



AUDIT DEPARTMENT

Audit Report

Public Response Code Enforcement-Abandoned Property

October 2012

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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Angela M. Darragh, CPA, CFE, CISA, Director



October 4, 2012

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

As provided by our annual audit plan, we have conducted an audit of the Public Response's Code Enforcement-Abandoned Property processes. Our procedures considered transactions for the period July 1, 2010, through November 17, 2011. We examined and tested transactions, controls, and compliance for this period.

The objectives of the audit were to determine whether:

- Procedures are in accordance with statutes, County Code, and established policies.
- Processes in place address potential public health and safety concerns.

Our examination revealed that internal control weaknesses exist in the shopping cart retrieval process within Code Enforcement. In addition, we noted that procedures covering receipts reconciliation and civil penalties could be strengthened to help improve operational integrity and efficiency. However, most of the issues noted are already being addressed by Code Enforcement.

A draft report was provided to the Code Enforcement Supervisor. The management response from the Code Enforcement Office is attached along with the final report. The assistance and cooperation of the Public Response staff are greatly appreciated.

Sincerely,

/s/ Angela M. Darragh

Angela M. Darragh, CPA
Audit Director



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REPORT ADDENDUM

February 1, 2013

Subsequent to the issuance of the Public Response Code Enforcement – Abandoned Property Audit, the Audit Department was provided with additional information regarding the finding titled “Civil Penalties Not in Accordance with Clark County Code”. After reviewing the information, we believe this addendum is necessary to clarify the issue. While the penalties were calculated incorrectly based on our review, Code Enforcement has sufficient explanations for several of the differences, such as timing between the date of the calculation and the date on the letter provided to the property owner, inability to reach the owner at the recorded mailing address, a negotiated reduction in civil penalties, delayed abatement due to additional issues with the property, and a waiver of the penalties due to bankruptcy.

Please consider this additional information during your review of the finding “Civil Penalties Not in Accordance with Clark County Code”.

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TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	1
RESULTS IN BRIEF	2
DETAILED RESULTS	2
Policy Improvement Needed	2
No Receipts Reconciliation Procedures	2
Processing Cases Timely	3
Records Retention Not in Accordance with County Policy ...	3
Civil Penalties not in Accordance with Clark County Code ...	4
No Segregation of Duties over Shopping Cart Return Program	4
Shopping Cart Yard Control Issues	4
DEPARTMENT RECOGNITION	5
APPENDICES.....	6
Appendix A: Management Response Letter	6

BACKGROUND The Public Response Office, located at 2919 East Sunset Road, Las Vegas, Nevada, is the designated code enforcement agency for the unincorporated areas of Clark County. It is separated into three divisions: Animal Control, Code Enforcement, and Graffiti. All three divisions are responsible for enforcing Nevada Revised Statute (NRS) and Clark County Code (CCC) regulations relating to nuisance abatement.

Code Enforcement (CE) responds to everything from sign violation claims to abandoned property complaints, from illegal dumping activity to zoning violation issues, as well as various other code violation reports. It is governed by NRS 244.189 and various County Codes. NRS 244.189 authorizes the Board of County Commissioners to create ordinances that cover the rehabilitation of abandoned property, as well as civil penalties to charge when such ordinances are violated. Chapter 11 of the Clark County Code was established to protect and preserve residential neighborhoods from unsafe and offensive uses of property. Specifically, CCC 11.14 addresses the rehabilitation process of abandoned property. Other codes address similar issues such as Solid Waste (9), Residential Building (22) and Land Use (30).

The majority of citizen complaints are received through voicemail and via the department's website. However, grievances are also gathered through the department's fax machine and via email (usually from other agencies). An inspector will visit the site where the violation is reported to verify and document any specific violation(s). The party in violation is notified and given instructions on how to correct the situation to be in compliance with County Code. Follow-up inspections and/or coordinating clean-up efforts are performed as necessary. Any costs incurred by Code Enforcement to correct a violation are billed to the property owner. Should a property owner fail to pay its bill, Code Enforcement may begin property lien procedures.

