



Audit Oversight Committee Minutes

1. Call to Order and Roll Call

Minutes:

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

PRESENT: CHAIR SEAMAN and MEMBERS PREISS and ALLEN-PALENSKE

EXCUSED: MEMBERS GAUGHAN and KAERCHER

ALSO PRESENT: JOHN CURTAS, Deputy City Attorney IV; MICHELLE ALANIS, Deputy City Attorney III; STACEY CAMPBELL, Chief Deputy City Clerk; and BRIAN CARROLL, Senior 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 April 8, 2024

Motion made by Francis Allen-Palenske to Approve

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 2

For-Eric Preiss, Victoria Seaman, Francis Allen-Palenske; Excused-Brendan Gaughan, Chad Kaercher;

5. Discussion for possible action regarding Audit of Innovation and Technology Department – Hardware Asset Controls (IT010-2324-03)

Minutes:

LOUIE HLAD, Senior Innovation and Technology (IT) Auditor, utilized a PowerPoint presentation, a copy of which was submitted for the record, to share the results of the audit for the IT Department's (IT) hardware asset controls. He said the audit focused on the department's process for monitoring the continued existence of important pieces of City hardware. He explained it included personal computers, servers, cell phones, iPads, networking equipment, and surveillance systems totaling more than 22,000 individual pieces of equipment. The hardware assets were tagged with a unique identifier and barcode label, and they were maintained in an asset management system called ServiceNow. He stated the responsibility to regularly verify the location and status of these assets laid with IT. He explained the differences between Capitalized Assets (fixed assets)

and Controlled Non-Capitalized Assets (sensitive items). Fixed assets cost more than \$5,000, are maintained by the Finance Department (Finance), and have a useful life of more than one year. Sensitive items cost less than \$5,000, are sensitive, portable, theft-prone, and are defined by each department. He said the audit focused only on high-value or high-risk items that IT is required to track. He noted each department was responsible for defining items they consider to be sensitive and then maintaining their own list. He advised fixed assets and sensitive items were tracked in the same way and collectively called controlled assets. MR. HLAD explained the audit was important for risk and cost management, compliance, security, efficiency, planning and budgeting. He noted NRS (Nevada Revised Statutes) requires local governments to maintain adequate equipment records and inventory controls. He listed the audit objectives as determining if IT was appropriately verifying the location and status of controlled assets and whether IT's controlled asset reports to Finance were complete and accurate.

Finding #1 – Staff found controlled assets were not distinguished from other assets in the asset management system, and IT had not documented criteria for identifying sensitive items. Staff recommended IT should clearly label hardware assets within the management system and have detailed criteria for sensitive items. MR. HLAD stated they use barcode scanners to create an audit trail but some equipment had old timestamps or did not have any timestamps. IT staff should visually verify an asset or use online methods to ping the equipment and receive an appropriate response if scanning is not feasible.

Finding #2 – Staff found asset verification procedures were not documented and verification history was not recorded in the asset management systems for all controlled assets. He opined the absence of documented procedures hindered the effective training of new staff, created the risk of losing process knowledge with employee turnover, and increased the likelihood of inconsistent practices by employees during the verification procedures. MR. HLAD recommended that IT document their asset verification procedures and they should, at a minimum, capture information on the status and location of each asset, when it was verified, by whom, and the method used. He said IT management should implement the documented procedures and ensure that each controlled asset is verified at least annually.

Finding #3 – Staff discovered that IT did not confirm the status and location of all fixed assets and they submitted an inaccurate report of their sensitive items in their report to Finance. Staff reviewed the asset reports submitted in April-May 2023 for fixed assets and departmental sensitive items. For fixed assets, Finance provided IT with a list of 261 fixed assets under IT's purview and asked them to confirm whether the items were still in inventory. IT reported back to Finance that 174 (66 percent) items were confirmed to be in their inventory or had been properly retired. IT also reported that there was no record of 89 of the fixed assets in their asset management system, which totaled \$2 million. The second report contained 21,956 hardware assets, including monitors, desk phones, and laptop docking stations. Subsequent to the report being submitted, IT management acknowledged the report did not accurately represent what they consider to be sensitive items and it was not properly reviewed by management for approval. Staff recommended IT management develop a set of procedures to ensure proper supervisory review and approval of asset reports before they are submitted to Finance. MR. HLAD stated they recommend IT reconcile their list of fixed assets with Finance's list and provide a complete and accurate report of fixed assets. He said they also recommend that IT provide a complete and accurate report of the department's sensitive items to Finance to ensure compliance with City policy.

