

CARSON CITY AUDIT COMMITTEE

Minutes of the May 9, 2017 Meeting

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A regular meeting of the Carson City Audit Committee was scheduled for 2:00 p.m. on Tuesday, May 9, 2017 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Catherine Byrne
Member Stephen Ferguson
Member Ernie Mayhorn

STAFF: Nick Marano, City Manager
Nancy Paulson, Chief Financial Officer
Sheri Russell, Deputy Chief Financial Officer
Adriana Fralick, Chief Deputy District Attorney
Kathleen King, Chief Deputy Clerk

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the Clerk, during the meeting, are part of the public record. These materials are available for review, in the Recording Secretaries Division of the Carson City Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (2:00:48) - Chairperson Bertrand called the meeting to order at 2:00 p.m. Ms. King called the roll; a quorum was present. Member Ferguson arrived at approximately 2:05 p.m.

3. PUBLIC COMMENTS AND DISCUSSION (2:01:07) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - February 14, 2017 (2:01:40) - Chairperson Bertrand entertained a motion to approve the minutes. **Member Mayhorn moved to approve the minutes. Member Bagwell seconded the motion. Motion carried 4-0.**

5. POSSIBLE ACTION ON ADOPTION OF AGENDA (2:01:59) - Chairperson Bertrand entertained a motion to adopt the agenda. **Member Byrne moved to adopt the agenda. Member Bagwell seconded the motion. Motion carried 4-0.**

6. MEETING ITEMS:

6(A) DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (2:02:18) - Chairperson Bertrand introduced this item, and Moss-Adams LLP Partner Mark Steranka reviewed the agenda materials. Following a brief discussion, Chairperson Bertrand closed this item.

6(B) DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW, AND CLOSURE OF INTERNAL AUDIT FINDINGS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT, AND POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS FOR CLOSURE OF COMPLETED PROJECTS (2:04:18) - Chairperson Bertrand introduced and provided an overview of

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this item. Moss-Adams LLP Partner Mark Steranka advised that, since the last committee meeting, the Community Facility Cost Recovery Study was closed out and fully archived. Mr. Steranka reviewed the Audit Findings Tracking Summary Report, which was included in the agenda materials. [Member Ferguson arrived at approximately 2:05 p.m.]

Ms. Paulson introduced and presented a cash training video, produced by the Treasurer's Office. Chairperson Bertrand commended the video. In response to a question from the previous meeting, Ms. Paulson advised that for FY 2016, "there was approximately \$500 ... out of a \$150 million budget" in the "cash over and short account." Ms. Steranka commented that Carson City is the first of the Moss-Adams LLP clients to have developed and produced a cash handling training video. Ms. Paulson acknowledged that the training video can be added to PolicyTech.

Chairperson Bertrand entertained questions or comments and, when none were forthcoming, a motion. **Member Byrne moved to close the Employee Efficiency Study. Member Ferguson seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

Chairperson Bertrand entertained discussion on the Internal Controls Review portion of the Audit Findings Tracking Summary Report. Ms. Paulson responded to questions regarding the status of documenting key processes. Chairperson Bertrand entertained a motion. **Member Bagwell moved to close all items in the Internal Controls Review except for 22 and 32. Member Byrne seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

Discussion took place regarding the Policy and Procedures Review, and Chairperson Bertrand entertained a motion. **Member Bagwell moved to close item 5 on Policy and Procedures Review, with an update in the Status Comments to indicate that, when a chapter is brought for review before the Board of Supervisors, this action will be implemented at that time. Member Byrne seconded the motion.** Chairperson Bertrand called for a vote on the pending motion. **Motion carried 5-0.**

Chairperson Bertrand entertained public comment; however, none was forthcoming.

