

CITY AUDITOR'S OFFICE



REVIEW OF STATUS OF PREVIOUSLY ISSUED AUDIT RECOMMENDATIONS

Durango Hills Golf Course

Report OM013-1617-08

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CITY AUDITOR

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BACKGROUND

Durango Hills Golf Course (DHGC) is an 18-hole executive style golf course located on land owned by the Bureau of Land Management (BLM). The city of Las Vegas (city) constructed the golf course in 2002 and contracted with a golf management company to operate it. On April 10, 2014, the city entered into a management contract with a new golf management company (Operator) to operate the facility. The contract identifies the Real Estate Administrator within the Real Estate Division of the Department of Operations and Maintenance as the Project Manager (Project Manager).

From 2005 to 2013, the City Auditor's Office issued six reports with recommendations to improve the management controls over the DHGC operations and the city's oversight of the contract with the Operator. In addition, the Department of Finance issued a report following its review of the golf course operations in 2003. The Operator at the time of these reports is no longer managing the DHGC. The following are the reports issued over the years:

- *Site Visit and Compliance Review (Completed by Department of Finance), October 24, 2003 – 8 recommendations*
- *Audit of Durango Hills Golf Course Management Contract (CAO 1701-0405-05), April 14, 2005 – 21 recommendations*
- *Internal Control Review #18 Unlocked Door at Durango Hills Golf Course, June 30, 2005 – 2 recommendations*
- *Internal Control Review #10 Theft of Deposits at Durango Hills Golf Course, August 9, 2005 – 2 recommendations*
- *Internal Control Review #17 Gas Theft – Durango Hills Golf Course, February 5, 2007 – 3 recommendations*
- *Internal Control Review #41 Durango Hills Golf Course Deposit Theft, April 23, 2008*
- *Audit Alert Operations and Maintenance, Durango Hills Golf Course – Imprest Fund (CAO 1707-1213-05), January 17, 2013 – 1 recommendation*

Considering there had been a change in Operator subsequent to these reports, management from the Department of Operations and Maintenance requested that our office review the status of the previously issued recommendations from these reports.

OBJECTIVES

Our objectives in completing this review were to:

- Determine whether the management controls implemented as a result of previously issued audit recommendations were still in place.
- Provide new recommendations as needed where previously implemented audit recommendations are no longer in place.

SCOPE AND METHODOLOGY

The scope of our procedures was limited to a review of the status of previously issued audit recommendations. Our procedures did not include a review of all contractual areas within the current management contract. Where deemed appropriate, judgmentally selected samples of transactions were reviewed to support a conclusion. This review was not conducted in accordance with generally accepted government auditing standards. The last fieldwork date of this review was November 17, 2016.

Our methodology included:

- Observation of operations at DHGC
- Interviews with DHGC and city staff members
- Review of new golf course management contract
- Review of policies and procedures
- Review of monthly golf course management reports
- Review of operational and financial data

FINDINGS AND RECOMMENDATIONS

1. Contract Oversight Responsibilities

The roles and responsibilities of city staff in managing the DHGC contract have not been formally identified and documented. The DHGC contract covers a wide variety of operational areas including the following:

- Golf course management
- Golf course maintenance
- Financial management and reporting
- Inventory and asset management
- Pro-shop operations
- Restaurant and banquet room operations
- Facility security
- Marketing
- Safety program

Recommendations:

- 1.1 The Project Manager should document the responsibilities of city departments and staff for monitoring the various provisions of the DHGC contract.
- 1.2 The Project Manager should document and implement a process for oversight and coordination with those city employees involved in the oversight of the DHGC contract.

2. Review of Monthly Operating Report

The monthly operating report provided by the Operator contains much useful information regarding the operations of the DHGC golf course, pro-shop, and restaurant. Formal assignments for review of the various sections of the report have not been made and the report is not being sufficiently analyzed and scrutinized by city staff to identify trends and irregularities.

Recommendation:

- 2.1 The Project Manager should assign city employees responsibility for review and analysis of the various sections of the DHGC Monthly Operating Report. Any errors, irregularities, or unusual trends should be communicated to the Project Manager.

