



Audit Committee Meeting

October 24, 2017

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SUMMARY OF INTERNAL AUDIT ACTIVITIES

October 24, 2017

Overview

Since the last audit committee meeting in February, the Audit department staff have completed 12 internal audits. Throughout each audit, we received complete and timely access to the necessary documentation and personnel to perform the audit procedures. We appreciate the support provided by the Finance team, Information Technology Department, Customer Safety Department, Engineering and other members of management.

The audits completed, categorized by audit level rating, were as follows:

- **5- Strong**
 - Payroll Data Extracts 3Q and 4Q FY 2017 and 1Q FY 2018
 - Parking Cash Counts
- **4- Satisfactory**
 - Expense Reports Q2 and Q3
 - Payroll Audit
 - Accounts Payable
 - Aramark
 - Demolition and Construction (LVCCD Phase 1)
- **3- Needs Improvement**
 - Customer Safety
 - Procurement Card Audit
- **2- Needs Significant Improvement**
 - None
- **1-Unsatisfactory**
 - None

A guide to the rating system is provided at the end of this summary.

Summary of Audit Comments

Procurement Card Audit

Audit rating: (3) Needs Improvement

Background

Employees may be issued procurement cards for facilitating small purchases with the approval of the employee's supervisor and the Senior Manager of Purchasing.

Finance is responsible for sending out weekly procurement card transaction reports to applicable employees for review and approval. Finance processes the Procard payment on a monthly basis.

The System Administrator is responsible for ordering and issuing procurement cards as approved by the Senior Manager of Purchasing. Procurement cards shall be used to

Summary of Audit Activities
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purchase items within the limits established for the cardholder and in accordance with the procurement card handbook for cardholders, the memorandum of understanding signed by cardholders and the Purchasing policies and procedures.

Audit Scope and Methodology

The audit consisted of reviewing a sample of procurement card statements from March 1, 2015 through October 31, 2016 for proper completion, approval, adequate backup and compliance with policy and procedures.

Summary of Notable Comments

➤ *Procurement Card (ProCard) credit limits*

The monthly Procurement Card (ProCard) credit limit for the cardholder responsible for making accounts payable vendor payments appeared to be excessive. We noted no instances of fraud, waste or abuse, and we recognize the benefit of the card and the multiple downstream detective controls in place that assist in mitigating the underlying risks.

Management concurs with the finding and it is their intent to implement a virtual card solution with the new ERP system. In the interim, Management corrected the issue and implemented revised procedures as follows:

1. The card's single transaction limit has been reduced from \$100,000 to \$9,999.
2. All payments \$10,000 or more now require the signed pre-approval of the SVP of Finance.
3. These pre-approved payments are specifically authorized by the Card Administrator in Purchasing using Exact Authorization Override functionality.

The SVP of Finance and Card Administrator are reviewing all daily activity for the card.

Customer Safety Audit

Audit rating: (3) Needs Improvement

Background

The Customer Safety department is tasked with the protection of life and property at both the Las Vegas Convention Center and Cashman Center. The department encompasses three sections: security, safety, and traffic.

Audit Scope and Methodology

The audit consisted of a review of the following areas managed by the Customer Safety department:

- Officer Training, Certifications, Registrations, and Use of Force

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- Surveillance
- Facility Access (Radio Frequency Identification (RFID), Keys, and Meeting Rooms)
- Trespass Procedures
- Board Meeting Emergency Contingencies
- Catwalk and Roof Access
- Fire Prevention and Alarm System
- Lost and Found

For each area, audit reviewed the applicable policies and guidelines, interviewed key Customer Safety personnel, performed observations and/or conducted testing of applicable files and records. Documentation testing included selections from 2014, 2015, 2016 and 2017.

Summary of Notable Comments

➤ *Security certification, training, and registration evidence*

Evidence of Customer Safety training, certifications, and/or registrations was not consistently documented and maintained.

Enhanced procedures have been implemented to ensure training is received and documented in a timely manner. Further, Customer Safety will perform semi-annual reviews to ensure all documentation is adequately maintained.

➤ *Radio Frequency Identification (RIFD) Badge Access Discrepancies*

Discrepancies existed in the RFID access to the Las Vegas Convention Center.

All noted discrepancies have been addressed and a new procedure has been implemented to ensure the Control Center Supervisor is informed of all personnel changes in a timely manner. Also, semi-annual reviews will be performed to ensure new hires and transfers have appropriate building access and terminated employee access is removed.

➤ *Use of Force Reports Not Utilized*

Per inquiry with the Senior Manager of Security, Use of Force Reports are not utilized.