6(C) PRESENTATION BY MOSS-ADAMS LLP ON THE REVIEW OF THE PUBLIC GUARDIAN ASSET LIQUIDATION PROCESS FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO PROVIDE RECOMMENDATION TO THE BOARD OF SUPERVISORS (2:30:42) - Chairperson Bertrand introduced this item, and Moss-Adams LLP Manager Colleen Rozillis provided background information. Ms. Rozillis noted "no compliance findings" as part of the review. "In part, that is because of the way that guardianship is assigned to the Public Guardian in Carson City. In the court order language, it states specifically that certain parts of Nevada state law related to asset disposition, appraisals, advertisement, things like that, are not required. Nevada state law says if the ward has assets under \$5,000, they don't have to do those things. And then for some, under \$10,000, they don't have to do those things. In practice, in Carson City, the court system says if you take guardianship of a ward who has assets of pretty much any value, except for a house, you can go ahead and dispose of them in the most efficient way possible. You don't necessarily have to follow these steps which is why we don't have any compliance findings. We do have a lot of process improvement findings."

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Ms. Rozillis reviewed the agenda materials, and responded to questions of clarification. (2:37:01) Carson Rural Elder Law Program Attorney Laura Miles introduced herself, and provided an overview of her experience and responsibilities. In response to a question, Ms. Miles reviewed the process associated with initially inventorying a ward's assets. Ms. Rozillis and Ms. Miles responded to questions of clarification.

(2:40:23) Moss-Adams LLP Lead Analyst Tammy Lohr reviewed that portion of the Final Report entitled "Current Asset Disposition Process." Ms. Lohr, Mr. Steranka, Ms. Rozillis, Ms. Paulson, Ms. Miles, and Public Guardian Deborah Marzoline responded to questions of clarification, and extensive discussion followed.

Ms. Rozillis advised of having researched "a number of other counties as part of the best practice research that informed the report. ... so the annual report is obviously a best practice that a number of counties do ... You also have implementation built into the Audit Committee process that will help. The staff report to the Board likely should designate some additional oversight for whatever period of time, either continually or until these findings are closed. We did find, in other counties, that the public guardian will often have a dotted line relationship to the City Manager. So, as part of taking this report to the Board of Supervisors, ... staff could recommend that the City Manager oversee public guardian activities or provide consultation on certain actions for a certain period of time. And that would be totally in line with what other counties do."

Chairperson Bertrand entertained additional questions or comments. In response to a question, Ms. Miles reviewed costs for a flat-bed, feed scanner. Ms. Rozillis advised that Moss-Adams' recommendations "were to use the lowest cost, lowest complicated version of technology possible. We wanted to make sure that it could be implemented as quickly and painlessly as possible. So, all you need is a scanner and someone to set up just a standard document structure for each ward in the file system. That's all it takes." In response to a question, Ms. Rozillis advised that the cost would be associated with "the staff time of scanning the existing files. And so if volunteers would be leveraged for that, that would be of no cost to the City. But that's really the biggest chunk here."

Chairperson Bertrand entertained public comment and, when none was forthcoming, a motion. Following a brief discussion, Member Bagwell moved to accept the audit and all recommendations, with direction that a quarterly update be provided to the Board of Supervisors. Motion died for lack of a second. In response to a question, Member Bagwell explained the intent of her motion for a policy to be developed. "I don't think it's for this [committee] to say whom the Board of Supervisors is going to select."

Discussion took place regarding the time needed to develop a policy. Ms. Rozillis explained that policy development begins with the current practice. "And then you, as a [committee] take a look at that current practice and say, 'Does this pass my smell test?' And then you might change some of the information, some of the dollar amount thresholds, time limits that are in current practice. And that's how you would come to your policy. So getting that base policy together as a draft to bring to the Board shouldn't take a significant amount of time." Mr. Steranka suggested a 60 to 90-day time period "because ... the biggest part that you have to consider is ... two things. There's the taking care of the wards and I think that's in good hands. And then there's ... administering the office ... When you deal with the policy, ... you want to keep it simple but you also want to keep it flexible. We don't want to make it too rigid for them that suddenly they're boxed in and so that's going to take some consideration as what's the right ... balance there." Extensive discussion followed, and Chairperson Bertrand entertained a motion. **Member Bagwell**

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moved to approve the audit submitted by Moss-Adams LLP for the Public Guardian, and that a quarterly report be accepted on the recommendation instead of the annual, and that the City Manager will bring back a proposed implementation and policy within 90 days. Member Byrne seconded the motion. Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

