



AUDIT DEPARTMENT

Audit Report

Water Reclamation District Tools and Small Equipment Expenditures Follow-Up

August 2012

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

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



August 21, 2012

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

Dear Mr. Burnette:

Pursuant to Audit Department policy, we performed a follow-up audit of the Water Reclamation District Tools and Small Equipment Expenditures Follow Up audit dated August 5, 2011. The audit objective is to determine whether adequate corrective action has been taken on the findings addressed in the audit report. Our audit procedures were performed as of July 26, 2012. Our procedures included performing a preliminary survey, analyses, and test of transactions on a sample basis. Our audit was conducted in accordance with generally accepted government auditing standards.

It is the department/division management's responsibility to decide if any appropriate action should be taken in response to reported audit findings. It is also their responsibility to assume the risk by not correcting a reported condition because of cost or other consideration.

The Water Reclamation District has taken adequate corrective action for all findings reported in the original audit.

A draft report was provided to the Water Reclamation District. We appreciate the cooperation and assistance provided by Water Reclamation District during the course of this audit.

Sincerely,

/s/ Angela M. Darragh

Angel M. Darragh, CPA
Audit Director

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BACKGROUND **Original Audit** - Clark County Audit Department performed an audit of Water Reclamation District Tools and Small Equipment Expenditures, dated August 5, 2011, for the period January 1, 2009, through December 31, 2010.

The results of the original audit identified several areas that needed corrective action. The results in brief indicated the following concerns:

- Controls over the purchase of tools, small equipment, and materials are not adequate to protect assets.
- Employees are allowed to purchase and pick up merchandise using a corporate credit card.
- Purchases are not always receipted through the warehouse.
- The purchase approval process for corporate credit cards is done after the purchase is completed.
- Purchased goods are not always being properly recorded in the general ledger.

**OBJECTIVES, SCOPE, AND
METHODOLOGY**

The objective of the follow-up audit is to determine whether corrective action has been taken on the findings noted in the original audit.

Our procedures consisted of reviewing the original audit report and supporting documents, interviews with management and staff, observations, walkthroughs, examination of documentation, and performance of detailed tests and analyses. The last day of fieldwork was July 26, 2012.

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 OF FOLLOW-UP
AUDIT**

The District has taken adequate corrective action on all findings reported in the original audit.

Implementation Rate

Status of Findings	Number of Findings	% of Total
Implemented	13	100%
Not Implemented		
Other		
Total	13	100%

Water Reclamation District Tools and Small Equipment Expenditures Follow Up



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

Findings, Recommendations, and Corrective Actions Status
 As of July 26, 2012

Original Report Issuance Date: August 5, 2011

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
1	Listing of Corporate Credit Cards Not Maintained						
	The District did not maintain a listing of employees who have been issued a Home Depot charge card.	We recommend that for any future accounts, cards are assigned to specific individuals and a listing is maintained of these individuals and their assigned card number.	Y	The Home Depot corporate credit cards have been revoked and destroyed by the Finance Business Center Manager.	✓		
2	Insufficient Controls over Home Depot Cards						
	The District has a contract in place for purchases at Home Depot, but even though a contract exists and procurement procedures are in place, employees were allowed to make and pick up purchases at Home Depot using a corporate credit card issued in their name.	We recommend that all Home Depot purchases are done through established purchase requisition/purchase order process and receipted through the warehouse.	Y	The Home Depot corporate credit cards have been revoked and destroyed by the Finance Business Center Manager. Home Depot purchases can only be made using a purchase order.	✓		
3	Home Depot Multiple Trips						
	Multiple same day trips to purchase supplies at Home Depot were found. Multiple trips decrease the employee's productivity, increase fuel costs, and indicate a lack of project planning. Split transactions bypass the approval process.	We recommend that the Finance Business Center Manager collect all Home Depot cards and close the account. All future Home Depot purchases should be completed using the established purchase requisition/purchase order process.	Y	All vendor/corporate credit cards have been destroyed by the Finance Business Center Manager. The District has developed and implemented a policy to have department managers approve all departmental purchase requisitions in order to review all purchases prior to the purchase. All supplies purchased will be receipted through the warehouse in accordance with established policy.	✓		

