



CONVENTION AND VISITORS AUTHORITY

Audit Committee Meeting
October 27, 2005
Minutes

The Audit Committee of the Board of Directors of the Las Vegas Convention and Visitors Authority met on the 27th day of October 2005 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 2:12 p.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
Yvonne Atkinson Gates

Committee Members Absent: Tom Collins
Tom Jenkin

LVCVA Staff in Attendance Rossi Ralenkotter, President/CEO
Terry Jicinsky, Senior Vice President - Marketing
E. James Gans, Senior Vice President - Operations
Luke Puschnig, Legal Counsel
Jon Reese, Internal Audit Manager
Brenda Siddall, Director of Finance

Others in Attendance Mr. Allen Kaercher, President of Kaercher Insurance

APPROVAL OF THE OCTOBER 27, 2005 AGENDA AND THE MINUTES OF JULY 12, 2005 President/CEO Rossi Ralenkotter informed the Board that Item 2 (*Resolution to Augment the Las Vegas Convention and Visitors Authority Fiscal Year 2006 Budget*) and Item 3 (*Comprehensive Annual Financial Report – Fiscal Year Ended June 30, 2005*) will be presented in reverse order.

Committee Member Larry Brown moved and it was carried by unanimous vote of the Committee members present to approve the October 27, 2005 agenda with items 2 and 3 to be presented in reverse order, and to approve the minutes of the July 12, 2005 Audit Committee meeting as presented.

**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:

Smart City
Networks Audit

The LVCVA contracted with Smart City Networks to provide telecommunications services to conventions/tradeshows and other tenants of the Las Vegas Convention Center and Cashman Center. The current commission structure calls for the LVCVA to be paid a commission of 36% of all gross revenues.

Audit tested a sample of 34 shows from July 2003 through April 2005. Detailed testing of show management and exhibitor order forms and invoices was performed and ultimately traced to the Show Invoice Register used to report commissioned sales. Payment documentation for commission payments was reviewed for accuracy, completeness, and compliance with contract terms. The audit included an examination and evaluation of the adequacy of the system of internal controls.

All comments were deemed division level due to the involvement of a third-party contract and were directed to the Senior Vice President of Operations. The most significant issues were:

- Payphone Commission Payments are Inconsistent
- Incomplete Order Documentation
- No Written Approval by LVCVA for Third Party Services
- Control Weakness for Calling Card Revenue Collection.

All of these issues were discussed with Management and Smart City and are being addressed.

Payroll Data
Extraction
Reviews

Data extraction routines are run on 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.

Audit's review of the period June through September 2005 noted various issues, and 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 those issues.

INTERNAL AUDITOR'S REPORT – (Continued)

Parking Cash Count A count of the parking imprest funds assigned to the part-time Traffic Revenue Supervisors was performed at the request of the Traffic Operations supervisor. Ten funds were counted with the assistance of a Security Officer. All funds were accounted for with no material exceptions noted.

Expense Report Audit An audit of expense reports is in the final stages of completion. Results of the audit will be reported at the next meeting once management has responded to the noted issues.

Other Activities and Follow-Up Items Internal Audit and LVCVA staff met with an electrical contractor to discuss the previously noted reporting deficiencies. The contractor is preparing a corrected commission calculation for a show for Audit to review. Remaining shows will then be corrected and proper payment made of the commission underpayment.

Management is addressing the tool inventory control issues by performing a tool inventory for each shop and employee in Facilities. In addition, the cost benefit of maintaining a centrally controlled tool crib will be explored during the upcoming budget process.

This concluded the Internal Audit Manager's verbal report.

The Committee briefly discussed the issues for minor clarifications, and Committee Chair Keith Smith had a question on the Workers' Compensation Audit from a previous meeting that had been put on hold. Mr. Reese informed the Committee that the Workers' Compensation audit is again underway.

There was no action required by the Committee on this item. The Committee will present a brief overview of the Internal Auditor's Report to the full Board at the November 8, 2005 meeting.

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
Fiscal Year Ended
June 30, 2005

NRS 354.624 requires each local government to provide for an annual independent audit of all of its funds and account groups. The report of the audit must be submitted to the governing body within five months after the close of the fiscal year, unless an application for extension of time is made to the Department of Taxation.

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT

Fiscal Year Ended
June 30, 2005
(Continued)

GAAP for governments are established by Governmental Account Standards Board.

