

**Carson City Board of Supervisors
Agenda Report**

Date Submitted: May 23, 2014

Agenda Date Requested: June 5, 2014
Time Requested: Consent

To: Mayor and Supervisors
From: Purchasing and Contracts

Subject Title: For Possible Action: To accept the Carson City Audit Committees recommendation to approve Amendment No. 4 to Contract No. 1112-133 with MOSS-ADAMS, LLP (Certified Public Accountants), titled "Internal Auditing Services" to increase the contract term from June 30, 2014 to June 30, 2015 and perform the City's Internal Audit function for a not to exceed cost of \$110,000.00 to be funded from the Internal Audit Budget account as provided in FY 2014/2015. *(Kim Belt)*

Staff Summary: On January 19, 2012, the Carson City Board of Supervisors approved the above listed contract in the amount of \$110,000.00; on December 20, 2012, the Carson City Board of Supervisors approved Amendment 1, an increase to the contract term and approval to utilize the budget remainder from FY 2012/2013; on June 20, 2013 the Carson City Board of Supervisors approved Amendment 2, an increase to the contract term, and on July 18, 2013 the Carson City Board of Supervisors approved Amendment 3, an increase to the contract term. The Audit Committee is recommending amending the contract through June 30, 2015, in order for contractor to perform FY 14-15 Audit Plan Components which consist of: Basic Internal Auditor Services, Internal Controls Review, Strategic Planning updates, and Fraud, Waste and Abuse monitoring.

Type of Action Requested: (check one)

Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to accept the Carson City Audit Committees recommendation to approve Amendment No. 4 to Contract No. 1112-133 with MOSS-ADAMS, LLP (Certified Public Accountants), titled "Internal Auditing Services" to increase the contract term from June 30, 2014 to June 30, 2015 and perform the City's Internal Audit function for a not to exceed cost of \$110,000.00 to be funded from the Internal Audit Budget account as provided in FY 2014/2015. *(Kim Belt)*

Explanation for Recommended Board Action: MOSS-ADAMS' contract to provide internal audit services is set to expire on June 30, 2014. The Audit Committee is recommending the contract term be increased to June 30, 2015 and perform the City's Internal Audit function for FY 2014/2015.

Applicable Statute, Code, Policy, Rule or Regulation: Carson City Charter Sec. 3.075.

Fiscal Impact: \$110,000.00

Explanation of Impact: If approved the below account(s) could be reduced by \$110,000.00.

Funding Source: Internal Auditor Account – 101-0800-415-03-09 as provided for in FY2014/2015.

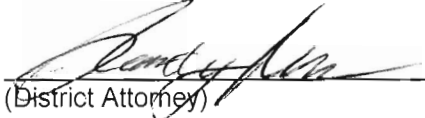
Supporting Material: Amendment No. 4 to Contract 1112-133.

Prepared By: Kim Belt, Purchasing and Contracts Manager

Reviewed By: *Mark Smith*
(Finance)
marissa gunk
(City Manager)

Date: *5/27/14*

Date: *5/27/14*


(District Attorney)

Date: 5/27/14

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
AMENDMENT No. 4
Contract No. 1112-133
Internal Auditing Services**

THIS AMENDMENT is made and entered into this 5th day of June, 2014, by and between the City and County of Carson City, a political subdivision of the State of Nevada, hereinafter referred to as the "**CITY**", and Moss Adams LLP., hereinafter referred to as the "**CONTRACTOR**", and is made to amend the existing contract known as **CONTRACT # 1112-133**.

WITNESSETH:

WHEREAS, during the performance of **CONTRACTOR'S** duties pursuant to **CONTRACT # 1112-133** the **CITY** determined that additional time is required for **CONTRACTOR** to perform the original *Scope of Work* of the **CONTRACT**; and

WHEREAS, said amendment is at the request of both the **CITY** and **CONTRACTOR**, and that significant benefit will be derived by the **CITY** for said amendment.

