



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 12/21/2017

Staff Contact: Jason Link, Chief Financial Officer (jlink@carson.org)

Agenda Title: For Possible Action: To accept the Audit Committee's recommendation to approve the completed remediation plans from the Community Facility Cost Recovery Study, Employee Efficiency Study, Internal Controls Review, Policy and Procedures Review, Payroll Internal Controls Testing, Small Works Projects Review, Public Guardian Review, and the Purchasing / Accounts Payable Internal Control Testing; and remove the completed findings from the Audit Findings Tracking Summary Report. (Jason Link, jlink@carson.org)

Staff Summary: The completed remediation plans have been presented and approved by the Carson City Audit Committee. Upon approval by the Board of Supervisors, the completed findings will be considered closed and removed from the Audit Findings Tracking Summary Report prepared by Moss Adams.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

I move to accept the Audit Committee's recommendation to approve the completed remediation plans from the Community Facility Cost Recovery Study, Employee Efficiency Study, Internal Controls Review, Policy and Procedures Review, Payroll Internal Controls Testing, Small Works Projects Review, Public Guardian Review, and the Purchasing / Accounts Payable Internal Control Testing; and remove the completed findings from the Audit Findings Tracking Summary Report.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Moss Adams has been contracted by Carson City to provide Internal Audit Services for the City.

Staff has addressed the findings contained in the Audit Findings Tracking Summary Report with remediation plans and consider the findings closed.

Applicable Statute, Code, Policy, Rule or Regulation

N / A

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

Do not accept the recommendation and/or make different recommendations.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City - Audit Findings Tracking Summary Report

Report Name	Report Submittal	Reporting Entity	Report Findings	Completed Findings	BOS Report Approval	Notes
Community Facility Cost Recovery Study	11/20/12	Internal Auditor	15	15	1/17/13	2 new completed findings
Employee Efficiency Study	8/12/14	Internal Auditor	27	27	12/4/14	1 new completed finding
Internal Controls Review	4/21/15	Internal Auditor	42	41	6/4/15	14 new completed findings
Policy and Procedures Review	3/22/16	Internal Auditor	5	5	8/18/16	2 new completed finding
Payroll Internal Controls Testing	8/8/16	Internal Auditor	2	1		1 new completed finding
Small Works Projects Review	2/14/17	Internal Auditor	4	3		3 new completed findings
Public Guardian Review	5/9/17	Internal Auditor	13	8		8 new completed findings
Purchasing and AP Internal Controls Testing	7/12/17	Internal Auditor	12	6		6 new completed findings
Total			120	106		

Legend:

Report Submittal = date report submitted to Audit Committee

Reporting Entity = organization that prepared the report

Report Findings = number of findings in the report

Completed Findings = number of findings completed by management

BOS Report Approval = date report adopted by BOS

Notes = notes about findings

Carson City
Community Facility Cost Recovery Study

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
7	Question 18 funds would be available to support Theater operations if planned capital improvements were made.	Determine how to leverage Question 18 funds to make capital improvements and unlock operations funding.	Parks and Recreation, Finance	Parks and Recreation Director, Finance Director	Q18 revenues are still below 2008 levels, however the city has earmarked \$500,000 for Community Center improvements from the 1/8th cent program. This project is scheduled for 2017. Staff will be working with the public to determine needs and developing an action plan. Q18 will be used to augment the capital improvements.	\$ 75,000		administratively closed			Not able to be implemented in the near term. Funding is not currently available.
8	The Theater does not have dedicated marketing or booking support.	Investigate the feasibility of employing a dedicated marketing and booking staff member to manage and promote Theater reservations.	Parks and Recreation	Parks and Recreation Director, Recreation Operations Manager	The current staffing level has precluded employing a dedicated marketing staff. Booking is currently handled thru the department reservationist and the Theater manager. Staff is looking into online marketing, booking and ticketing programs.	TBD		administratively closed			Not able to be implemented in the near term. Ticketing and marketing in the past have been the responsibility of the event. WNC provides their own ticketing, as does the school district for their programs. The Community Center markets events held in the Community Center with its new digital reader board located in front of the facility. Staff is interested in researching whether an online marketing/ticketing program will be advantageous and what the cost may be. Funding is not currently available.

