

**CITY AUDITOR'S OFFICE**



**AUDIT OF DEPARTMENT OF HUMAN RESOURCES  
WELLTRAC CONTRACT COMPLIANCE**

**Report HR005-2021-02**

**October 29, 2020**

**RADFORD K. SNELDING, CPA, CIA, CFE**

**CITY AUDITOR**

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**BACKGROUND**

The City of Las Vegas (CLV) offers at no charge to their employees and eligible dependents over the age of 18 one comprehensive physical at no charge to the participant.

To provide this service CLV has contracted with WellTrac (vendor) located in Henderson, Nevada. CLV and WellTrac entered into a contract on November 17, 2014. The term of the contract is one year with unlimited renewals at the city's discretion. As of October 30, 2019, the city has renewed the contract four times with the current agreement continuing through October 31, 2020. The contract has a maximum yearly value of \$500,000.

WellTrac was not awarded the contract via competitive bidding. This contract is considered a professional service and is an exception to the competitive bidding requirement pursuant to NRS 332.115.1 (b) Professional Services. The decision to award the contract to WellTrac was because the proprietor of WellTrac was the physician for the previous service provider.

In calendar year 2018, the vendor was paid for 297 physicals. Of the 297 physicals performed, WellTrac was also paid for: 278 (94%) audiometry tests, 116 (39%) treadmill stress tests, 35 (12%) bone scans, 6 (2%) pap smear handling fees, 97 (33%) PSA tests, and 1 (0%) HIV test. WellTrac was paid \$127,786 for services rendered during calendar year 2018. Since the beginning of the contract, WellTrac has been paid \$629,983.

An administrator in the Human Resources Department (Human Resources) has been designated as the project manager over this contract.

**OBJECTIVES**

The objectives of this audit were to assess the vendor and the city's compliance with the provisions of the WellTrac contract and to evaluate the adequacy of Human Resources' monitoring of compliance.

**SCOPE AND METHODOLOGY**

The scope of the audit was limited to a review of contract compliance during calendar year 2018. The last date of fieldwork was October 30, 2019.

Our audit methodology included:

- Research of contract provisions
- Interviews with city employees
- Review of available data and reports

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.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

The following conclusions and findings to our audit objectives were noted:

- Human Resources does not have documented management, verification, and oversight procedures for monitoring the contract. (See Finding #1)
- WellTrac is not providing the city with the required quarterly aggregate report which details the health risk findings for each city employee. (See Finding #2)
- WellTrac does not have a CLV business license. (See Finding #3)
- Human Resources did not provide written notice to WellTrac of a change in the Project Manager. (See Finding #4)
- Invoice details entered into the procurement module of CLV's enterprise management database do not always reflect the actual services performed. (See Finding #5)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

### **Contributors to this report included:**

Radford K. Snelding, CPA, CIA, CFE  
City Auditor

James Burnett, CIA  
Senior Internal Auditor

## **1. No Written Procedures for Monitoring the Contract**

### **Criteria**

The city's Contract Administration Procedure (FN 611a) requires departments to adhere to a systematic process to monitor, report, and maintain records of contract performance.

Governmental standards for internal controls state the following:

*Each unit, with guidance from management, documents policies in the appropriate level of detail to allow management to effectively monitor the control activity. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.*

### **Condition**

The project manager disclosed that there are no documented management, verification, or oversight procedures for monitoring the provisions within this contract.

To further illustrate the lack of verification and oversight procedures, when reviewing processed invoices it was found that minor differences existed between what was charged by the vendor versus what should have been charged for services during the months of January, March, May and June 2018.

### **Cause**

- No written contract management, verification, and oversight procedures have been developed.

### **Effect**

- Non-compliance with certain contract provisions.
- Lack of continuity in monitoring should there be a change in project managers.

