improper container was also found having been used for transport without management approval, which has caused safety and documentation issues as well as procedural concerns. The procedure will be updated and then drafted into a citywide procedure. MR. WALKER also confirmed he would continue to work with CHIEF MOON to see if his Department can be of assistance. He anticipated completion of the secondary ProKee issues by April, and the intradepartmental issues will be completed before the January meeting. MR. WALKER concluded his statement by reviewing a matter regarding primary ProKee issues that was discussed at the last meeting and reviewed his process to determine fuel in versus fuel out as part of fueling transactions.

Motion made by Eric Preiss to Approve

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

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

8. Report by staff regarding current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, stated that the City Auditor's Office is currently involved in an audit of the financial operations of the Customer Care Center of the Office of Strategic Services and an audit of controls over the management of gift cards within several departments including Community Services, Youth Development and Social Innovation, Parks and Recreation, and the Municipal Court. In addition, staff is continually involved in verifying the completion of previously issued audit recommendations.

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:

None.

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:

None.

11. **Adjournment**

Minutes:

CHAIR SEAMAN announced the next Audit Oversight Committee meeting was scheduled for January 10, 2022.

The meeting was adjourned at 10:34 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