



CONVENTION AND VISITORS AUTHORITY

Audit Committee Meeting
July 11, 2006
Minutes

The Audit Committee of the Board of Directors of the Las Vegas Convention and Visitors Authority met on the 11th day of July 2006 at the Las Vegas Convention Center in the Board Room, at 3150 Paradise Road, Las Vegas, Nevada. This meeting had been properly noticed and posted in compliance with the "Nevada Open Meeting Law."

CALL TO ORDER Committee Chair Keith Smith called the meeting to order at 10:30 a.m. On roll call the following committee members were present constituting a quorum of the Committee thereof:

Committee Members Present: Keith Smith, Chair
Larry Brown
Tom Collins
Yvonne Atkinson Gates
Tom Jenkin

LVCVA Executive Staff in Attendance Rossi Ralenkotter, President/CEO
Terry Jicinsky, Senior Vice President of Marketing
E. James Gans, Senior Vice President of Operations
Luke Puschnig, Legal Counsel Entered the meeting after Roll Call

APPROVAL OF THE AGENDA and APPROVAL OF THE MINUTES - February 27, 2006

Committee Member Yvonne Atkinson Gates moved and it was carried by unanimous vote of the Committee members to approve the July 11, 2006 Agenda, and the minutes of the February 27, 2006 Audit Committee meeting as presented.

INTERNAL AUDITOR'S REPORT

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

Workers' Compensation Audit

Upon approval by the Board of Directors, the LVCVA became a self-insured entity for workers' compensation in July 2002, at which time Nevada Alternative Solutions (NAS) was contracted to be the third-party administrator responsible for handling all workers' compensation claims.

Workers'
Compensation
Audit
(Continued)

Internal Audit tested a sample of workers' compensation claims occurring from July 2002 through November 2005, reviewing claims for proper documentation and timeliness of completion in accordance with the Nevada Revised Statutes, the Nevada Administrative Code, and the LVCVA Worker's Compensation Handbook. Also, payment documentation and calculations were reviewed and traced to the general ledger. Due to the high error rate in the initial sampling of wage continuation payments, the scope was expanded to test all payments made from July 2002 to March 2006, which included an examination and evaluation of the adequacy of the system of internal controls.

Most comments were deemed department level, with one comment being division level. The most significant issues were:

- Payments for continuation pay incorrect
- Annual Claims Information Report totals not properly reported
- Human Resources average monthly wage calculations incorrect
- Permanent partial disability payment incorrect
- Payment for mileage reimbursement incorrect
- No reconciliation between NAS and the LVCVA monthly totals
- Total program expense not included in report to the Board

The division level comments were directed to the Senior Vice President of Operations. The department level comments were directed to the Vice President of Human Resources, the Accounting Operations Manager, and the Financial Systems Manager. The division level and department level responses were summarized in the report provided to the Committee in their back-up documentation.

Payroll Data
Extractions

Data extraction routines are run each payroll that identifies various changes or exceptions to employees' pay. These items are reviewed for appropriateness, and those outside of certain parameters are reviewed in more detail and traced to supporting documentation. Reviews for the period January through March 2006 noted a few issues that were presented to management.

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

Accounts
Payable Data
Extractions

Internal Audit created routines using data extraction software to assist in the continuous auditing of accounts payable invoices, vendor information, and accounts payable checks. Similar to payroll data extractions, report results will be reviewed for appropriateness of those outside of certain parameters will be reviewed in more detail and traced to supporting documentation.

Payroll Software
Upgrade

Due to an upgrade of payroll software, Internal Audit had to reconfigure the payroll data extraction routines for each pay period. During this process, routines were also adjusted to be more automated and allow for additional monitoring of certain transactions.

Accounts
Payable Audit

An audit of accounts payable is currently being completed.

There were no additional Internal Audit issues reported.

This is an information item. No Committee action was required.