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
4 Unnecessary Lowes Corporate Card							
	We noted a Lowes credit card with a credit line of \$24,000 in the name of a Purchasing Technician II employee. The actual card is in the custody of the Finance Business Center Manager.	We recommend that the Finance Business Center Manager close the account. Additionally, we recommend that management obtain a company credit history report to determine what credit risks may exist for the District.	Y	The card has been revoked and destroyed. Management is reviewing the District's credit report on a quarterly basis.	✓		
5 Purchase Card Policy Not Followed							
	District employees are not following policy for the use of Bank of America Purchase Cards. We noted non emergency purchases and purchases made with vendors that have an existing commodities contract with the District.	We recommend that the District specify and communicate policies and procedures that direct individuals toward appropriate use of the purchase cards and prevent inappropriate card use by formalizing an approval process prior to the use of a card in non-emergency situations.	Y	All purchases are to be completed following the District's procurement policies and procedures. Monthly purchase card statements are being reviewed and approved in writing by department managers. In addition, the Finance Business Center Manager reviews purchase card statements and receipts monthly to ensure compliance with policy.	✓		
6 Tool Purchase Excessive or Could Not Be Located							
	We noted the following during detailed testing: A refrigerator in the amount of \$1,719 was purchased for a lunch room, funds in the amount of \$3,710 were spent for small equipment that has not been used, an inventory listing of tools and small equipment is not maintained, and items are not tagged as property of the District.	We recommend that Purchasing and Contracts enforce the District policy requiring that all District purchases are initiated with a purchase order and receipted through the warehouse. Tools need to be checked in and out of a secured tool room, and a tool inventory listing needs to be maintained.	Y	All purchases are received in the warehouse. A secured tool area has been established in the warehouse. Employees, who maintain tools on a truck, are required to complete a tool issuance form that is signed and maintained in their personnel file. They are now held accountable for all tools on their truck.	✓		
7 Duplicate Tool Purchase							
	We examined invoices from Grainger and Home Depot for the period of January 2010 to December 2010, and noted that tools with the same item number and description were purchased on August 4 and August 9, 2010.	We recommend that all purchase requisitions are reviewed by department managers to ensure that purchases are appropriate and necessary.	Y	Department managers are now required to review all purchase requisitions within their department which will increase control over tool purchases.	✓		

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
8	Work Flow Approval Limits Too High						
	Work flow approval process within Maximo is weak and needs improvement. For purchases of \$2,500 or less there is only one level of approval; the department supervisor may enter the purchase requisition and then approve it. For purchases up to \$10,000 there are two levels of approval required. For purchases over \$10,000, three levels of approval are needed. As currently designed, the risk of employees working together is increased since only two approvals are required on purchases up to \$10,000.	We recommend that the Information Technology Department under the direction of Purchasing and Contracts make changes to the workflow approval process. Management should consider an approval process that has the assistant general manager of each department reviewing and approving all purchase requisitions regardless of dollar amount.	Y	The Maximo work flow approval limits are consistent with the District's purchasing policy and procedures. However, the Department Managers must approve all departmental purchases, no matter the cost of the procurement, adding an additional approval level and reducing potential risk in the procurement process.	✓		
9	Assets Expensed Rather Than Capitalized						
	During our detailed testing, we found that from a sample size of 40 purchase requisitions, 30 (75%) were not properly capitalized in accordance with District policy.	We recommend that all purchase requisitions are reviewed by the assistant general manager and a financial or budget analyst to provide assurance that purchases are properly capitalized.	Y	District Managers are required to approve all departmental purchases; the District's budget analyst will review all procurements of \$5,000 and over to ensure the District's capitalization policy is followed. A standard operating procedure is currently being prepared by the budget analyst.	✓		
10	Purchasing Employees Creating Purchase Requisitions						
	For the audit period, there were 112 purchase requisitions that were created by employees that work in the Purchasing and Contract Division. There were 22 purchase requisitions in which the person that created the purchase requisition is also the buyer for that requisition.	We recommend that the buyer's ability to create a purchase requisition be removed by the Information Technology Department. Any purchases required by the Division should be restricted to an administrative person who does not have other purchasing related duties.	Y	The Information Technology Department has removed the Purchasing departments' buyers' ability to create purchase requisitions.	✓		

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
11	Maximo Approval Limits Non-Complaint With Policy						
	We noted that the signature approval authority limit in Maximo is different than what is stated in the District's written policy. The limits per Maximo are higher than what is listed in written policy.	We recommend that the Information Technology Department correct the Maximo approval limits so that they mirror the limits per policy.	Y	The Information Technology Department updated approval limits within Maximo are correct and match the District's procurement policy and procedures. A quarterly report has been developed and will be reviewed by the Senior Purchasing Analyst.	✓		
12	Maximo Purchase Requisition Gaps						
	For the audit period, we noted 4,759 missing purchase requisition numbers. These record gaps cause concern for data integrity. For example, a purchase requisition could be issued, turned into a purchase order, the item obtained, and then the purchase requisition deleted.	We recommend that any time a purchase requisition is canceled, the status of that purchase requisition number is reflected as canceled within the system.	Y	The District is in the process of updating the Maximo Procurement System and Oracle Financial System. Staff will explore this opportunity during the system updates and if available will add a report that will allow for tracking for all deleted/canceled purchase requisitions.			✓
13	Maximo Duplicate Requisition Number						
	For the audit period, we noted thirteen duplicate purchase requisition numbers. The duplicate numbers are due to the buyer not selecting all line items on the purchase requisition before converting the purchase requisition into a purchase order.	We recommend that the Purchasing and Contracts Supervisor remind staff to select all line items on the purchase requisition before converting it to a purchase order.	Y	The Senior Purchasing Analyst conducted training sessions to reinforce the selecting of all purchase requisition line items prior to converting to a purchase order. Further, staff verified that Maximo cannot duplicate an automatically generated purchase requisition number. However, if the District's buyer creates multiple purchase orders from one purchase requisition, there is the appearance of duplicate purchase requisition numbers referenced on multiple purchase orders. The buyer does not have the ability to create multiple purchase orders from one purchase requisition line item.	✓		