CHAIR SEAMAN expressed disappointment with the lack of clear inventory management and unapproved reports. She opined this posed a security risk and questioned where the \$2.1 million in unaccounted assets were. CHIEF INNOVATION AND TECHNOLOGY OFFICER MICHAEL SHERWOOD stated cybersecurity was very important to any organization and noted the report brought forward areas of improvement for the department. He explained the 81 items that were noted in the report had been accounted for, and they would reach out to the auditors following the meeting and work with them to let them verify the information. He said that he had a report for the committee that he could pass out. He explained when low dollar cost items were purchased in bulk, they were combined into one item count and labeled as non-controlled items. He noted the difference lies with the way Finance was recording the asset and the way IT was recording it. He said they added drop-down menus within their reporting system to help track the non-controlled and controlled items to better align with Finance.

MEMBER PREISS questioned if there would be a formal response at the next Committee meeting, and MR. SHERWOOD stated they had responded to the Audit Department (Audit).

CHAIR SEAMAN wondered if BRYAN SMITH, Acting City Auditor, was satisfied with the reports on the

unaccounted items. MR. SMITH explained they ask management to provide a formal response in the audit recommendation with all audit reports. He noted IT's response was in the back of the report and that Audit had not yet tested the actions noted in the response. He advised Audit would return to the department as a part of their follow-up process and verify if IT had adequately addressed the recommendations. He read management's response to the audit recommendation regarding the missing items and stated they had not yet tested management's representations in their response. CHAIR SEAMAN confirmed with MR. SMITH they will utilize the list MR. SHERWOOD provided and ensure all missing items were accounted for. The Chair wondered how long the report had been worked on, and MR. SMITH responded they became aware of multiple issues when they conducted an informal audit of IT, which turned in to a formal audit approximately 10 months ago. MR. SHERWOOD opined it was a collaborative process and their systems and policies had improved as a result of the audit. MR. SMITH added Finance also decided they need to update their fixed asset policies and procedures.

MEMBER PREISS believed the main issues were the dollar value of assets, the distinction between sensitive and non-sensitive assets and the definition of each, and security issues. MR. SHERWOOD stated they had outdated procedures and have since added categories to ServiceNow. He explained that all laptops were sensitive items, which were encrypted, so the threat level was low if they were lost. He said they should be able to utilize the system and provide a report of all assets at any time, which requires an understanding of ServiceNow. He opined as Finance changes policies, they need to update their own to stay aligned. He provided an example of a 911 console as being entered as one item by Finance but it included furniture, computers, and radios that may need to be tracked by a different department. He clarified monitors were not tracked as a fixed asset, but instead tracked when they would need to be replaced. The Member agreed that Finance accounts for things differently and the process should be improved.

MEMBER ALLEN-PALENSKE opined MR. SHERWOOD was a great director and believed he would address the accounting and inventory controls needed. She said there were 261 assets and their whereabouts should be known at all times. She wondered if assets would still be controlled by IT when 911 dispatch changes locations. MR. SHERWOOD advised the details had not been decided, but he clarified that City assets were tracked and managed by them at any location.

CHAIR SEAMAN questioned why Finance did not bring issues with the asset reports to the attention of IT management. CHIEF FINANCIAL OFFICER SUSAN HELTSLEY said they run fixed asset reports periodically that are not always reconciled to the dollar. ARIANNA RODRIGUEZ-MORA, Acting Accounting Operations Manager, explained that capital assets were recorded annually using invoices. She provided an example of an invoice that shows a purchase of three microphones that in total, is over \$5,000. Finance would record this in their fixed asset module. But, IT may categorize the three microphones as non-controlled capital assets due to the individual microphones being less than \$5,000. She stated the example showed the discrepancies that can occur between the two departments, and she opined they needed to work together to reconcile what a capital asset is.

MEMBER PREISS confirmed with MS. MORA that detailed department subsidiary ledgers and the Finance ledger were reconciled bi-annually per City policy. The Member summarized that the nature of the operation is that every two years you true up Finance's records to the department's subsidiary ledger. CHAIR SEAMAN wondered if this was NRS or City policy and opined a policy could be created to assist in keeping records. MS. MORA responded it was City policy and added the federal government was reviewing their policies for capital assets and were considering raising the \$5,000 tracked threshold to \$10,000. She noted other jurisdictions have a \$50,000 to \$100,000 threshold in place and are placing the responsibility with the individual departments to keep track of their own detailed subsidiary ledger. She believed there needed to be an understanding of what records they were asking departments to keep versus the amount of records Finance would keep for audit purposes and financial statement reporting. The Chair believed a system needed to be created to track City assets and ensure there is not a cybersecurity threat. She also wanted to confirm the Committee would receive the documentation of the \$2.1 million unaccounted for assets.