Carson City
Employee Efficiency Study

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected?	Expected Compl. Date	Actual Compl. Date	Status Comments
5	The City does not fully leverage technology to optimize customer service efficiency and effectiveness.	Develop an IT Strategic Plan with a focus on how to leverage technology to develop more efficient workflows, provide more cost-effective customer service, and more efficiently utilize the IFC Technology Governance Committee.	Citywide	City Manager	The IT Director has been tasked with proposing a Strategic Planning framework to the Technology Governance Committee for its review and guidance regarding next steps.			Y	12/31/16	12/19/16	IT Strategic Plan is complete and was presented to the Board of Supervisors on April 6, 2017.

Carson City
Internal Controls Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
2	Reviewing hours recorded in HTE is a high-level manual process and is subject to human error.	Implement random audits of paper timesheets for completeness and accuracy assurance. Use finance staff or internal audit resources to perform the random audits. Explore options for programming additional reports or queries to assist in assuring accuracy and quality of timekeeping and payroll information.	Finance	Chief Financial Officer	The Finance Department currently maintains approximately 20 spreadsheets that are used to verify payroll. A spreadsheet is also utilized to compile the monthly PERS report which serves as another verification of timekeeping accuracy. Moss Adams will be testing the payroll process as part of their FY 15-16 Internal Audit Plan.			Y	6/30/16	8/9/16	Moss Adams has completed the payroll testing project and delivered the results to the Audit Committee on August 9, 2016.
8	There are not adequate centralized controls in place to prevent terminated employees from continued payroll payments subsequent to termination.	Implement random audits of paper timesheets for completeness. Policies and procedures should include guidance to departments about how to adequately review the hours proof report, including the detection of payment for terminated employees.	Finance	Chief Financial Officer	The Finance Department created a document titled "Payroll Procedures" that outlines the duties and responsibilities of each department involved in the payroll process. After approval, this will be uploaded to Policy Tech. Moss Adams will be testing the payroll process as part of their FY 15-16 Internal Audit Plan.			Y	12/31/15	March-16	Validate before AC approves. No exceptions noted for no additional payments after employee termination (see testing results in Payroll Testing Report dated 07-27-16).
14	P-cards are not consistently and immediately deactivated upon employee termination of employment with the City, which could result in employees making unauthorized purchases after they are terminated.	Coordinate communications on voluntary terminations between the Human Resources Department and Purchasing, so that terminations are communicated in a timely manner. Discontinue practice of postponing card deactivation. Incorporate this change in written policies and procedures.	Finance	Chief Financial Officer	The Procurement Card Program Manual has been updated to outline the procedures that should be followed at the department level upon employee termination of employment. The Finance Department has also added a procedure to run monthly employee termination reports to ensure that p-cards have been deactivated.			Y	12/31/15	March-16	Validate before AC approves. No exceptions noted for deactivation of P-Card after employee termination (see testing results in Payroll Testing Report dated 07-27-16).
21	The City is at risk that revenue is not completely and accurately recorded due to evidence of control weaknesses and process issues within individual departments and offices, as well as recent fraud.	Perform risk-based City-wide Cash Handling and Revenue Audits as part of the internal audit work program.	Treasurer / Finance	Treasurer / Chief Financial Officer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/16	Nov 2016	Internal Audit Project completed
22	Cash controls at remote collection sites are not periodically monitored and tested to ensure they are in place, properly designed, and operating in accordance with management objectives.	Periodically test cash controls at those sites within the City that collect cash to ensure that employees are adhering to City policies and procedures.	Treasurer / Finance	Treasurer / Chief Financial Officer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	9/30/17	9/27/17	The Treasurer's Office has begun performing unannounced testing of cash controls.

