

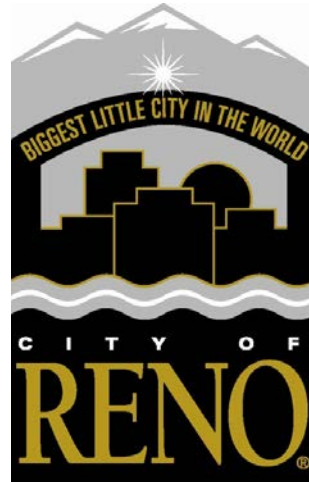
City of Reno

A Report to the Reno City Council

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AUDIT REPORT

SPECIAL EVENTS AUDIT

FEBRUARY 2019

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MISSION STATEMENT

To provide the City of Reno with an independent appraisal function designed to assist the Reno City Council, citizens, and City management in establishing accountability, transparency, and a culture of continuous improvement in City operations.

THE INSTITUTE OF INTERNAL AUDITORS' STANDARDS COMPLIANCE

The audit was conducted in accordance with standards of the Institute of Internal Auditors (IIA); sans Standards 1310-1 through 1321. Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Highlights



Purpose of Audit

To determine if special events permits and expenditures were completed in accordance with established policies and best business practices. To determine if the metrics used for City service cost reporting are accurate and efficient. Also, to provide an analysis of activities that are related to special event staffing.

Audit Recommendations

Recommendations include:

- ❖ Financial management improvements including the use of a summary sheet, more timely event reconciliations, and support for staff completing billing documents.
- ❖ Process improvements including reimbursements to departments expending resources on special events and the identification of maintenance funding for safety equipment.
- ❖ Cost recovery policy determinations regarding restitution of personnel benefits and/or staff planning.
- ❖ Cost recovery policy determinations regarding City services expended on bar crawls.
- ❖ The creation and documentation of policies and procedures for special events processes.

Detailed recommendations are included in the body of the report for each of the 17 audit findings. Management agrees with the recommendations and departmental actions are being taken.

For more information on this or other City of Reno internal audit reports, contact Emily E. Kidd at kidde@reno.gov.

SPECIAL EVENTS AUDIT

KEY FINDINGS

- ❖ Testing of five permitted events resulted in ten unique exception-types regarding financial management and process improvements.
- ❖ Three of the five permitted events sampled for testing included non-standard financial documentation and four were closed-out more than seven months after the last date of the event.
- ❖ Cost recovery for City services tied to personnel benefits and staff planning may be available.
- ❖ City services expended during planned bar crawls were analyzed on a sample basis with data provided to assist in policy determinations regarding possible cost recovery methodologies.

BACKGROUND

The Reno Municipal Code Section 5.13 *Special Events and Special Activities* offers, "It is recognized that these special events and special activities enhance the lifestyle of northern Nevada residents and visitors and provide benefits to the citizens through the creation of unique venues for expression and entertainment that are not normally provided as a part of governmental services."

Special Events at the City of Reno receives oversight from three separate committees: the Special Events Committee, Special Events Sponsorship Committee, and the Special Events Subcommittee of the Reno City Council.

Special Events sponsorships and administration functions are funded by the General Fund and may be funded through the small portion of Room Tax funds earmarked for Room Tax-Tourism, with the primary purpose of the improvement or betterment of the City as a final destination for visitors and tourism.

BACKGROUND

Special Events at the City of Reno

The *City of Reno Annual Operating Budget Fiscal Year 2018* indicates the Arts, Culture & Special Events (ACE) division:

[Is] responsible for showcasing Reno; contributing to the vitality of the downtown, enhancing the quality of life of residents and visitors to the Truckee Meadows via special event permitting, sponsorship and oversight.

Standards and operating procedures for the division are documented in Reno Municipal Code Section 5.13 which offers:

It is recognized that these special events and special activities enhance the lifestyle of northern Nevada residents and visitors and provide benefits to the citizens through the creation of unique venues for expression and entertainment that are not normally provided as a part of governmental services.

The Arts, Culture & Special Events division is housed within the City Manager's Office.

The Reno Police Department (RPD) provides police staffing at many special events including parades, protests, athletic events, concerts, community festivals, and dignitary visits. The Public Works Department is also involved with special events with street closures, traffic management, and street clean-up efforts. In addition, the Fire Department provides fire safety activities at several special events each year.

Special Events Governance

Special Events at the City of Reno receives oversight from three separate committees: the Special Events Committee, Special Events Sponsorship Committee, and the Special Events Subcommittee of the Reno City Council.

