Audit Department

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Jeremiah P. Carroll II, CPA, Director

April 8, 2011

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 follow-up procedures on significant findings from the Parks & Recreation Residential Construction Tax audit dated February 12, 2010. This follow-up letter should be read in conjunction with the original audit. The follow-up procedures performed included interviews with responsible parties and an examination of related documentation. This follow-up engagement does not represent a complete reexamination of residential construction taxes.

The auditor's role in follow-up reviews is to compile corrective actions taken from affected department/division management, assess whether these responses are adequate or not adequate to correct reported deficiencies, and relay those findings 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.

The results of our follow-up review showed that of the recommendations requiring follow-up attention from the Residential Construction Tax audit, five have been fully implemented and four were not implemented. To address one of these four findings, Parks submitted a bill draft request (BDR) to the Board of County Commissioners (BCC). However, that BDR was not selected by the BCC to be transmitted to the Legislative Counsel Bureau for further consideration. Two of the other four recommendations are on hold with Comprehensive Planning until such time that the economy recovers.

The assistance and cooperation of county staff is recognized and appreciated.

Sincerely,

/s/ Jeremiah P. Carroll II, CPA

Jeremiah P. Carroll II, CPA
Audit Director

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AUDIT REPORT ACTION PLAN

Residential Construction Tax Audit
Findings, Recommendations, and Corrective Action Taken
As of March 31, 2011

AUDIT DEPARTMENT
Jeremiah P. Carroll II, CPA
Audit Director

Original Report Issuance Date: February 12, 2010

Summary Audit Findings & Recommendations			Summary Management Disposition			Follow Up Status		
Ref	**Finding**	**Recommendation(s)**	**Concurrence**	**Management Response & Action Plan**	**Mgmt Action Due Date**	**Implemented**	**Not Implemented**	**Other**
	No Three Year Tracking Mechanism							
1	There is no formal tracking process at Parks and Recreation covering the refund of residential construction taxes (RCT). Per NRS 278 and CCC 19.05, if a park is not built within three years of when a development is 75 percent occupied, the taxes collected (with interest) for that park must be refunded to the owner of the lot(s) in the subdivision or development at the time of the reversion.	1. Parks and Recreation in coordination with Development Services, and Finance, should develop procedures to track RCT and park construction activity to ensure guidelines per NRS 278 and CCC 19.05 are being followed. 2. Alternatively, Clark County management could initiate plans to have current statutes changed to eliminate or lengthen the three year requirement.	Y	Parks and Recreation submitted a bill draft request (BDR) to the BCC requesting to extend the three year timeframe. The BDR was not one of the requests selected by the BCC to be transmitted to the Legislative Counsel Bureau.	Corrective action date is dependent on BCC and state legislative approval.		X	
	PFNA in Other Valley Areas							
2	In 2000, a Southwest Public Facilities Needs Assessment (SWPFNA) was conducted by Hobbs, Ong & Associates. This assessment was only performed in the Southwest region of the Las Vegas Valley. The study helped identify the existing resources in that area and the additional infrastructure that was needed for that community.	Comprehensive Planning should coordinate need assessment studies in the other geographical areas of the valley in the future when development resumes and funding is available. This may help in planning further development in those areas, and identify the need for additional fee assessment(s) in order to fund the related and necessary infrastructure.	Y	The economy remains unstable. Growth has ceased and the County (Comprehensive Planning) does not have the resources to implement this recommendation at this time.	When resources are available		X	
	Codifying PFNA Fees							
3	Unlike residential construction taxes (RCT) which are governed by NRS 278.4983 and CCC 19.05.030, and are easily researchable, PFNA fees are not governed by state or local statute, but are merely found in a SWPFNA study, which makes it more difficult to find for reference purposes.	Comprehensive Planning and Development Services should prepare an agenda item to obtain BCC approval on incorporating PFNA fees into the Clark County Code. Codifying these fees would provide consistency as to where these governing documents are located which would make locating the applicable code easier to find.	Y	Comprehensive Planning will address this in coordination with finding #2, when the economy rebounds.	Corrective action date will coincide with finding #2.		X	
	HTE Reports							
4	Internal Audit requested HTE reports showing RCT and PFNA fees in summary by fiscal period and by month for the audit. The reports were to be used to tie HTE amounts to those reflected on SAP. The reports would also be used to select several months from each fiscal year for further detail testing. No such report exists.	Development Services should generate HTE reports useful in analyzing operational and financial data. These reports can be used in performing various analyses such as comparing the amount of revenue received to the amount of expenses laid out to determine profitability (or loss). These reports may also assist in the auditing of the department's processes and procedures. Creating useful reports may require collaboration with HTE representatives.	Y	Development Services did not produce any new reports. Although the existing "Receipt Summary by Account" report can be run for a period (i.e. by fiscal year), it can't be sorted by month and does not have daily or transactional detail in order to perform detail testing. As previously stated, sortable, database reports would be useful in monitoring activity over a period, assessing trends and performing detail testing	On-going		X	
	Park Receipts Documentation							