**INTERNAL
AUDIT PLAN**

In accordance with the Audit Committee Charter, Staff is to present the Audit Plan to the Committee on an annual basis. Senior Manager of Internal Audit Jon Reese reported briefly that there have been no changes to the Audit Charter or to the methodology used in developing the Audit Plan.

Staff is in the process of hiring a third Auditor, and the Audit Plan has been adjusted accordingly to reflect an increase in the frequency of some audits.

The Committee discussed the pros and cons of possible annual reviews by outside auditors, and credit card and expense report audits.

The Committee requested additional information regarding how the frequency of various audits would be affected with the addition of a fourth Auditor. Also, information on the method used for the scheduling of the audits.

Following the discussion, Member Tom Jenkin moved and it was carried by unanimous vote of the Committee members to approve the Audit Plan for 30 days, and to schedule a follow-up meeting for August 8, 2006 to bring the Audit Plan back for review by the Committee with the additional information pertaining to the potential effects a fourth Auditor would have on the frequency of various audits on the 4-year Audit Plan.

LEGAL COUNSEL LUKE PUSCHNIG ENTERED THE MEETING.

**ENGAGEMENT OF
KAFOURY,
ARMSTRONG &
COMPANY TO
EVALUATE NEVADA
ALTERNATIVE
SOLUTIONS
INTERNAL
CONTROLS**

The LVCVA retained the services of *Kafoury, Armstrong & Company* to determine the strength of internal controls in place over blank check stock held by *Nevada Alternative Solutions*.

(*Nevada Alternative Solutions* is the LVCVA's workers' compensation third-party administrator.)

Vice President of Finance Brenda Siddall updated the Committee on the current process in which blank check stock is transported from the LVCVA to *Nevada Alternative Solutions* and then returned to the LVCVA for signatures.

This is an information item. No Committee action was required.

**INVESTMENT
POLICIES AND
PROCEDURES**

At the February 27, 2006 meeting, the Audit Committee requested Staff review the LVCVA investment policy for possible updates where necessary based on current market conditions.

Staff analyzed the provisions of the investment policy compared to the objectives and compared the investment policy to that used by other government entities. Back-up documentation had been provided to the Committee on the Analysis of the Investment Policy, Comparison of Governmental Investment Policies, and the LVCVA Investment Policy.

There was a brief discussion on the Bloomberg T-Bill percentage rate, and discussion on the Authorized and Prohibitive Investments relative to the frequency of internal audits in this area.

This is an information item. No Committee action was required.

**REQUEST FOR
PROPOSAL**
- Construction
Auditors

At the direction of the Board, the LVCVA drafted a Request For Proposal (RFP) for an audit of the Master Plan Enhancement Program. The tentative schedule calls for the RFP to be issued on July 21, 2006, with the contract award set for October 10, 2006. There are two main components of this audit: 1) The Program Management audit, which will primarily focus on determining where the LVCVA has risk for cost or schedule overruns, and suggesting solutions to mitigate that risk; and, 2) The Financial control audit involving periodic reviews of the accounting records, construction payments and Change Order administration.

Staff had provided the Committee a preliminary draft of the RFP in their back-up documentation.

REQUEST FOR PROPOSAL
- Construction
Auditors
(Continued)

The Committee was satisfied with the RFP, but expressed some concern as to whether one firm could handle both components of the audit. Ms. Siddall explained that the RFP will be divided into different components and priced accordingly.

Following the discussion, Member Yvonne Atkinson Gates moved and it was carried by unanimous vote of the Committee members to direct Staff to proceed with the Request for Proposal process to obtain construction audit services for the Master Plan Enhancement Program.

SCHEDULING
OF THE NEXT
MEETING

The Committee scheduled a meeting for August 8, 2006 to follow-up on specific information requested by the Committee concerning the Audit Plan.

DIRECTORS'
RECOGNITION

There were no comments from the Committee members.

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 11:08 a.m.

Respectfully submitted,

Date Approved: November 14, 2006

(s)

Carol Fergen
Executive Assistant to the Board of
Directors

(s)

Keith Smith
Audit Committee Chair