6(D) DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF TO INITIATE THE REQUEST FOR PROPOSAL PROCESS FOR INTERNAL AUDIT SERVICES TO BE RECOMMENDED TO THE BOARD OF SUPERVISORS FOR FY 2018 (3:34:04) - Chairperson Bertrand introduced and provided background information on this item. Following discussion, Chairperson Bertrand entertained a motion. **Member Mayhorn moved to direct staff to amend the existing contract for Moss-Adams LLP for FY 18, and for an RFP process to be created for FY 19. Member Byrne seconded the motion.** Following direction from Ms. Fralick, **Member Mayhorn withdrew his motion. Member Mayhorn moved to direct that the committee and staff will begin working on a RFP for FY 19. Member Byrne seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

Following a brief discussion, consensus of the committee was to schedule the next meeting for Wednesday, July 12th at 2:00 p.m. Mr. Steranka reviewed the tentative agenda.

7. PUBLIC COMMENT (3:48:36) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

8. ACTION TO ADJOURN (3:48:43) - Member Byrne moved to adjourn the meeting at 3:48 p.m. Member Ferguson seconded the motion. Motion carried 5-0.

The Minutes of the May 9, 2017 Carson City Audit Committee meeting are so approved this _____ day of July, 2017.

MICHAEL BERTRAND, Chair

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Minutes of the July 12, 2017 Meeting

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A regular meeting of the Carson City Audit Committee was scheduled for 2:00 p.m. on Wednesday, July 12, 2017 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Catherine Byrne
Member Stephen Ferguson
Member Ernie Mayhorn

STAFF: Nancy Paulson, Chief Financial Officer
Adriana Fralick, Chief Deputy District Attorney
Tamar Warren, Deputy Clerk

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

1 - 2. CALL TO ORDER AND ROLL CALL (2:04:17) - Chairperson Bertrand called the meeting to order at 2:04 p.m. Ms. Warren called the roll; a quorum was present.

3. PUBLIC COMMENTS AND DISCUSSION (2:04:38) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - May 9, 2017 (2:05:21) - Chairperson Bertrand introduced this item. In response to a question, Ms. Fralick advised that the item would have to be deferred to the next meeting due to an agenda error.

5. POSSIBLE ACTION ON ADOPTION OF AGENDA

6. MEETING ITEMS:

6(A) DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (2:06:21) - Chairperson Bertrand introduced this item, and Moss-Adams LLP Partner Mark Steranka reviewed the agenda materials. Chairperson Bertrand requested to include a report on the performance measures "at least every quarter." Mr. Steranka expressed a willingness to do so, but advised "we won't be able to provide insights as to the drivers of the performance, whether it's on track, off track ... You might want staff to give that report." Following a brief discussion, Mr. Steranka suggested agendaizing the item and then reviewing the dashboard on the City's website in real time. Chairperson Bertrand entertained discussion of the committee members; however, none was forthcoming. No formal action was taken.

6(B) DISCUSSION AND POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS, BASED ON THE PRESENTATION BY MOSS-ADAMS LLP REPRESENTATIVES, REGARDING REVIEW OF THE INTERNAL CONTROLS OVER PURCHASING AND ACCOUNTS PAYABLE (2:12:14) - Chairperson Bertrand introduced this item, and Moss-Adams LLP Partner Mark Steranka introduced Moss-Adams LLP Manager Scilla Outcault. Ms. Outcault reviewed the agenda materials. Ms. Outcault, Ms. Paulson, and Purchasing and Contracts

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Administrator Laura Rader responded to questions of clarification throughout the presentation, and extensive discussion followed. Member Ferguson suggested hiring an accounts payable audit firm, explained the accounts payable audit process, and suggested the possibility of cost recovery.

Chairperson Bertrand entertained additional comments or questions and, when none were forthcoming, thanked Ms. Outcault for her presentation. Chairperson Bertrand expressed appreciation for the report format. In response to a question, Ms. Paulson advised of having discussed with Ms. Outcault ways to improve the processes. She suggested putting the internal controls over purchasing and accounts payable on the tracking form. Discussion took place regarding methods by which to address conflicts of interest. No formal action was taken.

6(C) DISCUSSION AND POSSIBLE ACTION TO IDENTIFY, DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2018 (3:11:32) - Chairperson Bertrand introduced this item, and Moss-Adams LLP Partner Mark Steranka reviewed the agenda materials. Mr. Steranka and Ms. Outcault responded to questions of clarification, and extensive discussion ensued.

