Audit Department

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

November 6, 2014

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 Public Works Las Vegas Paving Expenditures audit dated August 23, 2013. Our objective was to determine whether corrective actions were implemented to address findings included in the original audit. To accomplish our objectives, we reviewed a current listing of projects awarded to Las Vegas Paving Corporation. We selected three active projects for testing to ensure compliance with revised operational procedures detailed in the management response and action plan of the original audit report. Our last day of fieldwork was October 22, 2014.

The Public Works Department took adequate corrective action on all findings reported in the original audit. The construction team has a new procedure in place to verify that spreadsheet cells containing pay estimate information are locked and protected from changes. The department now presents project changes in excess of $1 million to the Board of County Commissioners for review. Finally, project related documentation (tally sheets, daily reports, and support for quantity calculations) is maintained and was readily available for review. We believe the new verification procedures for pay estimates, the implemented Board review for change orders and construction change authorizations, and reiteration of documentation policies effectively addressed each finding in the original audit report. We appreciate the cooperation and assistance provided by the Director of Public Works and staff during the course of this audit.

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.

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The auditor's role in follow-up engagements is to compile corrective actions taken from effected Department/Division management, assess whether these responses are adequate or not adequate to correct reported deficiencies, and relay to management. 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.

Sincerely,

Angela M. Darragh, CPA
Audit Director

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PUBLIC WORKS
Las Vegas Paving Expenditures Follow Up
Findings, Recommendations, and Corrective Actions Status
As of October 27, 2014

AUDIT DEPARTMENT
Angela Darragh, CPA, CFE, CISA, CHC
Director

Original Report Issuance Date: August 23, 2013

Finding	Recommendation(s)	Corrective Actions Status
1 - Application for Payment Spreadsheet not Protected from Changes		
The application for payment used by the Construction Management Division to process construction payments is done using a spreadsheet. The application uses a series of sheets, formulas, and macros to calculate the monthly construction payment that is paid to the contractor. Construction projects can last for several months or years. Year-to-date amounts are carried forward from month to month. Initial quantities based on the original bid document are entered into the spreadsheet by a Senior Engineering Technician and then cells are password protected to prevent changes of quantities or changes to the formulas and macros. The use of a spreadsheet to track and calculate payments on a $116 million dollar Beltway or a $3 million dollar Paradise project increases the risk that payments may not be correct, since it is very easy to change unprotected cell information, such as formulas or year-to-date information in a spreadsheet.	The Assistant Manager of Off Site Construction should verify that all cells are protected prior to the application for payment being released to the project manager.	**Completed.** The Assistant Manager of Off Site Construction now reviews the payment for application spreadsheet to verify that cells relating to original bid pricing and quantities have been locked prior to the application for payment being released to the project manager. The Assistant Manager of Off-Site Construction also maintains records of his approvals in Microsoft Outlook.

Finding	Recommendation(s)	Corrective Actions Status
2 - Board of County Commissioners not aware of Project Credit		
Due to a litigation delay on the Northern 215 Beltway project, there were design changes resulting in some additions and a large number of deletions to the project. As a result, there was a $2.1 million credit to the County documented on a construction change authorization form. After this credit, the "Construction Conflicts and Additional Work" was $3.1 million (the credit of $2.1 plus the original $1 million). Subsequent to the credit, a decision was made to add a piece to the beltway to make the roadway fit together at a cost of $2.3 million. The added roadway was paid by a contract change order for $1.3 million (approved by the Board of County Commissioners) plus $1 million from the Construction Conflicts and Additional Work account, leaving a balance of $2.1 million in this account. However, the credit balance is not tracked anywhere in the contract, meaning that the overall contract price is not reduced, nor were contract quantities changed. It is only tracked by the project manager and the project consultant.	The project manager should request that design changes and resulting credits are included on the Board of County Commissioners consent agenda.	**Completed.** Contract changes (Change Orders or Construction Change Authorizations) in excess of $1 million are presented to the BCC for approval.
3 - Documentation Missing on the Paradise Pave and Spring Valley Project		
The Public Works project files should include the inspector's memos and reports that support quantities noted on the tally sheets and application for payment. Clark County Administrative Guideline 14, Attachment A states that project files should include inspector memos and reports and they should be retained permanently. For this project, the inspector documentation was not available for examination for all five of the application for payments on the project.	The Assistant Manager of Off Site Construction should develop and implement a record retention policy and procedure for all project documentation, including tally sheets and inspector documentation in accordance with Administrative Guideline 14.	**Completed.** Current policies (Administrative Guideline 14) were reiterated to inspectors to ensure that project documentation such as tally sheets, daily reports, and quantity calculation support are maintained and readily available for review.