The Special Events Committee reviews requests for permitted special events that occur on City property or affect City resources. The committee also conducts post-event reviews of individual events. The committee is comprised of employees from multiple City departments and other regional partner organizations. Their two standing agenda items are:

“Review of Past Events – Each of the recently held events listed below will be discussed by staff and the event representative regarding any problems that arose during the event or any recommendations for making the event better in the future, and may result in changes for future permits for the event. (For Possible Action)” and

“Special Event Applications – Applications for permits to conduct the events listed hereafter will be reviewed by staff and with the applicant for possible imposition of conditions or modifications to the proposed event, with possible approval of the event permit. (For Possible Action).”

The Special Events Sponsorship Committee was initiated on January 15, 2014 per Resolution No. 7931 via the *Special Event Sponsorship Policies and Procedures* with the purpose to, “provide a standardized process for the allocation of sponsorship funding to special events.” The committee

members include a Councilmember, an appointed member from the Reno Citizens Institute, an appointed member from the City of Reno Arts and Culture Subcommittee, and an outside member as appointed by the Special Events Subcommittee of the Reno City Council. This committee recommends the in-kind sponsorship allocations for special events that apply for sponsorship. A sponsorship allocation trend analysis is included in Appendix D.

The Special Events Subcommittee of the Reno City Council (Subcommittee) also collaborates to discuss challenges and ongoing management of events in the city. The Subcommittee is comprised of three Councilmembers and meets on an as-needed basis. Event organizers and affected business representatives are common attendees of the Subcommittee meetings.

Bar Crawls

Bar crawls are events planned by an organization or group of people where attendees move from bar to bar at pre-designated times. Historically, bar crawls have not been treated as special events at the City of Reno. Recent discussions regarding the cost recovery of these events have occurred at the Special Events Subcommittee of the Reno City Council. Meeting participants have included City Councilmembers, City staff, event organizers, and community business leaders. During the audit scope, there were at least 14 bar crawls planned for downtown Reno.

The Reno Police Department (RPD) is involved in the planning process for bar crawls as those activities draw a large group of people to the downtown area. RPD staffs the bar crawls with multiple teams to maintain civil order during the course of the evening. Specifically, their mission during the crawls is “To ensure the safety and security of the public by partnering with the organizer, other City departments, and providing increased staffing.”

Funding for Special Events

Special event sponsorships and administration functions are funded by the General Fund and may be funded through the small portion of Room Tax funds earmarked for Room Tax-Tourism, with the primary purpose of the improvement or betterment of the City as a final destination for visitors and tourism. Reno Municipal Code Section 2.10 provides multiple uses of the fund, including events.

Room Tax Governance: The Reno-Sparks Convention & Visitors Authority (RSCVA) conducts room tax revenue audits at transient lodging establishments on a rotating schedule. The schedule includes a 3 year rotation for main establishments and a 5 year rotation for non-standard transient lodging businesses. Audits are designed to ensure compliance with the room tax criteria and ensure room taxes are remitted to RSCVA in full. Tax funds that are recouped from an audit are distributed regionally during the monthly tax revenues transfer.

AUDIT RESULTS

Audit sampled five permitted special events and reviewed for accuracy of permit completion, event review, insurance documentation, staff time reporting, financial procedures, best business practices, and timely event reconciliation. Permit testing resulted in seventeen separate instances of ten unique exception-types. The types are related to *Financial Management* or *Process Improvements* and are itemized in those sections below. Additionally, a review was conducted for two activities that occurred during the audit scope that are related to special event staffing. General policies and best business practices were also considered during the audit fieldwork and recommendations are detailed in the *Cost Recovery* and *Policies and Procedures* sections below.

Financial Management

Financial Management Improvements

1. Of the five permitted events sampled for testing, three included non-standard financial documentation and/or errors in calculations. Accurate billing to event organizers and City service cost recovery is compromised with the financial documentation methodologies in place. In addition, supervisory reviews are not effective the way the special events service costs are documented and maintained.

Recommendation:

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. 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.

Events Not Closed-Out in a Timely Manner

2. 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. Reno Municipal Code (RMC) 5.13.050 – *Fees* states, in part, “In the event that the actual total cost incurred by the city are less than the estimated city service fee, the city shall refund the difference between the actual cost and the estimated costs within 60 days from the conclusion of the event.” The current close-out process is not in compliance with RMC. Also, when events are not closed-out timely, staff knowledge of event details are more difficult to access and adjustments may be more difficult to substantiate. For most events, these amounts are available after payroll is processed for the last date of the event. In addition, accurate financial reporting is compromised and fiscal year close-out processes have undue requirements with this methodology of financial management procedures.

Recommendation:

We recommend events be closed-out in the financial system shortly after final amounts of City services expended on the event are available.