3. Verification of Proper Cash Handling Controls

While Finance personnel reconcile daily deposits of DHGC and have periodically verified cash on-hand at DHGC, no evidence was found of Finance completing periodic on-site verifications of the adequacy of the on-site cash handling practices and controls.

Recommendation:

- 3.1 The Project Manager should have Finance complete and document periodic reviews of the adequacy of the on-site cash handling controls in place at the DHGC and ensure that the Operator has current copies of the city's cash handling policies and procedures.

4. Transfer of Custody of Funds

Finance was not alerted of a recent change in the DHGC General Manager and therefore did not obtain a completed "Fund Custodian Transfer Form" in a timely manner for the cash used at the DHGC.

Recommendation:

- 4.1 The Project Manager should implement procedures to alert Finance anytime there is a change in General Manager to ensure that the change in custody of funds is appropriately documented.

5. Deposit Safe Combination

The Project Manager is not aware of the employees at the facility who have been informed of the safe combination. The safe combination was not changed the last time there was a change in the DHGC General Manager.

Recommendations:

- 5.1 The Project Manager should request a list of all employees with access to the safe from the General Manager and request that this list be updated whenever there is employee turnover.
- 5.2 The Project Manager should require the General Manager to notify its office and the city's locksmith immediately when an employee with access to the safe leaves employment so that the safe combination is changed. The Project Manager should confirm with the city's locksmith that the safe combination was changed.

6. Employee Background Checks

The DHGC contract states that the Operator is responsible for screening the suitability of employees handling money. Background checks are currently only completed for the managers at DHGC. Other employees who handle cash have not had background checks completed on them.

Recommendation:

- 6.1 The Project Manager should evaluate whether to require the Operator to obtain background checks on all employees handling cash.

7. Approval of Comps

The DHGC contract requires all discounts or complimentary use of the facility or complimentary food and drinks to be approved by the Project Manager. While the Operator shares promotions with the city in its monthly report, the Project Manager is not aware of and has not formally approved comps being offered at DHGC.

Recommendation:

- 7.1 The Project Manager should implement a process by which the city is made aware of and approves comps being provided at DHGC.

8. Facility Security

The following facility security deficiencies were identified at the DHGC:

- a. The video surveillance system at DHGC is outdated and inoperable.
- b. The process for securing the facility each evening is not documented and available to the Project Manager.
- c. The Project Manager is not aware of everyone who has access to the DHGC alarm system code or keys to the facility.
- d. The contract states that the Operator “shall provide such keys and codes to the Project Manager as are necessary for his/her access during non-operational hours.” The Project Manager does not currently have keys or the alarm system access codes as a decision was made that she did not need them.

Recommendations:

- 8.1 The Project Manager should have a new video surveillance system installed at the DHGC.
- 8.2 The Project Manager should document the process for securing the facility each evening.
- 8.3 The Project Manager should maintain a listing of everyone with keys and access to the alarm code for the facility.
- 8.4 The Project Manager should evaluate which city staff members should have keys and access codes to the facility.

9. Facility Inventory Report

The DHGC contract requires the Operator to “*establish and maintain an electronic Facility inventory report, approved by the City’s Finance Director, which tracks all City property located at the Facility. Property shall be entered into the report when accepted at the Facility.*” The Project Manager has not implemented procedures to monitor the Operator’s compliance with this provision. While an asset listing exists that is used for the Clark County personal property tax filing, this listing does not appear to satisfy the objective of this contractual requirement as certain assets are aggregated rather than being individually identified. There is no assurance that newly acquired assets are being added or that retired assets are being removed from this listing.

Recommendations:

- 9.1 The Project Manager in consultation with Finance should provide the Operator documented guidelines to follow on the maintenance of a facility inventory report.
- 9.2 The Project Manager in consultation with Finance should implement annual procedures for verifying the accuracy and completeness of the facility inventory report.
- 9.3 The Project Manager should implement procedures for ensuring that Finance is made aware of fixed assets with a value of \$5,000 or more purchased by the Operator so that they can be capitalized in accordance with city policy. Any retirement of these assets should also be communicated to Finance.