**OBJECTIVES, SCOPE, AND
METHODOLOGY**

The objectives of our audit procedures are to:

- Determine whether procedures are in accordance with statutes, County Code, and established policies.
- Determine whether processes in place address potential public health and safety concerns.

Our procedures considered transactions covering the period of July 1, 2010 through November 17, 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

RESULTS IN BRIEF Overall, Code Enforcement has procedures in place which conform to state statutes. In addition, these processes address potential public health and safety concerns. However, some of the procedures are not being followed on a consistent basis.

Based on our audit procedures, several items were noted regarding abandoned property procedures within Code Enforcement. No pictures are taken to support when a violation does not exist. Additionally, the shopping cart retrieval program does not have adequate segregation of duties.

In performing detail testing, we found that there are no procedures comparing the department's fee receipts subsidiary information to information from the Treasurer's office or SAP. We also noted delays in processing some abatement cases. Other issues regarding the code enforcement process are discussed in detail below.

DETAILED RESULTS

Policy Improvement Needed Code Enforcement policy does not require the inspector to take pictures of the property if no violation is found.

Why is this important? Taking pictures of all properties assessed provides consistency in the inspection process as well as supporting documentation on the condition of a reported property.

Recommendation We recommend that the Code Enforcement Supervisor change the policy to require that pictures be taken of all properties inspected. These pictures should be placed in each related case file to provide documentation that an inspection was conducted.

No Receipts Reconciliation Procedures Reconciliation between fees received by the Treasurer's Office, recorded amounts in SAP, and the information in Naviline, is not performed. In addition, the subsidiary ledgers are not consistently updated to reflect payments received.

Why is this important? Not having a receipt reconciliation process could allow the theft and abuse of fee receipts to go unrecognized.

Recommendation We recommend that the Code Enforcement Senior Secretary develop, implement and enforce monthly receipt reconciliation procedures. The procedures should include a comparison of fees received and recorded on SAP, Naviline and the Treasurer's Office. Code Enforcement should also ensure that all payment activity is recorded on its subsidiary ledgers.

Processing Cases Timely While reviewing code enforcement cases, we found several instances where information (i.e., invoice, lien release) was not part of the case history in Code Enforcement applications. We also found three cases where the most recent action recorded reflected a closed case, but the case status was listed as active. We noted two instances where there were delays of over 21 days between the inspector assignment and the initial inspection, and one instance where there was no activity on the case for approximately seven months. In addition, we noted three instances where there were delays in posting receipts and three other instances where the receipt was not posted at all.

During an inspection observation, we found a violation that was different than the one originally reported and reflected in the tracking system, and the system was not updated to reflect the change. Further, during detailed testing, we found another case where the case type did not agree with the violations noted in the Code Enforcement application.

Code enforcement cases should be processed in a timely manner, with all the supporting documentation included in the tracking applications.

Why is this important? Ensuring that all information is updated timely is necessary to provide reliable information when monitoring case loads and compliance with departmental policies.

Recommendation We recommend that Code Enforcement Specialists consistently follow existing departmental policies of updating Naviline and uploading documents in Kovis. Re-training or closer supervision over employees not adhering to department rules may be necessary.

Records Retention Not in Accordance with County Policy In analyzing case volume for the audit period, we found that Code Enforcement did not have residential graffiti numbers for the period covering November 2009 through December 2010. The information was gathered, but was not properly retained. Information should be retained in accordance with departmental and county document retention guidelines.

Why is this important? Incomplete records make reconciling, reporting and auditing of information difficult.

Recommendation During the audit engagement, Code Enforcement resumed the retention of residential graffiti numbers. We recommend that Code Enforcement continue its renewed compliance with the County Record Retention Policy.

