

CITY AUDITOR'S OFFICE



AUDIT OF THE MUNICIPAL SPORTS UNIT

Report No. CAO 2902-1112-03

January 5, 2012

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVE	1
SCOPE AND METHODOLOGY	1
CONCLUSIONS, FINDINGS AND RECOMMENDATIONS.....	2
1. Agreements with Outside Entities.....	3
2. Failure to Pay Required Fees.....	4
3. Employee-Vendor Relationship Issue.....	5
4. Outside Employment Policy Issues	7
5. Inappropriate Use of City Resources.....	8
MANAGEMENT RESPONSE.....	11

AUDIT OF THE MUNICIPAL SPORTS UNIT CAO 2902-1112-03

BACKGROUND

The administration of the city of Las Vegas (city) sport fields is the responsibility of the Municipal Sports Unit (MSU) of the Department of Leisure Services. Two primary functions of the MSU include the administration of city-sponsored adult sport leagues and the allocation of city sport fields to league and tournament users. The Department of Leisure Services (Leisure Services) final budget for fiscal year 2010-2011 included elements that changed MSU's operations. These changes included the elimination of the city-sponsored adult soccer league (city league) in July 2010. Subsequent to the initial Fall 2010 allocation process, an adult commercial soccer league (commercial league) was allocated the soccer fields formerly assigned to the city league. Many of the teams that participated in this commercial league were previously affiliated with the city league as evidenced by the same team names.

The City Auditor's Office was made aware of operational concerns relating to the oversight of this commercial league and subsequently initiated this audit.

As part of the reorganized city structure, the department previously known as Leisure Services is now part of the Department of Parks, Recreation, and Neighborhood Services.

OBJECTIVE

The objectives of this audit were to determine whether:

- The process followed by MSU staff to transfer management of the city league to the commercial league was appropriate.
- The city was adequately compensated for the additional soccer fields allocated to the commercial league.
- There were any conflicts of interest relating to MSU staff members.
- There were any inappropriate uses of city resources by MSU staff members.

SCOPE AND METHODOLOGY

The scope of the audit was limited to the operational concerns relating to the oversight of this commercial league and included the period of July 2010 through March 2011. The last fieldwork date was March 31, 2011.

Our audit methodology included research of applicable guidelines and analysis of available data.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three

years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The following conclusions were noted:

- The process followed by MSU staff to transfer management of the city league to the commercial league was inappropriate. (Finding #1)
- The city was inadequately compensated for the additional soccer fields allocated to the commercial league. (Finding #2)
- The following conflicts of interest relating to MSU staff members were noted:
 - A part-time city employee violated city policy by participating in and benefiting from transactions with an outside vendor with whom he was employed. (Finding #3)
 - Two city employees failed to comply with the city's Outside Employment Policy and Procedure. (Finding #4)
- A part-time city employee inappropriately used his city-issued cell phone to conduct business for the commercial league with whom he was employed and did not reimburse the city for the usage. (Finding #5)

Further information is contained in the sections below.

1. Agreements with Outside Entities

Criteria

A fundamental element of management control is ensuring that opportunities for outside entities to assume former city functions are made available to all interested parties and the terms of the agreements are in writing.

Condition

The city league was eliminated in July 2010. MSU staff entered into an agreement with the commercial league to assume management of the league. This agreement ensured that the commercial league would continue to operate the league in a similar manner and charge teams the same rates previously charged by the city. MSU allocated the soccer fields formerly assigned to the city league to the commercial league. The process followed by MSU staff to transfer management of the eliminated city league to the commercial league was inappropriate as follows:

- MSU staff exclusively coordinated the transfer of the city league to the commercial league and did not open up the opportunity to competitive bid.
- MSU staff only had a verbal agreement with the commercial league rather than a written memorandum of understanding.
- The commercial league was allocated the same soccer fields as the city league despite being in the lowest priority group for field allocations with it being an adult commercial soccer league.

Cause

MSU staff followed the same process previously used to transfer another city-sponsored league to a private entity.

Effect

The city could be subject to public criticism and/or lawsuits if all interested parties are not given the same ability to competitively bid on opportunities when city-sponsored activities are terminated.

Recommendation

- 1.1 The Department of Parks, Recreation, and Neighborhood Services implemented a policy on January 18, 2011 that requires staff to ensure that a memorandum of understanding be completed when conducting business with outside entities. Department management should formally remind staff of the requirement to follow this newly adopted policy.

2. Failure to Pay Required Fees

Criteria

Facility Use Agreement (used by the Department of Leisure Services)

The User will pay the City \$220.00 per adult team / \$200 per youth team participating in the activity at the facility.

