



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** October 3, 2019

Staff Contact: Sheri Russell, Chief Financial Officer (srussell@carson.org)

Agenda Title: For Possible Action: Discussion and possible action regarding acceptance of the Audit Committee's recommendation to approve the completed remediation plans and remove the completed findings from the Audit Findings Tracking Summary Report. (Sheri Russell, srussell@carson.org)

Staff Summary: The completed remediation plans for various recommendations and findings have been presented and approved by the Carson City Audit Committee. Upon approval by the Board of Supervisors, the completed recommendations and findings for the Temporary Staffing items 3, 4 and 5 and all recommendations included as part of the Fire Department Overtime Audit will be considered closed and removed from the Audit Findings Tracking Summary Report maintained by the internal auditor and City staff. A legal opinion issued by the District Attorney's is submitted with this agenda item to address whether there is a potential conflict in law between the Uniform Guidance and Nevada Revised Statutes, as previously discussed at a prior meeting of the Board.

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 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

Staff has addressed the following recommendations and/or findings contained in the Audit Findings Tracking Summary Report with remediation plans and consider the following findings closed:

- Temporary Staffing Audit - Items #3, #4 and #5 policies and procedures have been created and implemented which address these findings.
- Fire Department Overtime Audit - #1 and #2 which includes all recommendations have been addressed and implemented.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? No

If yes, account name/number:

Is it currently budgeted?

Explanation of Fiscal Impact:

Alternatives

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

Attachments:

[Audit Findings Summary 9-24-19.pdf](#)

[Internal Audit Report - Fire Department Overtime.pdf](#)

[Internal Audit Report - Temporary Staffing.pdf](#)

[19.09.25 Memo Procurement Audit Conflicting Provisions.docx](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City
Internal Audit Summary
January 29, 2019

Carson City - Audit Findings Tracking Summary Report (revised 8-21-19)

Report Name	Report Submittal	BOS Report Approval	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
Community Facility Cost Recovery Study	11/28/2012	1/17/2013	Internal Auditor	15	15			
Community Facility Cost Recovery Eagle Valley Golf Course	10/3/2012	5/16/2013	Internal Auditor	4	4			
Fleet Management Efficiency Study	6/22/2013	7/18/2013	Internal Auditor	24	24			
Fleet Utilization Study	1/30/2014	4/3/2014	Internal Auditor	12	12			
Employee Efficiency Study	11/25/2014	12/4/2014	Internal Auditor	27	27			
Internal Controls Review	3/31/2015	6/4/2015	Internal Auditor	42	42	4/21/2015	11/15/2018	
Policy and Procedures Review	3/22/2016		Internal Auditor	5	5		12/21/2017	
Payroll Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	2	8/8/2016	11/15/2018	
P-card Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	2	8/8/2016	11/15/2018	
Small Works Projects Review	2/17/2017	12/21/2017	Internal Auditor	4	4	2/14/2017	12/21/2017	
Public Guardian Review	5/1/2017	12/21/2017	Internal Auditor	13	13	5/9/2017	11/15/2018	
Purchasing and AP Internal Controls Testing	7/6/2017	12/21/2017	Internal Auditor	12	12	7/12/2017	11/15/2018	
HTE Access Controls Testing	9/26/2017	12/21/2017	Internal Auditor	7	7	10/3/2017	12/21/2017	
FY 2014 CAFR	12/18/2014	12/18/2014	External Auditor	5	5	3/22/2016	12/18/2014	
FY 2015 CAFR	12/17/2015	12/17/2015	External Auditor	5	5	3/22/2016	12/17/2015	
Capital Projects Process Review	5/3/2018		Internal Auditor	8	0	5/10/2018		
Public Guardian Follow Up Review	5/3/2018		Internal Auditor	8	8	5/10/2018	3/7/2019	
FY 2017 CAFR and Single Audit	11/30/2017	12/21/2017	External Auditor	4	3	5/10/2018	3/7/2019	DA needs to update BOS on #4
FY 2018 CAFR and Single Audit	12/6/2018		External Auditor	3		12/6/2018		
Temporary Staffing Audit	5/9/2019		Internal Auditor	5		5/9/2019		
Fire Department Overtime Audit	5/9/2019		Internal Auditor	2		5/9/2019		
Total (including archived reports)				210	190			

Legend:

- Report Submittal = date report submitted to City
- BOS Report Approval = date report adopted by BOS
- Reporting Entity = organization that prepared the report
- Report Findings = number of findings in the report
- Completed Findings = number of findings completed by management
- AC Approval = Audit Committee approval of completed findings
- BOS Approval = Board of Supervisors approval of completed findings
- Notes = notes about findings

Finding Corrected?

