



Audit Committee Meeting

August 12, 2014

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SUMMARY OF AUDIT ACTIVITIES

August 12, 2014

Aramark Audit

Background

The current food service concession lease between the Authority and Aramark was entered into in April 2001 for a period of 15 years. Since then, three amendments were made in April 2003, November 2007 and August 2008.

The commission structure called for Aramark to pay the Authority 27% of gross receipts in 2011 and 32% of gross receipts in 2012 and 2013. Gross receipts were approximately \$19.6 million in CY12 and \$21.4 million in CY13. Commissions for the periods were approximately \$6 and \$6.5 million respectively.

Audit Scope

The audit consisted of reviewing selected payments from October 2011 to September 2013 (FY12 and 13 for Aramark) and tracing the calculation of the gross receipts to the daily sales for the various outlets for selected days. The terms of the lease were also reviewed for compliance and proper monitoring.

Summary of Audit Comments

Two department level comments were issued to the Vice President of Customer Experience and Director of Client Services. The issues and Management's responses are summarized below.

➤ *Kitchen Trash Compactor Costs*

Kitchen trash compactor costs at the Convention Center from 2008 to 2013 and at Cashman Center from 2011 to 2013 were miscalculated by the Client Services Department, resulting in \$18,724.86 of compactor charges not being billed to Aramark. Costs were miscalculated due to using wrong rates, lack of updating or errors in updating tracking spreadsheets, and incorrect trash pull counts from using the inconsistent trash pull log rather than actual billings from the vendor.

Management indicated that the audit recommendations have been implemented. Reconciled vendor invoices are being used to determine the trash pull counts and rates will be updated on the fiscal year spreadsheet when changed by the vendor in July of each year.

Aramark has reimbursed the Authority for the difference in billing.

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➤ *Annual Submission*

Differences were noted in comparing the annual submission of menu items and prices to register printouts, signs posted at the outlets, and catering menus. These included posted prices/items that differed or were not listed on the submission, register prices/items that differed or were not on the submission, menu prices that differed from the submission, and price increases not substantiated with backup documentation.

Management indicated that Aramark has corrected the discrepancies. Aramark has committed to placing greater emphasis on the accuracy of listed items and monitoring prices. A new Director of Concessions has recently been hired and will be instituting mandatory, monthly meetings with all sub-contractors and vendors to prevent a reoccurrence of these issues.

Smart City Networks Review

Background

The term of the Telecommunications Services Agreement (Agreement) between the Authority and Smart City Networks (SCN) was from June 1, 2008 through May 31, 2013 with an option for the Authority to extend the Agreement for a period up to 120 days solely for the purpose of completing the procurement of a new license and/or licensor. The Agreement with SCN expired on September 28, 2013 and a new agreement was signed with Cox as of September 29, 2013.

Since the Agreement with SCN is no longer active, it was determined through discussions with the Audit Committee Chairman, SVP of Finance, and within the Audit Department that a full audit was not necessary. However, Internal Audit decided to perform a review of revenues and commissions since the last audit to ensure that nothing looked out of the ordinary.

According to the Agreement, SCN had to pay the Authority 37% of LVCC Gross Revenue up to 9 million and 40% of LVCC Gross Revenue over 9 million for each calendar year of the contract. SCN also paid a commission of 10% on Gross Revenue generated at Cashman Center. The commission payment and backup documentation are sent to the Financial Resources Department for review.

Scope

The review included analyzing revenue and commission reported for the period from July 1, 2011 through September 28, 2013. Payment documentation for the commission payments was reviewed for accuracy, completeness, and compliance with contract terms.

Summary of Audit Comments

One department level comment was issued to the Vice President of Customer Experience. The issue and Management's response is summarized below.

➤ *Commission Payment*

Commission for the partial year in 2013 was not paid in compliance with article 7.01 of the Agreement with SCN. The incomplete calendar year proration was not applied in the commission calculation. SCN should have paid an additional \$22,473.78 in commission for 2013.