The Use of Force Policy will be reviewed with security personnel at each of the April 2017 Semi-Annual Firearms Training sessions. Adjustments are being made to the Incident Report System (iTrak Client) to instruct the reporting officer to complete the "Use of Force Report" based on information that is being entered. Going forward, supervisory and management personnel will be held responsible for the completion of Use of Force Reports, when required.

➤ *Roof Access Procedure Breakdown*

Based on a comparison of the roof access logs and the roof access list to protocols, we found that protocols were not always followed, and that the protocols should be formalized with written procedures.

Access to the roof of the LVCC is a responsibility of the Engineering Department. The Director of Engineering stated that the current roof access protocol will be reviewed and updated through collaboration with Engineering, Customer Safety and Convention Services. The revised protocol will: restrict access only to individuals with completed Roof Access Requests, develop retention parameters for the Roof Access Log, and formalize the protocol with written procedures.

Payroll Audit

Audit Rating (4) Satisfactory

Background

Payroll is responsible for paying all employees for time worked in an accurate and timely manner, in accordance with applicable laws, and for maintaining the required supporting documentation. Payroll's functions also include filing all taxes and deductions with proper agencies and ensuring the accuracy of employee information in the payroll system (Vista PDS) and timekeeping system (WorkForce).

Audit Scope and Methodology

The audit consisted of reviewing payroll policies and procedures, controls in place for the payroll process, and system access. It also included a review of tax filings and remittances, and reconciliations of the payroll account. Audit sampled employee pay, deductions, taxes, accounts reconciliations, and time sheets for July 2015 through September 2016. Audit also reviewed leave taken in WorkForce for a sample of employees to ensure that leave was properly entered, manual entries to employee timecards were appropriate, and additional documentation, where required, was properly maintained. Salaries and wages for FY16 were \$41.9 million. Budgeted salaries and wages for FY17 are \$44.0 million.

Summary of Notable Comments

➤ *State Income Tax Calculations*

Vista Payroll Data System (PDS) patches were not applied in a timely manner. As a result, Maryland and Washington DC income tax calculations were incorrectly calculated by Vista PDS.

The patch has been implemented and all Financial Systems (FS) employees have been added to the Vista PDS notification system for patches, ensuring that all financial patches are handled by the FS team in a timely manner. Human

Resources (HR) and FS have agreed that HR remains the Product Owner, while FS will lead and coordinate any financial changes in the system related to tax changes.

FY2017 2nd Quarter Expense Report Audit

Audit Rating (4) Satisfactory

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. Employees who frequently incur expenses on behalf of the Authority are issued business credit cards. Those incurring expenses on an infrequent basis either check out a travel business card, which they must return to Finance upon the conclusion of the trip, or use their personal card or funds. Chrome River Software is one of two ways used to record travel, entertainment and business expenses. Manual systems are still being used to forward information for entry into Accounts Payable, especially where Chrome River is not accessible.

Scope and Methodology

The audit consisted of reviewing a sample of travel, local, and mileage expense reports and payment request reimbursements paid between October 2016 and December 2016 for proper completion, approval, adequate backup, and compliance with policy and procedure. The sample also included reimbursements through payment requests. Audit reviewed 49 payments of the total 412 issued for expense reports during the audit scope representing approximately \$261,220 of \$957,034 (27%) in payments. Additionally, user access, application permissions, delegation of authority and expense processing procedures were reviewed for the electronic expense processing software, Chrome River.

Summary of Notable Audit Comments

➤ *Chrome River Administrator Permissions*

Per review of all existing user profiles and access permissions within Chrome River, it was noted that ten users were given full Administrator access to the application.

To protect the integrity of the data tracked in the Chrome River application, two new roles are being created: The "Accounting Technician" role will have capability to export data, manage failed transactions, and re-assign data as needed. The "Travel" role will have the capability to only re-assign data as needed. Administrative functions will reside with the Financial Systems Team with the capabilities to add and remove users, manage transactions not required in Chrome River, and any other troubleshooting as needed. Any information requested for deletion out of Chrome River will be requested through the Financial Systems team and will be validated monthly by the SVP of Finance prior to deletion. The final

adjustment within the Chrome River application should be updated by the end of March, 2017.

FY2017 3rd Quarter Expense Report Audit
Audit Rating (4) Satisfactory

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. Employees who frequently incur expenses on behalf of the Authority are issued business credit cards. Those incurring expenses on an infrequent basis either check out a travel business card, which they must return to Finance upon the conclusion of the trip, or use their personal card or funds.

Scope and Methodology

The audit consisted of reviewing a sample of travel, local, and mileage expense reports and payment request reimbursements paid between January 2017 and March 2017 for proper completion, approval, adequate backup, and compliance with policy and procedure. The sample also included reimbursements through payment requests. Audit reviewed 42 payments of the total 369 (11%) issued for expense reports during the audit scope representing approximately \$143,883 of \$857,014 (17%) in payments.

