

CITY AUDITOR'S OFFICE



**INTERNAL CONTROL REVIEW
ACTIVITY REPORT
JUNE 30, 2005**

Report No. CAO 2900-0506-03

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CITY AUDITOR

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BACKGROUND

The City Auditor's Office has the responsibility to Evaluate, Enhance, Educate, and Enforce internal control issues that come to the Office's attention.

- **Evaluate** - The Office independently and objectively performs Internal Control Reviews to evaluate applicable internal controls through professional expertise and judgment.
- **Enhance** - After evaluation, the Office makes recommendations to enhance the adequacy and effectiveness of existing controls and further recommends additional controls as appropriate.
- **Educate** - Through the Internal Control Review Memorandums to management and the periodic *Internal Control Review Activity Report*, the Office educates management and others of appropriate internal controls.
- **Enforce** - Enforcement is limited to supplying data to management to help them enforce the policies and procedures of the City.

The results of the Internal Control Reviews are reported in two steps:

- An Internal Control Review Memorandum is released to the appropriate levels of management and the Mayor and City Council. This assists in the correction of deficiencies and reports on the adequacy and effectiveness of existing controls.
- Semiannually, a summary report is made of all findings and recommendations from the Internal Control Review Memorandums and released in a formal *Internal Control Review Activity Report*.

This report recaps the memorandums issued since the last *Internal Control Review Activity Report* (December 31, 2004), including a list of all memorandums issued with a synopsis of the findings and recommendations. The recommendations are entered into the follow-up system for tracking purposes

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OBJECTIVES

Our objectives in completing the *Internal Control Review Activity Report* are to:

- Review all activity for the period noted relative to internal control reviews;
- Document for tracking purposes findings and recommendations noted in Internal Control Memorandums; and
- Report to the public the results of activities of the City Auditor's Office.

The objectives of each of the Internal Control Reviews were to:

- Determine the adequacy of existing internal controls;
- Determine the reason(s) for any control failure;
- Recommend corrective action; and
- Report the results of our review.

SCOPE AND METHODOLOGY

Fieldwork performed during each of the Internal Control Reviews was performed in accordance with generally accepted governmental auditing standards. Procedures included:

- Observing operations.
- Interviewing personnel.
- Reviewing records, reports, and other applicable documentation.

INTERNAL CONTROL MEMORANDUMS ISSUED

ICR 008 - Internal Control Review: Pittman Safekey Theft (Leisure Services)

Background: On April 7, 2004, the Safekey Administration Office notified the Department of Detention and Enforcement of twelve missing deposits from the month of March 2004 totaling approximately \$1,595 from Pittman Safekey. The suspect was identified, questioned, arrested, and charged with embezzlement. The following is a summary of this incident:

- During March 2004, the suspect volunteered to take deposit bags and deposit paperwork to the Charleston Heights Community School for the Lead Instructor of Pittman Safekey. Deposits are initially taken by Safekey sites to Community Schools to be held in a safe and subsequently deposited at a bank branch by the Community School Coordinator.
- After leaving Pittman Safekey with deposit bag and deposit paperwork, the suspect took the cash from the deposit bag and kept the deposit paperwork to conceal the theft rather than taking it to the Community School for further processing.
- In April 2004, Administrative staff noted missing receipts and deposit documentation and reported the irregularities to the City Marshals.
- Upon questioning, the suspect admitted to having financial problems and taking the cash.

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Findings / Conclusions:

- The Administration Office was not timely in completing their deposit reconciliations and, therefore, missing deposits were not expeditiously identified.
- The Administration Office was only collecting deposit paperwork from the Community Schools twice a week; therefore, the deposit reconciliation could only be completed two times per week.
- Safekey sites periodically have days on which no funds are collected and therefore, no deposit is prepared. No requirement was in place for Safekey sites to notify the Administration Office when no funds are collected.