Civil Penalties not in Accordance with Clark County Code While reviewing code enforcement cases, we found seven instances where civil penalties were never calculated or were calculated in error. Per CCC 11.06.070, Code Enforcement is authorized to charge civil penalties (up to \$10,000) on abatement cases where property owners do not properly or efficiently rectify abatement issues on their properties. Civil penalties should be consistently and appropriately charged on code enforcement cases as required by County Code.

Why is this important? By not consistently calculating or charging civil penalties, Code Enforcement is not appropriately collecting or recognizing this fee in accordance with County Policy.

Recommendation We recommend that Code Enforcement Specialists consistently follow existing departmental policies of calculating and charging property owners for civil penalties on abatement cases. Code Enforcement Supervisors should also ensure that policies are being followed. Employees not adhering to stated policies should be re-trained or more closely monitored.

No Segregation of Duties over Shopping Cart Return Program The shopping cart return program is being handled by one employee. This program includes:

- Performing inventory counts
- Creating Naviline case files
- Sending notice of violations
- Receiving and depositing payments
- Salvaging carts
- Closing out case files

Standard internal controls require that there be segregation of duties surrounding the access, monitoring, recording and securing of assets.

Why is this important? Segregating of key controls over a process may prevent theft or loss of assets.

Recommendation We recommend that the Code Enforcement Supervisor review the department's current structure surrounding the shopping cart retrieval process to ensure that adequate segregation of duties are in place with respect to fees generated and collected by this program.

Shopping Cart Yard Control Issues As previously mentioned, Code Enforcement administers the shopping cart return program. Clark County Code 11.03 authorizes Code Enforcement to retrieve shopping carts left on public streets, and charge related businesses to reclaim their carts or salvage unclaimed carts. Clark County has a contract with California Shopping Cart Retrieval Corp (CSCRC) whereby CSCRC retrieves abandoned shopping carts and returns them to the county shopping cart yard located at a Park Police training facility for a fee of \$2 per cart.

CSCRC has keys to the shopping cart yard. This allows them to enter the area at anytime to drop carts off. As a result, there is usually no county employee present to verify when carts are dropped off. CSCRC invoices Clark County for the carts it delivers. The County has no mechanism to verify the accuracy of CSCRC invoices.

Why is this important? The County could be overpaying CSCRC for retrieved shopping carts.

Recommendation Based on our recommendation, Code Enforcement changed its existing shopping cart retrieval process and limited CSCRC's access to the cart yard. The facility has been re-keyed, and deliveries will be scheduled so that a county employee is present to count the carts as they are being dropped off. This count should be reflected on the shopping cart inventory sheet, and compared to the CSCRC invoice when processing the bill for payment.

DEPARTMENT RECOGNITION Code Enforcement personnel were very responsive during the audit and provided information and guidance in a timely manner. They were also receptive to making positive changes in the department as is evident with the improvements made to the shopping cart retrieval process.

MEMORANDUM

Administrative Services

SABRA SMITH NEWBY
Director

TO: ANGELA M. DARRAH, DIRECTOR, INTERNAL AUDIT

FROM: JENNIFER LANCES, ASSISTANT DIRECTOR, ADMINISTRATIVE SERVICES 

SUBJECT: CODE ENFORCEMENT – ABANDONED PROPERTY AUDIT, MANAGEMENT RESPONSE

DATE: SEPTEMBER 26, 2012

This memo is in response to your Abandoned Property Audit sent to us in July 2012.

Per your request, I have met with staff to go over the findings and asked them to take immediate action or develop a plan to address each of the findings. Below please find a response for each finding. Additionally, I have completed the Excel spreadsheet you provided with the requested information.

1. No violation/no pictures

Finding: Pictures are only taken when a violation exists or when a violation has been abated. No pictures are taken when a property is deemed to have no violation(s).

Response: Currently Code Enforcement Officers photograph violations and those photographs are uploaded into Kovis. This process is not very efficient and very time consuming. Given the current technology, staffing levels and caseload, requiring pictures to be taken where no violation is found would create a significant impact on our staff to address their current assignments. However, the CRM project currently underway in ERP should address some of the concerns regarding mobile technology and make uploading pictures easier. Once CRM is fully implemented Code Enforcement will implement this recommendation.