Y	Findings Addressed - project closed
P	Partially Addressed items
N	Not yet addressed
Discussion	For Discussion today

Carson City
Capital Projects Process Review
05-02-18

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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	5/3/2018		Develop and utilize a scorecard that establishes objective criteria to assist in the evaluation of capital projects during the capital planning selection process.	PW		<p>Course of Action- Use current scorecard for sewer CIPs and modify and determine objective criteria to evaluate water and stormwater CIPs (Feb 2019). Scorecards will be prepared for utility project CIPs in time for each year's budget planning period (typically around January/February). We will also plan on developing a scorecard for facility projects (Feb 2020). Ultimate goal is to use data collected through asset management program (work orders, maintenance costs, condition, etc.) to feed CIP decisions</p> <p>Expected Benefits- Use of objective data/criteria will help us make effective data driven decisions and improve transparency in the CIP planning process.</p>			P	Feb 2020		<p>We have developed a scorecard for sewer CIP projects and are in the process of developing scorecards for water and stormwater capital projects to be ready for next FY budget planning period (Feb 2019). These scorecards evaluate projects and rank/prioritize using objective data such as age of pipe, material, condition, capacity, maintenance cost, street classification, risk of failure, consequence of failure, etc.</p> <p>January 2019 Update- On track with scorecards for sewer, water and stormwater projects to prioritize CIPs for this coming fiscal year (FY 2020). Scorecard for facility projects to be developed in Feb. 2020.</p> <p>-May 2019 Update- Developed scorecards for water and sewer pipeline replacement/rehabilitation projects and small stormwater projects that consider probability of failure and consequence of failure criteria to help objectively prioritize future CIPs. These scorecards will continue to be refined and advanced in the future, particularly as our asset management program develops. Scorecard for facility projects to be developed in Feb. 2020</p>
2	5/3/2018		Cultivate a Project Management Manual that provides standardized templates, checklists, forms, and best practice guidance.	PW		<p>Course of Action- Create a project management checklist that guides PMs through all required steps to successfully complete a project. This checklist will reference other project management related documents that offer more detail on specific stages of project management (project initiation forms, guidelines to setting up project in Smartsheet, creating project schedules, QA/QC for projects, project closeout). The checklist will be placed in the project folder and be required to be completed for each CIP.</p> <p>The checklist in combination with specific documents and forms related to project management will be located in a central site on the network and be considered the "Project Management Manual". There is no plan at this time to create an actual manual.</p> <p>Expected Benefits- Lead to better management of capital projects</p>			P	PM Manual (December 2019)		<p>In process of developing a project management checklist for project managers to complete for each CIP. This checklist will track from project initiation to closeout. This checklist will reference to other PM documents related to different stages of the project (project initiation forms, guidelines to setting up project in Smartsheet, creating project schedules, QA/QC for projects, project closeout). A draft of checklist has been developed and is currently in circulation for comments. We anticipate checklist to be completed and in-use by Jan 2019.</p> <p>After completion of PM checklist, the checklist in combination with specific documents and forms related to project management will be located in a central site on the network and be considered the "Project Management Manual". There is no plan at this time to create an actual manual.</p> <p>January 2019 Update- The decision was made in December 2018 to create a formal project management manual. A working group, consisting of different personnel across public works that is involved with various stages of capital projects, was formed to help develop the contents of the manual. The manual is about 1/3 of the way done and will be complete in time to manage next fiscal year's capital projects (July 2019). This manual will include standardized templates, checklists, forms and best practice guidance as initially recommended by auditor. (See all PM Manual References Below)</p>
												<p>August 2019 Update: The goal of Public Works was to complete the PM Manual by July in time for the start of FY20 projects. However, due to the heightened demand from capital projects and other critical special projects, transition to the new Munis system and the impact to public works project management workflow, as well as the other daily duties required of public works personnel, this task was unfortunately unable to be fully completed by the July timeframe. Public Works will continue to move forward with competing the PM manual over the next couple months and anticipates completing by the end of the calendar year.</p>