Recommendations:

1. Leisure Services should implement procedures to ensure that deposit reconciliations are completed in a timely manner, preferably on a daily basis to mitigate loss.
2. Leisure Services should implement procedures to have deposit documentation picked up for processing more frequently, preferably on a daily basis to facilitate reconciliation.
3. Leisure Services should require all Safekey sites to report days without deposits.

ICR 009 - Internal Control Review: Theft of Safekey Services (Leisure Services)

Background: On August 3, 2004, the City Marshal's Office was notified that the Leisure Services Activities Field Supervisor over Safekey had been placed on administrative leave due to allegations that she had not paid the fees for her son's participation in Leisure Services programs. The City Auditor's Office was asked to support the Marshal's Office in gathering information on this case.

- The field supervisor had been the supervisor over the Safekey program for approximately 2 years. She had been a city employee in Leisure Services for almost 17 years.
- We determined that she had not always paid the fees for her son's attendance at Safekey from December 9, 2002, through June 18, 2004 based on her child being listed as attending.
- The field supervisor directed staff under her supervision not to place her child's name on attendance sheets.
- The field supervisor falsified payment receipts using manual receipt books and periodically directed employees under her supervision to sign them.
- The field supervisor was counseled at least two times for not paying for city programs. These disciplinary actions were not documented.
- The field supervisor told other employees that they could send their children to Safekey for free as a City employee. One employee, a Recreation Leader, followed the field supervisor's suggestion and sent her child to Safekey sessions without payment.
- The field supervisor registered for other Leisure Services programs on the Leisure Services registration system and then reversed her own registration payments without

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supervisory review or approval. Because of this action, the original transaction receipt was available for her use as proof of registration.

- The field supervisor was terminated from employment with the City on September 25, 2004.

Findings/Conclusions:

- Abuse of authority and management override of key controls by the field supervisor in her management responsibilities.
- Failure to follow-up and document disciplinary counseling by the field supervisor's supervisor.
- Failure by Safekey staff to enforce attendance, sign-in, and sign-out policies and procedures.
- Failure by Safekey staff to enforce attendance and payment reconciliation procedures.
- Failure by Safekey staff to enforce unpaid customer policies and procedures.
- Failure to maintain adequate controls over manual receipt books.
- Inadequate controls over payment cancellations on class registration system.

Recommendations:

1. Leisure Services Management should instruct employees to report requests by management employees to ignore or circumvent established policies and procedures. This should be reported to at least one level higher than management employees.
2. Leisure Services Management should instruct supervisory personnel to document and file all disciplinary actions in keeping with city policy and principles of progressive discipline.
3. Leisure Services Management should instruct all Safekey employees to enforce all attendance, sign-in, and sign-out policies and procedures.
4. Safekey Management should implement procedures to more timely collect deposit paperwork and complete reconciliations to identify missing sequential receipts.
5. Safekey Site Leaders should be required to identify any missed sequential receipt numbers and provide an explanation for the missing receipts. This reconciliation should be done on a daily basis.
6. Safekey Administrative staff should follow-up immediately with Site Leaders when unexplained missing sequential receipts are identified.
7. Leisure Services Management should instruct all Safekey employees to enforce all unpaid customer policies and procedures.
8. Leisure Services Management should improve, document, and enforce controls of manual receipt books.
9. Leisure Services Management should improve, document, and enforce controls over payment cancellations in the registration system.

ICR 013 - Internal Control Review: Theft at Christensen Safekey (Leisure Services)

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Background: In the fall of 2004, the Safekey Administration Office notified the Department of Detention and Enforcement of a suspected theft at Christensen Safekey. The City Auditor's Office was requested to help in the investigation. The following is a summary of this incident:

- During the summer of 2004, the Safekey Administration Office identified missing copies of sequential customer receipts from daily deposit paperwork from Christensen Safekey. Safekey Administrative staff subsequently found customer copies of several receipts at the Safekey location.
- We identified missing deposits exceeding \$1,200 from the period January through August 2004.
- Culpability could not be assigned because of multiple staff handling the collections and other poor cash handling practices.