**Invoice Did Not Agree
with Supporting
Documentation**

3. 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. The invoice total was less than estimates submitted by participating departments as stated on the *Request to Bill* form. Without accurate billing, the City may not recoup the actual city service costs associated with special events.

Recommendation:

We recommend greater care be taken when calculating invoice totals for event organizers. (The use of a one-sheet recommended in exception #1 should assist with this process.)

**Invoice Adjustment
Not Supported by
Documentation**

4. 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. However, the deposited amount is \$3,300 less than the original deposit's invoice. The adjustments are handwritten on the final invoice and supporting documentation for those adjustments were not available. The adjustments are dated August 15, 2017, thirteen months after the event. Based on the documents available, the City did not collect the city service costs for the special event in full. In addition, without an effective review of invoice amounts, there is an increase in opportunities for unethical conduct.

Recommendation:

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.

**Interdepartmental
Fund Reimbursement
Not Conducted**

5. Of the five permitted events sampled for testing, one included City service costs that were not reimbursed to the department that expended the cost. The reimbursement methodology is for Special Events staff to provide final costs for each event to Finance and request the event be closed-out in the financial system. Finance staff then prepares any Interdepartmental Fund Reimbursements (IFR) that may be needed for the event. The IFR process results in funds being reimbursed to the

applicable department's account. An IFR was not completed for this city service cost expended for the special event tested. Departmental equity is promoted when departments receive fund reimbursements for budgeted city resources that are used for special events.

Recommendation:

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.)

Staff Time Reporting in Error

6. 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. Thus, the actual personnel costs of staffing the permitted event were not recouped in full. In addition, the event was not reconciled and closed-out until more than four months after the event. Multiple event codes were used during the course of the day for police staffing the event. While there is an adjustment sheet that can be completed after payroll is processed, this was not done for much of the labor expended on the event per examination of the estimated personnel costs needed to staff the permitted event and per inquiry with staff.

Recommendation:

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. In addition, reconciling the event in a more timely manner (see exception #2) should identify coding errors and allow for adjustments when the staffing details are more accessible and prior to the final bill issuance..

Lack of Segregation of Duties

7. 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. City Policy 304, Cash Handling, states, in part, "Proper procedures and security measures should be designed to protect the assets of the City from loss, and to ensure that errors/wrongdoings are detected and corrected in a timely manner." With this process there is not adequate segregation of duties within the financial functions to mitigate the risk of misappropriation of City funds.

Recommendation:

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.

Process Improvements

Personnel Cost Not Transferred to the Department

8. Of the five permitted events sampled for testing, three included personnel time expended on special events that were not reimbursed to the department. Public Works tracks staff time, as well as equipment and materials used for each special event, and provides to Special Events staff. Personnel hours for special events are also coded in the timekeeping system by staff; a unique project code is assigned for special events. Reno Municipal Code, section 5.13.210 – *Cost recovery for events* states, in part, “The city manager shall charge for the actual cost of: The salaries of city personnel requested by the event organizer or reasonably and necessarily involved in permit compliance, event traffic control, fire safety or other facility or event support.”

City service cost recovery totals are billed to the event organizer when the event is closed-out. These revenues are accounted for in the special events reimbursement and restitution fund. The close-out process may also include Internal Fund Reimbursements (IFR) to distribute revenues to applicable departments. The portion of Public Works regular salaries are not transferred to their revenue account during the IFR process conducted by Finance staff. Equipment and materials fees *are* reimbursed to the department during the IFR process. The hours coded to special events for Public Works personnel regular salaries for fiscal year 2017-18 was \$39,058.82.¹

Recommendation:

We recommend revenues collected that correspond to departmental staff-time expended on special events be reimbursed to the department that expended city service costs.

Street Funds Used for Unallowable Expenses

9. City services used by Public Works personnel for securing street closures for special events are funded through the Street Fund, a special revenue fund. Per the City of Reno *Street Fund Policy*, the fund is to be “used only for expenditures on streets, alleyways, and public highways of the City of Reno.” Also, “This fund is governed by Nevada Revised Statutes (NRS) 278, 288, 332, 338, 350, and various aspects of 354, 355, 361,

¹ Per financial system reports provided by Public Works Senior Management Analyst.

365, 373, Nevada Administrative Code (NAC) [350 and 354], and various sections of RMC [Chapter 2.10].” During the audit scope, this special revenue fund was used for services that were restricted for the fund type and the fund was not reimbursed.

Recommendation:

We recommend the Street Fund be used for expenditures in compliance with state law and the City’s fund policy.

