



Audit Oversight Committee Minutes

1. Call to Order and Roll Call

Minutes:

VICE CHAIR ROLLO called the meeting to order at 10:01 a.m.

PRESENT: VICE CHAIR ROLLO and MEMBERS THRONEBERRY, PREISS, and SEAMAN (seated as Chair after Item 6)

ALSO PRESENT: SCOTT ADAMS, City Manager, RADFORD SNELDING, City Auditor, BRYAN SMITH, Internal Audit Section Manager, JOHN CURTAS, Deputy 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 State of Nevada Executive Department Declaration of Emergency Directive 006: 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 30, 2020

Motion made by Joseph Throneberry to Approve

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

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

5. Discussion for possible action regarding Audit Oversight Committee quarterly meeting dates for calendar year 2021

Minutes:

VICE CHAIR ROLLO identified the dates proposed for the Audit Oversight Committee meeting for the calendar year 2021, which are January 26, April 27, July 27, and October 26, 2021. All meetings will be held at 10:00 a.m.

Motion made by Joseph Throneberry to Approve

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

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

6. Discussion for possible action regarding the election of officers to the Audit Oversight Committee for calendar year 2021

Minutes:

VICE CHAIR ROLLO noted the Audit Oversight Committee is without a Chairperson. MEMBER SEAMAN nominated herself for the seat.

Motion made by Victoria Seaman to Approve the nomination of Victoria Seaman as Chair

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

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

7. 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 action plan and 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 the departments to alert them when they believe they have fully addressed an audit recommendation.

Since the July meeting, five audit recommendations have been completed including three by the Department of Public Safety and two by the Department of Information Technologies (IT). Currently, there are eight audit recommendations with an Incomplete status from four different departments. Representatives from these departments were requested to attend this meeting to provide the Committee with a status update on their progress in addressing these audit recommendations. Staff included the audit recommendations on each slide and identified management's original estimated date of completion next to each recommendation for reference. In addition, staff provided each Member with excerpts of the minutes from the last Audit Oversight Committee meeting for reference as MR. SMITH reviewed the Incomplete audit recommendations with the departments. A copy was submitted and attached as backup.

Office of Cultural Affairs – MR. SMITH reported that the Office of Cultural Affairs had one Incomplete audit recommendation from the 2017 Audit of Artist Contracts report. The Office of Cultural Affairs was requested to document and implement the process to be followed by staff in ensuring that artists comply with the insurance requirements in their contracts. ALLY HAYNES-HAMBLEN, Director of Cultural Affairs, said that processes were in place to adhere to the insurance requirements; however, they have not been able to confirm the process is working due to the COVID-19 shutdown. Now that various restrictions have been lifted, she hoped to be able to engage with some artists that will require insurance to show audit staff the process is working.

MR. SMITH reminded the Members that at the last meeting, staff reviewed a report regarding the citywide audit of management controls over insurance certificates. The Office of the City Manager is currently working to address the audit recommendations within this report, and he believed additional direction would be provided to the Office of Cultural Affairs in how to handle insurance certificates within the Audit Contracts.

Las Vegas Fire and Rescue – Las Vegas Fire and Rescue (LVFR/Fire Department) had one Incomplete audit recommendation from the 2016 Audit of the Fire Department Vehicle Maintenance Shop report. This recommendation relates to the need for documenting and implementing procedures on the use of the Fire Department's fleet management software. ERIC MOON, Fire Administrative Battalion Chief, and DAVID (DAVE) BOUGSTY, Fire Equipment Mechanic Foreman, were present. MR. MOON stated that the standard operating procedure (SOP) for apparatus VMRS (Vehicle Maintenance Reporting Standards) codes governing the creation, maintenance, use, and retirement of the LVFR maintenance codes were submitted on September

17th and become effective on October 19th after a 30-day review by the IAFF (International Association of Fire Fighters) Local 1285.