Financial Reporting standards are established by Government Finance Officers Association.

LVCVA has received the *Certificate of Achievement for Excellence in Financial Report*, presented by the Government Finance Officers Association for achieving the highest standards in governmental accounting and financial reporting for the past 21 consecutive years.

Brenda Siddall, Director of Finance, stated that no one from the auditing firm of Kafoury, Armstrong & Company was in attendance at this meeting to present the outside auditors' comments. Chair Keith Smith reminded the Committee that the Comprehensive Annual Financial Report is being presented without the Auditor's comments, and is not final until the Auditors' comments are received.

Ms Siddall presented an overview of the Comprehensive Annual Financial Report-Fiscal Year Ended June 30, 2005. She gave a general review of the Basic Financial Statements, Statement of Net Assets, Government-Wide Financial Statements (Statement of Activities), Restatement of Net Assets, Funds Financial Statements, General Fund (Balance Sheet, and Revenues & Expenditures), and Comparison to Budget (Fund Balance).

During the discussion, Chair Keith Smith inquired as to whether the LVCVA has a formal investment policy that dictates or guides how funds are invested. Ms Siddall said there is, and that the policy will be brought back to the Committee for their review at a future meeting.

Following the discussion, **Member Yvonne Atkinson Gates moved to approve the Comprehensive Annual Financial Report – Fiscal Year Ended June 30, 2005 subject to: A) Receiving final Statements, and; B) Receiving the Auditors' Opinion of those Statements.**

This item will be presented to the full Board for final approval at the November 8, 2005 meeting.

RESOLUTION
TO AUGMENT
THE LVCVA FISCAL
YEAR 2006 BUDGET
(Resolution 2005-18)

NRS 354.958005 identifies the procedures and requirements for augmenting or amending a local government's budget. The budget for the Las Vegas Convention and Visitors Authority is commonly augmented in the Fall for resources that become available. Resources available for augmentation include an opening fund balance that is larger than budgeted or revenues that are larger than budgeted. The opening fund balance in the General Fund exceeded that budgeted by \$18,672,053. The opening fund balance in the Capital Fund exceeded that budgeted by \$40,509,692.

The LVCVA Director of Finance Brenda Siddall presented a PowerPoint summary of the General Fund Augmentation, highlighting; Advertising, Special Events, Capital Reserve, and Marketing, and Capital Fund Augmentation, highlighting; Projects in Progress, New Projects, Year-End Balance of Reserve, and New Funding – Capital Reserve.

Member Larry Brown stated that he wants to disclose that, on the augmentation of community support for Big League Weekend, he works with the local baseball team, and that he will be voting on the Budget Augmentation.

Member Yvonne Atkinson Gates moved and it was carried by unanimous vote of the committee members present to recommend to the full Board at the November 8, 2005 the adoption of Resolution 2005-18 to augment the Las Vegas Convention and Visitors Authority FY 2006 Budget as follows: 1) Increase FY 2006 General Fund budget appropriations by \$17,565,898; 2) Increase FY 2006 Capital Projects Funds budgeted revenues by \$10,954,400, and; 3) Increase FY 2006 Capital Projects Funds budget appropriations by \$51,068,250.

PUBLIC OFFICIALS'
LIABILITY
INSURANCE POLICY

At the July 12, 2005 Board of Directors meeting, the Board approved an expenditure of \$98,916 to acquire Public Officials' Liability insurance coverage from August 1, 2005 through July 31, 2006. The policy, which includes Employment Practices Liability coverage, was presented to the Committee for their review.

Mr. Allen Kaercher, President of Kaercher Insurance, presented a verbal report on the current Public Officials' Liability Insurance Policy for the LVCVA.

Committee Chair Keith Smith requested Staff research what the levels are for other organizations of similar size to the LVCVA to determine whether \$5 million is sufficient coverage, and then bring this item back to the Committee at a future meeting.

There was no action taken on this item.

DIRECTORS'
RECOGNITION

There were no comments from the Committee members.

SCHEDULING
OF THE NEXT
MEETING

The next Audit Committee meeting is scheduled be held on February 14, 2006, or at the call of the Chair.

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 2:42 p.m.

Respectfully submitted,

Date Approved: February 27, 2006

(s)
Carol Fergen
Executive Assistant to the Board

(s)
Keith Smith
Audit Committee Chair