



# Audit Committee Meeting

February 10, 2015

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## **SUMMARY OF AUDIT ACTIVITIES**

### **February 10, 2015**

#### **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 fiscal year 2014.

##### Audit Scope

The audit consisted of a review of backup documentation for funds disbursed by the LVCVA to LVE for Fiscal Year 2014. Detailed backup/receipts for a sample of LVE's disbursements were reviewed for reasonableness. Audit reviewed salaries & benefits, general & administrative, and advertising expenses for reasonableness. Audit also ensured funds issued by LVCVA were spent on events as intended. The system of internal controls over the LVE payment process was examined and evaluated for adequacy.

##### Summary of Audit Comments

Five division level comments were directed to the Senior Vice President of Marketing. The most significant issues and management responses are summarized below.

##### ➤ *Operating Budget*

Las Vegas Events exceeded the operating budget approved by the LVCVA Board of Directors. The budget is comprised of Salaries and Benefits, General and Administrative, and Advertising and Promotions.

The Event Promotion Agreement contains the Operating Budget of \$1,551,608 for Fiscal Year 2014 which was approved by the LVCVA Board of Directors. A total of \$1,632,401 was spent which was \$80,793 over the budgeted amount.

Authority Management notified the LVCVA Board of Directors at the January 2015 Board of Directors meeting of overages in budget categories beyond what was approved by the LVCVA Board for Fiscal Year 2014.

➤ *Travel & Entertainment Expenses*

Instances were noted where travel, entertainment, and meal expenses did not comply with the prevailing LVCVA expense report and travel policies.

The instances included payment for transportation and meal expenses for the spouses of two employees where a business explanation for the spouse travel was not documented, a local meal for two employees and their spouses that did not appear to meet the requirements for local expenses unrelated to entertainment, no receipt for a meal, no detailed receipts for a luncheon sponsored by LVE, and no itemized list for miscellaneous tips.

The Event Promotion Agreement states that expenses shall be in compliance with prevailing LVCVA Expense Policies. The items noted above are not in compliance.

Authority Management indicated that the spouse travel was approved by the LVE Board Chair prior to booking so reimbursement will be waived. The reimbursement for the employee meal expense will be waived as a one-time exception. LVE has been reminded that they are to follow the LVCVA approved travel and entertainment policies as required in the Event Promotion Agreement. LVE has also been reminded of the required receipt policy.

➤ *Event Cancellation Insurance*

Three sponsorship agreements with sponsorship amounts greater than \$75,000 did not require the promoter to obtain event cancellation insurance as required by the Event Promotion Agreement for FY14.

Authority Management reviewed the requirement for the promoter to obtain event cancellation insurance for sponsorship amounts greater than \$75,000 with LVE. Any requested changes to this requirement by LVE would have to be negotiated in a future agreement.

## **Accounts Receivable Audit**

### Background

All invoices are sent to Accounts Receivable (A/R) and are entered into the A/R system. As payments are received they are logged, deposited, and entries made in the general ledger to offset against the outstanding customer balance. A/R employees are also responsible for tracking advance deposits, issuing credit memos, and tracking delinquent account balances to be considered for write-offs.

Other departments in the Authority also receive funds on a limited basis for permit sales, COBRA payments, etc.

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Scope

The audit consisted of reviewing the accounts receivable process and controls in place for invoicing, collections, write-offs, reporting and reconciliation. Also, a sample of receipts, credit memos, and write-offs from April 1, 2012 to February 28, 2014 were reviewed.

Summary of Audit Comments

Four department level comments were issued to the Senior Manager of Financial Resources and the Traffic Manager. The most significant issues and management responses are summarized below.

➤ *Timely Remittance*

Instances were noted where funds collected by the Traffic Administrative Office were not deposited timely.

The Traffic Administrative Office sells monthly and annual parking passes to contractors and accepts cash, checks and credit cards as payment. Funds were turned in between 2 and 33 days from when the transaction occurred.

Cash and credit card transactions processed by the Traffic Administrative Office are to be reconciled and deposited at the close of the day.

Traffic Management has discussed this with staff and will work to ensure there is no reoccurrence. Traffic Management also worked with Finance to review and update their procedures to reflect a deposit process similar to Finance.

➤ *Credit Card Authorization Forms*

The markers being used to redact credit card numbers and security codes for some Credit Card Authorization Forms do not sufficiently obscure the credit card numbers.

The Executive Assistant for Finance and the Administrative Traffic Supervisor use markers to redact credit card numbers and security codes on Credit Card Authorization Forms after processing the transaction in order to help keep sensitive credit card information confidential. The Credit Card Authorization records are stored under lock and key at both the short term storage locations and long term record retention location so the risk of someone outside of the credit card process gaining access to the information is low.

Finance and Traffic Management have taken steps to ensure the markers used to redact the information have been replaced with specialty secure redacting pens.

## **Facilities Use Charges Audit**

### Background

The Authority provides space and amenities for various events at the Convention Center and Cashman Center. The Convention Services Department coordinates show managements' requirements with the Authority. Convention Services Managers (CSMs) are responsible for obtaining complete insurance certificates, ensuring that leases are signed timely, and ensuring all information regarding the show is kept on file. CSMs prepare all necessary information for invoicing, calculate floor plan square footage, and follow up with clients on invoice issues.

