Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120
(702) 455-3269 • Fax (702) 455-3893

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

August 30, 2013

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

Dear Mr. Burnette:

We recently performed a follow-up audit of the RPM Haworth Contract audit dated June 12, 2012. The audit objective was to determine whether adequate corrective action was taken on the findings addressed in the audit report. Our audit procedures were performed as of July, 11 2013.

To perform our testing, we received the new Haworth Contract approved on June 18, 2013 and the updated RPM and Purchasing policies and procedures for modular furniture, dated July 20, 2012. Additionally, we reviewed several months of inventory listings and product pull lists, and traced the items requested for projects to the subsequent reduction in inventory. We verified that submitted labor invoices were appropriately approved before payment and contained sufficient manpower report documentation. We requested product return documentation and traced addition of the return product to the inventory listings. Additionally, we verified that new product received for Clark County projects was being signed for appropriately when received. Our last day of fieldwork was July 11, 2013.

Faciliteq/Haworth, Purchasing and RPM have taken adequate corrective action on all five findings reported in the original audit. Purchasing and RPM issued policies and procedures to address the findings. Faciliteq/Haworth and Purchasing, with the assistance of RPM, prepared a new Haworth contract which effectively addressed each finding with a corrective action. The new contract was approved by the Board on June 18, 2013, and took effect on July 1, 2013.

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.

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.

BOARD OF COUNTY COMMISSIONERS
STEVE SISOLAK, Chair • LARRY BROWN, Vice Chair
SUSAN BRAGER • TOM COLLINS • CHRIS GIUNCHIGLIANI • MARY BETH SCOW • LAWRENCE WEEKLY
DON BURNETTE, County Manager

We appreciate the cooperation and assistance provided by the Faciliteq/Haworth, Purchasing, and RPM staff during the course of this audit.

Sincerely,

Angela M Darragh

Angela M. Darragh, CPA
Audit Director

RPM Haworth Contract Compliance Follow Up

Findings, Recommendations, and Corrective Actions Status

As of August 13, 2013

AUDIT DEPARTMENT

Angela M. Darragh, CPA, CFE, CISA

Audit Director

Original Report Issuance Date: June 12, 2012

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
1	**Lack of Inventory Management**						
	We found that inventory management at Faciliteq is virtually nonexistent. An inventory list of products stored at the Faciliteq warehouse has not been updated since March 2010. Further, the inventory list provided by Faciliteq as of that date was not adequate, as it did not contain sufficient information such as dates, values, additions, deletions, and identifying information that would allow the County to make decisions about inventory status or use. The products maintained in inventory are also not tagged or bar coded by Faciliteq, as provided for in the agreement, for tracking. We are unable to conclude whether used inventory is reasonably accounted for. The actual number of items and value of inventory is unknown. Real Property Management has also not adopted policies and procedures for the monitoring of used inventory at Faciliteq.	Determine who the responsible party should be to oversee inventory management services in compliance with agreement provisions. Develop policies and procedures to monitor used inventory that include, but are not limited to, physical inspections and periodic counts reconciled to inventory reports. Maintain adequate and reliable inventory reports. Perform an analysis to determine a level of used inventory that is required to meet immediate needs of the County for replacement and reconfiguration projects, taking into consideration projected growth and movement within the County. Assure that used inventory levels are appropriate.	Y	Purchasing was identified as the department responsible for overseeing inventory and compliance with agreement provisions. A new contract was established that more clearly identified the services which are required as part of inventory and Warehouse Management Services. The contract requires Faciliteq to produce inventory reports on a monthly basis or a mutually agreed upon schedule and forward them to the County. The Purchasing department implemented a new policy and procedure to review and analyze the reports for unusual changes. Used inventory returned to the Faciliteq inventory is documented and the master inventory spreadsheet reflects the inventory returned.	✓		

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
2	Disposal and Damage Products						
	The contract does not address disposal of used products when products are not needed due to excess or damaged inventory once the standard warranty period expires. Neither Real Property Management nor Faciliteq could provide supporting documentation or policies and procedures for disposal of products or treatment of damaged goods.	Amend the contract to include provisions for disposal of treatment of damaged products. Include accountability for disposals and damaged products as part of the inventory management process.	Y	The new contract has addressed the issues regarding disposal and damaged product and has more clearly indentified the services which are required as part of Inventory and Warehouse Management Services. Faciliteq will set aside any damaged inventory and notes it on the inventory report. Purchasing will examine the damaged inventory during the quarterly spot check of inventory. Any damaged inventory that is out of warranty will be set aside for disposal. The Purchasing Manager can declare the product surplus. A list of surplus property will be prepared and pictures will be taken. Finally, a Purchasing and Faciliteq representative will witness the product disposal.	✓		

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
3	Opportunity Exists to Manipulate Contract Pricing						
	We believe the contract terms related to the use of installed or used installed pricing could allow the vendor to manipulate the contract to their benefit. As currently written, labor charges are dependent on which type of furniture is used (newly purchased or used from inventory). If the project is more than 50% new product, a percentage fee is added to the new items. If the project is more than 50% used, the County is charged a set hourly rate for labor. Since the used inventory is solely managed by the vendor, they could manipulate the amount of new or used product to be used in an installation to obtain the most beneficial rate. Contract provisions related to reconfiguration services are not implemented consistently. The contract language is also not sufficiently clear as to whether reconfiguration services are part of the determination of whether new or used installation is considered.	Amend the contract to reduce the ability of the vendor to manipulate the use of new versus used product to their benefit.	Y	The "Old vs. New" method is no longer utilized in the new contract.			N/A

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
4	Project Labor Pricing Method Not Verified						
	The determination of whether a project is more than 50% new or used components is not verified by Real Property Management, as pull lists of used inventory are neither requested nor received.	Obtain pull lists and verify the pricing method used for projects. Include authorization of pricing method on approval for payment of invoices. Sign off on all products received and maintain documentation of receipt.	Y	The "Old vs. New" method is no longer be utilized in the new contract. RPM has begun requesting Pull lists for every project and subsequently keeps them on file. New products are received at Faciliteq from Haworth for Clark County, however, the items are not added to inventory. They are staged separately and tagged for the specific project for which they are allocated. New products received are attested to by Faciliteq warehouse representatives and related documentation is kept on file.	✓		

Summary Audit Findings & Recommendations			Summary Management Response		Summary Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Action Status	Implemented	Not Implemented	Other
5	**Labor Charges Not Verified**						
	There is no verification of labor hours when approving payment for invoices. Real Property Management approves invoices based on a reasonable estimation of hours to perform services. Timesheets for actual labor hours are not required from Faciliteq. We requested timesheets from Faciliteq for two projects. The timesheets we received were not always completed entirely and lacked project information, labor hour type, and supervisor approval. We were unable to verify labor charges on invoices with the timesheet information provided.	Require some form of documentation for actual labor hours while projects are in process. Documentation of actual labor hours should be attested to by signature by Faciliteq and the County Project Coordinator or designee.	Y	The submission of man hour reports to RPM was fully implemented by the end of July 2012, and the new contract incorporated this requirement. Labor invoices are reviewed and signed by the RPM Manager and Design and Construction Manager. Man hour reports prepared and approved by Faciliteq are attached to the labor invoices when submitted to RPM.	✓		