Findings/Conclusions:

- Inadequate and improper cash safekeeping practices at site. Cash from multiple staff was stored in a single unsecured container as it was being collected. Accountability for collections could not be assigned.
- The Site Leader was not timely in deposit and receipt reconciliations. Receipt books were not timely collected, reviewed, and reconciled. The Site Leader failed to identify and explain any missing sequentially numbered receipts within the deposit documentation.
- The Safekey Administration Office did not perform timely deposit reconciliations.
- Inadequate control over manual receipt books. Receipt books were assigned to Safekey sites rather than to individuals eliminating the accountability of employees for receipt books.
- Deposits were prepared without dual verification.
- Funds collected by employees were combined into one deposit bag and recorded on one deposit slip eliminating the accountability of employees for deposit amounts.
- Safekey supervisors and staff indicated they were not aware of cash handling procedures and responsibilities.

Recommendations:

1. All Safekey personnel collecting funds should store the funds in a separate secure location to ensure accountability.
2. The Site Leader should perform daily reconciliations of deposits.
3. The Site Leader should perform daily reconciliations of receipt book activity.
4. The Safekey Administrative Office should perform daily reconciliations of deposit activity.
5. Safekey Supervisors and Administrative staff should regularly make unannounced visits to Safekey sites to review manual receipt books on-site for any irregularities and deposit procedures being followed.
6. The Safekey Administrative Office and the Site Leader should assign manual receipt books to individual Safekey employees to ensure accountability.

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7. All deposits should be dual verified and include the identification and signatures of the verifiers.
8. Deposits should be prepared by each Safekey employee collecting funds. The deposits should be segregated to enhance accountability.
9. All Safekey personnel collecting funds, preparing deposits, reconciling these transactions or responsible for any part of this process should be fully trained. All policies and procedures should be documented with a copy of the policies and procedures assigned to each of these employees.

ICR 014 - Internal Control Review: Kit Carson Safekey Theft (Leisure Services)

Background: In November 2004, the Safekey Administration Office notified the Department of Detention and Enforcement of a suspected theft by the Site Leader at Carson Safekey. The following is a summary of this incident:

- During September 2004, irregularities (missing sequential receipt copies and paperwork) were noted in the deposit paperwork submitted by the Carson Safekey Site Leader. In addition, there were noticeable delays in the submittal of deposit paperwork.
- These irregularities and delays resulted in a verbal warning to the Site Leader.
- Safekey management initially believed these irregularities and delays were due to misunderstandings on procedures by the Site Leader. They recommended that the Site Leader obtain additional training on deposit procedures.
- Following an additional disciplinary matter and continued deposit irregularities, the suspect was demoted and scheduled to be transferred to another Safekey site. The suspect chose to resign from employment with Safekey rather than accept this disciplinary action.
- Following the resignation and a visit by supervisors to Carson Safekey, additional irregularities were identified leading the supervisors to call the City Marshal's Office.
- Identified missing deposits totaled \$70.

Findings/Conclusions:

- The Safekey Administration Office staff placed too much trust in the suspect and rationalized away the deposit irregularities as evidence of the need for more training of this employee.
- Supervisors did not follow-up immediately on missing sequential receipt copies and voided receipts.
- Supervisors accepted excuses for delays of deposit paperwork by the suspect.
- Supervisors did not act immediately on their suspicions of problems at the site.
- Supervisors did not confirm days with no deposits with other employees at Carson Safekey upon suspicions of suspect.
- Receipt books are assigned to Safekey sites rather than to individuals compromising the accountability of employees for receipt books.

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- Funds collected by employees are combined into one deposit bag and recorded on one deposit slip compromising the accountability of employees for deposit amounts.

