

18-04 Special Events Audit Follow-up

Status of Management Responses

As of September 2019

Original Report Issuance - February 2019

Follow-up result: *Two items require follow-up in 6 months, #13 & 15.*



City Auditor's Office
 Emily E. Kidd, CIA, CGAP
 Internal Auditor

Finding (condensed)	Recommendations	Management Response	Follow-up Status
Financial Management			
1 Financial Management Improvements			
Of the five permitted events sampled for testing, three included non-standard financial documentation and/or errors in calculations	We recommend a "one-sheet" be created for each event itemizing all sources of revenue, expense, adjustments, and sponsorships associated with the event and all supporting financial documentation be maintained for each event.	A one-sheet reconciliation form was created by Finance to be used by Special Events. The reconciliation form shows amounts to billed by Special Events based on information provided by Public Works, Police, Fire and any other departments included in a Special Event. These estimates are to be completed by departments based on their estimates of time and resources used. After an event is complete, reports will be generated out of New World showing personnel time spent on a specific event. Departments will send information to Special Events staff for additional supplies used during the event to be billed. The reconciliation form will be used to list the estimated costs vs. the actual costs of an event. Any overages or shortfalls will be billed/refunded according to the Special Events policies and procedures. The "one-sheet" reconciliation form has been implemented as of October 2018. No further action is needed with the implementation of the "one-sheet" reconciliation form.	Finance Department The one-sheet reconciliation form has been put into place as of October 2018 and is working as intended.
	In addition, we recommend Finance staff train and periodically update Arts, Culture and Special Events (ACE) staff completing the one-sheet on appropriate financial documentation and supporting document maintenance.	Arts, Culture, and Special Events (ACE) staff have been trained on how to use the "one-sheet" reconciliation form. Additional training will be available upon request. It is the responsibility of the department to obtain additional training to perform essential job functions. Training was given to Arts, Culture, and Special Events in July 2018. No further action is needed with training of ACE staff. Finance staff is available for clarification and additional training when requested by ACE.	Finance Department No additional training has been requested but is always available if needed.
2 Events Not Closed-Out in a Timely Manner			
Of the five permitted events sampled for testing, four were closed-out in the financial system more than seven months after the last date of the event.	We recommend events be closed-out in the financial system shortly after final amounts of City services expended on the event are available.	Events to be closed-out in the financial system within 45 days after final amounts of City services expended on the event are available. A policy/procedure will be memorialized and followed - completion date by March 2019. The ACE Office has already been working with the Finance Department to resolve this issue and event reconciling is now on track for FY18/19. This has been corrected by the Finance Department sending the ACE Office a monthly reconciliation spreadsheet. The ACE Office is currently caught up with events occurring July-October 2018 as of December 17, 2018. The new procedure of the Finance Office sending the ACE Office the reconciliation spreadsheet when overtime is posted to New World has made the ACE Office's processing of final reconciling more organized and streamlined ensuring that the close out is done within 45 days after a special event occurs. Please see the attached draft policy on special events cost recovery for additional information.	Arts, Culture, & Special Events Division The ACE Office is caught up with events occurring July-August, 2019 as of October 4, 2019.
3 Invoice Did Not Agree with Supporting Documentation			
Of the five permitted events sampled for testing, one invoice generated for the event's deposit did not agree with supporting documentation for city service cost estimates.	We recommend greater care be taken when calculating invoice totals for event organizers.	Greater care will be taken when calculating invoice totals for event organizers and an additional review by City Manager's Office staff will be added to processing procedures per audit suggestion. A policy/procedure will be memorialized and followed - completion date by February 2019. Although compliance of request to bill errors cannot be ensured, the new reconciliation of special events process with the Finance Department ensures that the City is reimbursed for the total of event services. The final bill is reviewed by the Finance Department as a part of the reconciliation spreadsheet so a final bill will take care of any clerical errors by the ACE Office.	Arts, Culture, & Special Events Division Per the police adopted the ACE Office has been working with City Manager's Office staff to confirm invoice totals. These are being confirmed in writing in Wrike prior to the Finance Office creating the initial invoice.