Chairperson Bertrand entertained a motion. **Member Mayhorn moved to accept the plan, with the following changes: removal of item 1; increase of item 2 to \$30,000; reduction of item 3 to \$30,000; increase of item 7 to \$15,000; removal of 9; removal of 10; and addition of IT security review for \$10,000. Member Bagwell seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

Chairperson Bertrand suggested, as a future agenda item, considering a recommendation to increase the internal audit budget. He entertained public comment on this item; however, none was forthcoming.

6(D) DISCUSSION AND POSSIBLE ACTION ON THE REQUIREMENTS AND PROCESS FOR ELECTION OF OFFICERS AND POSSIBLE NOMINATION AND ELECTION OF AUDIT COMMITTEE CHAIR AND VICE CHAIR (3:49:14) - Chairperson Bertrand introduced this item, and entertained nominations for chair. Ms. Fralick responded to questions of clarification regarding the term. Member Bagwell nominated Member Ferguson for chair. Member Mayhorn seconded the nomination. Chairperson Bertrand entertained additional nominations and, when none were forthcoming, called for a vote on the pending nomination. Nomination carried unanimously. Chairperson Bertrand entertained nominations for vice chair. Member Bagwell nominated Michael Bertrand for vice chair. Chairperson-elect Ferguson seconded the nomination. Nomination carried unanimously. Chairperson Bertrand passed the gavel to Chairperson-elect Ferguson.

Following discussion, consensus of the committee was to schedule the next meeting for Tuesday, October 3rd at 2:00 p.m.

7. PUBLIC COMMENT (3:54:31) - Chairperson-elect Ferguson entertained public comment; however, none was forthcoming.

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8. ACTION TO ADJOURN (3:54:41) - Chairperson-elect Ferguson adjourned the meeting at 3:54 p.m.

The Minutes of the July 12, 2017 Carson City Audit Committee are so approved this _____ day of October, 2017.

MICHAEL BERTRAND, Chair

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STAFF REPORT

Report To: Audit Committee

Meeting Date: 10/03/17

Staff Contact: Nancy Paulson, Deputy City Manager

Agenda Title: For Possible Action: Discussion and direction to Staff regarding the current Audit Work Program Update. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



Date: October 3, 2017
To: Carson City Audit Committee
From: Mark Steranka
Subject: Internal Audit Status Report July 1, 2017 through
September 30, 2017

MEMORANDUM

Schedule Status:

- Basic Internal Auditor Services: ongoing
- Audit Findings Validation: ongoing
- FWA Program Coordination: ongoing
- Information Technology Internal Controls Testing: initiation May 2017 and completion September 2017
- Large Public Works Project Review: initiation October 2017 and completion January 2018
- Grants Management Internal Controls Testing: initiation October 2017 and completion January 2018
- IT Security Review: initiation January 2018 and completion March 2018
- Performance Metrics Validation: initiation April 2018 and completion May 2018
- Public Guardian Follow Up: initiation May 2018 and completion June 2018

Budget Status through August 31, 2017:

- Basic Internal Auditor Services: expended \$700.00 of \$10,000 budget
- Audit Findings Validation: expended \$0.00 of \$15,000 budget
- FWA Program Coordination: expended \$350.00 of \$5,000 budget
- Information Technology Internal Controls Testing: expended \$13,300.00 of \$15,000 budget
- Large Public Works Project Review: expended \$0.00 of \$30,000 budget
- Grants Management Internal Controls Testing: expended \$0.00 of \$30,000 budget
- IT Security Review: expended \$0.00 of \$10,000 budget
- Performance Metrics Validation: expended \$0.00 of \$5,000 budget
- Public Guardian Follow Up: expended \$0.00 of \$5,000 budget

Activities for this Reporting Period:

- Basic Internal Auditor Services: managed internal audit program, prepared Audit Committee meeting materials, and attended Audit Committee meetings
- Audit Findings Validation: continued to maintain Audit Findings Tracking Report
- FWA Program Coordination: administered FWA program (two new reports)
- Information Technology Internal Controls Testing: completed final report
- Large Public Works Project Review: scheduled kickoff meeting
- IT Security Review: reviewed strategic plan and discussed with IT Director