Condition

As noted above, the commercial league was allocated additional soccer fields for the Fall 2010 and Spring 2011 allocation periods when they assumed management of the eliminated city league. A review of the field permits, fees paid, and league schedules for the commercial league showed that more teams used city soccer fields than were paid for through the allocation process as follows:

- **Fall 2010** (August 1, 2010 through February 28, 2011):
 - The commercial league submitted two team rosters. One team roster represented the original league and included 40 teams. The second team roster represented the teams associated with the former city league and included 33 teams. The city was paid \$16,060 ((40 + 33) * 220) for the Fall 2010 allocation period.
 - The website represented the teams associated with the former city league showed that 64 teams were scheduled to play on city soccer fields from November 2010 through January 2011. Only 25 of the 64 teams were listed on the original submitted team roster.
 - Team schedules for the entire allocation period were no longer on the website, therefore, it was not possible to determine whether all of the teams listed on the submitted team roster played on city soccer fields during the allocation period.
 - In summary, 64 teams used city fields between November 2010 and January 2011 and the commercial league only paid for 33 teams. Therefore, at a minimum, the commercial league failed to pay for 31 teams associated with the former city league during the Fall 2010 allocation period which amounts to \$6,820 (31 * 220).
- **Spring 2011** (March 1, 2011 through July 31, 2011):
 - The commercial league submitted one team roster that included 30 teams. The team roster was affiliated with the original league as evidenced by the team names.
 - A review of the website for the league that replaced the eliminated city league showed 63 teams played on city soccer fields during the Spring 2011 allocation period (schedules reviewed included March through May 2011).

- A total of 93 teams were associated with the commercial league (30 teams from the original league as evidenced by the submitted team rosters and 63 teams from the league that replaced the city league).
- The commercial league paid the city for 58 teams or \$12,760 (58 * 220). Therefore, at a minimum, the commercial league did not pay for 35 teams or \$7,700 ((93 – 58) * \$220) for the Spring 2011 allocation period.

Cause

- Sport leagues that are allocated city sport fields during the semi-annual allocation process provide rosters that show how many teams will be using city fields and pay the city for those teams. MSU does not have a process in place to independently verify how many teams actually used city sport fields.
- The MSU part-time employee was also employed by the commercial league and had actual knowledge of how many teams were associated with the commercial league. He did not take steps to ensure the city was adequately compensated.
- Management personnel failed to monitor the allocation process to ensure that the city was adequately compensated.

Effect

The city was not fully compensated for the use of city soccer fields by the commercial league.

Recommendations

- 2.1 Parks, Recreation, and Neighborhood Services management should invoice the adult commercial soccer league for payments not received.
- 2.2 Parks, Recreation, and Neighborhood Services management should establish, document, and implement policies and procedures for independent verification of information submitted by user groups that is used in the calculation of fees.

3. Employee-Vendor Relationship Issue

Criteria

City of Las Vegas Employee-Vendor Relationship Policy (CM403)

It is hereby declared to be the Policy of the City that:

- *A public office is a public trust and shall be for the sole benefit of the people.*
- *A public officer or employee must commit himself to avoid conflicts of interest between his/her private interests and those of the general public whom he/she serves.*

Employee-Vendor Relationships Prohibited

A City of Las Vegas employee and/or relative of an employee shall not sell or lease goods or contract for services with the City of Las Vegas as to create an employee-vendor relationship. For the purposes of this Policy, an employee-vendor relationship is defined as a relationship in which:

Item #5 An employee personally benefits as a result of a contract or any other type of transaction with the City that is in addition to their employment with the City.

City of Las Vegas Outside Employment Procedure (HR10.01)

Outside employment requests are required by all City employees to ensure that a second job does not create a conflict of interest with the employee's position in the City.

Condition

A part-time MSU employee was also employed by the commercial league that assumed management of the city league. This employee violated city policy by participating in and benefiting from transactions with an outside vendor with whom he was employed as follows:

- In the Fall 2010 and Spring 2011 allocation periods, the employee assisted with the sport field allocation process for the city. This process included the allocation of additional soccer fields to the commercial league to accommodate the expansion of this league to include the eliminated city league.
- In the Spring 2011 allocation period, the employee created the field permit that allocated city soccer fields to the commercial league who was also his employer.

Cause

Management personnel failed to recognize the conflict of interest created by their part-time employee's employment with the commercial league.

Effect

The part-time employee was in violation of the city's Employee-Vendor and Outside Employment policies with his employment with the commercial league. His employment with the commercial league created a conflict of interest.

Recommendation

- 3.1 Parks, Recreation, and Neighborhood Services management should be alert to inappropriate employee-vendor relationships and implement policies and procedures to ensure the department's compliance with the city's Employee-Vendor Relationship and Outside Employment Policies.