Summary Audit Findings & Recommendations			Summary Management Disposition			Follow Up Status		
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5	Internal Audit noted during detail testing that each of the park receipts only cited one Development Services application, but was actually comprised of various applications with varying square footage measurements.	Development Services should create and implement procedures requiring specialists to prepare park receipts completely by referencing all related application numbers on each receipt. This will help ensure the appropriate amount is being collected. It will also assist in audit procedures that may be performed subsequently.	Y	As noted in finding #6 below, RCT fees are now calculated automatically using NAVILINE. This ensures that the appropriate amount is being collected which mitigates the original control concern.	2010	X		
	Calculating RCT Fees							
6	In detail testing numerous park receipts, we noted two receipts in the 30 selected that were calculated in error. The amount under collected was immaterial.	Development Services should create and implement procedures requiring a review of RCT calculations to ensure that RCT fees are being properly calculated and collected per NRS and CCC.	Y	Each residence with a square footage over 2,778 is a flat $1,000.00. New procedures only require that the square footage be entered in NAVILINE. All other calculations have been automated within NAVILINE.	2010	X		
	Document Retention							
7	Internal Audit noted that certain documentation for park receipt transactions was only available for the period July 2007 forward. Older documentation was disposed of. As such, detail testing of park receipts were only performed for transactions after June 2007.	Clark County is creating a county-wide document retention policy. This issue will likely be addressed as part of that process. We recommend that Development Services ensure that the county-wide policy incorporates the document retention needs of its department.	Y	Development Services will follow the County Retention Policy for Park receipts.	2010	X		
	SAP Reports for RCT Funded Projects							
8	Currently, there is no way to identify which projects in SAP are funded by residential construction tax receipts. In order to test RCT expenditures, a listing from the Comptroller's Office was requested and prepared.	The Comptroller's Office should utilize a field within SAP to help separately indentify RCT funded projects. Monthly reports should be generated that summarize the activity in these projects. Monitoring these projects would help ensure that the County is meeting the timeline restrictions as set by NRS and Clark County Code. Creating these report would also assist in the periodic auditing of these projects by Clark County Internal Audit.	Y	A field in SAP has been created to identify projects funded by RCT funds. The transaction code CJ20N can be found in the Project Builder section of SAP.	02/03/2011	X		
	Refunding and Closing Out Projects							
9	Internal Audit found one refund transaction relating to permit number 06-23938, in which a refund was provided to the developer, but the application was not closed. Instead, it was put on hold. Since HTE, the program used to track applications, does not track refund transactions, this becomes a procedural concern. Specifically, it would be difficult to know, when reactivating "on-hold" applications, what fees were refunded, and may need to be re-billed. This appears to be an isolated incident.	Development Services should prepare and enforce procedures for handling cancelled projects to include the refunding of fees and the closing of permit applications. In addition, the features and uses of HTE should be reviewed to determine whether refund activity could be tracked on HTE. These changes may provide guidance and consistency in processing these transactions.	Y	Development Services procedures prohibit the refunding of any funds on applications in a "hold" status. The only time Park receipts are refunded is when the application is cancelled and placed in a closed status.	2010	X		