**Replacement
Funding for Safety
Equipment Not
Identified**

- 10.** The use of bollards during downtown special events is a safety precaution that may be recommended by the Reno Police Department. Bollards are sturdy vertical posts that are placed into bollard sleeves down into the street which function as perimeter security. A funding mechanism for maintenance and replacement of this equipment has not been identified nor has organizational governance of the maintenance function been determined. The safety of special events may be lessened without continued maintenance and replacement of recommended perimeter security equipment.

Recommendation:

We recommend a funding mechanism for bollard maintenance and replacement be identified for City bollards. In addition, we recommend the governance of the maintenance function be determined and communicated to applicable staff.

Cost Recovery

The adopted definitions and standards regarding special events are included in the Reno Municipal Code chapter 5.13 – *Special Events and Special Activities* with the purpose “to establish a consistent process for permitting special events conducted by the public or private sector to use city streets, facilities or services and for permitting special activities on private property.” Specific financial criteria is included in section 5.13.050 – *Fees*, “Event organizer shall pay an amount equal to the actual costs necessarily incurred by the city to reasonably ensure the health, safety and welfare of the special event or special activity.” Cost recovery methodologies used in other cities for benchmarking purposes are included in Appendix B.

**Actual Costs to the City
are Not Recovered in
Full: Personnel Benefits**

- 11.** The special events billing process does not include personnel benefits expended as a result of overtime staffing for the event. Of the five permitted events sampled for testing, the associated overtime personnel benefits costs was \$2,411.40. RMC 5.13.050 - *Fees*, states, in part, "Event organizer shall pay an amount equal to the actual costs necessarily incurred by the city to reasonably ensure the health, safety

and welfare of the special event or special activity." Thus, City services are expended on permitted events without a cost recovery methodology.

Recommendation:

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.

**Actual Costs to the City
are Not Recovered in
Full: Staff Planning**

- 12.** The special events billing process does not include staff planning time expended as required for permitted special event. RMC 5.13.050 - *Fees*, states, in part, "Event organizer shall pay an amount equal to the actual costs necessarily incurred by the city to reasonably ensure the health, safety and welfare of the special event or special activity." Thus, City services are expended on permitted events without a cost recovery methodology.

Recommendation:

We recommend executive management determine if City expenses related to planning permitting special events should be billed back to the event organizer.

**Cost Recovery for
Bar Crawls**

- 13.** City services expended on non-permitted events do not have a cost recovery methodology. For the two bar crawls sampled for testing, the combined City services expended and City costs were as follows:

RPD overtime \$129,085.83²

Overtime personnel benefits \$9,847.88³

RPD food and beverage \$1,292.40⁴

Dispatch up-staffing \$2,286.70⁵

Public Works personnel and equipment \$1,266.48⁶

Fire Department personnel \$3,377.13

Restroom rentals and repairs \$4,674.50.

The combined total City services and costs for the two bar crawls sampled for testing was \$151,830.92. See Appendix C.

RMC Sec. 5.13.085 states, "The city manager is authorized to promulgate additional rules and regulations that are consistent with and that further the terms and requirements set for the within this chapter and the provisions of law that pertain to the conduct and operation of a

² Per financial system reports provided by RPD Administrative Services Manager.

³ Per data provided by Human Resources Payroll Technician.

⁴ Per documents provided by RPD Lieutenant, Special Events.

⁵ Per financial system reports provided by Assistant Manager, Public Safety Dispatch.

⁶ Final three documents in listing provided by ACE Manager.

special event, special activity or demonstration." Historically, bar crawls have not been treated as special events.

Recommendation:

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.

Policies and Procedures

Reno Municipal Code is Not Reflective of Council Directive

- 14.** 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.

Recommendation:

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.

Interlocal Agreement Not Maintained by the City

- 15.** 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.

Recommendation:

We recommend the interlocal agreement described in RMC be obtained and maintained in accordance with the record retention schedule.

Lack of Documented Policies – ACE Division

- 16.** A documented policy detailing internal controls and procedures for special events management and administration does not exist. Documented policies support procedures that are conducted consistently and in an equitable manner. Documented internal control procedures,

when in use, also assist with succession planning. In addition, conducting departmental operations without documented process standards is not within management best practices.

Recommendation:

We recommend procedures be developed, documented, and communicated to applicable staff and include deadlines for financial processing after the conclusion of events.

**Lack of Documented
Policies – Police
Department**

- 17.** A documented policy detailing internal controls and procedures for RPD's planning, staffing, and after-action reporting for special events does not exist. Documented policies support procedures that are conducted consistently and in an equitable manner. Documented internal control procedures, when in use, also assist with succession planning. In addition, conducting departmental operations without documented process standards is not within management best practices.