MEMBER ALLEN-PALENSKE questioned if anything was missing, subsequent to the audit and MR. HLAD said the audit covered what was included in the asset management system at the time of the fieldwork and the reports that were given to Finance. The Member clarified the reports given to Finance were non-comprehensive and MR. HLAD explained that all he could represent was that the report IT gave to Finance stated there was no record of the items in their system. MR. SHERWOOD advised the audit report was accurate at the time of the audit, as they did not have the proper categories in the system. IT had to pull

invoices and look for the items and then input and categorize them into the system, thus making all items accounted for. He said there were still 21,000 assets in their system that need to be reviewed with Finance to add categories recommended by Audit. He reiterated that the 81 items were accounted for. MR. HLAD stated that as a part of the follow-up, Audit would verify that all the items were accounted for. CHAIR SEAMAN confirmed with MR. HLAD that the follow-up had not been done yet. MR. SHERWOOD clarified the audit process was the Committee receiving the report and then IT showing Audit where the items are. The Chair asked for a timeline for completion. MR. SMITH said the next Committee meeting would be held in October, and he offered to bring a status update to that meeting. He noted all recommendations were reviewed bi-annually by the Committee and this would follow that timeline. MR. SHERWOOD believed that IT would be able to show to Audit that all 81 items are accounted for by the October meeting.

DEPUTY CITY ATTORNEY JOHN CURTAS suggested to abey this item until the next Committee meeting to allow the Members to review the revised report IT would submit.

Motion made by Victoria Seaman to Hold in Abeyance to 10/7/2024

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 2

For-Eric Preiss, Victoria Seaman, Francis Allen-Palenske; Excused-Brendan Gaughan, Chad Kaercher;

6. Report by staff regarding current staffing, audits and projects

Minutes:

BRYAN SMITH, Acting City Auditor, utilized a PowerPoint presentation, a copy of which was submitted for the record, to display six Audit Department staff with a variety of certifications, including CPA (Certified Public Accountant), CIA (Certified Internal Auditor), CFE (Certified Fraud Examiner), and CISA (Certified Information Systems Auditor). He said audits were being completed for the Public Safety Marshal's evidence room and Detention Commissary Contract, YDSI (Youth Development and Social Initiatives) Batteries Included Program, and Community Development Business Licensing Compliance. He added 47 audit recommendations had been completed in the last year. He explained projects they were currently working on included the implementation of a new audit management software, updating office policies and procedures, and working with the City Manager's and City Attorney's Offices to update and improve the City's fraud policy and procedures.

MEMBER ALLEN-PALENSKE hoped that future audits would include cost-savings as an objective and thanked MR. SMITH for the presentation. MR. SMITH opined efficiencies and controls were at times difficult to assign a cost-savings, but he said they would do so where it could be added.

MEMBER PREISS opined the Audit Department was a small team compared to the size of the City and the amount of assets to maintain and they were doing a great job. He said it was important to look at the overall cost-benefit analysis and keep in mind the sensitive nature of certain items over others. He stated the Finance Department should create policies and the Audit Department should review them.

CHAIR SEAMAN said the Committee had been instrumental in creating new procedures and she felt the work was important. She stated the Audit Department was small but mighty and thanked them for the work they were doing.

7. Discussion for possible action regarding the Annual Audit Plan – Fiscal Year 2024-2025

Minutes:

BRYAN SMITH, Acting City Auditor, utilized a PowerPoint presentation, a copy of which was submitted for the record, to explain that in accordance with the City Auditor's Office policy statement, the City Auditor was required to submit an annual audit plan to the Committee each year for review and comment. He stated last July the Committee approved a plan presented by RADFORD SNELDING, which included an audit for each department four times and each office two times over a five-year period. MR. SMITH noted they have been using this plan in identifying departments and offices to audit. He explained, while the current plan makes every department and office subject to an audit, he believed they needed to move towards a more risk-based approach when selecting departments, functions, or policies to audit. He added the City Auditor's policy statement states audit plans should be based on city-wide risk assessment and opined the updated procedure would provide increased value to the City with the resources available. MR. SMITH explained they have not conducted a city-wide risk assessment but he believed it would be valuable to begin developing the framework with specified risk factors that would be used to complete an annual risk assessment, and create annual audit

plans. He said it would take time to implement, and they would need to partner with City management staff to gather information of the different departments and offices to be included in the risk assessment. He proposed, while waiting for the appointment of the next City Auditor, they continue to work using the previously approved plan and select departments that had not been audited within the last five years and develop the risk assessment framework for future audit plans.

MEMBER PREISS agreed with the risk-based approach, as he believed that would be effective.

Motion made by Eric Preiss to Approve the Audit Plan

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 2

For-Eric Preiss, Victoria Seaman, Francis Allen-Palenske; Excused-Brendan Gaughan, Chad Kaercher;

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.

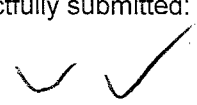
Minutes:
None.

10. **Adjournment**

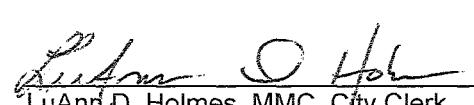
Minutes:
CHAIR SEAMAN announced that the next Audit Oversight Committee meeting is scheduled for October 7, 2024.

The meeting was adjourned at 10:57 a.m.

Respectfully submitted:



Brian Carroll, Senior Deputy City Clerk



LuAnn D. Holmes, MMC, City Clerk

Minutes Prepared by:
Samantha DiNicola, Deputy 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