Carson City
Internal Controls Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
23	Money is not transported safely between City locations.	Consider a contract with an armored vehicle company for both daily City deposits and Parks and Recreation cash transport or implement additional safety controls.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/16	Dec 2016	The final Cash Handling Policy has been added to PolicyTech. In addition, the City is now using armed alternative sentencing employees to transport deposits.
24	Multiple employees share one cash till in certain locations.	Whenever possible, implement separate cash tills for each employee.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/16	Dec 2016	This requirement is included in the Cash Handling Policy.
25	Within some departments, cash is held on-site and not deposited in a timely manner, despite the daily pick-up of deposits by a courier.	Implement processes to deposit cash daily.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/16	Dec 2016	This requirement is included in the Cash Handling Policy.
26	Employees that are involved in the handling of cash, preparation of deposits, entry of deposit information, and the supervision of employees that perform these duties do not receive periodic cash handling training.	Determine which positions (employees) should receive cash handling training based on their job duties or supervisory responsibilities, and provide training.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	6/30/17	May 2017	The Treasurer's Office has developed a cash handling training video and will be holding mandatory training sessions May 8th and 16th, 2017.
27	Cash is not stored securely at certain locations, which results in the risk of misappropriation	In conjunction with the recommendations associated with the Revenue and Cash Collections 2 through 5 control objectives, securely store cash.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/16	Dec 2016	This requirement is included in the Cash Handling Policy.

Carson City
Internal Controls Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
28	Within Parks and Recreation, the employee responsible for preparing the deposit can also make adjustments within the ActiveNet system.	Segregate the deposit preparation duties across two employees, so that one employee prepares the deposit and another employee makes entries into ActiveNet.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/16	Dec 2016	This requirement is included in the Cash Handling Policy.
30	The City's Cash Handling Policy is out of date and is not well known by employees that handle cash throughout the City.	Update the City's Cash Handling Policy and train departments on the updated policy.	Treasurer	Treasurer	The Treasurers Office is in the process of updating the City's cash handling policy. Also, Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	6/30/17	May 2017	The Treasurer's Office has developed a cash handling training video and will be holding mandatory training sessions May 8th and 16th, 2017.
31	While a training program exists to provide mandated courses, such as sexual harassment prevention, the programs do not address internal controls and how to prevent and detect fraud, waste, and abuse.	Provide annual training to all employees on internal controls and fraud prevention.	HR / Finance	Chief Financial Officer / HR Director	The Finance Department will work with HR to research training programs that would be available to City employees on an annual basis.	TBD		administratively closed	6/30/17		Will offer training as it becomes available.
41	The IT Department does not currently have an intrusion detection system.	Garner support from IT Governance Committee to advocate funding of system. Select and implement an intrusion detection system as soon as funding is available.	IT	IT	IT is working on purchasing and installing security appliance and software to accomplish these goals.	\$ 23,000		Y	12/31/16	12/31/16	Implementation complete.

Carson City
Policy and Procedures Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
3		Develop easy-to-understand guidance on key functions that operate according to state law.			Will work with elected officials to establish procedures for the various functions performed by their Departments			administratively closed	12/31/16		Will encourage Elected Official Departments to establish procedures for their various functions.
5		Consider revising the City's Municipal Code to shift some elements to policies.			The City has had discussions on this topic. City Staff is working with the DA's Office on revisions to the municipal code.			Y	Ongoing		City Staff are currently reviewing elements of the Municipal Code that can be shifted to City Policies.