Finding (condensed)	Recommendations	Management Response	Follow-up Status
<p>4 Invoice Adjustment Not Supported by Documentation</p> <p>Of the five permitted events sampled for testing, one event's final invoice indicates the amount of the deposit had been paid and the final invoice was reduced by that amount.</p>	<p>We recommend any invoice adjustments be supported by appropriate documentation. Maintaining a one-sheet and timely reconciliations of events (see exceptions #1 and #2) should identify substantiated changes to invoice amounts and allow for adjustments prior to the final invoice issuance.</p>	<p>Any invoice adjustments will be supported by appropriate documentation. February 2019. A policy/procedure will be memorialized and followed. - to be completed by February 2019. The new coordination with the Finance Department when processing event reconciliations will ensure that this will not happen again because the Finance Department has put together a list of required documents when submitting for event reconciliation of a final request to bill, disbursement, or reclass. The ACE Office will require that all departments submit the required final backup forms before a reconciliation can be submitted to the Finance Department for final request to bill, disbursement, or reclass of a special event. Please see the attached draft policy on the special events cost recovery for additional information.</p>	<p>Arts, Culture, & Special Events Division The new procedure of the Finance Office sending the ACE Office the reconciliation spreadsheet when overtime is posted to New World has made the ACE Office's processing of final reconciling more organized and streamlined ensuring that there is better accounting of estimate and actual costs for correct final invoicing.</p>
<p>5 Interdepartmental Fund Reimbursement Not Conducted</p> <p>Of the five permitted events sampled for testing, one included City service costs that were not reimbursed to the department that expended the cost.</p>	<p>We recommend a process be implemented to ensure departments expending City service costs due to involvement with special events be reimbursed. (The use of a one-sheet recommended in exception #1 should assist with this process.)</p>	<p>A process will be implemented to ensure departments expending City service costs due to involvement with special events be reimbursed. A policy/procedure will be memorialized and followed - completion date by February 2019. A process has been implemented to ensure departments expending City service costs due to involvement with special events be reimbursed. The coordination with the Finance Department on the new monthly event reconciling will ensure that City service costs will be reimbursed to departments due to the one-sheet reconciliation form required to be submitted 45 days after the event is submitted. This sheet has all of the City staffing and equipment costs listed from the event estimate to the final event costs. Due to the monthly event reconciliation and the Finance Department's oversight, event staffing cannot be lost in the shuffle. The new procedure of the Finance Office sending the ACE Office the reconciliation spreadsheet when overtime is posted to New World has made the ACE Office's processing of final reconciling more organized and streamlined ensuring that the City service costs are reimbursed to the department that expended the costs.</p>	<p>Arts, Culture, & Special Events Division The new procedure of the Finance Office sending the ACE Office the reconciliation spreadsheet when overtime is posted to New World has made the ACE Office's processing of final reconciling more organized and streamlined ensuring that the City service costs are reimbursed to the department that expended the costs.</p>
<p>6 Staff Time Reporting in Error</p> <p>Of the five permitted events sampled for testing, one included staff-time reporting errors. Staff hours were not booked to the correct event code in the timekeeping system by Reno Police Department (RPD) staff for the event.</p>	<p>We recommend greater care be taken when coding time to special events to better track and bill the organizer for staff time required for permitted events.</p>	<p>A multi pronged approach has been developed to address the issue.</p> <ul style="list-style-type: none"> - All officers, Community Service Officers (CSO), and supervisors working these events will have access to a handout of how to properly fill out their time card. - Information will be added to the action plan for supervisors to monitor their team's time card entry, as well as, the proper entry(s) for the event. - Information will be added to the supervisors briefing on the correct procedure and importance of accurate accounting. - PD Payroll department has streamlined the time card entry process for these events to eliminate redundant steps. - PD Payroll will also watch for errors upon final time card approval, - Information will be archived in the Reno Police Departments Internal Special Event Staffing Guide for future supervisors. <p>The measures are currently in place; starting with the 2018 Santa Crawl held on December 15, 2018. Check and balance procedures have been put in place, along with adding it to the Reno Police Departments Internal Special Event Staffing Guide for future supervisors to review.</p>	<p>Reno Police Department As of December 15, 2018 a process was in place to ensure the proper event code was used. This process was used for the Santa Crawl 2018 with no errors noted. Currently we are in the process of building a customized staffing solution with our currently scheduling software. This solution would have the event code assigned to the event itself and not rely on the officers to find and fill in the correct project code. The programming and rules of this process is underway and should be completed by the end of the year.</p>
<p>7 Lack of Segregation of Duties</p> <p>A single employee has the ability to plan, approve, calculate the billing amount, make billing adjustments, and receive payments for City services for special events. In addition, a supervisory review of billing is not conducted.</p>	<p>We recommend executive management determine a process that includes appropriate segregation of duties for the financial elements of special events to include a supervisory review of billing totals.</p>	<p>We will determine a process that includes appropriate segregation of duties for the financial elements of special events to include a supervisory review of billing totals. Process will be memorialized and followed - completion date by April 2019.</p>	<p>City Manager's Office As of 04/01/19, a process is in place that includes appropriate segregation of duties for the financial elements of special events to include a supervisory review of billing totals. CMO confirms figures from ACE before submission to Finance.</p>