Recommendations:

1. The Safekey Administration Office staff should have an attitude of skepticism related to all irregularities.
2. The Safekey Administration Office staff should follow-up immediately on all missing receipt copies and voided receipts.
3. The Safekey Administration Office staff should investigate all delays of deposits and paperwork.
4. The Safekey Administrative Office should assign manual receipt books to individual Safekey employees to ensure accountability.
5. Deposits should be prepared by each Safekey employee collecting funds. The deposits should be segregated to enhance accountability.

ICR 015 - Internal Control Review: Municipal Court Identity Theft (Municipal Court)

Background: A City of Las Vegas Municipal Court employee was arrested by METRO for identity theft. The employee allegedly used personal information of a municipal court customer obtained through her duties as a court clerk in the Judicial Enforcement Unit to commit credit card fraud at a local Department Store. She was assisted by a Clark County Health District employee who made falsified health cards for her use as identification at the store.

Findings/Conclusions:

- Written Procedures – Las Vegas Municipal Court Operating Policies and Procedures Manual - Telephone Credit Card Processing 9.020 revised December 15, 2004 contains the written procedures regarding telephone credit card processing. The employee followed the procedures, however a copy of the credit card payment form was made that was later used to commit the theft.

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Recommendations:

1. To fully protect the Court's past customers, personal information on all previous credit card payment request forms containing the full credit card number and the 3-digit security code should be redacted.
2. Employees should sign a confidentiality agreement indicating they will safeguard all personal data obtained through their normal duties.
3. Evaluate the use of electronic files and emails that contain personal information and what safeguards are needed.

ICR 018 - Internal Control Review: Unlocked Door at Durango Hills Golf Course (Field Operations)

Background: On March 24, 2005, the DHGC General Manager notified the Department of Detention and Enforcement of a possible burglary at the Durango Hills Golf Course facility. The following is a summary of this incident:

- The DHGC General Manager found an open lobby door when opening the DHGC facility the morning of March 24, 2005.
- The General Manager subsequently found that a new employee had been the last to leave the building the night before and had not been given the code to arm the security system upon leaving the building. She had locked all of the doors but unknowingly left one of the lobby doors ajar.
- The General Manager found no evidence of theft or property damage on his inspection of the building.
- The General Manager subsequently gave the security system code to the new employee and advised her on how to properly secure the doors.

Findings/Conclusions:

- A new employee unknowingly left a door open when securing the DHGC clubhouse.
- The new employee failed to arm the security system when leaving the DHGC clubhouse, as she had not been given the security code.

Recommendation:

1. The Director of Field Operations should meet with DHGC management to review the adequacy of the nightly procedures being followed to secure the DHGC facility and ensure DHGC staff is aware of the procedures.

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ICR 022 - Internal Control Review: Stupak Community Center Vending Machines (Leisure Services)

Background: On March 25, 2005, the Stupak Community Center Coordinator was disciplined for improper handling of cash (see ICR 023). Further investigation by Leisure Services staff, Detention and Enforcement, and our Office into various financial transactions by the Center Coordinator revealed other irregularities. This memo documents shortages noted in cash collections by the Center Coordinator from a vending machine operator. The Center Coordinator was placed on paid administrative leave on April 22, 2005 and subsequently resigned on May 16, 2005.

Findings/Conclusions:

- On April 28, 2005, we identified two vending machines at Stupak Community Center and noted neither had any contact information posted. Subsequently, we identified the owner of the vending machines.
- On May 18, 2005, we spoke to the owner of the vending machines and he stated that he pays the Center Coordinator, \$22 in cash (\$11 per machine) every month for placement of the machines at the Center. We asked if he had a current business license and he said that it had expired. We subsequently found that he did not have a current or an expired business license with either the City of Las Vegas or Clark County.
- The owner of the vending machines stated that he had given the Center Coordinator \$880 for the period from January 2002 through April 2005. On review of deposit records in the Leisure Services CLASS system for the same period, only \$306 of vending revenue was recorded as collected leaving a shortage of \$574.
- Department policies and procedures do not exist on the placement of vending machines or on the process for entering into vending machine contracts.
- The Department does not have complete records of the vending machines at Leisure Services sites and reports on vending machine operations are not prepared for management.
- Cash received from the vending machine operator was not receipted or dual verified.
- The Center Coordinator did not follow the City's segregation of duties policies in the handling of the vending machine funds (i.e., the person who collects cash, issues receipts, or performs daily reconciliation's of cash receipts shall not be the same person who deposits cash, records cash in the departmental accounting records, or reconciles the monthly depository bank statement).
- The Department did not verify whether the owner of the vending machines had a current business license.