In accordance with the contract provision regarding a partial year, SCN has submitted the additional payment.

Benefits Audit

Background

Full-time Authority employees are eligible for two types of benefits, employer paid and employee paid. Employer paid benefits include basic life insurance, long-term disability insurance, medical insurance, wellness benefit and PERS. Employee paid benefits include deferred compensation, flexible spending account, voluntary life insurance, and voluntary supplemental insurance.

The HR Benefits Coordinator acts as the liaison between LVCVA employees and the companies administering the various benefits programs. The coordinator is responsible for inputting and updating benefit data in the human resource information system, tracking eligibility for employees and dependents, staying current on benefit issues and notifying employees of useful information, and reconciling benefits tied to deductions on a monthly basis to ensure the LVCVA and employee are paying the correct amount.

Audit Scope

The audit consisted of a review of all benefit documentation, system information, and associated deductions and payments for a sample of employees as of March 13, 2014. Information from benefits documentation for a sample of current and terminated employees was traced to monthly invoices and the human resource information system. Audit also reviewed reconciliations completed by the Benefits Coordinator for March 2014.

Summary of Audit Comments

One department level comment was issued to the Senior Business Partner of Human Resources. The issue and Management's response are summarized below.

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➤ *Insurance Coverage*

An employee did not notify the Authority of a divorce and continued to receive family health insurance coverage when he was not eligible. This resulted in the Authority paying more for insurance than was necessary.

The Authority and employee agreed to a reimbursement plan. Details of the audit were discussed with Management and the matter was treated as a personnel issue.

Purchasing Audit

Background

The Purchasing department is responsible for the procurement of goods and services for the Las Vegas Convention and Visitors Authority. Purchasing also assists the end users in developing competitive specifications, advising them of new products and services, contract administration, bid issuance, and resolving any discrepancies. The Purchasing department ensures that all procurements are conducted in accordance with the Nevada Revised Statutes and current procedures.

Audit Scope

The audit consisted of reviewing a sample of purchase orders from October 2012 through September 2013 for proper completion, approval, adequate backup, and compliance with Nevada Revised Statutes and policies and procedures. In addition, system security and access levels were reviewed and duplicate vendor testing was performed.

Summary of Audit Comments

Four department level comments were issued to the Senior Manager of Purchasing and Senior Manager of Accounting Operations. The most significant issues and Management's responses are summarized below.

➤ *Public Works*

One purchase order (PO) was not reported on the quarterly memo to the Board of Directors reporting public works contracts as required by NRS 338.143 (2). Once notified by Internal Audit, the PO was reported on the following quarterly memo to the Board of Directors.

Management indicated that the software previously used by Purchasing better accommodated this requirement. Purchasing worked with internal programmers to modify the existing software to help automate this requirement

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➤ *Bid Documentation*

The 5% Subcontractors Listing and 1% Subcontractors Listing for one bidder did not list the prime contractor or portion of work they would be performing on a contract greater than \$100,000 as required by NRS 338.141. Purchasing was not required to reject the bid since it was the only bid received, but should have documented that they acknowledged the non-compliance with the NRS.

Other incomplete bid package documentation included the 5% and 1% Subcontractors Listings for one bidder did not list the prime contractors or portion of work they would be performing for a contract less than \$100,000, one bidder did not submit the revised 1% Subcontractors Listing amendment issued by Purchasing, and two bidders did not sign their 1% Subcontractors Listing forms.

Management indicated that proper documentation will be made to bid packages when minor informalities are waived. The Senior Manager of Purchasing and Director of Purchasing & Business Services have instituted a management review procedure for this requirement to ensure compliance.

Accounts Payable Audit

Background

All invoices sent to Accounts Payable (A/P) are entered into the A/P system, reviewed for appropriateness and proper documentation, and posted to the general ledger. The A/P employees process invoices and pay vendors via check request, wire transfer or electronic funds transfer (EFT). A/P employees are also responsible for vendor file maintenance.