Carson City
Payroll Internal Controls Testing

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
2	System access was not deactivated for terminated employees.	When an employee is terminated, Human Resources should submit a ticket to IT the day of termination, and IT should deactivate access to the computer system within 24 hours. Additionally, perform a periodic review of system access (quarterly initially until consistently no issues and then annually) for terminated employees should be implemented to ensure the process is working.	IT / HR	CIO / HR Director	IT processes terminations within 24 hours of notice, which should come from the individual departments. This is done in accordance with the City's Termination Checklist. In addition, IT receives a bi-weekly report on terminations from HR to verify that access has been deactivated for these employees. In Policy Tech under "unacceptable behavior" or Public Works "Employee Exit Process – Termination", it states that the departments are to notify IT. Departments should use the Access Request form which has a section for removal to notify IT.			Y		12/31/16	

Carson City
Small Works Projects Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
1	The interdivisional cost accounting policy is adequate, but opportunities for improvement still exist.	Revise the draft policy and procedures to include definitions, materiality, and standards for documentation.	Public Works	Public Works Director	Draft policy has been updated to include recommendations.			Y		Sept 2017	
2	A sample of 2016 interdivisional work orders adhered to the draft policy, but greater consistency could be achieved.	Public Works should ensure that the policy, including maintenance of sufficient documentation, is applied consistently across work orders.	Public Works	Public Works Director	Dashboard reporting set up in work order system; checked monthly for closed projects. Journal entries will be prepared for projects that cross divisions monthly. Per policy, reports maintained on computer drive.			Y		Sept 2017	
4	Regular reporting on interdivisional projects is not currently conducted.	Public Works should develop quarterly reports to ensure journal entries were entered correctly, sufficient documentation was provided, and identify potential opportunities for improvement.	Public Works	Public Works Director	Reports from accounting system to be run quarterly verifying Finance Department processed journal entry properly.			Y		Sept 2017	

Carson City
Public Guardian Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
1	There is minimal oversight of Public Guardian Activities.	Establish regular reporting by the Public Guardian to the Board of Supervisors.	Public Guardian	Public Guardian	The Public Guardian will present quarterly reports to the Board of Supervisors on the operations and status of cases at the Public Guardian's Office.			Y		9/7/17	
2	The Public Guardian could more efficiently utilize human and technological resources.	Increase the efficiency of the Department through distributing responsibilities and ensuring essential software is up-to-date.	Public Guardian	Public Guardian	The Public Guardian and her Deputy go to required meetings at the same time, meet new clients together and enter a clients home to ascertain any assets together. This is out of necessity as we have a very small staff. Other than these exceptions the Public Guardian and her Deputy work independent of each other and utilize interns and volunteer staff. An update to the main accounting program for this office was just purchased and installed with the help of the IT Department. The update for QuickBooks 2017 is now up and functioning.			Y		9/5/17	
5	The Public Guardian does not maintain sufficient documentation to support asset disposition.	Document the decision to forfeit, demolish, donate, or sell ward assets using photographs and narrative accounts.	Public Guardian	Public Guardian	The Public Guardian's office has recently ordered and received Bill of Sale books to be used for all sales of protected person's assets. No sale will take place without a written record from these books.			y		8/25/17	
6	The Public Guardian does not compile a complete inventory of ward assets, as required by State law.	Ensure that itemized inventories are compiled for all ward assets within 60 days of guardianship appointment, and implement an Inventory Tracking Form to track assets from the time of collection to the time sale proceeds are deposited into the ward's guardianship account.	Public Guardian	Public Guardian	The auditors provided this office with Inventory Tracking sheets which will be used for all protected persons with liquid assets.			Y		9/1/17	
9	Assets were advertised to the public in accordance with Court orders.	Provide public notice for the sale of ward assets in accordance with Court orders and/or State law.	Public Guardian	Public Guardian	This is done through our attorney and is a mandatory activity through the court. There is new legislation pending that may effect this recommendation.			Y		Ongoing	
10	Liquidators are typically engaged on an ad-hoc basis, without written agreements defining commission percentages and sales processes.	Develop formal written agreements for the use of liquidators.	Public Guardian	Public Guardian	As policy the Public Guardian's office will require a formal written contract for all liquidators used in cleaning out homes of protected persons. There is new legislation pending that may effect this recommendation.			Y		9/1/17	

