

Commission on Tourism

Audit Highlights



Highlights of Legislative Auditor report on the Commission on Tourism, issued on May 8, 2002. Report # LA02-23.

Purpose of Audit

The purpose of this audit was to determine if the Commission complied with laws, regulations, and policies and procedures significant to the financial and administrative practices of state agencies. Our audit included a review of the Commission's financial activities for the 12-months ended March 31, 2001.

Audit Recommendations

This report contained eight recommendations to improve the Commission's financial activities. Specifically, we recommended the Commission develop policies and procedures for safeguarding customer credit card information and capturing and updating publication costs. The Commission also needs to control inventory access, ensure that inventories are routinely counted, reconcile inventories timely, and record all applicable additions and deletions to inventory records. In addition, the Commission needs to ensure contracts are awarded and contractor status is properly evaluated in accordance with laws and regulations. Furthermore, the Commission should make payments only on approved contracts and obtain and review complete contractor invoices prior to payment. Further, Board of Finance approval for outside bank accounts should be obtained and year-end reconciliations submitted to the State Controller. Finally, the Commission needs to develop clear guidance to promote sound financial and administrative practices.

The Bureau accepted all eight audit recommendations.

Status of Recommendations

The Commission's 60-day plan for corrective action was received August 2, 2002. The plan indicates that corrective action has been taken on all eight recommendations. The Commission stated the audit showed a need for better controls over its operations. As such, it has developed and put into place a comprehensive system of internal controls and procedures that it believes addresses each recommendation.

The Commission's six-month report on the status of the audit recommendations is due February 3, 2003.

Results in Brief

The Commission on Tourism's financial and administrative practices did not always follow state laws, regulations, and its policies. We also found the absence of certain controls led to a number of problems with the Commission's operations. Specifically, inadequate controls contributed to reduced operational accountability. The lack of controls resulted in potential unauthorized access to customer credit card information, inventories being vulnerable to abuse, unsupported publication cost estimates, and payment of ineligible contract costs. The Commission also did not always follow rules pertaining to contract administration and other financial activities. Failure to follow contract and financial rules led to questionable contracting activities and establishment of an unauthorized bank account. These problems occurred because existing policies and procedures are either incomplete or do not provide adequate guidance for key functions. The Commission is working to improve its controls; however, sustained management attention is needed to ensure the integrity of the Commission's financial and administrative practices.

Principal Findings

The Commission accepts credit cards for merchandise sales and conference registration fees. However, the credit card information has not been safeguarded against unauthorized access. This is caused, in part, because the Commission has not developed procedures for safeguarding customer information. The lack of adequate controls over personal information increases the risk that sensitive customer information could be stolen or misused.

The Commission does not adequately control the promotional and merchandise inventories. First, inventory access is not controlled and counts are not done per Commission guidelines. Second, inventory counts are not always reconciled to inventory records. Finally, inventory additions and deletions are not recorded timely. These weaknesses impact the accuracy and reliability of inventory records.

As a result of our prior audit, the Division of Publications developed cost estimates for the production of the Nevada Magazine and Nevada Events & Shows. However, Publications could not provide documentation supporting how these estimates were determined. In addition, the estimates have not been updated since fiscal year 1997.

The Commission entered into a contract with an individual without properly evaluating the contractor's status. The Commission contracted with an individual to manage a new program. However, the contractor did not meet the definition of an independent contractor.

The Commission did not adequately review all invoices related to contracts before making payments. In addition, payments were made without adequate documentation to determine whether the charges were appropriate and in compliance with contract terms. These weaknesses resulted in the Commission paying two contractors for ineligible costs.

By law, contracts do not become effective without prior approval of the State Board of Examiners. However, the Commission allowed work to begin on two contracts prior to approval by the Board. This resulted in at least \$7,500 in contract liabilities before the contracts were approved.

The Commission's records do not fully support why five of seven contracts we reviewed totaling over \$227,000 were awarded based on sole source. In addition, none of the five contracts were approved by the purchasing administrator as sole source. This practice could result in the Commission entering into contracts that are not in the best interest of the State.

The Commission on Tourism maintained two outside bank accounts during our audit period. However, one of these accounts was not properly authorized by the State Board of Finance, and the other was not reported to the Office of State Controller as required by state law.

Although the Commission has developed a procedures manual, these procedures could be improved to better control the Commission's financial activities.