Activities for the Next Reporting Period:

- Basic Internal Auditor Services: continue to manage internal audit program, prepare Audit Committee meeting materials, and attend Audit Committee meetings
- Audit Findings Validation: continue to maintain Audit Findings Tracking Report
- FWA Program Coordination: continue to administer FWA program
- Large Public Works Project Review: schedule interviews and submit document review
- Grants Management Internal Controls Testing: schedule kickoff meeting
- IT Security Review: determine focus for this project

Issues:

- none



STAFF REPORT

Report To: Audit Committee

Meeting Date: 10/03/17

Staff Contact: Nancy Paulson, Deputy City Manager

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on the discussion.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



STAFF REPORT

Report To: Audit Committee

Meeting Date: 10/03/17

Staff Contact: Nancy Paulson, Deputy City Manager

Agenda Title: For Possible Action: Discussion and possible recommendation to the Board of Supervisors based on the presentation by Moss Adams on the review of Internal Controls over Information Technology (IT). (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Board of Supervisors approved the review of internal controls over IT at their June 16, 2016 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

Agenda Action: Formal Action/Motion

Time Requested: 30 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



MOSSADAMS

PROPRIETARY AND CONFIDENTIAL

FINAL REPORT

FOR

CARSON CITY

Internal Controls Testing: HTE Access Controls

September 26, 2017

Moss Adams
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500



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I. OVERVIEW

A. BACKGROUND

Moss Adams, as the contracted internal auditor for Carson City (the City), tested the City's internal controls over access to its enterprise software system (HTE). The procedures were conducted from May through August 2017 and focused on testing the operating effectiveness of key controls over the City's access to HTE, in which its finances are managed.

The testing of internal controls for operating effectiveness was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. The specific methods used for testing controls are presented in the Scope and Methodology section of this report.

B. SCOPE AND METHODOLOGY

The scope of our procedures focused on the City's management of IT access to its enterprise software system, HTE. For our testing, we selected a sample of new hires, terminations, and employment changes for the period January 1, 2017 through May 31, 2017. To test the operating effectiveness of internal controls, we performed a number of activities, including the following:

- Gathered and reviewed relevant documentation, including:
 - All available IT policies and procedures
 - All new hires, terminations, and employment changes that occurred between January 1 and May 31, 2017
 - Network access request forms for selected samples
 - Help desk tickets for selected samples
 - Enterprise software system user profiles for selected samples
 - Enterprise software system user security listing for selected samples
- Performed tests of internal controls impacting system access, including the following elements:
 - Complete documentation of system access request
 - Employee agreement with IT policies and procedures
 - Appropriate authorization of access
 - Timeliness of requests and/or action
 - Confirmation of change performed
 - Appropriate level of access
 - Administrator access is appropriately limited to the IT Department
 - Periodic user access reviews are performed
 - A responsibility matrix is used to provide system access levels to users based on employee titles
 - Adequate policies and procedures regarding provisioning, deprovisioning, and changing employee access exist



C. SUMMARY

The results of our testing revealed opportunities for the City and its departments to further improve system access practices. In particular, we observed weaknesses in the following areas:

- Adequate policies and procedures guiding system access administration
- Compliance with documentation requirements
- Standardized timing for performance of system access activities

The overall conclusion is that the City should correct these issues in the next six to nine months and continue with the other controls that were tested without exception. Moss Adams would like to thank the staff of Carson City for their cooperation and assistance during our review.

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II. SCOPE, METHODOLOGY, AND RESULTS

A. SCOPE AND METHODOLOGY

We selected an initial sample of 32 new hires, 20 terminations, and 15 employment changes between January 1 and May 31, 2017. Of these samples, we tested the individuals who were granted enterprise software system access: eight new hires, six terminations, and four employment changes. To assess the operating effectiveness of key controls impacting system access, we performed the following six tests:

	NEW HIRES	TERMINATIONS	EMPLOYMENT CHANGES
1. Complete documentation of system access request	Yes	Yes	Yes
2. Employee agreement with IT policies and procedures	Yes	N/A	N/A
3. Appropriate authorization of access	Yes	Yes	Yes
4. Timeliness of requests and/or action	Yes	Yes	Yes
5. Confirmation of change performed	Yes	Yes	Yes
6. Appropriate level of access	Yes	N/A	Yes

Additionally, to assess the operating effectiveness of other key controls impacting the City's system administration, we performed tests to verify the following:

- Administrator access is appropriately limited to the IT Department
- Periodic user access reviews are performed
- A responsibility matrix is used to provide system access levels to users based on employee titles
- Adequate policies and procedures regarding provisioning, deprovisioning, and changing employee access exist



B. TESTING RESULTS

	SAMPLES	TESTING RESULTS ¹	FINDING/ OBSERVATION
Complete documentation	New Hires	1 exception out of 8 tested	Finding 1
	Terminations	0 exceptions out of 6 tested	
	Employment Changes	0 exceptions out of 4 tested	
Employee agreement with IT policies and procedures	New Hires	1 exception out of 8 tested	Finding 2
Appropriate authorization of access	New Hires	1 exception out of 8 tested	Finding 3
	Terminations	0 exceptions out of 6 tested	
	Employment Changes	1 exception out of 4 tested	
Timeliness of requests and/or action	New Hires	Not able to assess	Observation 1; Observation 2
	Terminations	0 exceptions out of 6 tested	
	Employment Changes	Not able to assess	
Confirmation of change performed	New Hires	0 exceptions out of 8 tested	Observation 3
	Terminations	0 exceptions out of 6 tested	
	Employment Changes	Not able to assess	
Appropriate level of access	New Hires	Various	Finding 4
	Employment Changes	Various	
Administrator access is appropriately limited to the IT Department	All	Exception	Finding 7
Periodic user access reviews are performed	All	Exception	Finding 5
Responsibility matrix is used to provide system access levels to users based on employee titles	All	Exception	Finding 4
Adequate policies and procedures regarding provisioning, deprovisioning, and changing employee access exist	All	Exception	Finding 6

¹ Notes: An “exception” is used here to describe an instance in which a testing result deviated from the expected result or our testing criteria. For some tests, exceptions relate to individual sample items, while for other tests, an exception relates the City’s practices as a whole rather than a quantifiable number of sample items. “Not able to assess” is used in instances where we could not complete our testing due to lack of formal processes against which to test or lack of documentation. “Various” is used when the items tested presented more than one type of deviation and a unique count of exceptions would not have been representative.



III. FINDINGS AND RECOMMENDATIONS

A. FINDINGS

1. Finding: Complete documentation was not available for all individuals we sampled.

The system access documentation that the City requires and retains varies for each sample group. Based on the requirements described by the City’s IT Department, we created the table provided below to show the one or two items often required for system access or changes.

SAMPLE GROUP	ITEM 1		ITEM 2
	ACCESS REQUEST FORM OR HR EMAIL	HR EMAIL	HELP DESK TICKET
New Hire	Access request form	Not applicable	Optional
Termination	Not applicable	Group email from HR of all terminations for pay period	Help desk ticket for all terminated employees in a pay period
Changes	Access request form OR help desk ticket	Not applicable	Help desk ticket OR access request form

Based on these documentation requirements, we found one sample out of the 18 samples we tested that did not have complete documentation. Specifically, of the eight new hires we tested, we found that the network access request form granting access for one individual was missing, as was the optional help desk ticket. According to the IT Department, IT stores paper Network Access Request Forms until the end of the following year, at which time the paper copies are scanned and then shredded. Help desk tickets are electronic and are stored electronically. However, these practices are currently not memorialized in any written policies or procedures.

Recommendation: Improve the retention practices of system access documentation.

The IT Department should increase its attention to the retention of all required system access documents. To ensure compliance, the Department may want to implement periodic spot checks to ensure that documentation is complete. Additionally, the Department should document these retention requirements and practices in its policies and procedures.

2. Not all employees signed the network access request form prior to being granted access to the City’s enterprise software system.

