

# Audit Committee

CLARK COUNTY, NEVADA

Michael Naft  
*Chair*  
William McCurdy II  
Ross Miller

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## CALL TO ORDER

The public meeting of the Clark County Audit Committee was called to order by Commissioner Naft on Wednesday, April 26, 2023, at 9:30am in the Pueblo Room, Clark County Government Center, 500 South Grand Central Parkway, 1st floor, Las Vegas, Nevada. This public meeting was properly noticed and posted.

### *COMMISSIONERS PRESENT:*

Michael Naft  
William McCurdy II  
Ross Miller

### *ALSO PRESENT:*

Angela Darragh, Audit Director  
Cynthia Birney, Manager, Audit/HIPAA  
Felix Luna, Principal Auditor  
Les Lee Shell, Deputy County Manager  
Randy Tarr, Deputy County Manager  
Abigail Frierson, Deputy County Manager  
Jessica Colvin, Deputy County Manager  
Anna Danchik, Comptroller  
Lisa Logsdon, County Counsel  
Jeff Share, Director, Budget & Finance  
Chris Wardlaw, Principal Financial Analyst  
Teri Bierer, Budget Manager  
Pamela Kowalski, Principal Financial Analyst  
Adriane Garcia, Purchasing Manager  
Shauna Bradley, Assistant Director, RPM  
Coleen Lyum, Construction Project Management Supervisor, RPM  
Joh Advent, Manager, Design and Construction, RPM  
Dan Rakers, Manager, Design and Construction, RPM

#### 1. **Approval of Minutes**

It was moved by Commissioner Naft and carried unanimously that the minutes of January 25, 2023, meeting be approved.

#### 2. **Approval of Agenda**

It was moved by Commissioner Naft and carried unanimously that the April 26, 2023, agenda be approved.

### 3. Receive and discuss CY 2023 Report – Purchasing and Contracts Division Fiscal Directive 6 Compliance

The objective of the audit was to determine whether purchasing and contract activities of Clark County departments complied with Fiscal Directive 6 for the period July 1, 2018, through June 30, 2021.

The following testing procedures were performed based on the risks identified:

- Verified the existence, storage and dissemination of policies and procedures governing purchasing and contracting activities.
- Verified that material group threshold reviews are performed annually and documented.
- Randomly selected 31 (out of 313) material group categories and reviewed related purchase order to determine whether formal solicitations were obtained for material groups that exceeded annual thresholds.
- Randomly selected 151 (out of 24,244) purchase orders and examined evidence that purchase orders/contracts contained the required documentation based on dollar value per Fiscal Directive 6, were approved by authorized personnel, and good/services received occurred after approval of purchase order.
- Used professional judgement and selected 216 (out of 55,895) purchases/contracts to confirm purchase requisitions and purchase orders were created and approved by authorized individuals and duties are segregated.
- Verified that vendor account reviews are performed and documented.
- Used professional judgement and selected 350 (out of 27,968) vendors paid non-purchase order. Examined non-purchase order payments for proper support, whether payment was associated with a purchase order. Where non-purchase order payments related to a purchase order, we determined whether the fiscal year the purchase occurred was properly noted in the summation of the purchase order and non-purchase order payments exceeded the value of the purchase.
- Examined 4,709 (out of 8,152) purchase orders from 323 materials groups to determine whether purchases/contracts having the same vendor and work were divided to avoid the formal bid process. Examined documentation to determine whether quotes were understated to avoid the formal quote process.
- Used professional judgement to select 71 (out of 224) contract changes for proper support, approval and whether vendors implemented change prior to purchasing/board approval.

County departments were not consistently following Fiscal Directive 6 and departments were not being held accountable for not following policies and procedures. Areas that need improvement to ensure consistency in the purchasing process and adherence to the directive include:

- 1) County management should increase oversight of non-purchase order Payments.
  - Department spent more than was available on the purchase order.
  - Vendors performed work without a purchase order.
  - Vendor had open purchase order that was not used.
  - Purchase did not comply with County's Exception List.
  - Prior fiscal year purchase not noted in SAP.
  - Purchases not properly supported.

- Duplicate Payment.

Audit recommendations include reviewing and updating Fiscal Directive 6 as necessary to support business needs and working with departments with violations to develop corrective action plans to ensure future compliance with County policy.

*County Management will work with District Attorney's office to develop process. Anticipated completion date September 2023.*

- 2) Procedures Governing Purchasing and Contracting Activities Needs Documenting.
  - Processing split payments.
  - Processing non-purchase order payments.
  - Monitoring non-purchase order payments for compliance with Fiscal Directive 6.
  - Approving contract ratifications and reporting them to the Board.
  - Approving contract amendments.
  - Vendors who do not accept purchase orders.
  - Identifying and reporting non-compliance with policies and procedures.
  - Addressing non-compliance with policies and procedures.

*The Finance department is in the process of implementing corrective action.*

- 3) Purchasing Policies and Procedures are Not Being Followed and/or Not Consistent.
  - After the fact purchase requisitions.
  - Quotes.

*The Finance department and Purchasing worked on training, developing a process for after the fact information and alternate procedures/update Directives in order to maintain oversight of County assets. Completed July 2023.*

- 4) Controls to Minimize Contract Changes Without Formal Approval Need Strengthening.
  - Ratifications – Six of 21 (29%) ratified contracts did not include reasons for ratifications.

*A new ratification process became effective March 29, 2023, and the "After the Fact" process and the "Authorization to Enter into Contracts and Resolutions on Behalf of Clark County" memo is on the Purchasing Intranet site. Completed March 2023.*

- 5) Real Property Management's Construction Change Directive Authorizes Work Prior to Board Approval.

*Real Property Management Design and Construction is implementing corrective action that includes:*

- *Disclosing to the Purchasing and Contract Division any current change orders with the Construction Change Directive.*
- *Working with the Purchasing and Contracts Division to establish and implement policies and procedures for change orders that align with fiscal policy. Distribute policies and procedures to appropriate staff, place them in an accessible location and implement process to monitor compliance.*

*Anticipated completion date September 2023.*

- 6) Limited Resources Prevent Continuous Full Vendor Account Review in SAP.

*The Comptroller's office is working with the Enterprise Resource Planning (ERP) department to develop an automated vendor review process and strengthen the IRS 1099 reporting process to ensure accuracy. Anticipated completion date August 2023.*

There were no comments from the general public.

There being no further business, the meeting was adjourned at 9:50 am.