Recommendation:

We recommend procedures be developed, documented, and communicated to applicable staff.

Note

Certain items noted in the fully-stated exceptions above require a response and action from multiple departments. All departmental responses are included in the appendices.

NOTEWORTHY ACCOMPLISHMENTS

Expenditures Audited without Exception

Audit reviewed 30 expenditures from accounts assigned to the Arts, Culture and Special Events Office (ACE) for proper supporting documentation, approval, reasonableness, and compliance with established purchasing policies. The sample size for expenditure testing was 30 to obtain a mid-range sample as is an industry standard for audit testing of populations over 250. Guidelines for purchasing procedures are documented in City of Reno Policies and Procedures 303, Purchasing, and also the *City of Reno Purchasing Card Program Cardholder Manual*. No exceptions were noted.

Quality Communication

The Special Events Committee, comprised of employees from multiple City departments and other regional partner organizations, meets periodically to review permitted special events to address concerns that relate to their area of expertise. Per audit observation of several meetings, there is high participation and communication from the participants, including the event organizer/contact person. In addition, a review sheet is initialed by the representatives at the meeting attesting to their approval of the planned event as reviewed. The committee also conducts post-event reviews of individual events and adjusts procedures as needed for recurring events.

RPD Special Event Documentation

Audit provided a *Request for Information* document to RPD requesting documentation for the five special events and two activities included in the audit sample set. A robust document file was provided just eight days later that included documents related to action plans, overtime staffing, team assignments, event staffing, force-hire memos, after-action reviews, event maps, and internal presentations related to the events. The audit fieldwork was streamlined due to the document retention methodology and event details provided by RPD staff.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objectives

- To determine whether divisional expenditures are reasonable, properly documented, and approved in accordance with established guidelines.
- To determine if special events permits were completed in accordance with established policies.
- To determine if the metrics used for City services cost reporting are accurate and efficient.
- To review processes related to the room tax fund for compliance with established policies.
- To review the cost recovery methodologies used in other cities for benchmarking purposes.

Scope

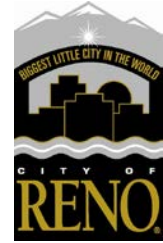
The audit scope included a review of divisional transactions and special events administration procedures from July 1, 2016 through December 31, 2017. Audit fieldwork began June 18, 2018 and concluded October 19, 2018.

Methodology

The audit review included tests of the accounting records, inquiries with key personnel, and other auditing procedures as was considered necessary. Conclusions were reached by:

- Testing a sample set of divisional expenditures for reasonableness, supporting documentation, and proper approval;
- Testing a sample set of special events permits for compliance with established policies and best practices;
- Reviewing policies and procedures, financial reports, and other documents related to staffing and cost recovery for special events;
- Reviewing cost recovery methodologies regarding City services used for special events;
- Observation of multiple committee meetings regarding special events;
- Reviewing five cities' cost recovery methodologies; and
- Evaluating the risk of fraud, waste, and abuse relative to the audit objectives.

**SPECIAL EVENTS AUDIT – Management Responses
– Arts, Culture, & Events Division**



Findings' Conditions, Recommendations, & Management Responses

(Numbering Convention: Sequence corresponds to the Audit Results as listed in the report.)

Events Not Closed-Out in a Timely Manner

2. 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.

How will compliance will be measured, monitored, and assured?

Events to be closed-out in the financial system within 45 days after final amounts of City services expended on the event are available.

When will the measures be taken?

March 2019.

What will be done to avoid the issue in the future?

A policy/procedure will be memorialized and followed.

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.

Invoice did Not Agree with Supporting Documentation

3. 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.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

February 2019.

What will be done to avoid the issue in the future?

A policy/procedure will be memorialized and followed.

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. Please see the attached draft policy for the special events cost recovery for additional information.

Invoice Adjustment Not Supported by Documentation

4. Of the five permitted events sampled for testing, one event's final invoice includes a handwritten adjustment that is not supported by documentation.

We recommend any invoice adjustments be supported by appropriate documentation.

How will compliance will be measured, monitored, and assured?

Any invoice adjustments will be supported by appropriate documentation.

When will the measures be taken?

February 2019.

What will be done to avoid the issue in the future?

A policy/procedure will be memorialized and followed.

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.

Interdepartmental Fund Reimbursement Not Conducted

5. Of the five permitted events sampled for testing, one included City service costs that were not reimbursed to the department that expended the cost.

We recommend a process be implemented to ensure departments expending City service costs due to involvement with special events be reimbursed.

How will compliance will be measured, monitored, and assured?

A process will be implemented to ensure departments expending City service costs due to involvement with special events be reimbursed.

