



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 12/17/15

Staff Contact: Nancy Paulson , Chief Financial Officer (npaulson@carson.org)

Agenda Title: For Possible Action: To adopt the Carson City Plan of Corrective Action for the FY 14-15 statutory violations included in the annual audit.

Staff Summary: Within 60 days after the delivery of the annual audit to the local government, the governing body shall advise the Department of Taxation what action has been taken to prevent recurrence of each violation of law or regulation included in the annual audit.

Agenda Action: Formal Action/Motion

Time Requested: 5 mins

Proposed Motion

I move to adopt the Carson City Plan of Corrective Action for the FY 14-15 statutory violations included in the annual audit.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Per NRS 354.6245, within 60 days after the delivery of the annual audit to the local government, the governing body shall advise the Department of Taxation what action has been taken to prevent recurrence of each violation of law or regulation included in the annual audit. The attached proposed plan of corrective action will serve as a means to comply with State law.

Applicable Statute, Code, Policy, Rule or Regulation

NRS 354.6245

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)



CARSON CITY, NEVADA
CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

MEMO TO: Board of Supervisors
Nick Marano, City Manager

FROM: Nancy Paulson, Chief Financial Officer

DATE: December 2, 2015

SUBJECT: Plan of Corrective Action for FY 14-15 Statutory Violations

As presented to you by Eide Bailly, LLP, there were two apparent violations of NRS 354.626 noted in the City's FY 14-15 annual audit relative to the excess of expenditures over appropriations in the Workers' Compensation and Cemetery Funds. The following explanation and corrective action is offered in response to the statutory violations:

- Actual expenses exceeded appropriations in the Workers' Compensation Internal Service Fund by \$183,558.
 - A portion of this was due to an increase in workers' compensation claims during the current year and the fiscal year-end non-cash adjustment to record reserves for estimated future claim payments. Workers' compensation claim expense has averaged \$320,000 for the three previous fiscal years. We budgeted \$500,000 for FY 15; however, actual claims expense reached \$624,000. Approximately \$156,000 of the reserve calculation is related to dates of loss (injury) after the final budget augmentations were prepared for FY 15.
 - The remaining balance is the result of employees in the vocational rehabilitation program. When these employees enter the program their salary and benefit payments are transferred to the Workers' Compensation Fund. These amounts were not augmented during FY 15.

In the future, the Finance Department will take a more conservative approach when augmenting the budget to account for potential increases in estimated future claim payments and salaries and benefits related to vocational rehabilitation employees.