Internal Audit assisted the External Auditors on their audit of the financial statements by performing testing of accounts payable. This testing was used as the basis for the Accounts Payable Audit and was supplemented with additional testing for duplicate payments and the foreign currency payment process.

Audit Scope

The audit consisted of reviewing invoices paid from July 1, 2012 to June 30, 2013. Invoices were tested to ensure that payments contained appropriate documentation and were properly reviewed and processed.

Duplicate payment testing consisted of reviewing invoices entered into the Accounts Payable system from January 1, 2012 to February 22, 2014 to ensure duplicate payments were not processed.

Foreign currency payment process testing consisted of reviewing the ordering and payment process, user access rights, and vendor maintenance. Payments made from

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January 1, 2013 to December 31, 2013 were tested to ensure that payments contained appropriate documentation and were properly reviewed and processed.

Summary of Audit Comments

There were no reportable issues noted during the audit.

Investment Audit

Background

It is the policy of the LVCVA to invest funds in a manner that will provide the highest investment return with the maximum security while meeting daily cash flow demands of the LVCVA and conforming to all Nevada Revised Statutes (NRS) governing the investment of public funds. The primary objectives of the investment policy are to minimize risk, ensure that cash is available when it is needed, and ensure a competitive rate of return while complying with the laws of the State of Nevada, in that order.

The value of the LVCVA's total investments was \$151,530,202 as of April 30, 2014.

Scope

The audit consisted of a review of all backup documentation for a sample of investments. The actual practice followed by the Finance department was compared to the Investment Policies & Procedures. Full detail testing of a sample of investments made from July 1, 2013 through April 30, 2014 was performed. Portfolio balances and monthly reports were tested for the month ending March 31, 2014. The Investment Report for the 3rd Quarter of Fiscal Year 2014 was tested for accuracy.

Summary of Audit Comments

There were no issues noted during the audit.

Credit Card Audit

Background

The Authority provides employees with business credit cards when it has been determined that possession of a credit card is in the best interest of the Authority and the position requires regular use of a credit card.

The Finance department is responsible for ordering and cancelling the credit cards upon request of a Senior Vice President. Finance staff also reviews credit card reports from both MasterCard and American Express for suspicious charges, late payments, no payment made, and partial payments. Credit cards should be used for business related

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expenses within the limits established for the cardholder and in accordance with the credit card and expense report policies.

American Express credit card purchases from September 2012 to October 2013 were approximately \$2,897,776 and MasterCard purchases were approximately \$1,058,036.

Scope

The audit consisted of reviewing a sample of credit card transactions performed between September 2012 and October 2013 for proper reimbursement submission of charges on expense reports, timely payment of the monthly balance in full, and compliance with policies. A comparison of credit card limits and monthly use was also conducted.

Summary of Audit Comments

There were no reportable issues noted during the audit.

Quarterly Expense Report Audits

Background

Employees' travel, entertainment, and other business expenses are reimbursed upon completion and approval of a travel or local expense report. The travel expense report is completed for all out of town expenses while the local expense report is completed for those expenses incurred in town.

Scope

Audit performs quarterly expense report audits. The audits consisted of reviewing a sample of travel, local, and mileage expense reports reimbursed during the test periods for proper completion, approval, adequate backup, and compliance with policy and procedure. The reviews also included a sample of Board Member fees, education and shoe reimbursements.

There were no reportable issues noted during the FY14 2nd and 3rd Quarter Expense Report Audits.

Payroll Data Extractions

Data extraction routines are run each payroll that identify various changes or exceptions to employees' pay. These items are reviewed for appropriateness and those outside of certain parameters are reviewed in more detail and traced to supporting documentation.

The reviews for January through March 2014 and April through June 2014 noted no issues.