Carson City
Public Guardian Review

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
12	Receipts for sale of personal property are not issued or maintained.	Issue and retain receipts for all items sold, including the itemized asset number.	Public Guardian	Public Guardian	The Public Guardian's office has recently ordered and received Bill of Sale books to be used for all sales of protected person's assets. No sale will take place without a written record from these books. There is new legislation pending that may effect this recommendation.			y		8/25/17	
13	Deposits of sale proceeds are not always appropriately documented.	Ensure the timely deposit of sale proceeds into the guardianship account for each ward and record the item number in the deposit comment.	Public Guardian	Public Guardian	This recommendation is our policy but an error was made in the record that was audited. All proceeds from sales are deposited to the protected persons bank account as of the next business day.			Y		9/27/2017 - Ongoing	

Carson City
Purchasing AP Internal Controls Testing

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
4	The general ledger accounting code on one invoice did not match the number on the edit list.	Emphasize the importance of reviewing account codes prior to approval of invoices.	Finance	CFO	The AP Processing policy in policytech states that the Finance Department Accounting Technician will "verify that the correct account number has been entered on the edit sheet." In addition, the policy includes a checklist that asks "has the account number been verified as correct?".			Y	Already in place prior to internal audit.		
6	Complete and up-to-date documentation of purchasing authority was not maintained.	Develop and implement an ongoing process to ensure the accuracy and completeness of signature cards.	Finance	CFO	Signature cards will be reviewed and updated annually and when there are employee changes in Departments.			Y / Ongoing		July 17	
7	The City does not consistently utilize purchase orders in accordance with City policy.	Establish processes to strengthen controls around vendor spending.	Finance	CFO	A citywide Kaizen event for purchasing and contracts was held on Sept 29-30, 2016 and employees are required to review policytech policies annually. In addition, the purchasing and contracts administrator provides department wide training and 1 on 1 training for new employees. Lastly, the importance of obtaining purchase orders and contracts has been relayed to Department Directors at the bi-weekly staff meetings.			Y / Ongoing		July 17	
8	Purchases were made for services with no contract in place.	Re-emphasize the importance of establishing contracts with all vendors providing services.	Finance	CFO	A citywide Kaizen event for purchasing and contracts was held on Sept 29-30, 2016 and employees are required to review policytech policies annually. In addition, the purchasing and contracts administrator provides department wide training and 1 on 1 training for new employees. Lastly, the importance of obtaining purchase orders and contracts has been relayed to Department Directors at the bi-weekly staff meetings.			Y / Ongoing		July 17	

Carson City
Purchasing AP Internal Controls Testing

Item No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
9	Required insurance documentation was not obtained for all relevant vendors.	Reiterate the importance of obtaining certificates of insurance for all relevant vendors.	Finance	CFO	Purchasing and contracts does not allow a contract to go out without the proper insurance in place. This finding was the result of departments failing to obtain a contract for services. A citywide Kaizen event for purchasing and contracts was held on Sept 29-30, 2016 and employees are required to review policytech policies annually. In addition, the purchasing and contracts administrator provides department wide training and 1 on 1 training for new employees. Lastly, the importance of obtaining purchase orders and contracts has been relayed to Department Directors at the bi-weekly staff meetings.			Y / Ongoing		July 17	
12	Adequate controls do not exist to prevent duplicate payments.	Develop and implement a process to prevent duplicate payments.	Finance	CFO	There is a duplicate payment report that is automatically printed by HTE during each check run or the p card monthly processing. There could be a duplicate payment entered for processing but it would be flagged and proper steps would be taken to avoid or correct the duplicate payment.			Y	Already in place prior to internal audit.		