10. Fueling Access and Monitoring

The meters on the fueling pumps at the DHGC are in need of repairs or upgrades as they are difficult to read. Fuel meter readings are recorded on a manual activity log to track fuel usage; however, there is no reconciliation of the fuel tank inventory to the information from the log and fuel delivery invoices (i.e., beginning balance, less fuel dispensed, plus deliveries, should equal ending fuel inventory). The gates to the fueling area at DHGC are open during business hours and use of the fuel dispensers is not restricted. The fueling area is not under video surveillance.

Recommendations:

- 10.1 The Project Manager should request that the city’s Fleet Services division evaluate the current condition of the DHGC fueling equipment and provide recommendations to remedy the meter problems as well as any other issues identified.

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- 10.2 The Project Manager should request that the city's Fleet Services division provide recommendations for improved security and monitoring of the fuel usage including having the Operator perform a monthly reconciliation of the fuel tank inventory. Consideration should be given to installing padlocks on the fueling dispensers and video surveillance cameras at the maintenance yard.

MANAGEMENT RESPONSES

1. Contract Oversight Responsibilities

- 1.1 The Project Manager should document the responsibilities of city departments and staff for monitoring the various provisions of the DHGC contract.

Management Action Plan: This is a unique contract application for the City that is effectively a cost plus contract which applies to specialized retail functions associated with 3 different but complementary activities. The contract documents as currently written identify the financial considerations as being under the authority of the “Finance Director”. O&M will meet with the Finance Director and designated Finance Department (“FD”) staff members to identify and clarify roles and responsibilities. A mutually agreed upon listing and description of responsibilities will be incorporated into a “Memorandum of Understanding” (“MOU”) for this contract application.

Estimated Date of Completion: July 15, 2017

- 1.2 The Project Manager should document and implement a process for oversight and coordination with those city employees involved in the oversight of the DHGC contract.

Management Action Plan: The same comments from Section 1.1 apply. In addition to the MOU, as part of a planned contract modification O&M will update the contract documents to clarify CLV roles and responsibilities.

Estimated Date of Completion: October 15, 2017

2. Review of Monthly Operating Report

- 2.1 The Project Manager should assign city employees responsibility for review and analysis of the various sections of the DHGC Monthly Operating Report. Any errors, irregularities, or unusual trends should be communicated to the Project Manager.

Management Action Plan: The same comments from Section 1.1 apply. As part of the planned internal review O&M will work with assigned FD staff members to identify any concerns with the current process along with possible beneficial and acceptable contract modifications. In conjunction with FD an internal procedure will be used to document future review and reporting activities.

Estimated Date of Completion: November 15, 2017

3. Verification of Proper Cash Handling Controls

- 3.1 The Project Manager should have Finance complete and document periodic reviews of the adequacy of the on-site cash handling controls in place at the DHGC and ensure that the Operator has current copies of the city's cash handling policies and procedures.

Management Action Plan: This is an FD activity that O&M staff members are not involved with, nor would it be appropriate for us to direct such efforts. As part of the planned internal review O&M will work with assigned FD staff members to identify any concerns with the current process along with possible implementation of beneficial and acceptable contract modifications, with specific reference to and inclusion of the CLV *Cash Handling* procedure.

Estimated Date of Completion: October 15, 2017

4. Transfer of Custody of Funds

- 4.1 The Project Manager should implement procedures to alert Finance anytime there is a change in General Manager to ensure that the change in custody of funds is appropriately documented.

Management Action Plan: This is already specifically required by contract sections D-7 and D-15. We will add clarifying language to the proposed contract modifications.

Estimated Date of Completion: October 15, 2017

5. Deposit Safe Combination

- 5.1 The Project Manager should request a list of all employees with access to the safe from the General Manager and request that this list be updated whenever there is employee turnover.

Management Action Plan: In conjunction with FD, O&M will draft the appropriate contract modification and add it to the proposed contract amendment.

Estimated Date of Completion: October 15, 2017

- 5.2 The Project Manager should require the General Manager to notify its office and the city's locksmith immediately when an employee with access to the safe leaves employment so that the safe combination is changed. The Project Manager should confirm with the city's locksmith that the safe combination was changed.