NOW, THEREFORE, in consideration of the aforesaid mutual promises herein, **CITY** and **CONTRACTOR**, by and through their respective authorized representatives hereby agree to:

1 Amend Paragraph 2.1 of **CONTRACT # 1112-133** to provide in its entirety as follows:

This Contract shall be effective from January 19, 2012, subject to Carson City Board of Supervisors' approval (anticipated to be January 19, 2012) to June 30, 2015, unless sooner terminated by either party as specified in **Section 7 Contract Termination**.

2 Amend Paragraph 5.1 of **CONTRACT #1112-133** to provide in its entirety as follows:

City agrees to pay **CONTRACTOR** the **CONTRACT SUM** based upon time and materials for a not to exceed amount of Three Hundred Ninety Two Thousand Five Hundred Sixty Four Dollars and No Cents (\$392,564.00), which is an increase to the contract amount by One Hundred Ten Thousand Dollars and No Cents (\$110,000.00)

IT IS ALSO AGREED, that all unaffected conditions, requirements, and restrictions of the Original Contract document remain in full force and effect for the duration of the Contract term.

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
AMENDMENT No. 4
Contract No. 1112-133
Internal Auditing Services**

ACKNOWLEDGMENT AND EXECUTION:

In witness whereof, the parties hereto have caused this Amendment to be signed and intend to be legally bound thereby.

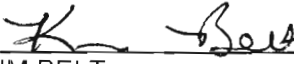
CARSON CITY

Finance Director
Attn: Kim Belt, Purchasing &
Contracts Manager
201 North Carson Street Suite 3
Carson City, Nevada 89701
Telephone: 775-283-7137
Fax: 775-887-2107
KBelt@carson.org

CITY'S LEGAL COUNSEL

Neil A. Rombardo, District Attorney

I have reviewed this Contract and approve
as to its legal form.

By: 
KIM BELT


By: 
Deputy District Attorney

DATED 5/27/14

DATED 5/28/14

CITY'S ORIGINATING DEPARTMENT

BY: Nick Providenti, Director
Carson City Finance Department
Carson City, NV 89701
Telephone: 775-283-7143
Fax: 775-887-2107
NProvidenti@carson.org

By: 

DATED 5/27/14

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
AMENDMENT No. 4
Contract No. 1112-133
Internal Auditing Services**

Tom Krippaehne , deposes and says: That he is the **CONTRACTOR** or authorized agent of the **CONTRACTOR**; that he has read the foregoing Amendment; and that he understands the terms, conditions, and requirements thereof.

CONTRACTOR

BY: Tom Krippaehne

TITLE: Partner

FIRM: Moss Adams LLP

CARSON CITY BUSINESS LICENSE #: 14-

Address: 999 Third Avenue, Suite 3300

City: Seattle **State:** WA **Zip Code:** 98104

Telephone: 206-302-6544/ **Fax #:**206-622-9975

E-mail Address: Tom.Krippaehne@mossadams.com

(Signature of **CONTRACTOR**)

DATED _____.

STATE OF _____)

County of _____)

) ss

Signed and sworn (or affirmed) before me on this _____ day of May, 2014, by Tom Krippaehne.

(Signature of Notary)

(Notary Stamp)

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
AMENDMENT No. 4
Contract No. 1112-133
Internal Auditing Services**

CONTRACT ACCEPTANCE AND EXECUTION:

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting on June 5, 2014, approved the acceptance of **CONTRACT No. 1112-133**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to set his hand to this document and record his signature for the execution of this contract in accordance with the action taken.

CARSON CITY, NEVADA

ROBERT L CROWELL, MAYOR

DATED this 5th day of July, 2014.

ATTEST:

ALAN GLOVER, CLERK-RECORDER

DATED this 5th day of July, 2014.

