

**INTERNAL
AUDITOR'S
REPORT**

Las Vegas Convention and Visitors Authority (LVCVA) Internal Audit Manager Jon Reese presented the Committee with a written report included in their back-up documentation, and an oral report at the meeting updating them on the following issues:

Expense
Report
Audit

Travel Expense Reports are completed for all out of town expenses, and Local Expense Reports are completed for those expenses incurred in Las Vegas. An audit was conducted of a sample of travel and local expense reports completed during FY 2005 and FY 2006 for proper completion, approval, adequate backup, and compliance with policy and procedure. The travel, entertainment, and expense reporting policies were also reviewed for adequacy, as well as an examination and evaluation of the adequacy of the system of internal controls.

The most significant issues were detailed receipts not maintained, incomplete expense reports, reports being submitted late to Finance, exceptions not approved by the supervisor and/or the Senior Vice President, and expense report/travel authorization not approved by the supervisors.

The audit comments were deemed division level with one comment being department level. The division level comments were directed to the Senior Vice President of Operations and the Senior Vice President of Marketing. The department level comment was directed to the Senior Director of Finance.

Audit is satisfied that the action plans presented by management will adequately resolve the noted issues.

Workforce
Review

The time reporting software used by the LVCVA was upgraded from Time and Attendance to Workforce system, and was implemented in October 2005. Internal Audit monitored the first two pay periods after the implementation and noted a large number of exceptions relating to supervisory completion of schedules and time sheets. The review consisted of timecards, schedules, and exception reports for full and part-time employees to determine compliance with established procedures for the pay period ending November 19, 2005.

Internal Auditor's Report (Continued)

Workforce
Review
(Continued)

Internal Audit determined that a full review should be performed for a pay period in order to monitor for compliance with proper time reporting procedures and notify management of any areas needing improvement.

The most significant issue noted was schedules not being completed properly. Other comments noted small over and under payments due to improper handling of lunch deductions, an immaterial underpayment due to a miscalculation of a partially worked holiday, and immaterial underpayment due to an incomplete supervisor override, and overtime not being correctly approved. All of the comments were deemed department level and were directed to the Financial Systems Manager.

All issues affecting employees' pay have been corrected. Audit is satisfied that the action plans presented by management will adequately resolve the noted issues.

Petty Cash
Audit

A surprise count of the Finance petty cash fund was conducted on October 21, 2005. The administration and disbursement of the fund was reviewed for compliance with the petty cash procedures. All funds were accounted for with no material exceptions noted.

Departmental level comments were directed to the Senior Director of Finance concerning the secondary custodian's safeguarding of the fund and fund transfer documentation. Audit is satisfied the management's action plans will adequately resolve the issues.

Payroll Data
Extraction
Reviews

All 2005 non-bargaining bonus payments were recalculated and traced to supporting documentation. Calculations were tested against the latest bonus calculation criteria established by management. Evaluation scores used in the bonus calculation were traced to completed evaluations.

All comments were deemed department level, and were directed to the Vice President of Human Resources and the Senior Director of Finance. Issues noted included several prorated bonuses that were calculated incorrectly and evaluation forms not signed by the Vice President of Human Resources.

All issues affecting employees pay were of an immaterial amount and have been corrected. Audit is satisfied that the action plans presented by management will adequately resolve the noted issues.

Internal Auditor's Report (Continued)

Workers'
Compensation
Audit

An audit of workers' compensation is in the final stages of completion. Results of the audit will be reported at the next meeting.

This is an information item. No action is required.

**SELECTION OF
INDEPENDENT
AUDIT FIRM**

NRS 354.624 specifies that the Board of Directors must designate an audit firm no later than three (3) months before the close of the fiscal year for which the audit is to be performed.

On March 9, 2004, based on the Audit Committee's recommendation, the Board of Directors designated the firm of *Kafoury, Armstrong & Co.* as the independent audit firm for a five-year period with annual reappointment.

The firm performed the annual audit for the fiscal years ending June 30, 2004 and 2005. Three years remain on the five-year contract.

The fee for the FY 2005 engagement was \$23,200. An engagement letter included in the back-up documentation provided for a fee of \$24,000 for FY 2006.

Ms. Tamara Miramontes, CPA, from *Kafoury, Armstrong & Company*, briefly discussed the minor communication problems that took place over the past few months and assured the Committee that the audit will go much smoother this year.

Committee Chair Keith Smith stated that he expected the draft audit, statements, and other documentation from *Kafoury, Armstrong & Company* be presented to the Committee in a timely manner for this coming year's audit.

Committee Member Larry Brown moved and it was carried by unanimous vote of the members present to recommend to the Board of Directors the reappointment of *Kafoury, Armstrong & Company* as the independent audit firm for the fiscal year 2006, at a gross fee not to exceed \$24,000.

COMMITTEE MEMBER YVONNE ATKINSON GATES ENTERED THE MEETING

**INVESTMENT
POLICIES AND
PROCEDURES**

The Audit Committee had requested and was provided with a copy of the "*Las Vegas Convention and Visitors Authority Investment Policies and Procedures*" for their information and review.

Committee Chair Keith Smith clarified that he was not suggesting that there was anything wrong, however, because of the size of the investments in the fund, he requested that Staff review the policy for possible updates where necessary based on current market conditions, and Internal Audit perform an audit to verify that the LVCVA is operating in conformance with the Policy.

This is an information item. No committee action was taken.

**SCHEDULING
OF THE NEXT
MEETING**

The next Audit Committee meeting is scheduled be held on July 11, 2006 following the Board of Directors' meeting, or at the call of the Chair.

Comment from Staff

President Rossi Ralenkotter stated that Staff will be addressing staffing additions and will come back before the Committee if warranted.

**DIRECTORS'
RECOGNITION**

Committee Member Larry Brown requested that included in the review of the investment policies a comparison to other State restrictions be done.

Member Yvonne Atkinson Gates noted that she would like to see that done as well.

**COMMENTS FROM
THE FLOOR BY
THE PUBLIC**

There were no comments from the floor by the public.

ADJOURNMENT

There being no further business to come before the Audit Committee, Chairman Keith Smith adjourned the meeting at 2:17 p.m.

Respectfully submitted,

Date Approved: July 11, 2006

(s)
Carol Fergen
Executive Assistant to the Board

(s)
Keith Smith
Audit Committee Chair