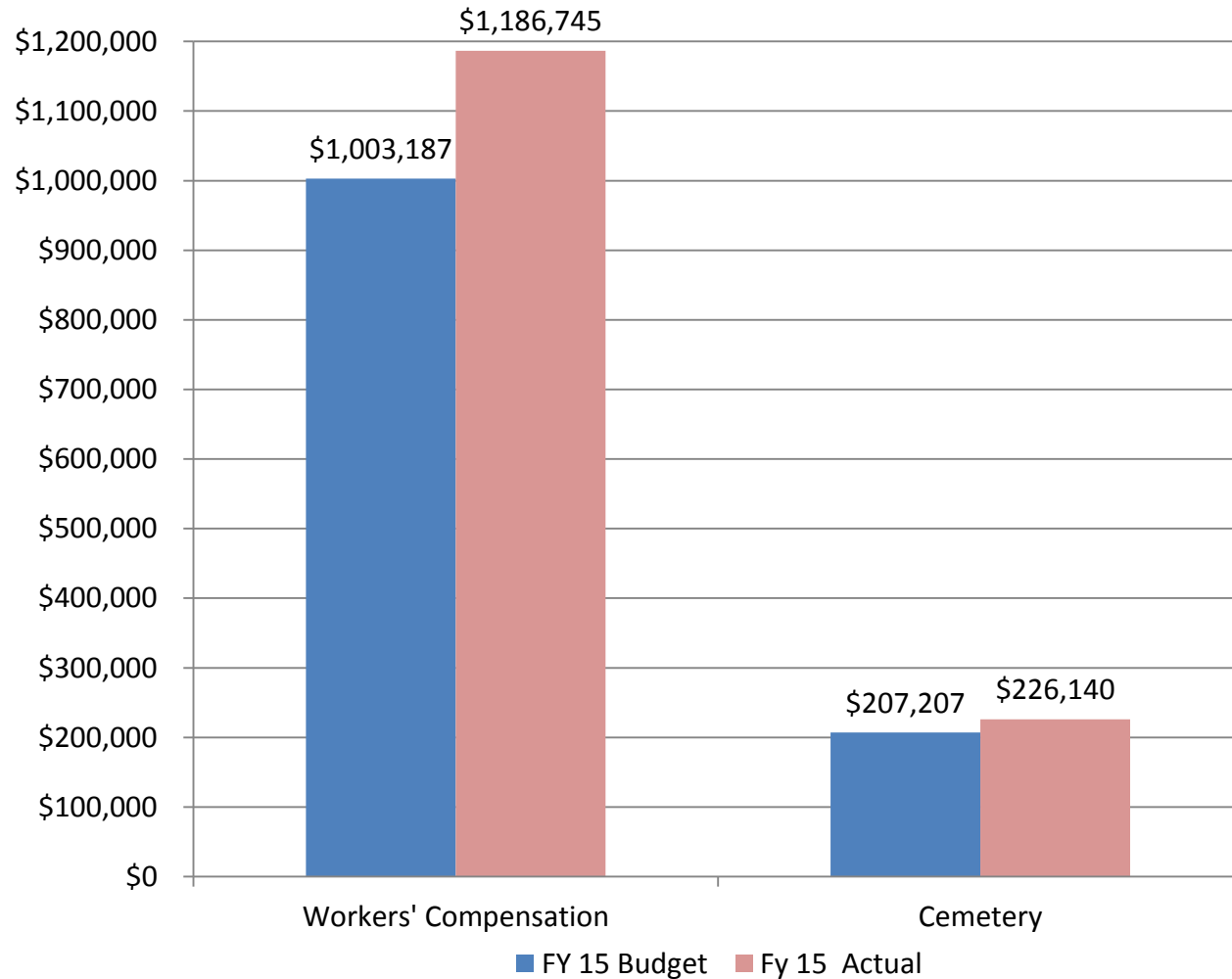
- Actual expenses exceeded appropriations in the Cemetery Enterprise Fund by \$18,933. This was the result of non-cash adjustments to Other Post-Employment Benefits (OPEB) and accrued compensated absences that are calculated and recorded at fiscal year-end. These amounts were not augmented in June 2015 due to the lack of available working capital. Currently, this fund is subsidized by an annual transfer of \$75,000 from the General Fund. The Finance Department will review the

Cemetery Fund budget to determine if expenses should be re-allocated or if an increase in the transfer from the General Fund will be required to cover the fiscal year-end non-cash adjustments.

If you have any questions, please do not hesitate to contact me.

FY 14-15

Statutory Violations



Workers' Compensation Fund

- Actual expenses exceeded appropriations in the Workers' Compensation Internal Service Fund by \$183,558.
 - Approximately \$124,000 is related to an increase in claims and the year end adjustment to record reserves for estimated future claims.
 - Workers' compensation claim expense has averaged \$320,000 for the three previous fiscal years. We budgeted \$500,000 for FY 15; however, actual claims expense reached \$624,000.
 - Approximately \$156,000 of the reserve calculation is related to dates of loss (injury) after the final budget augmentations were prepared for FY 15.
 - The remaining balance is the result of employees in the vocational rehabilitation program. These amounts were not augmented as we estimated there would be enough savings in other budget lines to cover these expenses.

Cemetery Fund

- Actual expenses exceeded appropriations in the Cemetery Fund by \$18,933.
 - This was the result of non-cash adjustments to Other Post-Employment Benefits (OPEB) and accrued compensated absences that are calculated and recorded at fiscal year-end.
 - These amounts were not augmented in June 2015 due to the lack of available working capital.
 - Currently, this fund is subsidized by an annual transfer of \$75,000 from the General Fund. The Finance Department will review the Cemetery Fund budget to determine if expenses should be re-allocated or if an increase in the transfer from the General Fund will be required to cover the fiscal year-end non-cash adjustments.