Management Action Plan: In conjunction with FD, O&M will draft the appropriate contract modification and add it to the proposed contract amendment, but with the exception that the operator can engage any properly licensed and bonded locksmith can make the necessary combination change.

Estimated Date of Completion: October 15, 2017

6. Employee Background Checks

6.1 The Project Manager should evaluate whether to require the Operator to obtain background checks on all employees handling cash.

Management Action Plan: This item is already sufficiently addressed in sections C-11(c) and D-7 (g). We will review the contract for possible addition of an applicable insurance requirement.

Estimated Date of Completion: October 15, 2017

7. Approval of Comps

7.1 The Project Manager should implement a process by which the city is made aware of and approves comps being provided at DHGC.

Management Action Plan: Comps are an inappropriate activity for this type of contract and will not be approved by O&M. We will allow for consideration of “loyalty” programs or other such normal marketing applications. The contractor will be notified of this, and the necessary updates included in the contract modification proposal.

Estimated Date of Completion: October 15, 2017

8. Facility Security

8.1 The Project Manager should have a new video surveillance system installed at the DHGC.

Management Action Plan: The new surveillance system has been installed. We will review operations with the auditor, address any concerns, and submit for closure.

Estimated Date of Completion: July 3, 2017

8.2 The Project Manager should document the process for securing the facility each evening.

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Management Action Plan: O&M will draft the appropriate contract modification mandating this written process be provided by the vendor and updated as appropriate, for inclusion in the proposed contract amendment.

Estimated Date of Completion: October 15, 2017

8.3 The Project Manager should maintain a listing of everyone with keys and access to the alarm code for the facility.

Management Action Plan: O&M will draft the appropriate contract modification mandating this written list be provided by the vendor and updated as appropriate, for inclusion in the proposed contract amendment.

Estimated Date of Completion: October 15, 2017

8.4 The Project Manager should evaluate which city staff members should have keys and access codes to the facility.

Management Action Plan: Distribution to City staff needs to be held to a bare minimum, we will review concerns to identify accordingly. In addition O&M will draft the appropriate contract modification for this consideration and include it in the proposed contract amendment.

Estimated Date of Completion: October 15, 2017

9. Facility Inventory Report

9.1 The Project Manager in consultation with Finance should provide the Operator documented guidelines to follow on the maintenance of a facility inventory report.

Management Action Plan: In conjunction with FD, O&M will draft the appropriate contract modification mandating operator compliance with the CLV *Fixed Asset* procedure, and add that section to the proposed contract modifications for adoption.

Estimated Date of Completion: October 15, 2017

9.2 The Project Manager in consultation with Finance should implement annual procedures for verifying the accuracy and completeness of the facility inventory report.

Management Action Plan: This will be completed as part of the response to item 9.1.

Estimated Date of Completion: October 15, 2017

- 9.3 The Project Manager should implement procedures for ensuring that Finance is made aware of fixed assets with a value of \$5,000 or more purchased by the Operator so that they can be capitalized in accordance with city policy. Any retirement of these assets should also be communicated to Finance.

Management Action Plan: In conjunction with FD, O&M will draft the appropriate contract modification mandating operator compliance with the CLV *Disposition of Surplus Property* procedure, and add that section to the proposed contract modifications for adoption.

Estimated Date of Completion: October 15, 2017

10. Fueling Access and Monitoring

- 10.1 The Project Manager should request that the city's Fleet Services division evaluate the current condition of the DHGC fueling equipment and provide recommendations to remedy the meter problems as well as any other issues identified.

Management Action Plan: O&M will engage a specialized contractor to inspect the system and repair as necessary.

Estimated Date of Completion: July 15, 2017

- 10.2 The Project Manager should request that the city's Fleet Services division provide recommendations for improved security and monitoring of the fuel usage including having the Operator perform a monthly reconciliation of the fuel tank inventory. Consideration should be given to installing padlocks on the fueling dispensers and video surveillance cameras at the maintenance yard.

Management Action Plan: O&M will draft the appropriate contract modifications requiring improved operational considerations as they relate to fuel system operations, and add that section to the proposed contract modifications for adoption.

Estimated Date of Completion: October 15, 2017