4. Outside Employment Policy Issues

Criteria

City of Las Vegas Outside Employment Policy (HR3.12.01)

City employees who wish to engage in outside employment shall obtain the approval of their Department Director, or designee, and the Director of Human Resources.

City of Las Vegas Outside Employment Procedure (HR10.01)

City employees wishing to work, engage, or invest in outside employment, venture, or transaction who meet the criteria stipulated by the Outside Employment Policy HR3.12.01 shall complete the Outside Employment Request Form.

Procedure

- 1. The Outside Employment Request Form must be submitted by the employee to the Department Director, or designee, for approval and then to the Department of Human Resources for review and final approval.*
- 2. If outside employment is approved, the Director of Human Resources, or designee, signs and dates the form.*
- 3. The Personnel Services Division of the Department of Human Resources distributes the form to the employee's file, the initiating Department, and the requesting employee.*

Condition

Two MSU employees participated in the following outside employment activities:

- According to a Nevada Secretary of State business entity search completed on December 7, 2010, one employee was listed as the director of a business.
- According to the commercial league website, a part-time city employee was represented to be the commercial league's primary contact. This commercial league was allocated city soccer fields.

No Outside Employment Request forms were found in the personnel files of these employees.

Cause

- The two employees failed to comply with the city's Outside Employment Policy and Procedure.
- Management personnel over MSU failed to enforce the city's Outside Employment Policy and Procedure with these employees.

Effect

- The Department of Human Resources did not have the opportunity to independently review the appropriateness of the outside employment of these employees.
- A conflict of interest existed with the outside employment of the part-time employee and many have existed with the full-time employee.

Recommendation

- 4.1 Parks, Recreation, and Neighborhood Services management should document and implement policies and procedures to:
- Remind employees of the requirement to comply with the Outside Employment Policy and Procedure.
 - Review all Outside Employment Request forms to ensure employee conflicts of interest are avoided.
 - Forward approved Outside Employment Request forms to the Department of Human Resources for their review and approval.
 - File copies of the approved Outside Employment Request forms in the department employee file.
 - Provide employees with a copy of the approved Outside Employment Request forms or notify them when requests are not approved.

5. Inappropriate Use of City Resources

Criteria

City of Las Vegas Communication Equipment Policy (IT121.3)

Communication Equipment Usage

Employees shall use City-assigned cellular phones primarily for local business calls. Use of cellular phones to place long distance calls should be restricted to times when a landline is not available. Limited use for personal purposes may be permitted and must be reimbursed by the employee.

In accordance with City Policies/Procedures, an employee issued a cell phone and/or long distance access code shall:

- *Review monthly usage*
- *Identify personal calls*
- *Provide reimbursement to the City for personal calls*

Condition

As indicated above, a part-time employee of the MSU also worked for the commercial league. This employee inappropriately used his city-issued cell phone to conduct business associated with the commercial league as follows:

- The commercial league's website listed the city-issued cell phone number as the employee's contact number in December 2010. This contact number was subsequently removed from the website.
- The commercial league's website included a link to a commercial soccer tournament. The city-issued cell phone number was listed as the contact number for the tournament.
- The cell phone logs for the city-issued cell phone were obtained and reviewed for the period of July 2010 through February 2011. During this period, 3,877 phone calls (9,038 minutes) were completed. Our review identified 537 telephone calls (1,461 minutes) that were associated with the commercial league as follows:
 - 190 telephone calls (394 minutes) with team contacts for the commercial league for teams previously associated with the eliminated city league.
 - 103 telephone calls (414 minutes) with the home telephone number for a member of the United States Adult Soccer Association who referees soccer matches.
 - 18 telephone calls (65 minutes) with the individual associated with the commercial soccer tournament.
 - 226 telephone calls (588 minutes) with the travel agency associated with the commercial soccer tournament.
- The city's human resource application (Oracle) indicated this employee worked 19 hours per week during the hours of 8 a.m. and 5 p.m. Many of these telephone calls occurred during his city work hours.
- The city policy allows employees to make personal calls on their city-issued cell phones as long as they reimburse the city \$0.15 for each minute of use. The employee did not reimburse the city for the 1,461 cell phone minutes we identified. The cost to the city for these identified cell phone calls was \$219.15 (1,461 *\$.15 = \$219.15).

Cause

Noncompliance with the city's Communication Equipment Policy.

Effect

The city was not reimbursed for the employee's use of the city-issued cell phone.

Recommendations

- 5.1 Parks, Recreation, and Neighborhood Services management should formally remind employees that city-issued cell phones should be primarily used for city business and that employees are required to reimburse the city for all personal calls.

MANAGEMENT RESPONSE

1. Agreements with Outside Entities

Recommendation 1.1

The Department of Parks, Recreation, and Neighborhood Services implemented a policy on January 18, 2011 that requires staff to ensure that a memorandum of understanding be completed when conducting business with outside entities. Department management should formally remind staff of the requirement to follow this newly adopted policy.