Finding (condensed)	Recommendations	Management Response	Follow-up Status
Process Improvements			
8 Personnel Cost Not Transferred to the Department			
Of the five permitted events sampled for testing, three included personnel time expended on special events that were not reimbursed to the department.	We recommend revenues collected that correspond to departmental staff-time expended on special events be reimbursed to the department that expended city service costs.	The previous direction given to staff was to only bill departments for the overtime incurred to complete a Special Event. This direction/policy was changed, but the change was not disseminated to the Finance Staff responsible for transferring reimbursements. The error was also not material given that supplies used for Special Events were reimbursed on a regular basis; which exceeded the costs of staff. Finance Staff has been directed to transfer all time and expenses related to Special Events (in accordance with Special Events Policies and Procedures) going forward. Staff was given the direction to change billing methods in July 2018. Arts, Culture, and Special Events staff will run a project code report to close out all events. Amounts billed and reimbursements between funds should tie to the "one-sheet" reconciliation prior to closing the event.	Finance Department Full cost recovery for Special Events is now in place and billings include all staff time and supplies.
9 Street Funds Used for Unallowable Expenses			
During the audit scope, the <i>Street Fund</i> special revenue fund was used for services that were restricted for the fund type and the fund was not reimbursed.	We recommend the Street Fund be used for expenditures in compliance with state law and the City's fund policy.	The previous direction given to staff was to only bill departments for the overtime incurred to complete a Special Event. This direction/policy was changed, but the change was not disseminated to the Finance Staff responsible for transferring reimbursements. The error was also not material given that supplies used for Special Events were reimbursed on a regular basis; which exceeded the costs of staff. Finance Staff has been directed to transfer all time and expenses related to Special Events (in accordance with Special Events Policies and Procedures) going forward. Staff was given the direction to change billing methods in July 2018. Arts, Culture, and Special Events staff will run a project code report to close out all events. Amounts billed and reimbursements between funds should tie to the "one-sheet" reconciliation prior to closing the event.	Finance Department Street fund is reimbursed for any expenses incurred resulting from Special Events. This was corrected with the new reconciliation process.
10 Replacement Funding for Safety Equipment Not Identified			
A funding mechanism for maintenance and replacement of City bollards has not been identified nor has organizational governance of the maintenance function been determined.	We recommend a funding mechanism for bollard maintenance and replacement be identified for City bollards.	We will discuss a funding mechanism for bollard maintenance and replacement be identified for City bollards. Completion date is estimated at March 2019, however completion is determined by budget for FY20 and may be deferred. Determination will be memorialized and followed.	City Manager's Office As of 03/27/19, a funding mechanism for bollard maintenance and replacement has been identified for City bollards. Public Works has started charging for bollard use to use towards maintenance and replacement in the future.
	In addition, we recommend the governance of the maintenance function be determined and communicated to applicable staff.	We will determine the governance of the maintenance function and communicated to applicable staff. Determination will be memorialized and followed - completion date by April 2019.	City Manager's Office The governance of the maintenance function has been determined and communicated to applicable staff. Public Works in owner of maintenance of bollards at this time.
Cost Recovery			
11 Actual Costs to the City are Not Recovered in Full: Personnel Benefits			
The special events billing process does not include personnel benefits expended as a result of overtime staffing for the event.	We recommend executive management determine if overtime personnel benefits expended as a result of staffing permitted special events should be billed back to the event organizer.	We will determine if overtime personnel benefits expended as a result of staffing permitted special events should be billed back to the event promoter. Determination will be memorialized and followed - completion date by March 2019.	City Manager's Office Executive management determined overtime personnel benefits expended as a result of staffing permitted special events should not be billed back to the event organizer.
12 Actual Costs to the City are Not Recovered in Full: Staff Planning			
The special events billing process does not include staff planning time expended as required for permitted special event	We recommend executive management determine if City expenses related to planning permitting special events should be billed back to the event organizer.	We will determine if City expenses related to planning permitting special events should be billed back to the event promoter. Determination will be memorialized and followed - completion date by March 2019.	City Manager's Office Executive management determined City expenses related to planning permitting special events should be billed back to the event organizer. The fee schedule was updated as of 07/01/19.