When will the measures be taken?

February 2019.

What will be done to avoid the issue in the future?

A policy/procedure will be memorialized and followed.

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.

Lack of Documented Policies - ACE Division

16. 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.

How will compliance will be measured, monitored, and assured?

Procedures will be developed, documented, and communicated to applicable staff. The procedures will include deadlines for financial processing after the conclusion of events.

When will the measures be taken?

February 2019.

What will be done to avoid the issue in the future?

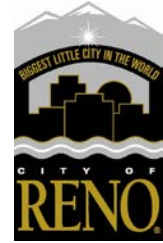
A policy/procedure will be memorialized and followed.

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.

SPECIAL EVENTS AUDIT – Management Responses - Finance

Findings' Conditions, Recommendations, & Management Responses

(Numbering Convention: Sequence corresponds to the Audit Results as listed in the report.)



Financial Management Improvements

1. 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.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

The “one-sheet” reconciliation form has been implemented as of October 2018.

What will be done to avoid the issue in the future?

No further action is needed with the implementation of the “one-sheet” reconciliation form.

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.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

Training was given to Arts, Culture, and Special Events in July 2018.

What will be done to avoid the issue in the future?

No further action is needed with training of ACE staff. Finance staff is available for clarification and additional training when requested by ACE.

Personnel Cost Not Transferred to the Department

8. 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

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

Staff was given the direction to change billing methods in July 2018.

What will be done to avoid the issue in the future?

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.

Street Funds Used for Unallowable Expenses

9. City services used by Public Works personnel for securing street closures for special events are funded through the Street Fund, a special revenue fund. During the audit scope, this 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.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

Staff was given the direction to change billing methods in July 2018.

What will be done to avoid the issue in the future?

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.

Reno Municipal Code is Not Reflective of Council Directive

14. The Room Tax Special Revenue Fund Policy was updated, submitted to, and approved by City Council at the November 20, 2013 City Council meeting. However, the associated section of the Reno Municipal Code does not reflect the changes made to the fund policy.

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.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

The change to the Room Tax Special Revenue Fund Policy will be made at a future City Council meeting.

What will be done to avoid the issue in the future?

Additional monitoring will not be necessary once changes to the policy are adopted.

Interlocal Agreement Not Maintained by City

15. The interlocal agreement referenced in RMC Article III – Room Taxes, Sec. 2.10.260(a) was not available for review as it was not maintained by the City.

We recommend the interlocal agreement described in RMC be obtained and maintained in accordance with the record retention schedule.

How will compliance will be measured, monitored, and assured?

The interlocal agreement referened 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.

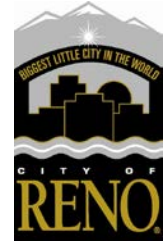
When will the measures be taken?

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.

What will be done to avoid the issue in the future?

Contracts will continue to be forwarded to the City Clerk's Office to be retained according to the document retention policy.

**SPECIAL EVENTS AUDIT – Management Responses
– City Manager’s Office**



Findings’ Conditions, Recommendations, & Management Responses

(Numbering Convention: Sequence corresponds to the Audit Results as listed in the report.)

Lack of Segregation of Duties

7. 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.

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.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

April 2019

What will be done to avoid the issue in the future?

Process will be memorialized and followed.

Replacement Funding for Safety Equipment Not Identified

10. 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.

How will compliance will be measured, monitored, and assured?

We will discuss a funding mechanism for bollard maintenance and replacement be identified for City bollards.

When will the measures be taken?

March 2019, however completion is determined by budget for FY20 and may be deferred.

What will be done to avoid the issue in the future?

Determination will be memorialized and followed.

In addition, we recommend the governance of the maintenance function be determined and communicated to applicable staff.

How will compliance will be measured, monitored, and assured?

We will determine the governance of the maintenance function and communicated to applicable staff.

When will the measures be taken?

April 2019.

What will be done to avoid the issue in the future?

Determination will be memorialized and followed.

Actual Costs to the City are Not Recovered in Full: Personnel Benefits

11. 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 promoter.

How will compliance will be measured, monitored, and assured?

We will determine if overtime personnel benefits expended as a result of staffing permitted special events should be billed back to the event promoter.

When will the measures be taken?

March 2019

What will be done to avoid the issue in the future?

Determination will be memorialized and followed.

Actual Costs to the City are Not Recovered in Full: Staff Planning

12. 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 promoter.

How will compliance will be measured, monitored, and assured?

We will determine if City expenses related to planning permitting special events should be billed back to the event promoter.

When will the measures be taken?

March 2019.

What will be done to avoid the issue in the future?

Determination will be memorialized and followed.