Recommendations:

1. Leisure Services Management should create policies and procedures on vending machines placed at Department sites. These policies and procedures should include the following elements:

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- A member of upper management should only permit authorization of vending machine contracts. A standard contract could be developed.
 - The Department should verify and document that all vending machine operators have their required business licenses.
 - The Department should require that all payments from vending machine operators be made by check and mailed to a central location for processing (e.g., Administration Office).
 - Standard documents for monitoring vending machine operations and vendor payments should be created and used.
 - Vendors should provide Leisure Services with vending machine performance reports for verification of accuracy of payments received with percentage of sale contracts.
2. Leisure Services Management should prepare a listing of all Leisure Services site vending machines, their operators, and agreed-upon vendor payment amounts.
 3. Leisure Services Management should require that field supervisors regularly review vending machine operations at the sites they oversee.

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**MANAGEMENT RESPONSES
TO
INTERNAL CONTROL REVIEW ACTIVITY REPORT**

1. ICR 008 - Internal Control Review: Pittman Safekey Theft (Leisure Services)

Recommendation 1: Leisure Services should implement procedures to ensure that deposit reconciliations are completed in a timely manner, preferably on a daily basis to mitigate loss.
Management Response: Agree and will make needed changes
Expected Date of Completion: 11-18-05

Recommendation 2: Leisure Services should implement procedures to have deposit documentation picked up for processing more frequently, preferably on a daily basis to facilitate reconciliation.
Management Response: Agree and will implement.
Expected Date of Completion: 11-18-05.

Recommendation 3: Leisure Services should require all Safekey sites to report days without deposits.
Management Response: Agree and will implement.
Expected Date of Completion: 11-18-05

2. ICR 009 - Internal Control Review: Theft of Safekey Services (Leisure Services)

Recommendation 1: Leisure Services Management should instruct employees to report requests by management employees to ignore or circumvent established policies and procedures. This should be reported to at least one level higher than management employees.
Management Response: Agree and will implement
Expected Date of Completion: 11-30-05.

Recommendation 2: Leisure Services Management should instruct supervisory personnel to document and file all disciplinary actions in keeping with city policy and principles of progressive discipline.
Management Response: The Recreation Division agrees and will implement.
Expected Date of Completion: 11-30-05.

Recommendation 3: Leisure Services Management should instruct all Safekey employees to enforce all attendance, sign-in, and sign-out policies and procedures.
Management Response: Agree with recommendation.
Expected Date of Completion: 11-18-05

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Recommendation 4: Safekey Management should implement procedures to more timely collect deposit paperwork and complete reconciliations to identify missing sequential receipts.
Management Response: Agree & will implement.
Expected Date of Completion: 11-18-05.

Recommendation 5: Safekey Site Leaders should be required to identify any missed sequential receipt numbers and provide an explanation for the missing receipts. This reconciliation should be done on a daily basis.
Management Response: Agree with recommendation
Expected Date of Completion: 11-18-05.

Recommendation 6: Safekey Administrative staff should follow-up immediately with Site Leaders when unexplained missing sequential receipts are identified.
Management Response: Agree & will implement.
Expected Date of Completion: 11-18-05

Recommendation 7: Leisure Services Management should instruct all Safekey employees to enforce all unpaid customer policies and procedures.
Management Response: Agree with recommendation.
Expected Date of Completion: 11-18-05.