Revenue billed by the Convention Services Department for the use of the Convention Center amounted to approximately \$28,914,000 and for the use of Cashman Center to approximately \$764,000 during fiscal year 2014. The stated revenues primarily include exhibit halls, meeting rooms, parking lot rental, advertising, cable and recording fees, and equipment rental. Both centers generated additional revenues that were not part of the audit.

### Scope

The audit focused primarily on the billing of facilities use at the Convention Center and Cashman Center and lease agreement compliance. The Convention Center hosted 63 events and Cashman Center 130 events during fiscal year 2014. A sample of 15 events held at the Convention Center, representing approximately \$15,791,000 (55%) in billings, and 11 events at Cashman Center, representing approximately \$164,000 (21%) in billings, were selected for review.

Internal Audit also verified compliance forms, annual fees and insurance coverage for a sample of current Exhibitor Appointed Contractors.

### Summary of Audit Comments

Two department level comments were issued to the Senior Director of Convention Services. The issues and management responses are summarized below.

#### ➤ *Building Damage Analysis*

Comparison of FY 14 building damage repair costs to the fees charged for building damages showed that the damage repairs costs were not fully recovered.

Costs are recovered by a gross square footage fee of \$.002 per square foot of leased space per show and direct billing of identified damage over \$1,000. Damage repairs costs would have been fully recovered if the gross square footage fee had been \$.003.

Management indicated that a building damage price increase from \$.002 to \$.003 is currently being analyzed.

➤ *Building Damage Fees*

The gross square footage building damage fee was understated for two of the fifteen shows tested. The fees were calculated based on the gross square footage of exhibit space used instead of the gross square footage of exhibit space leased.

Management indicated that the invoice procedure policy was modified to clarify that the building damage fee should be calculated based on the total gross square footage of all exhibit halls and meeting rooms leased for exhibits. The revised policy has been provided to personnel involved in the billing process.

## **Advertising Agreement Audit**

### Background

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

### Audit Scope

The audit consisted of reviewing a sample of payments from July 1, 2013 to June 30, 2014 for proper documentation and authorization in accordance with the Agreement. 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.

## **Electronic Payments Audit**

### Background

The Finance department pays expense reimbursements and vendor invoices via electronic funds transfer (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 Authority to the bank. According to Finance's check registers, payment processing using EFT from July 1, 2013 through September 30, 2014 was approximately \$227,226,643. Payroll payments are also paid via EFT and were \$43,054,735 for the same period.

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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 Authority to the bank. According to Finance's check registers, payment processing using wire transfer from July 1, 2013 through September 30, 2014 was approximately \$25,053,462.

Scope

The focus of the audit was the setup, administration, and processing of EFT and wire transfer transactions. This included the review of procedural as well as program controls of the processing software. EFT and wire transfer testing was performed for the period from July 1, 2013 through September 30, 2014.

Summary of Audit Comments

There were no issues noted during the audit.

**Room Tax & Gaming Audit**

Background

The primary source of revenue for the LVCVA is from room taxes imposed on hotels, motels, and other transient lodging establishments throughout Clark County and the incorporated cities therein. Clark County and the incorporated cities collect the full tax and remit the LVCVA's portion of the tax. The Finance department is in charge of receiving and depositing tax payments, filing documentation, tracking and posting payments, and reimbursing Clark County and the incorporated cities the tax collection allocation.

The total rate of tax levied varies from 12% to 13% for resort hotels and from 10% to 12% on other lodging facilities. The LVCVA's portion of the tax rate is 2% to 6%. Gaming fees are primarily quarterly license fees imposed on operators of games based on the number of table games and slot machines in operation. North Las Vegas collects gaming fees semi-annually.

The majority of room tax and gaming fees are collected within Clark County, amounting to approximately \$207.9 million (92.6% of the total \$224.5 million) for the fiscal year ending June 30, 2014. The City of Las Vegas is the second largest collector of the room taxes, at approximately \$10.6 million (4.7%). The other incorporated cities of North Las Vegas, Henderson, Boulder City, and Mesquite combined provide the remaining 2.7%.

Scope

The audit consisted of reviewing a sample of room tax and gaming fee payments received in fiscal year 2013, and 2014. Internal Audit examined 6 months of payments received

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between July 2012 and June 2014 from each jurisdiction. Payments were reviewed for timeliness, accuracy, and proper coding and posting in the general ledger.

Summary of Audit Comments

There were no issues noted during the audit.

**Records Management Audit**

Background

The LVCVA has established a Records Management Program complying with State and Federal Regulations and schedules approved by the Nevada State Library and Archives. Records Management coordinates the program, provides training, and oversees storage and disposal of records kept in the storage center and in Imaging. The program includes a Committee composed of LVCVA employees in charge of reviewing policies and providing guidance.

The overall purpose of the program is to make records serve their purposes as efficiently and economically as possible and provide proper disposition. As of June 2014, records maintained in the storage center have consignment dates ranging from 1956 to 2014.

Scope

The audit focused on the process of storage, retention, and disposition of records maintained at the storage center and digital documents in Imaging to verify compliance with applicable laws and company's policy. The audit also included a review of the E-Mail retention policy and Imaging access control.

Audit conducted walkthroughs and tested records maintained in the storage center and Imaging to assess the level of awareness, records management practices and program compliance. There were 949 boxes at the storage center as of June 10, 2014, 51 boxes were selected for testing.

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



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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 4<sup>th</sup> and FY15 1<sup>st</sup> 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 July through September 2014 and October through December 2014 noted no reportable issues.