Summary of notable Audit Comments

➤ *Prepaid Expenses and Receivable Tracking*

Prepaid expenses and receivables are not booked as current assets on the general ledger in instances where they do not cross over the fiscal year end.

During the audit, two receivable balances were identified that were not recorded as receivables.

Finance has created a centralized follow-up process for refunds. Staff has also been reminded to determine fiscal year coding when a refund/credit is issued within contract terms.

➤ *Event Attendee Detail*

Three Local Expense Reports did not include the list of clients entertained and/or other attendees detailing the business/company, job title, and reason for the entertainment.

Finance will work with staff to ensure all required attributes are obtained in a timely manner subsequent to the event.

Demolition and Construction Audit
Audit Rating (4) Satisfactory

Background

The Authority acquired the real property of the former Riviera Hotel and Casino in February of 2015 as an initial strategic step in the Las Vegas Convention Center District Project which will ensure the Authority can accommodate current customer needs and capture future tradeshow opportunities by allowing for the expansion and renovation of the Las Vegas Convention Center. The first phase of the project included the demolition of the existing structures as well as the installation of improved landscaping and additional parking and outdoor exhibit space.

Scope and Methodology

The audit consisted of reviewing the contract terms, payments made and other supporting documentation for Cordell, WA Richardson, Terracon Consultants and RH Walker Consulting. The payments reviewed were from the timeframe of October 2015 to June 2017.

Summary of Notable Audit Comments

➤ *Project Expense Items*

In reviewing project related invoices, we found expenses submitted by Cordell for Terracon Consultants (a) not relating to the billing period; and one duplicate payment, (b) illegible receipts, (c) an incorrect contract amount resulting in an overpayment, (d) unrelated expenses, (e) payment for a private residence stay, and (f) unsupported mileage expense.

Responses by item:

- a) Monthly billing on expenses from a professional services vendor will not always align with the actual billing period of the previous month due to the frequent untimely internal submittal of the vendor's staff expense reports. Therefore, Cordell will establish a billing procedure for the vendor to submit a table and/or spreadsheet to record all reimbursable expenses with a running total for the

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project. This method should mitigate the risk of double billing on individual expenses. A request for payment from the vendor has been issued.

- b) An invoice processing procedure will be instituted to reject all illegible receipts.
- c) A process will be established to review special lab costs in invoices in comparison to approved contract values prior to Cordell's payment request to LVCVA Finance Dept. A request for payment from the vendor has been issued.
- d) A request for payment from the vendor has been issued.
- e) Expenses for overnight stays at a residence, unless specifically identified as an Airbnb, will not be allowed as a reimbursable expense. A request for payment from the vendor has been requested
- f) Receipts for reimbursable mileage cost will require explanation of why the individual requesting reimbursement was required to travel from the origination point to the destination point.

Payroll Data Extract Review (FY17 Q3 & Q4, FY18 Q1)

Audit Rating (5) Strong

Background

Authority employees are paid bi-weekly following the Payroll department's preparation, review, processing, distribution, and reporting for all full-time and part-time employees.

Scope and Methodology

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. This scopes for these reviews were payroll payments made between January 1, 2017 and September 30, 2017.

Summary of Notable Audit Comments

None

Account Payable Audit

Audit Rating (4) Satisfactory

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

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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.

Scope and Methodology

The external audit assistance consisted of reviewing 21 invoices paid from July 1, 2015 to June 30, 2016. Accounts Payable support was tested to ensure payments contained appropriate documentation and were properly approved, booked, reviewed, and processed. Additionally, a selection of 19 payments made in July, August and September of 2016 were reviewed to ensure the related expenditures were accounted for in the proper period.

In addition to the work performed in support of the external audit, Internal Audit tested 50 payments made from June 1, 2015 to January 25, 2017 to ensure payments contained appropriate documentation and were properly approved, booked, reviewed, and processed.

Duplicate payment testing consisted of utilizing data analytics followed by manual reviews to ensure duplicate payments were not processed for invoices entered into the A/P system from January 1, 2015 to January 10, 2017.

Foreign currency payment process testing consisted of reviewing the ordering and payment process, user access rights, vendor maintenance, and a detailed review of 4 of the payments made from January 1, 2016 to December 31, 2016.

Summary of Notable Audit Comments

None

FY2017 Parking Cash Count Audits

Audit Rating (5) Strong

Audit Background:

The Authority maintains paid parking operations at both the Convention Center and Cashman Center. Parking operations consist of four full-time Customer Safety employees (Traffic Manager, Administrative Traffic Supervisor, and two Field Traffic Parking Supervisors) and several part-time Revenue Supervisors, Cashiers and Traffic personnel. Paid parking generated approximately \$3.2 million in revenue for fiscal year 2017.