The network access request form includes a section for employees to sign to indicate that they have read, understood, and agree to comply with the Carson City Resources Usage Policy and understood that they will be responsible for all system activity performed under their user ID. Of the eight new hires we tested, we found that one network access request form was missing at hire. The absence of this form means IT does not have documentation demonstrating agreement with these terms. According to the IT department, this employee’s access was requested verbally by the City Manager and approved via email by the Human Resources Director. We did obtain a signed network access request form for this employee, but it was not submitted until nearly four months after hire.



Recommendation: Increase monitoring of network access request forms for employee signature.

As part of the review of network access request forms, the IT Department should increase its attention to the employee signature section of these forms.

3. Finding: Not all access requests and changes were appropriately authorized.

According to the IT Department, authorization of access requests or changes must be received from an employee's supervisor. This authorization shall be provided through a signed network access request form for new hires. For employment changes, supervisors can submit authorization through a signed form or by approving a help desk ticket.

Of the eighteen samples we tested, we found two exceptions in which the employee themselves authorized the access and no supervisor authorization was included. Specifically, of the eight new hires we tested, we found one instance in which the help desk ticket was submitted directly by the employee without the involvement of a supervisor. According to the IT department, this employee's access was requested verbally by the City Manager and approved via a documented email by the Human Resources Director. Of the four employment changes we tested, we found one instance in which an employee changed positions and requested different system access without the written approval of a supervisor. Upon inquiry, we were advised that this employment change was a unique situation and that the City Manager verbally approved this employee's access. Although we understand that certain situations may make the completion of forms more challenging, it is important that appropriate approvals are provided and documented for all system access changes.

Recommendation: Implement a process that access is not granted or changed without written authorization by a supervisor.

As part of its review of network access request forms, the IT Department should increase attention to the supervisor signature section of these forms. The IT Department should consider adding instruction to the form to clarify whose approval is required for certain individuals, such as department directors and board members, and that all approval must be documented in writing. Additionally, the City's IT Department should explore the help desk system's ability to require supervisor approval. If this functionality cannot be implemented within the system, the IT Department should increase its review of help desk tickets and reject any tickets that do not have appropriate approval.

4. Finding: The City may not be assigning individuals the appropriate level of system access.

The City does not currently assign system access according to job title or functions. Instead, the City assigns system access by copying the access profile from one individual to another. For example, when an individual enters a position that was recently vacated, their system access will likely be configured to copy the prior employee's access. The City's IT staff explained that this practice follows the recommendation of the software company to copy user settings from one to another. Through this practice, any errors in access provided to one individual could be replicated and passed on to other individuals. For example, if an hourly clerical staff member was incorrectly



or inappropriately granted access to approve purchases, any time their access profile is copied to a new individual this error would be repeated.

Additionally, during our review, we observed some instances of discrepancies between system access assigned to individuals who worked in the same position. For example, when an individual was hired into the position of grant analyst in January 2017, they were assigned requisition entry access for Purchasing. In contrast, in March 2017, when an individual transferred into this grant analyst position, their Purchasing access was “Finance – Full Access.” Because this individual was previously employed in the Finance Department, this discrepancy may be an indication of the City’s failure to modify access upon employment changes. Similarly, we observed differences in the type of access that was granted to department business managers in the Sheriff’s department.

During our review, the IT Department advised us that the City is currently in the process of preparing a request for proposals for a new enterprise software system. The new system is expected to have increased functionality that will resolve these issues.

Recommendation: Continue ongoing efforts to improve controls around the assignment of system access and document practices in policies and procedures.

The City should continue its efforts to select a new enterprise software system, including the release of a request for proposals in early October. As part of its upcoming implementation efforts, the City should work collaboratively across departments to develop a matrix to assign appropriate system access by job responsibilities and functions. Additionally, any requests to deviate from standard access levels should require additional approvals. To the extent possible, the IT Department should leverage these efforts and documentation in the administration of its current system.

5. Finding: Periodic reviews of user access are not being performed.

According to IT best practices, organizations should perform user access reviews regularly – either quarterly or no less than annually. These reviews serve a critical monitoring function to ensure that active user listings are accurate and access levels are appropriate. The City does not have user access reviews documented in its policies or procedures, and it has not been performing these reviews regularly.

Recommendation: Perform regular user access reviews and document the process.