Management Plan of Action

In the event of a discontinuation or transfer of service to private entities, the department will refer any interested party to the Department of Finance's Purchasing and Contracts Division to participate in the competitive bidding process. Approvals for consideration of submittals to the Purchasing and Contracts Division will be provided by the PRNS Director. All submittals will be subject to the Purchasing and Contracts Division's Policies and Procedures for RFP/RFQ.

Estimated Date of Completion

Immediate

2. Failure to Pay Required Fees

Recommendation 2.1

Parks, Recreation, and Neighborhood Services management should invoice the adult commercial soccer league for payments not received.

Management Plan of Action

PRNS staff will meet with Libertad/Dessert Adult Soccer to communicate the City Auditor's findings of what is owed the City of Las Vegas, and invoice the league for payment.

Estimated Date of Completion

12/31/2011

Recommendation 2.2

Parks, Recreation, and Neighborhood Services management should establish, document, and implement policies and procedures for independent verification of information submitted by user groups that is used in the calculation of fees

Management Plan of Action

Tournaments are the only events that we rely on the organizers to provide us the information.

- Field monitors will check 25% of the yearly tournaments held at City of Las Vegas facilities to assure teams are accurately reporting the amount of teams participating in their tournaments which will assure the City accurate collections of revenue base on 15% of the registration fee.
- When a tournament organizer requests a facility from the City, the organizer will be required to establish the number of teams that will be participating in the tournament.
- The tournament organizer will also be required to establish the format of the tournament, i.e., single elimination, double elimination, or round robin and provide their website address.
- Staff will check the website for tournament brackets as well as the number of teams advertised to verify the information provided by the organizer.
- The MSU staff can ascertain from the number of teams and format how many fields, hours of play will be needed for the tournament.
- Based on the typical format for a tournament bracket, staff can determine if the organizer is trying to acquire additional fields and times to accommodate teams that may not be declared to the City.
- This will be a “red flag” for staff and staff will either discuss with the organizer or dispatch field monitors to count the numbers of teams playing in the tournament.
- If staff finds that there are more teams in a tournament then was represented to the city, the organizer will be billed for the additional teams. Additionally, the organizer will be placed on probation and if caught again they may be banned from future allocation rentals.

Estimated Date of Completion

Spring Field Allocation (February 2012)

3. Employee-Vendor Relationship Issue

Recommendation 3.1

Parks, Recreation, and Neighborhood Services management should be alert to inappropriate employee-vendor relationships and implement policies and procedures to ensure the department's compliance with the city's Employee-Vendor Relationship and Outside Employment Policies.

Management Plan of Action

PRNS will provide all staff with the official policy and procedure as it relates to appropriate employee-vendor relationships and outside employment through a mix of communication channels, including, but not limited to, staff meetings, monthly business workshops, weekly e-mail bulletins, and an update to their official Policy and Procedure Manual. Additionally, employee-vendor relationships and outside employment will be covered in each employee's annual performance evaluation to ensure understanding and compliance. PRNS will enforce HR 3.12.01 Outside Work Request Policy.

Estimated Date of Completion

January 1, 2012

4. Outside Employment Policy Issues

Recommendation 4.1

Parks, Recreation, and Neighborhood Services management should document and implement policies and procedures to:

- Remind employees of the requirement to comply with the Outside Employment Policy and Procedure.
- Review all Outside Employment Request forms to ensure employee conflicts of interest are avoided.
- Forward approved Outside Employment Request forms to the Department of Human Resources for their review and approval.
- File copies of the approved Outside Employment Request forms in the department employee file.
- Provide employees with a copy of the approved Outside Employment Request forms or notify them when requests are not approved.

Management Plan of Action

PRNS will provide all staff with the official policy and procedure as it relates to appropriate employee-vendor relationships and outside employment through a mix of communication channels, including, but not limited to, staff meetings, monthly business workshops, weekly e-mail bulletins, and an update to their official Policy and Procedure Manual. Additionally, employee-vendor relationships and outside employment will be covered in each employee's annual performance evaluation to ensure understanding and compliance. PRNS will enforce HR 3.12.01 Outside Work Request Policy.

Estimated Date of Completion

January 1, 2012

5. Inappropriate Use of City Resources

Recommendation 5.1

Parks, Recreation, and Neighborhood Services management should formally remind employees that city-issued cell phones should be primarily used for city business and that employees are required to reimburse the city for all personal calls.

Management Plan of Action

PRNS management will formally communicate the appropriate usage of city-issued cell phones through the Director's weekly e-mail newsletter to all staff, at an upcoming department business workshop, and as part of the employee's annual performance evaluation.

Estimated Date of Completion

January 1, 2012