Recommendation 8: Leisure Services Management should improve, document, and enforce controls of manual receipt books.
Management Response: Agree.
Expected Date of Completion: 11-18-05.

Recommendation 9: Leisure Services Management should improve, document, and enforce controls over payment cancellations in the registration system.
Management Response: Complete.
Expected Date of Completion: 11-04

3. ICR 013 - Internal Control Review: Theft at Christensen Safekey (Leisure Services)

Recommendation 1: All Safekey personnel collecting funds should store the funds in a separate secure location to ensure accountability.
Management Response: Complete.
Expected Date of Completion: 12-04

Recommendation 2: The Site Leader should perform daily reconciliations of deposits.
Management Response: Agree.
Expected Date of Completion: 11-18-05

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Recommendation 3: The Site Leader should perform daily reconciliations of receipt book activity.

Management Response: Agree.

Expected Date of Completion: 11-18-05.

Recommendation 4: The Safekey Administrative Office should perform daily reconciliations of deposit activity.

Management Response: Agree.

Expected Date of Completion: 11-18-05.

Recommendation 5: Safekey Supervisors and Administrative staff should regularly make unannounced visits to Safekey sites to review manual receipt books on-site for any irregularities and deposit procedures being followed.

Management Response: Agree with recommendation.

Expected Date of Completion: 11-18-05.

Recommendation 6: The Safekey Administrative Office and the Site Leader should assign manual receipt books to individual Safekey employees to ensure accountability.

Management Response: Current procedure is to assign and log receipt books to Site Leaders.

Expected Date of Completion: 12-04

Recommendation 7: All deposits should be dual verified and include the identification and signatures of the verifiers.

Management Response: Agree.

Expected Date of Completion: 11-30-05.

Recommendation 8: Deposits should be prepared by each Safekey employee collecting funds. The deposits should be segregated to enhance accountability.

Management Response: Agree. Each person is responsible for their own collection of monies and completes their own deposits. Each hourly staff person that takes money has been issued their own receipt book.

Expected Date of Completion: 8-05.

Recommendation 9: All Safekey personnel collecting funds, preparing deposits, reconciling these transactions or responsible for any part of this process should be fully trained. All policies and procedures should be documented with a copy of the policies and procedures assigned to each of these employees.

Management Response: Cash handling Procedures issued to all Safekey staff at Pre-Service.

Expected Date of Completion: 8-2005.

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4. ICR 014 - Internal Control Review: Kit Carson Safekey Theft (Leisure Services)

Recommendation 1: The Safekey Administration Office staff should have an attitude of skepticism related to all irregularities.

Management Response: Agree. I will hold a discussion on this topic at a meeting TBA in November.

Expected Date of Completion: 11-18-05.

Recommendation 2: The Safekey Administration Office staff should follow-up immediately on all missing receipt copies and voided receipts.

Management Response: Agree. Will enforce this message at a November meeting with Safekey staff.

Expected Date of Completion: 11-18-05.

Recommendation 3: The Safekey Administration Office staff should investigate all delays of deposits and paperwork.

Management Response: Agree.

Expected Date of Completion: 11-18-05.

Recommendation 4: The Safekey Administrative Office should assign manual receipt books to individual Safekey employees to ensure accountability.

Management Response: Completed.

Expected Date of Completion: 12-04

Recommendation 5: Deposits should be prepared by each Safekey employee collecting funds. The deposits should be segregated to enhance accountability.

Management Response: Agree.

Expected Date of Completion: 11-18-05.

5. ICR 015 - Internal Control Review: Municipal Court Identity Theft (Municipal Court)

Recommendation 1: To fully protect the Court's past customers, personal information on all previous credit card payment request forms containing the full credit card number and the 3-digit security code should be redacted.

Management Response: The court immediately implemented a new retention schedule of four months for Credit Card Payment Request forms. All Credit Card Payment Request forms completed prior to the four month period were destroyed. The redacting process as recommended was completed on the stored documents in January 2005. Currently, all credit card and social security numbers are redacted immediately after processing the credit card transaction. The forms are retained in a secured filing cabinet where access is restricted to authorized personnel.