Cost Recovery for Bar Crawls

- 13.** City services expended on non-permitted events do not have a cost recovery methodology. The combined total City services for the two bar crawls sampled for testing was \$151,830.92.

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.

How will compliance will be measured, monitored, and assured?

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.*

When will the measures be taken?

May 2019.

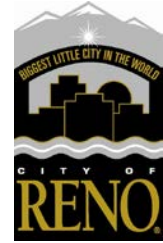
What will be done to avoid the issue in the future?

Determination will be memorialized and followed.

SPECIAL EVENTS AUDIT – Management Responses - RPD

Findings' Conditions, Recommendations, & Management Responses

(Numbering Convention: Sequence corresponds to the Audit Results as listed in the report.)



6. Staff time was not booked to the correct event code in the payroll system by RPD staff, thus, the actual personnel cost of staffing this permitted event were not recouped in full.

We recommend greater care be taken when booking time to special events to better track and bill the organizer for staff time required for permitted events.

How will compliance will be measured, monitored, and assured?

A multi pronged approach has been developed to address the issue.

- *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 an 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.*

When will the measures be taken?

The measures are currently in place; starting with the 2018 Santa Crawl held on December 15, 2018.

What will be done to avoid the issue in the future?

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.

17. A documented policy detailing internal controls and procedures for RPD's planning, staffing, and after-action-reporting for special events does not exist.

We recommend procedures be developed, documented, and communicated to applicable staff.

How will compliance will be measured, monitored, and assured?

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.

When will the measures be taken?

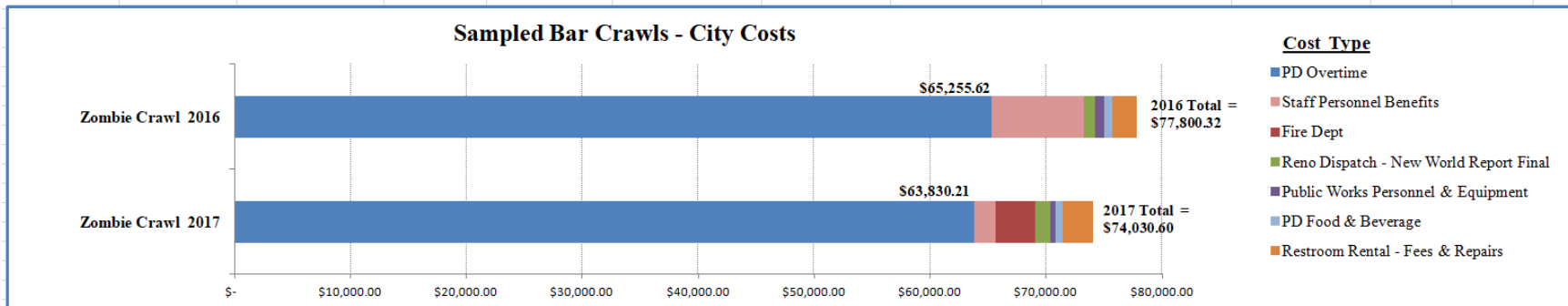
A “draft” version is currently in place (as of January 3, 2019) and will be reviewed and revised over the next special event season to ensure it captures the Reno Police Departments event process. Although, as mention earlier, the intent of this document is to be continually updated as the event process 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.

Appendix B - Cost Recovery - City Benchmarking

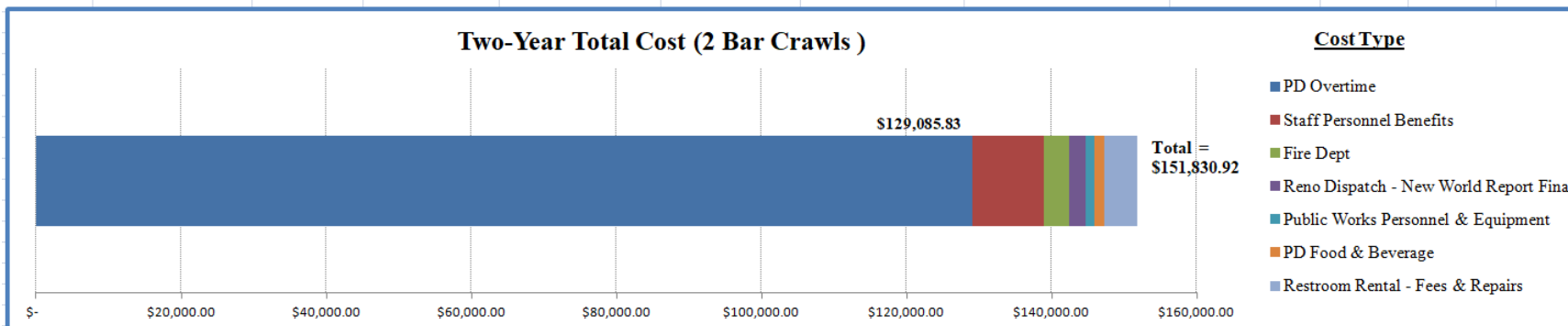
This information was obtained from the City of Seattle's *Special Events - Police Staffing and Cost Recovery* audit report dated December 13, 2017. The survey was conducted during the course of the audit by the Seattle City Auditor's Office. The data is provided to offer a comparison on cost recovery methodologies in use in other cities and to assist in the decision-making process regarding cost recovery options for the City of Reno. A select portion of the survey is detailed here, those that relate to items detailed in this City of Reno Special Events Audit report. Where appropriate, the responses were truncated for brevity. (For the full survey and report, see www.seattle.gov/cityauditor)

