

CARSON CITY AUDIT COMMITTEE
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A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, February 10, 2009 in the City Hall Capitol Conference Room, 201 North Carson Street, Carson City, Nevada.

PRESENT: Chairperson Pete Livermore
Vice Chairperson Ken Brown
Joe Eiben

STAFF: Melanie Bruketta, Chief Deputy District Attorney
Kathleen King, Recording Secretary

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are public record. These materials are on file in the Clerk-Recorder's Office, and available for review during regular business hours.

1. CALL TO ORDER AND DETERMINATION OF QUORUM (1-0007) - Chairperson Livermore called the meeting to order at 3:01 p.m. Roll was called; a quorum was present.

2. ACTION ON APPROVAL OF MINUTES - November 25, 2008 and December 16, 2008 (1-0014) - Member Eiben moved to accept the minutes, as presented. Vice Chairperson Brown seconded the motion. Motion carried 3-0.

3. DISCUSSION AND POSSIBLE ACTION REGARDING THE CURRENT STATUS OF ONGOING AUDITS AND OTHER ACTIVITIES OF THE CITY AUDITOR (1-0026) - Chairperson Livermore introduced this item, and noted that copies of the audit work plan had been distributed to the committee members and staff prior to the start of the meeting. He reviewed the Monthly Status Report, attached thereto, dated October 30, 2008. He noted, of the audits which had been started by the former city auditor, the "Healthcare Provider Comp. Review" was the only audit not completed. He discussed its requirements and status, and advised that he would meet with City Manager Larry Werner to discuss the method by which to accomplish finalizing the audit. He reviewed the remainder of the audit work plan monthly status report and the City Auditor's Work Plan for the period April 2008 through June 2009. He entertained questions or comments of the committee members, and advised of a meeting scheduled with Mr. Werner for February 11th at 3:00 p.m. Discussion took place regarding the need to monitor PERS timesheet compliance.

4. DISCUSSION AND POSSIBLE ACTION REGARDING THE POSITION OF THE CITY AUDITOR; POSSIBLE ACTION TO RECOMMEND OPTIONS REGARDING HOW THIS FUNCTION MIGHT BE ACCOMPLISHED IN THE FUTURE, INCLUDING APPROPRIATE FUNDING, TO THE BOARD OF SUPERVISORS (1-0113) - Chairperson Livermore introduced and provided background information on this item. He suggested recommending to the Board of Supervisors a request for qualifications process to identify an outside firm to provide an internal audit process. He advised of having inquired of community members as to audit firms from which to request qualifications, as follows: Steele & Associates, Bullis and Company, and Freeman & Williams. He requested Vice Chairperson Brown's input with regard to the estimated time required to complete the audits remaining on the work plan. Vice Chairperson Brown suggested first requesting qualifications, and discussion ensued. Chairperson Livermore advised of having suggested to Mr. Werner a budget of \$60,000 to outsource three audits for the existing budget year or for the next budget year, as follows: the compensation structure

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review, the ambulance billing process, and the NDOT / Carson City freeway project. He noted the financial policy review, parks and recreation programs, and grant management audits which were still in the “risk assessment” stage. He entertained discussion or a motion of the committee members.

In consideration of the professional service, Ms. Bruketta suggested sending out the request for qualifications and specifying that the response should include a time estimate and the firm’s hourly rate. She cautioned the committee that a decision, with regard to professional services, must be based on the firm’s qualifications and cannot be based on competitive fees. She acknowledged that information compiled by the former city auditor could be provided in the request for qualifications. She reiterated that responding firms should be requested to provide a time estimate to complete the listed audits.

Member Eiben expressed concern over “putting the cart before the horse,” based on the redevelopment audit and the “lack of support for the overall situation.” He expressed support for Chairperson Livermore’s approach to “identifying the things that we should do.” He suggested the next step should be the request for qualifications process, but expressed concern over Board of Supervisors support for ongoing audits. Discussion followed. In response to a question, Ms. Bruketta advised of having had no conversation with any other Board of Supervisors members with regarding the audit committee structure. Member Eiben suggested agendaizing a presentation to the Board of Supervisors regarding the existing audit work plan, and the need for replacements for former committee members Staub and Providenti. Chairperson Livermore advised that only the Board of Supervisors can initiate a request for qualifications process. He expressed the opinion that the committee was functioning as it was created, and advised of the intent to include this committee’s recommendation in a Board of Supervisors agenda report. Member Eiben suggested that the Board of Supervisors taking action to fill the two vacant positions would indicate support for the committee. Ms. Bruketta suggested the following language for a Board of Supervisors agenda item: “Discussion regarding the position of city auditor and possible action to direct staff to issue a request for qualifications for auditing services for the three approved audits.” She suggested the new auditor may be interested in providing input regarding whether to continue with the audit committee. Additional discussion took place with regard to the current audit work plan, Ms. Bruketta’s recommendation, the audit committee’s purview and function, the City’s structure pertinent to the internal auditor, the history of the auditor’s function, and the possibility of this committee reviewing the responses to the request for qualifications and making a recommendation to the Board of Supervisors.

Vice Chairperson Brown suggested adding Casey, Neilon & Associates, LLC, to the list of audit firms to which to send the request for qualifications. In response to a question, Ms. Bruketta advised that the request for qualifications is required to be published. The responses are considered by the deciding authority. Additional discussion took place regarding the request for qualifications process.

In response to a question, consensus of the committee was to proceed with the compensation structure review, ambulance billing process, and the NDOT / Carson City freeway audits. Member Eiben suggested including any exception or addition by Mr. Werner. Vice Chairperson Brown suggested that previously-approved audits should be reviewed, and discussion followed. Chairperson Livermore expressed concern over proceeding with a recommendation to move forward with the compensation structure review audit at this time, and suggested recommending the ambulance billing process, the NDOT / Carson City freeway project, and the parks and recreation programs audits. Discussion took place regarding the suggested budget amount. Chairperson Livermore recommended the following motion: to recommend to the Board of Supervisors to continue with the approved audits for the ambulance billing process, the NDOT / Carson

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City freeway, and the parks and recreation programs for a not-to-exceed amount of \$60,000; including a recommendation to begin a request for qualifications process to select an external audit firm. **Member Eiben so moved. Vice Chairperson Brown seconded the motion. Motion carried 3-0.**

5. DISCUSSION AND POSSIBLE ACTION TO SCHEDULE THE NEXT AUDIT COMMITTEE MEETING (1-0668) - Chairperson Livermore introduced this item. Consensus of the committee was to schedule the next meeting for Tuesday, April 14th at 3:00 p.m.

6. FUTURE AGENDA ITEMS (1-0670) - Chairperson Livermore advised that he would recommend to the Board of Supervisors “some process of filling the remaining seats on this committee.” Consensus of the committee was to agendize review of the request for qualifications or the corresponding responses. Member Eiben requested a status report on the PERS timesheet compliance. Chairperson Livermore suggested agendizing discussion regarding the 2009 / 2010 audit work plan.

7. PUBLIC COMMENT ON NON-AGENDIZED ITEMS (1-0729) - None.

8. ACTION ON ADJOURNMENT (1-0749) - Member Eiben moved to adjourn the meeting. Vice Chairperson Brown seconded the motion. Motion carried 3-0.

The Minutes of the February 10, 2009 Carson City Audit Committee meeting are so approved this 12th day of May, 2009.

PETE LIVERMORE, Chair