The City will be soliciting requests for proposals for a new enterprise software system in early October. The City will be selecting a system that facilitates periodic user access reviews. Once the new system is implemented, the City should establish periodic user access reviews and document this process in its policies and procedures.

6. Finding: The City’s current policies do not adequately address the process for provisioning, deprovisioning, and changing IT access.

While the City has a Computer Resources Usage Policy, it does not have policies, procedures, or other written documentation to guide certain practices related to IT access. In particular, the City lacks written guidance dictating when, how, and by whom IT access should be granted to new



hires, removed from terminated employees, and modified upon employment changes. Without standardized practices, the City faces an increased risk of inappropriate system access.

Recommendation: Update current policies and procedures to include additional guidance relating to IT access.

The IT Department should define its process for granting, terminating, and changing system access and document this process in its policies and procedures. This documentation should define roles and responsibilities for performing all relevant tasks, as well as the timing in which they should be performed.

7. Finding: Adequate controls may not exist around terminating access for IT staff following the termination of employment.

Because IT staff have greater functionality assigned to their user profiles, it is critical that adequate controls around IT users are maintained and kept up to date. We compared the HTE access list for the IT staff to the list of current City employees. Based on this comparison, we found two individuals with HTE access who were no longer members of City's IT staff. Upon inquiry, we were advised that they have not disabled these accounts because many behind the scenes processes are linked to both of their accounts. One of the individuals is retained by the City as a consultant and the City explained that the person retains permissions accordingly. The other individual was the original administrator for the system and changes cannot be made without impacting the system's functionality, but the person does not have remote access to the system.

Recommendation: Develop and implement policies for terminating access for IT staff.

The City will be soliciting requests for proposals for a new enterprise software system in early October. The City will be selecting a system that has stronger access controls. In coordination with the new system implementation, the City should develop policies and procedures to guide the termination of access for IT staff members.

B. ADDITIONAL OBSERVATIONS

During the course of our testing, we made additional observations about the IT access process. While these observations are not strictly defined as "exceptions," based on currently established criteria, we have included these observations because they represent additional opportunities for improvement.

1. Observation: The City lacks the guidance that would define the required timeframe for performing certain tasks.

As described in Finding 6, the City currently lacks robust policies and procedures guiding certain IT practices. In particular, we found that the timing in which access must be terminated is not defined. As a result, we found that system access was terminated between one and five days after employees' termination dates.

Additionally, due to a lack of documentation, we were not able to assess the timeliness of access changes associated with employment changes. In particular, the City does not have a mechanism or report to show what system access individuals had prior compared to present access. Therefore, we were not able to verify the timeliness with which access changes were made.



Recommendation: Develop and implement policies for timeliness of system changes.

As part of other changes to the City's IT policies and procedures, the City should develop timeframes for performing tasks related to system access, including providing access, terminating access, and changing access.

2. Observation: The timing of all actions may not be appropriate.

Of the eight new hires we tested, we found that three employees were provided enterprise software system access prior to their authorized access effective date. During our testing, we found that system access was created for two employees prior to the effective date that was authorized: in one instance access was created six days in advance and in another case access was created nine days in advance.

Upon inquiry, the IT Department stated that access is routinely established in advance of the new hire's start date in order to ensure access is readily available to new hires. Access information is typically provided to new hires' supervisors one day prior to the start date. While these practices may be reasonable, without documented processes we were unable to test compliance.

Recommendation: Consider practices related to providing access to employees prior to their authorized effective date.

The IT Department should review its current practice of providing employees system access prior to the authorized effective date. In particular, the IT Department should document the timeframe within which this information can be provided prior to a new hire's start date and consider if other practices could be easily implemented to increase controls related to access. Moreover, the IT Department should explore whether additional functionality in a new enterprise software system will help address this issue.

3. Observation: The City lacks the guidance that would define the documentation required for certain tasks.

As described in Finding 6, the City currently lacks robust policies and procedures guiding certain IT practices. Specifically, we found that the City does not have guidance regarding the documentation that is required related to system access. For example, the City does not require documentation showing what system access changes were made.

Recommendation: Develop and implement policies to document system changes.

As part of other changes to the City's IT policies and procedures, the City should develop documentation requirements, including documentation of any system access changes. Additionally, the City should periodically assess compliance with these requirements.