### **Recommendations**

1.1 Human Resources management should develop, document, and implement procedures for managing contract provisions. The procedures should include at a minimum:

- Process for reviewing invoices prior to submission for payment
- Process for submitting invoices for payment
- Process for investigating and documenting billing irregularities
- Roles and responsibilities of employees and/or departments involved in managing the contract
- Contract deliverables and associated deadlines

- How and where to store the associated documents
- Key vendor contacts

1.2 Human Resources management should develop, document, and implement procedures to verify a sample of invoices received. Items that should be considered are:

- The appropriateness of age and gender specific testing
- Participants receiving services are eligible pursuant to the contract at the time of service
- Amounts charged for procedures are in line with the contract provisions
- How to document the results and any follow-up performed if necessary

1.3 Human Resources management should develop, document, and implement procedures to ensure proper management oversight. Procedures should include:

- Process for assigning project managers
- Process for performing periodic reviews of the work of the contract file
- Process for addressing escalated disputes (if applicable)
- Process for verifying invoices to:
  - Ensure that charges are consistent with the terms of the contract
  - Ensure that duplicate invoices are identified
- Process for addressing invoice discrepancies (if necessary)

## **2. No Quarterly Aggregate Report Submitted by WellTrac**

### **Criteria**

Pursuant to clause C-2 (a) (ii) of the contract: "The Company shall provide quarterly aggregate reports detailing the health risk findings of each eligible City employee."

### **Condition**

WellTrac is not providing CLV with the required quarterly aggregate report which details the health risk findings of each eligible CLV employee.

### **Cause**

- Failure to manage the terms of the contract by the project manager.
- Failure to comply with the terms of the contract by WellTrac.

### **Effect**

- Employee health risk findings detail not available for management review.
- Non-compliance by WellTrac with contract provisions.

**Recommendation**

- 2.1 Human Resources management should evaluate the contract requirement that WellTrac provide quarterly aggregate reports and either require WellTrac provide the quarterly aggregate reports or amend the contract to reflect the expectations of management if they differ from the provisions within the contract.

**3. WellTrac Does Not Have a City of Las Vegas Business License**

**Criteria**

Pursuant to Clause D-5 of the contract: "During the entire performance period of this Contract, the Company shall maintain all federal, state, and local licenses, certifications and registrations applicable to the work performed under this contract, including maintaining an active city of Las Vegas business license."

**Condition**

WellTrac has never obtained a CLV business license as required by the contract.

**Cause**

- Failure to manage the terms of the contract by the project manager.
- Failure to comply with the terms of the contract by WellTrac.

**Effect**

- Non-compliance by WellTrac with contract provisions.
- Lost business license revenue for CLV.

**Recommendation**

- 3.1 Human Resources management should require WellTrac work with CLV Business Licensing Division to obtain a CLV business license.

**4. WellTrac Was Not Notified in Writing after Change in Project Manager**

**Criteria**

Pursuant to clause D-2 (a) of the contract: "The City will provide written notice to the Company should there be a subsequent Project Manager change. The Project Manager will be the Company's principal point of contract at the City regarding any matters relating to this Contract, will provide

all general direction to the Company regarding Contract performance, and will provide guidance regarding the City's goals and policies. The Project Manager is not authorized to waive or modify any material scope of work changes or terms of the Contract."

### **Condition**

Human Resources failed to notify WellTrac in writing when the designated Project Manager changed as required by the contract.

### **Cause**

- There are no documented procedures in place to direct Human Resources to notify WellTrac in writing upon a change in the Project Manager.

### **Effect**

- Failure to formally notify WellTrac of a change in their primary contact at the CLV. This could lead to missed communications.

### **Recommendation**

- 4.1 Human Resources management should develop, document, and implement procedures to require that WellTrac is notified in writing when there is a change in the project manager.

## **5. Invoice Details Do Not Match CLV Enterprise Management Database**

### **Criteria**

The invoice details entered into the procurement module of the city's enterprise management database (Oracle) for payment should match the details on the invoice.

### **Condition**

A review of the vendor invoices found that the number of treadmill stress tests and bone density scans which have the same cost were combined by Human Resources staff when entering the details into Oracle's procurement module. Additionally, in June 2018 the invoice processed for payment included a minor difference between what was charged by the vendor versus what should have been charged. Since the contractual amounts for services performed are pre-populated in Oracle procurement, Human Resources staff had to adjust the number of services performed to ensure that the vendor was paid the correct amount on the invoice.



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**Cause**

- Human Resources management has not created any documented procedures directing their staff on how to appropriately enter the vendor's invoices into Oracle.

**Effect**

- Failure to accurately record all invoice details in Oracle misrepresents the actual work performed by WellTrac, thereby providing inaccurate data for management to use in determining the effectiveness of the health care program.

**Recommendation**

- 5.1 Human Resources management should develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Human Resources management should also implement procedures to periodically verify the accuracy of the information being entered into Oracle by their staff.

