



Audit Committee Meeting

June 14, 2016

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SUMMARY OF AUDIT ACTIVITIES June 14, 2016

Utility Services Agreement Audit

Background

Electrical and plumbing set up for conventions, tradeshow, and special events is performed by several electrical companies. Contractors entered into contracts with the LVCVA and agreed to pay a commission for their work performed in the facilities. The commission is a fee percentage of their electrical and plumbing Gross Receipts. The fee percentage for the period tested was 17% for CY 2013 and CY 2014.

Electrical and plumbing commissions for services performed at the Convention Center were approximately \$14,992,900 from January 2013 through December 2014.

Scope

The audit included tracing commission documentation to customers' invoices and work orders for selected shows organized by GES, Freeman, Edlen, and CTS between January 2013 and December 2014. Samples of association booths were traced to contractor order forms and billing invoices. Payment documentation for the commission payments was reviewed for accuracy, completeness, and compliance with contract terms.

Summary of Audit Comments

Three department level comments were directed to the Vice President of Customer Experience. The most significant issues responses are summarized below.

➤ *Freeman Commission on Packages*

Electrical items purchased as part of a package were not included in the commission calculation for seven shows tested. The commission was understated by \$27,004. Freeman agreed with the findings and was invoiced for the additional commission.

A similar issue was noted during the prior Utility Services Audit and Freeman Management stated that their system did not have the capability to break out the electrical revenue part of a package. Freeman added that a new report, able to capture lights in package sales, was implemented at the end of CY 2014.

A preliminary review of commission payment documentation for various CY 2015 shows indicates that package electrical continues to be improperly reported. This was discussed with Freeman Management and they agreed with this assessment. They reviewed CY 2015 and 2016 shows and submitted documentation of their findings.

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Internal Audit is currently reviewing the documentation and upon completion will report separately on the results and make appropriate recommendations at that time.

➤ *GES Commission*

GES electrical and plumbing commissions were overstated by \$19,436 due to contractor errors in the commission calculation for three shows.

The LVCVA submitted a refund check for the overpayment in August 2015.

Traffic Operations Audit

Background

The LVCVA maintains paid parking operations at both the Las Vegas Convention Center and Cashman Field Center. Parking operations consist of full-time Field Traffic Parking Supervisors and part-time Traffic Revenue Supervisors, Cashiers, and Traffic personnel. Paid parking generated approximately \$3.1 million in revenue for FY 2015.

Scope

The audit consisted of reviewing a sample of paid parking documents. The review consisted of comparing the cash collected to the bank deposit amounts and to the accounting records. The sample selected included two days per month (one for the Las Vegas Convention Center and one for Cashman Field Center) from July 2013 to June 2015.

Surprise counts performed with the Traffic Department from September 2013 to October 2015 were also incorporated into this audit. During those surprise counts, Internal Audit observed the cash handling and T-2 handheld device practices.

Summary of Audit Comments

Five department level comments were directed to the Traffic Manager. The most significant issues and management responses are summarized below.

➤ *Parking Revenue*

Two instances were noted where the parking revenue used to calculate the Las Vegas 51s share was incorrect, resulting in an overpayment of \$480 for June 7, 2014 and \$485 for June 13, 2015. The cause of the overpayment was due to the Cashiers not following the log out / log in procedures. A new point of sale system has been implemented that has the ability to run reports which capture the Las Vegas 51s shared revenue.

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➤ *Safe Lock*

One Traffic Field Supervisor left the key lock on the safe unlocked because the lock was not functioning properly. This allows the use of only the combination to open the safe. For dual control purposes, the Executive Director of Customer Safety maintains the combinations and Internal Audit maintains the keys for each safe. Leaving the safe unlocked compromises the dual control. Management was notified of the issue and has since purchased a new safe that is now in use.

➤ *Count Verification*

Two instances were noted where a Traffic Revenue Supervisor and a Traffic Field Supervisor issued themselves a bank and verified their own ticket sales and cash count. A procedure was implemented so that Traffic Revenue Supervisors and Traffic Field Supervisors conducting transactions/permit sales during their shift will have their bank and sales balanced by the appropriate level of management.

Personnel Audit

Background

The Human Resources department is responsible for processing and maintaining documentation for new hires, transfers/promotions, and terminations. They are also responsible for updating necessary systems and documents for changes such as personal information, benefits information, etc.

Scope

Internal Audit reviewed applicable laws and regulations, the current Employee Handbook, and other available HR policies and desk manuals that apply to the personnel process. Walkthroughs were performed with the applicable HR employees to determine the current processes and controls in place.

Documentation for a sample of new hires, current employees, and terminations was selected and reviewed for compliance with policies. Internal Audit also reviewed other documentation for other processes such as imaging, exception monitoring, quality control checks, changes to employee information, security of sensitive documents, etc.