Expected Completion: January 2014

2. Receipts Reconciliation

Finding: A reconciliation between fees received by the Treasurer's Office, what is recorded on SAP and the information on Naviline is not performed.

Response: Code Enforcement has contacted the Treasurer's Office and they have committed to help us reconcile this issue. Given the various fees collected the Treasurer's Office has agreed to work with us on the comparison of fees needed, however they informed us it may take a few months to complete. Once the comparison is completed Code Enforcement will set up and enforce the recommended receipt reconciliation procedures.

Expected Completion: December 2012

3. Case Processing

Finding: While reviewing code enforcement cases, we found several instances where adequate information was not input into Naviline or Kovis. We also found four cases where the most recent action within Naviline reflects a closed case. However, the case status in Naviline still shows as active. In addition, we found two instances where delays of over 21 days occurred between the inspector assignment and the initial inspection and an instance where there has been no activity in a case since May 2011. Finally, we found three instances where delays in posting receipts onto Naviline occurred and three other instances where the receipt has yet to be posted.

Response: Code Enforcement reviewed the information presented and found some system errors within our case processing system that may have led to the findings. Code Enforcement has immediately addressed this issue by providing additional training to staff and increasing the level of supervisory review in Naviline and Kovis. Training and supervisory review will continue.

Expected Completion: Complete

4. Records Retention

Finding: In analyzing case volume for the audit period, we found that Code Enforcement did not have residential graffiti numbers for the period covering November 2009 through December 2010. The information had been gathered, but was not properly retained. Related supporting documentation was also not available for review

Response: Code Enforcement found that the staff that was responsible for this error found in the audit no longer works for the county. Additionally, Code Enforcement has addressed this finding and has provided information to staff regarding the records retention guideline and has increased their supervisory oversight in this area.

Expected Completion: Complete

5. Civil Penalties

Finding: While reviewing code enforcement cases, we found eight instances where civil penalties were either never calculated or calculated in error. Per CCC 11.06.070, Code Enforcement is authorized to charge civil penalties (up to \$10,000) on abatement cases where property owners don't properly or efficiently rectify abatement issues on their properties.

Response: Code Enforcement has reinforced the policy of sending demand for payment of civil penalties. Supervisors have provided training and are working with officers on an individual basis to make sure they are calculating civil penalties correctly. Code Enforcement supervision will continue to provide training and conduct periodic case reviews with officers to ensure accuracy.

Expected Completion: Complete

6. Segregation of Duties

Finding: The shopping cart retrieval process which includes: performing inventory counts, creating Naviline case files, sending notice of violations, receiving and depositing payments, salvaging carts and closing out case files is being handled by one employee.

Response: Code Enforcement has segregated the duties as recommended by Audit staff. Code Enforcement Officers currently handle the cart inventory and salvaging. Clerical staff sends notices out and receive payments.

Expected Completion: Complete

7. Shopping Cart Retrieval

Finding: Clark County Code 11.03 authorizes CE to retrieve shopping carts left on public streets, and charge related businesses to reclaim their carts or salvage any unclaimed carts. Clark County has a contract with California Shopping Cart Retrieval Corp (CSCRC) whereby CSCRC retrieves each abandoned shopping cart and returns it to the county shopping cart yard for a fee of \$2 per cart. CSCRC has keys to the shopping cart yard. This allows them to enter the area at anytime to drop off carts. As a result, there is usually no County employee present to verify when carts are dropped off. CSCRC will then invoice Clark County for the carts it drops off.

Response: Code Enforcement has implemented the suggestions made by Audit staff. Clark County Shopping Cart Retrieval Corm (CSCRC) no longer has access to the cart yard unless accompanied by a county employee. The locks to the yard have been changed and specific times have been established for the contractor to deliver carts to the yard.

Expected Completion: Complete