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Discussion followed, and Member McKenna advised of having voted against the fraud, waste, and abuse program. He suggested that “public officers, those who are elected, those who are city managers, we have a different criteria. We have no shield. Everything we do is public and people can complain about us any way they want, through this program or through the newspaper ... and we have a different standard to live up to and that just goes with taking this job.” Member McKenna didn't see any reason to criticize the fraud, waste, and abuse program “that could work very well internally; however, we have the D.A.'s feelings on it. We spent the money. Let's see if it works.” Vice Chairperson Prowse agreed with a three to five year review process of the fraud, waste, and abuse program. In reference to the fraud, waste, and abuse program in the State of Oregon, he advised “there are a lot of benefits to come out of it beyond just identifying somebody abusing the system or not. And, in this case, ... it raised an issue within how the City operates and, based on the report, there were some changes made. That's a good thing.” Vice Chairperson Prowse expressed the opinion that the City should “try on the program for size and see what happens.”

Chairperson Bertrand entertained additional committee member comments and, when none were forthcoming, public comments. When no public comments were forthcoming, he entertained a motion. **Vice Chairperson Prowse moved that the Audit Committee recommend this final report on the fraud, waste, and abuse program to the Board of Supervisors. Member McKenna seconded the motion.** Chairperson Bertrand entertained discussion and, when none was forthcoming, a vote on the pending motion.

RESULT:	Approved [4 - 0]
MOVER:	Vice Chair Bill Prowse
SECOND:	Member John McKenna
AYES:	Vice Chair Prowse, Members McKenna, Bullis, and Chair Bertrand
NAYS:	None
ABSENT:	Member Mary Sanada
ABSTAIN:	None

In response to a question, Mr. Munn suggested forwarding the Fraud, Waste, and Abuse Program Investigation Report 2014-01 to the Board of Supervisors. In response to a further question, Mr. Steranka advised that Moss-Adams will make both the committee and the Board of Supervisors aware of investigation activity.

10. DISCUSSION AND POSSIBLE ACTION REGARDING MONITORING OF AUDIT FINDING RESPONSE TRACKING REPORT AND POSSIBLE DIRECTION TO THE INTERNAL AUDITOR TO REPORT AND DISCUSS THE MONITORING WITH THE BOARD OF SUPERVISORS (10:31:21) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Program Director Mark Steranka reviewed the agenda materials. The committee members offered suggested revisions to the report, and discussion followed. Chairperson Bertrand suggested no formal action was necessary.

11. DISCUSSION AND POSSIBLE ACTION TO IDENTIFY, DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON ADDITIONAL PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2015 (10:37:29) - Chairperson Bertrand introduced this item. Moss-Adams, LLP Policy and Program Director Mark Steranka provided background information, and narrated a PowerPoint presentation, copies

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of which were included in the agenda materials. He and Mr. Providenti responded to corresponding questions of clarification, and discussion ensued.

Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors the four audit projects, as follows: maintain the fraud, waste, and abuse program; provide basic internal audit services; perform an internal controls review Citywide; and update and focus the strategic planning development phase 2; the balance of the \$110,000 budget would be available during the year on an as-needed basis. Member Bullis seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote on the pending motion. (11:03:08) In response to a question, Mr. Munn advised that approval of the contract was the understood intent of the motion.

RESULT:	Approved [4 - 0]
MOVER:	Vice Chair Bill Prowse
SECOND:	Member John Bullis
AYES:	Vice Chair Prowse, Members Bullis, McKenna, and Chair Bertrand
NAYS:	None
ABSENT:	Member Mary Sanada
ABSTAIN:	None

12. POSSIBLE ACTION TO APPOINT ONE MEMBER OF THE AUDIT COMMITTEE TO ACT AS LIAISON TO COMMUNICATE WITH THE EXTERNAL AUDITOR (10:55:24) - Chairperson Bertrand introduced and provided background information on this item. Mr. Munn provided direction in response to a question. Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to appoint Member Sanada as the committee's liaison with the external auditor. Member Bullis seconded the motion.** Chairperson Bertrand entertained discussion. In response to a question, Mr. Munn advised that one person does not constitute a subcommittee "because they're not a collegial body, and their work is independent and they come back and report to the [committee]." Chairperson Bertrand entertained additional questions or comments and, when none were forthcoming, called for a vote on the pending motion.