MR. SMITH indicated staff has a copy of the SOP but must verify that the codes are being used appropriately. MEMBER ROLLO asked if staff has rescheduled an evaluation of the SOPs to which MR. SMITH replied that GARY PHILLIPS, Sr. Internal Auditor, was assigned to this audit and would be conducting it.

Department of Public Safety – The Animal Control Division had two Incomplete audit recommendations from the 2018 Animal Control audit at the time of submittal of this PowerPoint presentation to the Office of the City Clerk. Subsequent to this submittal, the Office of the City Auditor verified the completion of the audit recommendation 2.1. The remaining audit recommendation 2.2 addresses the need for the review and reconciliation of the City of Las Vegas' pet licensing vendor's monthly report to the City and the animal shelter's pet licensing transactions. LIEUTENANT JOHN GUILLEN, Department of Public Safety – Animal Control Division, was present and stated that they worked with MR. SMITH to complete two months' worth of audits, which have been submitted to him for review. A detailed desk manual has also been completed to demonstrate the procedures used every month, and staff is awaiting to complete the next monthly audit. MR. SMITH thanked and confirmed LIEUTENANT GUILLEN'S response noting it will take him a few weeks to review the documentation.

Department of Information Technologies (IT) – IT had seven Incomplete audit recommendations from the 2019 Audit of Computer Hardware Inventory report at the time of submittal of this presentation to the Office of the City Clerk. Subsequent to the submittal, the Office of the City Auditor was able to verify the completion of two of these audit recommendations, which were 5.1 and 5.2; therefore, IT has five Incomplete audit recommendations, which MR. SMITH pointed out in the PowerPoint presentation. These audit recommendations address the need for improved controls over new IT inventory purchases; the need for the completion of a periodic citywide inventory count of IT assets; the need for improvements in the controls over the tracking and recording of IT inventory removed from the IT inventory room and identification of their new locations; and the need for a reconciliation between the assets in the IT inventory room and the inventory records in conjunction with the annual physical inventory count.

MICHAEL SHERWOOD, Chief Information Officer, said over the past few months, policies have been instituted and new software and technologies have been implemented to take away the manual inventory process and create an automated process for a majority of equipment. Staff is comfortable with the inventory process for the City's connected devices, and a physical asset tracking component has also been purchased, which will allow staff to track those assets that are not connected to the City's network. He hoped by the end of the calendar year there will be the successful completion of the remaining five audit recommendations.

CHAIR SEAMAN expressed concerns regarding inventory control and commented that when she was elected as Councilwoman, cybersecurity was a worry and asked MR. SHERWOOD about the assets being tracked. He explained that IT tracks desktop computers and workstations, laptops, printers, and anything connected to the City's network. He noted that there has always been a management tracking system and, previously, this was done manually; however, the system is now automated and is completed in real-time for connected devices. He agreed that cybersecurity is an important aspect of inventory, and staff is aware of where these assets are and what software revision levels are on each asset. He informed the Chair that the consulting services hired to assist with the new system cost approximately \$80,000, and the annual fee for that software will be \$55,000. MR. SHERWOOD believed the amount of human effort to conduct the same process would far exceed this amount, and confirmed for CHAIR SEAMAN that a full manual count of IT assets was completed in 2017. Spot checks were completed over the following consecutive years. With the new system, an inventory count is being conducted on an hourly basis when devices log in and out, and manual spot checks will be conducted quarterly to validate the information. MR. SHERWOOD further explained that there are assets physically connected to the network that are tracked such as a desktop or laptop, as well as other assets that are not connected to the network, such as the television monitors in the Council Chambers, which require another asset tracking software. MR. SHERWOOD indicated the plan right now is to have staff audit the current processes, and he was confident that the tests could be scheduled by the end of the year and adjustments could be made by the next Audit Oversight Committee meeting.