When your department calculates the cost of police staffing, what do you include (e.g., regular wages, fixed or variable benefits, vehicle or equipment costs)?	Does your city use the actual wages of the individuals staffing the particular event, or is a standard wage rate used?	What percentage of cost does your jurisdiction charge for?	Do you follow a model, guidance, or benchmarks when determining the number of officers needed for various special events?
Reno Special Events Cost Recovery Methodologies - currently			
Reno Police Department's (RPD) overtime wages, as they are input into the payroll system, is the one metric used to determine the cost of police staffing.	The actual wages for RPD staff are used.	100% of staff working the permitted event.	RPD uses historical knowledge of recurring events and general knowledge collected to determine staffing levels that are appropriate for a planned event. Depending on the type of event, the staffing levels are adjusted.
Denver Police Department			
Organizers pay set hourly pay rates for the officers who work the event. There is a four-hour minimum for all events.	A standard wage rate is used, based on the ranks of the actual officers who work an event, with a four-hour minimum.	By ordinance, the cost of special event police services, including barricades, must be paid by the event organizer. The cost recovered includes wages only; it does not include benefits, vehicles, or other expenses beyond wages.	They do not use formulas or a model, because every event is different. Events must be considered individually, because some small events require more staff than those with large attendance.
Portland Police Bureau			
The Portland Police Bureau has calculated flat rates designed to recover direct personnel costs for an hour of work, including the costs of wages, benefits, insurance, and taxes.	Standard rates are used, and they vary by rank, whether the position earns a premium pay, and whether the hours worked were on regular time or earned overtime.	The rates were designed to recover direct personnel costs for an hour of work, including the costs of wages, benefits, insurance, and taxes. The goal is full cost recovery. Vehicle and equipment costs are factored into the overhead costs.	Based on street closures, they can often calculate how many officers will be needed based on anticipated attendance.
San Diego Police Department			
The rates set by the San Diego City Council are intended to achieve full cost recovery, including wages, benefits, fuel, use of vehicles, paid time off, and other costs to the City.	A standard hourly rate is used, which is based on the median cost of an officer or SETC.	The rates were set to achieve full cost recovery, including wages, benefits, fuel, use of vehicles, paid time off, and other costs to the City.	They have a general "rule" of 1 officer per 1,000 in attendance, if there is no alcohol or other risk factors. However, this is just a starting point and each event is different. Most events are recurring events that happen every year, and so they can base the plans on previous events. The Special Events Unit adds a note to every after action report that summarizes whether staffing was adequate so this information is easy to find when planning future events.
San Francisco Police Department			
The rates charged under the 10B program are based on the overtime rates of officers. Additionally, they add an administrative fee of 14.7% (to recover program office costs and other overhead), and a benefit charge of 2.2% (to recover portions of benefits such as Medicare, health care, and unemployment insurance).	There is a set rate for each rank of officer, set at the highest step for that rank. Then entities pay based on the rank of the officers who staff the event.	The intent is to bill for full cost recovery.	Most staffing plans are based on how past similar events were staffed.
Seattle Police Department			
Neither of Seattle's methods of calculating fees for special event police services results in full cost recovery. Neither methodology bills for any planning hours or incidental expenses (e.g., food, water, and supplies).	Seattle varies in whether event promoters are billed for officers' actual hourly rates or standard wage rates.	The percentage of cost recovery varies on the police fee calculation method used and ranged from 2.5% to 57% of wages for events in 2016.	Staffing for most events is based on an event's history and varies by the nature of the event.

Appendix C – Cost Analysis – Bar Crawl Sample



Appendix C –Cost Analysis – Bar Crawl Sample



Appendix D – Special Events Sponsorship Trend Analysis