RESULT:	Approved [4 - 0]
MOVER:	Vice Chair Bill Prowse
SECOND:	Member John Bullis
AYES:	Vice Chair Prowse, Members Bullis, McKenna, and Chair Bertrand
NAYS:	None
ABSENT:	Member Mary Sanada
ABSTAIN:	None

13. POSSIBLE ACTION TO SCHEDULE NEXT MEETING OF THE AUDIT COMMITTEE (10:57:35) - Chairperson Bertrand introduced this item, and discussion took place regarding the next meeting. Consensus of the committee was to schedule the next meeting for Tuesday, August 12th at 3:00 p.m.

14. PUBLIC COMMENT (11:03:45) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

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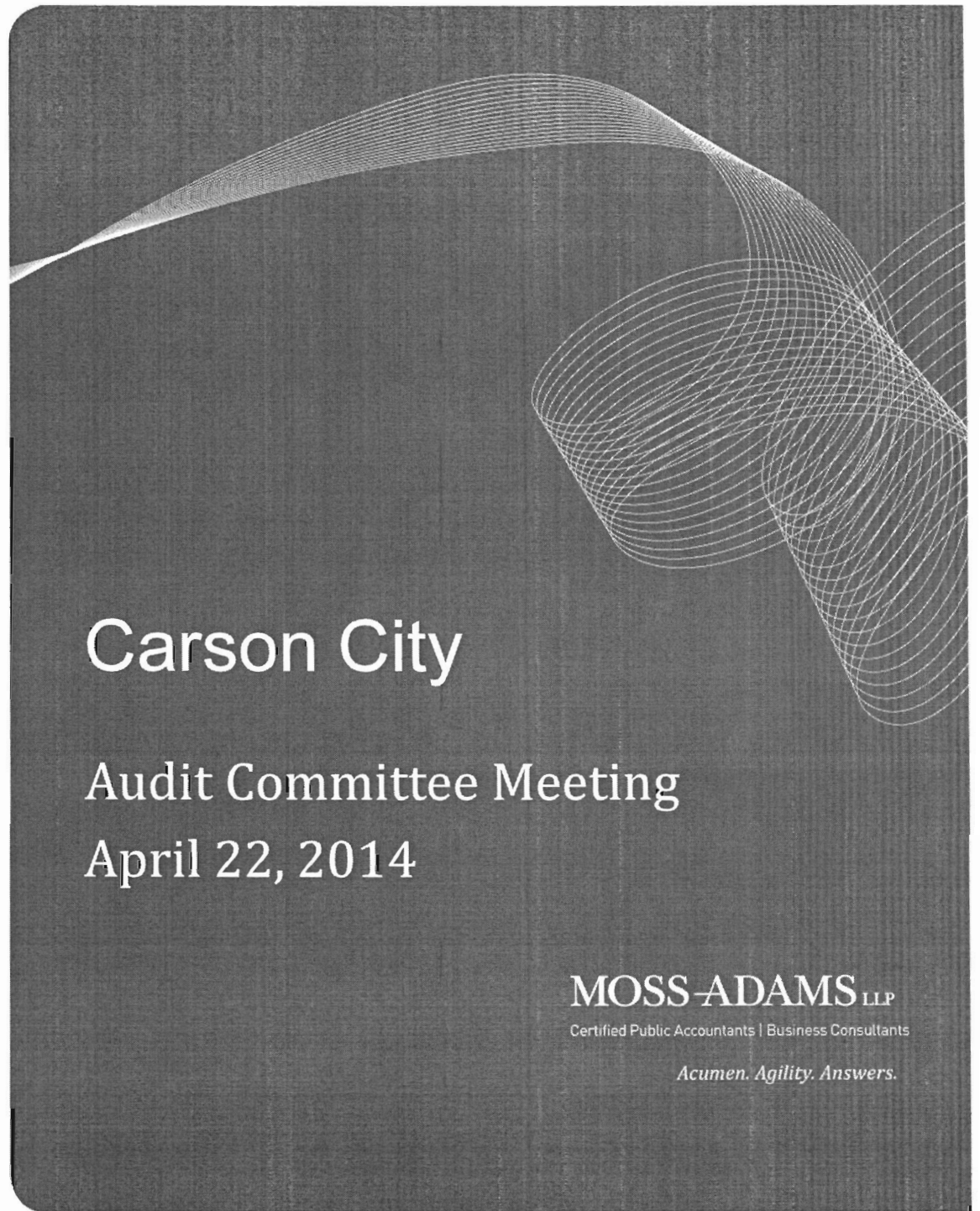
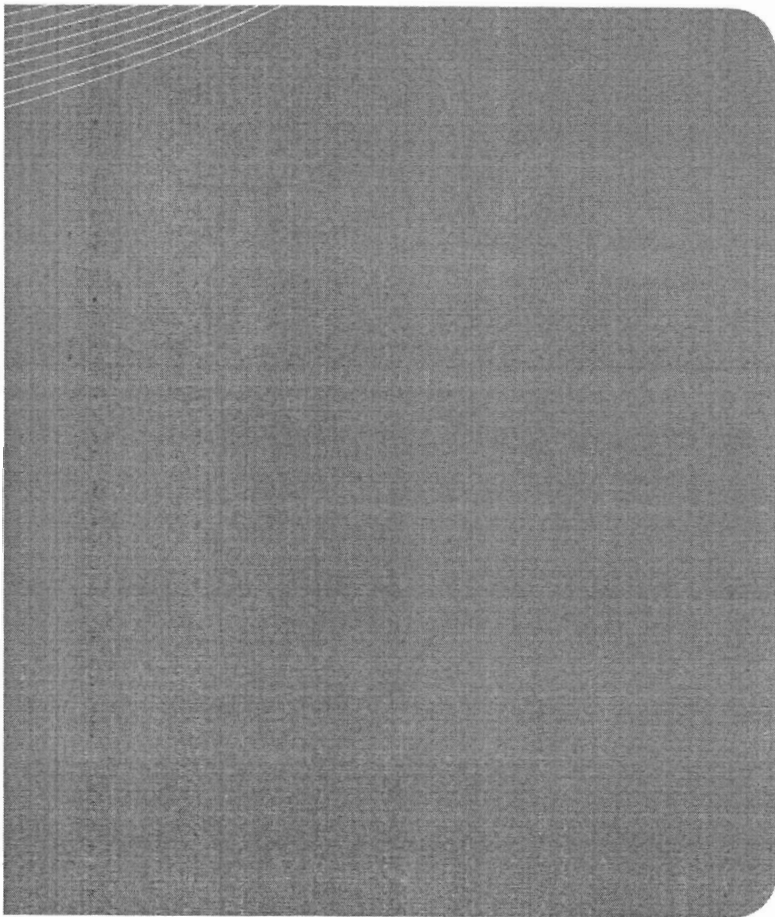
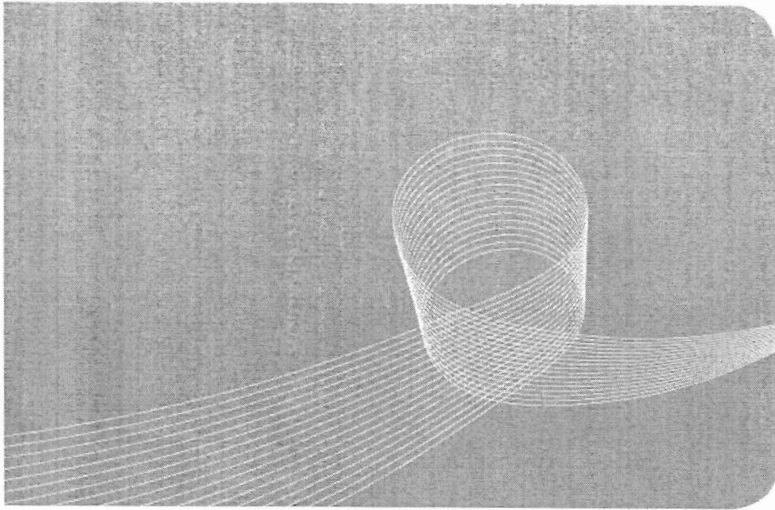
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15. **ACTION TO ADJOURN** (11:03:51) - Chairperson Bertrand adjourned the meeting at 11:03 a.m.