Expected Date of Completion: Completed, January 2005

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Note: The court is currently in the process of revising procedures to eliminate the Credit Card Payment Request form by adding additional credit card terminals. Adding the credit card terminals will allow clerks to process and validate transactions while talking to defendants; thus, eliminating the need to complete a request form. The request to complete set-up for the additional terminals was submitted to IT in September 2005; it was mutually agreed to implement the change after the RJC move. Expected completion for this procedure change is December 2005.

Recommendation 2: Employees should sign a confidentiality agreement indicating they will safeguard all personal data obtained through their normal duties.

Management Response: Management agrees with this recommendation and is currently in the process of preparing a draft of the confidentiality agreement for all court employees who deal with credit card payments.

Expected Date of Completion: January 2006

Recommendation 3: Evaluate the use of electronic files and emails that contain personal information and what safeguards are needed.

Management Response: The Policy and Procedure for processing electronic credit card payment requests was immediately revised in December 15, 2004 and implemented January 10, 2005. The redacting process is the same for electronic files, e-mail and phone requests. All credit card and social security numbers are redacted and electronic files deleted immediately upon processing the credit card transaction. Documents with redacted information are retained for four months in a secured filing cabinet where access is restricted to authorized personnel.

Expected Date of Completion: Completed, January 10, 2005

6. ICR 018 - Internal Control Review: Unlocked Door at Durango Hills Golf Course (Field Operations)

Recommendation 1: The Director of Field Operations should meet with DHGC management to review the adequacy of the nightly procedures being followed to secure the DHGC facility and ensure DHGC staff is aware of the procedures.

Management Response: Met with the General Manager of the Durango Hills Golf Club and discussed the procedure to be followed to secure the facility at night time closing. A written procedure was prepared, reviewed and accepted. The procedure was submitted to the City Auditor's Office

Expected Date of Completion: November 10, 2005.

7. ICR 022 - Internal Control Review: Stupak Community Center Vending Machines (Leisure Services)

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Recommendation 1: Leisure Services Management should create policies and procedures on vending machines placed at Department sites. These policies and procedures should include the following elements:

- A member of upper management should only permit authorization of vending machine contracts. A standard contract could be developed.
- The Department should verify and document that all vending machine operators have their required business licenses.
- The Department should require that all payments from vending machine operators be made by check and mailed to a central location for processing (e.g., Administration Office).
- Standard documents for monitoring vending machine operations and vendor payments should be created and used.
- Vendors should provide Leisure Services with vending machine performance reports for verification of accuracy of payments received with percentage of sale contracts.

Management Response:

- There is no written contract in place at Stupak at this time. One will be developed.
- The Stupak coordinator has verified and documented the vending machine operator at Stupak has the required business licenses.
- The supervisor has directed the Stupak Coordinator to inform the vendor that his payments need to be made by check to the City of Las Vegas. The check would then be inputted by staff into the CLASS system and deposited.
- A log was developed and will be utilized to record vendor operations and vendor payments.
- The vendor will be required to record the vending machine performance on the Stupak log. The staff will then check the accuracy of the sales percentage payments paid to the City of Las Vegas.

Expected Date of Completion: 12/1/05

Recommendation 2: Leisure Services Management should prepare a listing of all Leisure Services site vending machines, their operators, and agreed-upon vendor payment amounts.

Management Response: Management is aware of the Stupak vending machines, vendor name and is waiting to clarifying the agreed-upon payment amounts when vendor returns from the Philippine Islands.

Expected Date of Completion: 12/1/05

Recommendation 3: Leisure Services Management should require that field supervisors regularly review vending machine operations at the sites they oversee.

Management Response: This review will be included during the Recreation Division monthly site visits.

Expected Date of Completion: In place 11/1/ 05.