



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

July 29, 2020

Ms. Yolanda King
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89155

Dear Ms. King:

We recently completed a follow up audit of the Business License Cash Controls Audit issued October 24, 2018. Our audit objective was to determine whether actions were taken to correct the findings from the original audit report.

In the original audit, we found that voids and adjustments to receipts had insufficient documentation and were not monitored by supervisors; deposits were not made the same day that funds were collected and change banks were excessive; certain Business License accounts were not adequately reconciled to the County's financial system; security over user access for the application (CLIPS) used by Business License did not comply with County guidelines; and the location of collections was not conducive to the increased traffic and security requirements of licensees paying fees in person.

In order to accomplish our objective, we held conference meetings with personnel from the Business License Revenue and Compliance Unit, conducted a walkthrough of the Business License Merchant Teller Room and safe/vault area, and examined documentation related to editing/voiding transactions, licensee cash payments, account reconciliations, and deactivation of inactive accounts.

From our audit period, we performed detail testing based on judgmentally selected samples including the following:

- One voided transaction totaling \$20,184;
- Deposit packages totaling \$1,297,247 for four dates;
- Licensee payments collected for the months of October 2017 through December 2017 and October 2018 through December 2018; and
- Bank reconciliation for the month of May 2019.

We also reviewed CLIPS application security and obtained and reviewed login/logout reports for quarter ending June 30, 2019 and screenshots on user accounts that were deactivated.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal control are included in the detailed results. Our scope included the periods of October 2018 and May 2019. The last day of fieldwork was October 22, 2019.

Based on our review, we believe that Business License fully resolved the following four of the seven findings from the original audit. These included:

- Business License implemented procedures to regularly review adjustments and cashiers provide adequate documentation to support the reason for the edit/void adjustment.
- Procedures were implemented to reconcile CLIPS, the bank statement and the County's financial system (SAP) on a monthly basis. In addition, Business License works with the Comptroller's Office to ensure that corrections are made to the credit cards receivable account (formerly cash over/short account) to adjust the account to the proper balance.
- The increase in cash transactions from independent contract drivers adequately supports current Business License change banks.
- Business License created procedures for reviewing inactive accounts and all inactive accounts identified from the prior audit were deactivated.

The following finding was partially resolved by Business License:

- While procedures were implemented to ensure minimal cash is left in the safe over the weekend or holidays, large cash deposits continue to remain in the safe overnight during the week.

The following findings are not resolved:

- The location of collections is not conducive to the increased traffic and security of licensees paying fees in person. A merchant teller room was added in the Business License department, which offers privacy and some level of security once inside. The merchant teller room construction was already planned prior to our original audit. In addition, County contracted security increased their presence by roaming the floors and is available when called. However, the construction of the merchant teller room and the current level of security does not adequately safeguard the individuals transporting the cash deposits, the peripheral members of the general public, or Government Center employees present in the vicinity of the cash being transported.

Ms. Yolanda King, County Manager

July 29, 2020

Page 3 of 3

- Permission codes for user access were not clearly defined in order to adequately segregate duties and passwords were not configured to allow for special characters. However, Business License is currently exploring a replacement system for CLIPS that will address user security and the County's current IT policies.

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. Our department is independent per the GAGAS requirements for internal auditors.

We thank the Business License Revenue and Compliance team for their assistance and cooperation in conducting this review.

Sincerely,



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

Audit Director



Department of Business License

JACQUELINE R. HOLLOWAY
DIRECTOR

500 SOUTH GRAND CENTRAL PKY, 3RD FLOOR
BOX 551810
LAS VEGAS, NEVADA 89155-1810
(702) 455-4252
(800) 328-4813
FAX (702) 386-2168
<http://www.clarkcountynv.gov/businesslicense>

December 4, 2019

Ms. Angela M. Darragh
Audit Department, Director
500 S. Grand Central Parkway
Las Vegas, NV 89106

Dear Ms. Darragh:

This letter is in response to findings from the follow up audit report of the Business License Cash Controls Audit issued October 24, 2018.

The follow up report states that the finding was partially resolved by Business License:

- While procedures were implemented to ensure minimal cash is left in the safe over the weekend or holidays, large cash deposits continue to remain in the safe overnight during the week.