The Minutes of the April 22, 2014 Carson City Audit Committee meeting are so approved this ____ day
of _____, 2014.

MICHAEL BERTRAND, Chair



Carson City

Audit Committee Meeting

April 22, 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.



AGENDA

- I. Introduction
- II. Audit Program Review
- III. FY 14-15 Audit Plan



I. INTRODUCTION

- The City retained Moss Adams LLP in January 2012 to serve as the designated City Auditor and conduct projects focusing on:
 - Efficiency and effectiveness
 - Management reviews
 - Best practices
 - Compliance
- Work is being completed under the standards from the Institute of Internal Auditors (IIA) and the AICPA's consultancy standards

II. AUDIT PROGRAM REVIEW

Project	Year	Fees	Potential Savings	Potential ROI	Actual Savings	Actual ROI
Risk Assessment	2012	\$40,000	\$0	n/a		
Public Defender Study	2012	\$20,000	\$95,000 - \$369,000	5/1 to 18/1		
Eagle Valley Golf Study	2012	\$20,000	\$50,000 - \$100,000	3/1 to 5/1		
Community Facilities Study	2012	\$15,000	\$30,000 - \$60,000	2/1 to 4/1		
Fleet Efficiency Study	2013	\$55,000	\$174,000 - \$381,000	3/1 to 7/1		
Fleet Utilization Study	2013	\$30,000	\$92,000 - \$98,500	3/1		
FWA Program Dev./Coord.	2013	\$40,000	\$0			
Performance Metrics	2013	\$30,000	\$0			
Total		\$250,000	\$441,000 - \$1,009,000	2/1 to 4/1		

III. FY 14-15 AUDIT PLAN: OVERVIEW





III. FY 14-15 AUDIT PLAN: POSSIBLE PROJECTS

- Basic Internal Auditor Services \$10,000
- Internal Controls Review \$40,000
- Strategic Planning (PM Dev. Phase 2) \$30,000
- Wastewater Capital Program Study \$30,000
- Utility Billing Study \$30,000
- Internal Control Project and Training \$30,000



III. FY 14-15 AUDIT PLAN: POSSIBLE PROJECTS

- Basic Internal Auditor Services: Attend Audit Committee and Board of Supervisors (BOS) meetings; perform implementation performance monitoring and review (52 weeks, \$10,000)
- Internal Controls Review: Conduct a review of the City's internal controls framework focusing on selected key controls in areas deemed important to protecting the City's assets and resources and processing and reporting timely financial information (12-14 weeks, \$40,000)
- Strategic Planning: Work with the City Manager, Deputy City Manager, and Department Heads to update the City's strategic plan and update KPIs as required to align with priority strategies (14-16 weeks, \$30,000)
- Wastewater Capital Program Study: Review the City's wastewater capital program related to project procurement, contract management, and future maintenance and operations (16-18 weeks, \$30,000)
- Utility Billing Study: Assess opportunities for enhancing operational efficiency, service effectiveness, and internal controls (10-12 weeks, \$30,000)
- Internal Control Project and Training: Help the City strengthen one internal control area and provide internal control training. (10-12 weeks, \$30,000)