Scope and Methodology

On a periodic basis, Internal Audit, in coordination with Customer Safety, conducts unannounced cash counts of parking cashiers. The purpose of these procedures is to

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ensure cash is well controlled and accounted for and to review the parking cashiering process.

Summary of Notable Audit Comments

None

Aramark Contract Closeout Audit
Audit Rating (4) Satisfactory

Background

The final Food Service Concession Lease (Agreement) between the Authority and Aramark was entered into in April 2001 for a period of 15 years. Since then, the agreement has been amended six times; 1st in April 2003, 2nd in November 2007, 3rd in August 2008, 4th in January 2014, 5th in February 2016, and 6th in March 2016.

The commission structure called for Aramark to pay the Authority 30% of gross receipts in 2015 and 2016. Gross receipts were approximately \$24.1 million in fiscal year 2016. The Authority's commission for the period was \$7.2 million.

Scope and Methodology

The audit consisted of reviewing the fixed-asset inventory and reserve account activity and final payment. The audit also consisted of reviewing gross receipts and commission payments for selected days from September 2015 to December 2016.

Summary of Notable Audit Comments

None

LVCVA Internal Audit Ratings

BACKGROUND

In the interest of making the Internal Audit results provided to management and the Audit Committee more useful, we have developed a rating system to provide the reader of the audit reports and summaries with a clear and concise indication of the risks identified as a result of our audit procedures.

RATING SYSTEM

Audit Level Ratings

The purpose of rating the audit is to provide management and the Audit Committee with a clear picture of the significance of the deficiencies noted in each audit so that the Audit Committee and management can focus their attention on the areas with the highest levels of identified risk. The audit level rating is created within the context of the scope of the audit and is Internal Audit's opinion based upon the results of the audit procedures. Audits with recurring audit exceptions may receive a lower rating due to the need for greater levels of attention due to the recurring nature of the issue.

The rating categories and the corresponding definitions are as follows:

Audit Rating	Definition
(1) Unsatisfactory	Due to the absence of effective risk management practices, related to the processes reviewed during the audit, management was unable to identify, monitor or control material risk exposure. Material weaknesses that require substantial improvement in risk management procedures were identified, and risks were not effectively managed. Unless properly addressed, these conditions may result in a materially adverse impact to the organization. The exceptions noted were material and require the attention of those responsible for oversight of the organization's risk management practices.
(2) Needs Significant Improvement	Certain risk management practices, related to the processes reviewed during the audit, generally failed to identify, monitor and control significant risk exposures in at least one significant respect. Significant deficiencies that required substantial improvement in risk management procedures were identified, and significant risks were not effectively managed. Unless properly addressed, these conditions may result in a significant impact to the organization. The exceptions noted are significant enough to merit attention by those responsible for oversight of the organization's risk management practices.

(3) Needs Improvement	Risk management practices may have exhibited weaknesses that required improvement for the processes reviewed during the audit. Identified risks may not be effectively managed. Weaknesses may have included risk management exceptions or failures that could have adverse effects on the organization if corrective actions are not taken.
(4) Satisfactory	Internal control systems may have exhibited some minor risk management weaknesses related to the processes reviewed during the audit. Identified risks were effectively managed. Internal control systems may have displayed modest weaknesses or deficiencies, but they are correctable in the normal course of business.
(5) Strong	Internal control systems were appropriate to the size and complexity of the processes reviewed during the audit and were operating as intended. Identified risks were effectively managed. No exceptions to established policies were identified.

Comment Level Ratings

The comment level rating is designed to indicate the level of the underlying risks identified by the audit comment. Within a report, the audit comments will be sorted in risk rank order with the higher risk comments noted first. Recurring audit exceptions may receive a more severe rating due to the need for greater levels of attention due to the recurring nature of the issue.

Comment Rating	Definition
Red	The comment relates to an underlying weakness that created a risk that a materially adverse impact to the organization could fail to be prevented and/or detected.
Orange	The comment relates to an underlying weakness that created a risk that a significantly adverse impact to the organization could fail to be prevented and/or detected.
Yellow	The comment relates to an underlying weakness that created a risk that an adverse impact to the organization could fail to be prevented and/or detected.

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Green	The comment relates to a potential weakness that may have created a minor risk that an adverse impact to the organization could fail to be prevented and/or detected.
Blue	The comment relates to an opportunity for a process improvement that was identified during the audit. The comment is not indicative of an underlying risk management weakness.