Finding (condensed)	Recommendations	Management Response	Follow-up Status
13 Cost Recovery of Bar Crawls			
City services expended on non-permitted events do not have a cost recovery methodology.	We recommend executive management determine if: a cost recovery methodology for bar crawl activities are available through the current RMC, additional rules and regulations governing bar crawl activities should be added to RMC, and/or an alternative method for bar crawl cost recovery is appropriate.	We will determine if a cost recovery methodology for bar crawl activities are available through the current RMC, additional rules and regulations governing bar crawl activities should be added to RMC, and/or an alternative method for bar crawl cost recovery is appropriate. Decisions will be made regarding: 1) How we may recover more direct costs; 2) How direct costs may be reduced by implementing additional policies; and 3) The benefits of the indirect revenues to the City outweighing the direct cost recovery. Determination will be memorialized and followed - completion date by May 2019.	City Manager's Office This item is ongoing. Additional follow up requested in 6 months. Audit Comment to Follow-up: Additional follow-up will be conducted by audit.
Policies and Procedures			
14 Reno Municipal Code is Not Reflective of Council Directive			
The Room Tax Special Revenue Fund Policy was updated, submitted to, and approved by City Council at the November 20, 2013 City Council meeting. The update included recommended adjustments to staff responsibilities and the types of expenditures allowable from the fund. However, the associated section of the Reno Municipal Code does not reflect the changes made to the fund policy. Thus, RMC is not representative of previous Council directives. Per a review of the tracking software, an ordinance to change that section of RMC was not processed.	We recommend the fund policies be reviewed and updated to reflect the appropriate policy, the fund be approved by Council as needed, and RMC be updated in agreement with the fund policy.	The difference between the Room Tax Special Revenue Fund Policy and the Reno Municipal Code is very limited and did not amount to unallowed expenses being processed or prevent allowed expenses from being processed. The Room Tax Special Revenue Fund Policy will be amended to indicate day-care and affordable housing also permitted expenses in accordance with the Reno Municipal Code. The change to the Room Tax Special Revenue Fund Policy will be made at a future City Council meeting. Additional monitoring will not be necessary once changes to the policy are adopted.	Finance Department The Room Tax Special Revenue Fund Policy will be amended when it is presented to City Council at the October 2, 2019 City Council Meeting.
15 Interlocal Agreement Not Maintained			
Reno Municipal Code Article III – Room Taxes, Sec. 2.10.260(a) states, in part, “The [Reno-Sparks Convention and Visitors Authority] shall collect and pay over to the city on a timely basis, such proceeds as established by an interlocal agreement.” The interlocal agreement was not available for review as it was not maintained by the City. Compliance with the agreement is indeterminable without access to a current version of the agreement.	We recommend the interlocal agreement described in RMC be obtained and maintained in accordance with the record retention schedule.	The interlocal agreement referenced in RMC Article III does not exist with the City of Reno or with the Reno Sparks Convention and Visitors Authority (RSCVA). Both entities searched for the agreement and no documents were found leading staff to believe the interlocal agreement may not have existed. The City Clerk’s Office, City Attorney’s Office, City Finance and RSCVA were asked for a copy of the agreement and no copy was located. The absence of a contract will not change the way business is conducted. RMC Article III may have to be amended to exclude the reference to the interlocal agreement. Contracts will continue to be forwarded to the City Clerk’s Office to be retained according to the document retention policy.	City Manager's Office Staff has reached out to RSCVA and will begin the process of crafting a new interlocal agreement to reflect current practices. Once in place, new interlocal will be maintained in accordance with the record retention schedule. Audit Comment to Follow-up: Additional follow-up will be conducted by audit.
16 Lack of Documented Policies - ACE Division			
A documented policy detailing internal controls and procedures for special events management and administration does not exist.	We recommend procedures be developed, documented, and communicated to applicable staff and include deadlines for financial processing after the conclusion of events.	Procedures will be developed, documented, and communicated to applicable staff. The procedures will include deadlines for financial processing after the conclusion of events. A policy/procedure will be memorialized and followed - completion date by February 2019. Procedures have been developed, documented, and communicated to applicable staff and include deadlines for financial processing after the conclusion of events. The Finance Department and ACE Office have agreed to a policy for special events cost recovery. Please see attached draft policy on special events cost recovery for more information.	Arts, Culture, & Special Events Division The ACE Office has created and is currently following the policy required by this recommendation.

Finding (condensed)	Recommendations	Management Response	Follow-up Status
17 Lack of Documented Policies - Police Department			
<p>A documented policy detailing internal controls and procedures for RPD's planning, staffing, and after-action reporting for special events does not exist.</p>	<p>We recommend procedures be developed, documented, and communicated to applicable staff.</p>	<p>An internal document for the Police Department was created, Reno Police Departments Internal Special Events Staffing Guide, to outline the special event process in reference to the Reno Police Department. The document will be a living document that can be changed as the event process changes. It contains both internal practices and will reference external documents, such as, Reno Municipal Code 5.13 – Special Events and Special Activities, and the City of Reno's Special Events and Activity Planning Guide.</p> <p>A "draft" version is currently in place (as of January 3, 2019) and will be reviewed and revised over the next special event season to ensure it captures the Reno Police Departments event process. Although, as mention earlier, the intent of this document is to be continually updated as the event process changes, improves and new challenges are met. This document should also be archived as significant changes are made to serve as a historical perspective on past practices.</p>	<p>Reno Police Department The document has been in place since January of 2019. The document is designed to be a living document with continual updates as practices change. Over the 2019 event season we have made several new headings to address the process and have made minor modifications to some of the pre-existing headings.</p>