Management Response:

Business License recognizes the need to limit cash amounts held in the safe overnight. As stated in the follow up audit report, Business License has taken steps to substantially mitigate the risk associated with this finding. The follow up audit report continues the recommendation of making additional bank deposits to further minimize the retention of cash overnight. The ability to make additional bank deposits requires the coordination and utilization of additional cash courier services. Based on the recommendation, we further evaluated the impact of additional cash picks ups on reducing the amount of cash held overnight and our ability to efficiently and safely intake large cash payments during high volume periods. Our evaluation disclosed that in order to ensure that minimal cash be retained in the safe overnight during weekdays and still accommodate the need to schedule renewal payment appointments during core hours from Monday through Thursday, the pickup would need to occur after office hours to ensure that end of day payments will be included in the deposit pickup. Based on the 3 to 4 hour pickup window needed by the cash courier, business license and security staff would need to be available well beyond core hours to process the cash transfer. As a result, the after hour pickup would compromise our ability to ensure adequate staff is available during core business hours and result in a significant amount of overtime for Business License and security personnel, as well as, posing other potential security concerns.

To eliminate any risk of theft or misappropriation of cash in the department for deposits held overnight, Business License has implemented stringent cash control procedures with dual control access to the dual locked-vault that is situated inside a restricted cashier area with badge access only. Additional processes will continue to be implemented to improve efficiency and security measures.

The follow up report states that the following findings are not resolved:

- The location of collections is not conducive to the increased traffic and security of licensees paying fees in person. A merchant teller room was added in the Business License department, which offers privacy and some level of security once inside. The merchant teller room construction was already planned prior to our original audit. In addition, County contracted security increased their presence by roaming the floors and is available when called. However, the construction of the merchant teller room and the current level of security does not adequately safeguard the individuals transporting the cash deposits, the peripheral members of the general public, or Government Center employees present in the vicinity of the cash being transported.

Management response:

Business License defers to the original response for this finding noting that this warrants a broader discussion with the County Manager's Office as the department does not have the authority to address security for the premises of the Government Center.

Based on actual experience for over one (1) year, the Merchant Teller room (MTR) provides a high level of security both to the external customers remitting the cash and to the personnel handling the cash intake. The MTR was specifically planned and constructed for the purpose of receiving cash payments. The room is well constructed and kept out of the public eye to preserve its privacy. It is made of highly durable walling devoid of any windows to provide utmost confidentiality of the ongoing transactions. It is well equipped with camera surveillance and panic alarm systems that provide additional security to our tax payers and personnel inside the room. For added security, exterior doors automatically lock and can only be opened from inside the MTR using a button located at the cashier window or using an access badge by authorized personnel. Security presence in the department lobby area and outlining premises are heightened during the collection period to closely monitor activities. The marijuana tax payers fully appreciate the security and privacy offered by the Merchant Teller Room and the expertise and professionalism extended by our staff. To further bolster the safety of our customers and staff we also utilize an appointment system that allows individuals to be quickly moved from the reception area into the MTR. The goal is to provide excellent service in the least amount of time to our paying customers which the department has accomplished over the years of processing the payments.

- Permission codes for user access were not clearly defined in order to adequately segregate duties and passwords were not configured to allow for special characters. However, Business License is currently exploring a replacement system for CLIPS that will address user security and the County's current IT policies.

Management Response:

Based on discussions with MicroPact (CLIPS vendor) and the evaluation of resource needs/ availability, it would not be cost effective for the County to contract with MicroPact to (1) document field level programming for permissions, roles and modules and (2) reprogram system password security to accommodate and require the use of special characters. These projects would divert needed resources away from the ongoing maintenance of CLIPS, enhancement of customer facing online services, and other technology initiatives.

The Business License Department is currently in the process of modernizing CLIPS. As part of this project, we will ensure that the upgraded system: (1) includes field level security, (2) clearly defined permission codes, and (3) complies with the password security stipulated in the Clark County Information Technology Directive 1.

We would like to thank the Internal Audit team for their assistance.

Sincerely,


Jacqueline Holloway
Business License, Director

cc: Yolanda King, County Manager