## MANAGEMENT RESPONSE

### 1. No Written Procedures for Monitoring the Contract

1.1 Human Resources management should develop, document, and implement procedures for managing contract provisions. The procedures should include at a minimum:

- Process for reviewing invoices prior to submission for payment
- Process for submitting invoices for payment
- Process for investigating and documenting billing irregularities
- Roles and responsibilities of employees and/or departments involved in managing the contract
- Contract deliverables and associated deadlines
- How and where to store the associated documents
- Key vendor contacts

#### **Management Action Plan:**

We agree with the recommendation and the responsibility of Human Resources management to develop, document, and implement procedures for managing the provisions of the WellTrac contract. Procedures will cover all key activities noted in 1.1 above, including the invoice review and payment process, the responsibilities of employees and departments involved in managing the contract, any required contract deliverables, and other relevant information.

**Estimated Date of Completion:** December 31, 2020

1.2 Human Resources management should develop, document, and implement procedures to verify a sample of invoices received. Items that should be considered are:

- The appropriateness of age and gender specific testing
- Participants receiving services are eligible pursuant to the contract at the time of service
- Amounts charged for procedures are in line with the contract provisions
- How to document the results and any follow-up performed if necessary

#### **Management Action Plan:**

We agree that periodic sampling of the monthly invoices should be performed to ensure the accuracy, appropriateness, and amounts of the charges per the contract. Procedures will be developed, documented, and implemented to ensure these actions are to be performed. WellTrac currently verifies current participant eligibility at the time of each physical, but our review will provide an additional verification. We will also document the results and follow-up as needed.

**Estimated Date of Completion:** December 31, 2020

1.3 Human Resources management should develop, document, and implement procedures to ensure proper management oversight. Procedures should include:

- Process for assigning project managers
- Process for performing periodic reviews of the work of the contract file
- Process for addressing escalated disputes (if applicable)
- Process for verifying invoices to:
  - Ensure that charges are consistent with the terms of the contract
  - Ensure that duplicate invoices are identified
- Process for addressing invoice discrepancies (if necessary)

**Management Action Plan:**

We agree that proper management oversight is necessary for the full range of activities involved in ensuring compliance with the WellTrac contract. We will develop, document, and implement appropriate procedures for performing periodic reviews of the work of the contract file, verifying that invoices are in line with the terms of the contract, addressing invoice discrepancies, and other relevant matters.

**Estimated Date of Completion:** December 31, 2020

**2. No Quarterly Aggregate Report Submitted by WellTrac**

2.1 Human Resources management should evaluate the contract requirement that WellTrac provide quarterly aggregate reports and either require WellTrac to provide the quarterly aggregate reports or amend the contract to reflect the expectations of management if they differ from the provisions within the contract.

**Management Action Plan:**

Human Resources management has previously reviewed the quarterly aggregate report requirement. It was determined that given the relatively limited number of eligible employees taking advantage of the annual WellTrac benefit, it was not deemed to be significantly meaningful to review and monitor the aggregate biometric measurement results and changes over time. We will review and address a possible amendment to the contract to eliminate this requirement.

**Estimated Date of Completion:** December 31, 2020

### **3. WellTrac Does Not Have a City of Las Vegas Business License**

- 3.1 Human Resources management should require WellTrac to work with CLV Business Licensing Division to obtain a CLV business license.

#### **Management Action Plan:**

Human Resources Management will address the business license issue further with CLV Business Licensing Division and take any necessary actions. As WellTrac operates only one clinic in Henderson, it may be determined that a business license with the City of Las Vegas is not required.

**Estimated Date of Completion:** December 31, 2020

### **4. WellTrac Was Not Notified in Writing after Change in Project Manager**

- 4.1 Human Resources management should develop, document, and implement procedures to require that WellTrac is notified in writing when there is a change in the project manager.

#### **Management Action Plan:**

Human Resources management will determine and implement a procedure to require and ensure that WellTrac is timely notified in writing when there is a change in the project manager.

**Estimated Date of Completion:** December 31, 2020

### **5. Invoice Details Do Not Match CLV Enterprise Management Database**

- 5.1 Human Resources management should develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Human Resources management should also implement procedures to periodically verify the accuracy of the information being entered into Oracle by their staff.

#### **Management Action Plan:**

We agree with the recommendation to develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Procedures will also include the requirement to periodically verify the accuracy of the information being entered into Oracle.

**Estimated Date of Completion:** December 31, 2020