Summary of Audit Comments

Two department level comments were issued to the Senior Director of Finance & Accounting. The issues and Management's responses are summarized below.

➤ *Vista Group Access*

There are currently seven employees with administrative access to the Personnel and Payroll System (PDS Vista). Administrative access is the highest level of

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permission granted to system users. It does not appear necessary to have so many employees with that level of access.

No inappropriate use was noted as a result of the access given.

Management has reviewed access and reduced the number of users with full system rights.

➤ *Vista Security Options*

Full access to certain security options within PDS Vista for several groups was not necessary.

The review of group access noted that several groups had full access to the setup and code sections of different modules. Access to the setup and code sections would allow for addition and deletion of categories but would not allow the user to add employees or change pay rates. No inappropriate use was noted as a result of the access given.

Once notified, the Human Resources Information Systems Administrator made the necessary changes to the appropriate groups.

Management will review system access semi-annually and after any major system updates/upgrades.

Purchasing Audit

Background

The Purchasing department is responsible for the procurement of goods and services for the LVCVA. 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 (NRS) and current procedures.

Scope

The audit consisted of reviewing a sample of purchase orders from October 2013 through May 2015 for proper completion, approval, adequate backup, and compliance with NRS and policies and procedures. In addition, system security and access levels were reviewed and duplicate vendor testing was performed.

Summary of Audit Comments

One department level comment was issued to the Senior Manager of Purchasing. The issue is 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.

Advertising Agreement Audit

Background

R&R Partners provides a broad base of comprehensive marketing services for the LVCVA that supports all facets of the organization. The company serves as the official advertising and marketing communications agency for the LVCVA. R&R Partners develops marketing plans for both long and short-term initiatives and works with the LVCVA in all areas of implementation.

Scope

The audit consisted of reviewing a sample of payments from July 1, 2014 to June 30, 2015 for proper documentation and authorization in accordance with the Agreement. Internal Audit also reviewed compliance with other terms of the Agreement. The system of internal controls over the advertising agreement payment process was examined and evaluated for adequacy.

Summary of Audit Comments

There were no reportable issues noted during the audit.

Las Vegas Events Audit

Background

Las Vegas Events (LVE) is a private, non-profit, Nevada corporation. LVE's purpose is to encourage, foster, and stimulate special events that will in turn promote tourism, commerce, trade, and business in Southern Nevada.

Each year, the LVCVA Board authorizes the LVCVA to provide LVE with a grant for the funding of certain special events and other expenses. LVE creates a budget for salaries and benefits, general and administrative expenses, advertising, rodeo events, and other events that the LVE Board approved funding for throughout the year. The LVCVA budgeted approximately \$5.9 million for event sponsorship and \$1.5 million for other expenses for FY 2015.

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Scope

The audit consisted of a review of backup documentation for funds disbursed by the LVCVA to LVE for FY 2015. Detailed backup/receipts for a sample of LVE's disbursements were reviewed for reasonableness. Internal Audit reviewed salaries & benefits, general & administrative, and advertising expenses for reasonableness. Internal Audit also ensured funds issued by LVCVA were spent on events as intended. The system of internal controls over the LVE payment process were examined and evaluated for adequacy.

Summary of Audit Comments

There were no reportable issues noted during the audit.

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. 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 A/P. 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.

Scope

The audit consisted of reviewing invoices paid from July 1, 2014 to June 30, 2015. 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, 2014 to February 19, 2016 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 January 1, 2015 to December 31, 2015 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.

Electronic Payments Audit

Background

The Finance department pays expense reimbursements and vendor invoices via EFT. EFT provides a more efficient, less costly alternative to accounts payable payment processing than the traditional check. Bank supplied internet based software is used to transmit payment information from the LVCVA to the bank. According to Finance's check registers, payment processing using EFT from October 1, 2014 through January 31, 2016 was approximately \$234,233,098. Payroll payments are also paid via EFT and were \$48,491,342 for the same period.

The Finance department also pays expenses, normally debt service and land acquisition payments, via wire transfer. Bank supplied internet based software is used to transmit payment information from the LVCVA to the bank. According to Finance's check registers, payment processing using wire transfer from October 1, 2014 through January 31, 2016 was approximately \$192,977,152.

Scope

The focus of the audit was the setup, administration, and processing of EFT and wire transfer transactions. This included the review of procedural and program controls of the processing software. EFT and wire transfer testing was performed for the period from October 1, 2014 through January 31, 2016.

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

Internal 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.

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There were no reportable issues noted during the FY16 1st, 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 October through December 2015 and January through March 2016 noted no reportable issues.