MEMBER THRONEBERRY wondered if there was a report to indicate how many assets are missing and their value. MR. SHERWOOD replied that at the moment, there are no missing assets, and all assets documented in the original audit have been recovered. MR. SMITH added that before this report was released, staff

confirmed the existence of all missing inventory items. There were problems with identifying the locations of those assets in the system; however, staff worked with IT to locate those assets. MR. SMITH warned that until a physical inventory is completed, he would be careful in saying that staff knows that all assets are accounted for. CHAIR SEAMAN asked if the purchases conducted through IT have been matched with the current inventory. MR. SMITH said as part of the follow-up to the recommendations of the audit, specifically 2.2, 3.2, and 4.1, staff selects a sample of recently purchased IT assets and traces those assets in the new inventory system. Staff will also conduct a sample testing of assets that have been deployed from the IT inventory room to ensure the records accurately reflect the location of where that asset was deployed before closing out the three audit recommendations.

Regarding this audit, RAD SNELDING, City Auditor, indicated that his staff reviewed assets housed within the IT inventory room, which is the first part of acquiring assets and sending them out to different locations within the City of Las Vegas. Staff found that there were some assets that were not in the IT inventory room and worked with IT to locate those items. He thought it was in order to have a complete and thorough inventory of IT assets within the City after the completion of the procedures that were mentioned by MR. SHERWOOD. CHAIR SEAMAN was interested in this. MR. SMITH added that audit recommendations 3.1 and 3.2 address the need for a citywide physical inventory of assets. He was unsure how IT would complete this but was informed by the Department that scanning software has been purchased to assist in the process. Additionally, prior to closing off those two audit recommendations, detailed procedures are needed, and staff will need to observe how the process is taking place. Staff will also conduct testing to ensure accuracy and will take a sample of records within the system to verify the accuracy of their location. As part of this, staff will also look at how the IT inventory room is being included in the physical inventory count. MR. SNELDING added that when going through the process as mentioned by MR. SMITH, staff is trying to establish a system in order to monitor inventory and validate that the system is reliable and is intact. He hoped and believed there would be confidence in the accuracy of the system. CHAIR SEAMAN asked if there was anything else that could be done to bring IT into compliance. MR. SHERWOOD believed with the partnership of the Office of the City Auditor, they are on the way to improving where they were. With regard to cybersecurity, MR. SHERWOOD explained that the external threat is a greater daily risk than the internal. He mentioned that 25,000 to 35,000 attempts are made on a monthly basis to hack into the City's network.

MEMBER PREISS inquired about the process in which assets are tracked in the system. MR. SNELDING informed him that the Department of Finance follows assets with a value of over \$5,000 and a life span of over one year; however, there are some exceptions to this such as mobile devices, computers, purchases and upgrades to existing equipment, printers, handheld radios not assigned to a department, and desk phones which are under this threshold but are in a category that require records to be maintained on them. He felt the policies put in place were a positive thing because IT has valuable assets that must be tracked.

MEMBER ROLLO wondered if it is possible for someone to purchase an IT asset without the knowledge of the Department to which MR. SHERWOOD replied in the affirmative; however, he noted the frequency is minimal. Before any technology is acquired, IT does a validation to ensure the hardware or software company is up to standards and meets certain qualifications.

CHAIR SEAMAN requested a monthly report of IT's progress. MR. SMITH and MR. SHERWOOD explained to the Chair that staff managed many deficiencies as part of the previous inventory system. As part of closing out the audit recommendations, staff must witness that the problems mentioned in the 2019 Audit of Computer Hardware Inventory report have been addressed. MR. SHERWOOD confirmed ServiceNow was implemented in July of 2020 for assets that are connected to the network. The system for assets that are not connected to the network was acquired recently. MR. SMITH commented that staff will work with IT to test the new system to ensure assets are properly recorded. MR. SNELDING recognized the importance of this issue and offered to provide a status report on the matter on a monthly basis.

8. Report by staff regarding current audits

Minutes:

BRYAN SMITH, Internal Audit Section Manager, said the Office of the City Auditor is involved in several audits as listed on the PowerPoint presentation slide, which has been attached as backup.

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:
The meeting was adjourned at 10:51 a.m.

Respectfully submitted:

Ashley Foster, Deputy City Clerk

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
and
The Nevada Public Notice Website – notice.nv.gov