Carson City
Capital Projects Process Review
05-02-18

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3	5/3/2018		Subscribe to Electronic Signature Services to expedite the contract approval process.	PW		<p>Course of Action- Public Works will have the discussion with Purchasing & Contracts to see what options are available for electronic signature implementation. Discussion will occur in Fall 2018 and then decision will be made on whether to pursue or not</p> <p>Expected Benefits- If implemented, the contract approval process would be expedited</p>			N	October 2019		<p>We do spend a great amount of time collecting signatures and passing documents around, so exploring electronic signature options may be beneficial. Public Works will have the discussion with Purchasing & Contracts to see what options are available. Discussion will occur in Fall 2018. - New ERP System will definitely have electronic approvals as well as some electronic signature options. We would like to wait until we are farther along in the implementation process.</p> <p><u>January 2019 Update-</u> Meeting was held in Fall 2018 and decision was made to wait until new ERP system is rolled out. The ERP system will include electronic approvals as well as some electronic signature options. Implementation Team - Purchasing Administrator - Carol Akers</p>
4	5/3/2018		Utilize a single unique identifier for projects to ensure documentation clearly references each project.	PW		<p>Course of Action- Modify documents internal to public works to include project number along with contract number. The Public Works Financial Analyst does currently keep a contract register which does relate all contracts back to their unique project numbers, so the current method does work for searches/tracking, but could be improved. Discuss with Finance, Purchasing & Contracts and Public Works Financial Analyst to discuss options to be consistent with our project naming and unique identifier. Review ERP system capabilities to see if new system may lead to better tracking and streamline document searches in future.</p> <p>Expected Benefits- Improve project document tracking and searches</p>			Y (Audit Committee Approved Closure)	Nov 2018		<p>We currently assign single unique identifiers to projects, however these project numbers don't get referenced in all construction documents such as design or construction contracts (only contract numbers used). The Public Works Financial Analyst does keep a contract register, which links all contracts back to their associated unique project numbers. Therefore, everything can be searched and tracked with some effort.</p> <p>We are in the process of modifying public works related construction documents (i.e. project completion memos and other documents used for construction management during construction) to reference both project numbers and contract numbers. We will plan on discussing with Finance, Purchasing & Contracts and Public Works Financial Analyst to discuss options to be consistent with our project naming and unique identifier. Plan on holding these discussions in fall of 2018. This process may also be improved with the capabilities/features of the new ERP system.</p> <p>The project number assigned by Finance is supposed to be included on contracts with the account number. The new ERP system will allow for contract, payments, purchase orders, payroll and grants to be tied to specific projects. It also has the ability to store pertinent documents with the project.</p> <p><u>January 2019 Update-</u> All contract documents have been modified to make reference to contract number and project number to easily help Finance, Contracts and Public Works Department clearly track public works related construction documents through life of a project. The new ERP system will help make this tracking even better.</p>

Carson City
Capital Projects Process Review
05-02-18

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5	5/3/2018		Explore system support for staff payroll on capital projects to enable more efficient and effective tracking of Public Works staff time.	PW		<p>Course of Action- Continue to learn more about the capabilities of the new ERP system. When ERP system is implemented and staff is trained, we will have the capabilities to provide more efficient and effective tracking of Public Works staff time. Anticipate ERP implementation to occur in next 12 months</p> <p>Expected Benefits- Enable more efficient and effective tracking of Public Works staff time.</p>			N	July 2020		<p>The new ERP system will allow time entry for projects directly in the system. This will eliminate the necessity for the current method of keeping a separate project time sheet and then doing a journal entry to do the direct billing for Public Works Staff time. Implementation Team - Accounting Manager - Jamie Stevenson</p> <p>In the meantime, we will work to update project timesheets more regularly to better track project costs in "real time"</p>
6	5/3/2018		Clearly identify and separate capital project documents to properly track contract modifications.	PW		<p>Course of Action- Modify or create new guidelines/policy that outline and clearly specify bid, conformed and contractual documents for each project. These guidelines will integrate with the project management checklist referred to in item #2.</p> <p>Expected Benefits- Improve organization of project documents</p>			P	(PM Manual) December 2019		<p>Public Works staff is currently working on modifying project management procedural documents to clearly define and distinguish between bid documents, conformed documents and contract documents and to specify the location of where each of these document types should be filed in the project folder. These procedures will integrate with the project management checklist referred to in item #2. Properly designating the contract documents will help identify and track any changes made or modified via addenda</p> <p><u>January 2019 Update-</u> Public Works has completed developing specific folder locations and guidelines for project managers to follow to place bid documents, conformed documents and contract documents. This process will also be added to the PM Manual to be completed in July 2019. <u>See #2 above for August 2019 Update.</u></p>
7	5/3/2018		Expand capital project close-out processes to include a review of project costs, deliverables, and required documentation.	PW		<p>Course of Action- Create step-by-step procedure document outlining proper project close-out. These guidelines will integrate with the project management checklist referred to in item #2.</p> <p>Expected Benefits- Improve close-out of projects and improve organization and how we manage projects in the future</p>			P	(PM Manual) December 2019		<p>A draft step-by-step procedure document outlining proper project close-out has been created and is currently in circulation for comments. We anticipate this close-out procedure to be completed and in-use by Jan 2019. This will be added as step in the project management checklist</p> <p><u>January 2019 Update-</u> Public Works has completed developing document outlining proper project close-out. This will formally be included as part of the PM Manual to be completed in time for next fiscal year projects. <u>See #2 above for August 2019 Update.</u></p>
8	5/3/2018		Create a project postmortem process to continuously improve capital project efficiencies.	PW		<p>Course of Action- Create a standard form that addresses lessons learned related to construction issues, quality control, external department coordination (for projects where public works PMs run a project for Parks department), comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets). This document will integrate with the project management checklist referred to in item #2.</p> <p>This postmortem form will be required to be completed by PMs before a project can be closed out.</p> <p>Expected Benefits- Improve future management of projects</p>			P	(PM Manual) December 2019		<p>This will be added as a step in the project management checklist and be required for PMs to complete before closing out project. A standard form will be developed that addresses lessons learned related to construction issues, quality control, external department coordination (for projects where public works PMs run a project for Parks department), comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets).</p> <p>This postmortem form will be required to be completed by PMs before a project can be closed out</p> <p><u>January 2019 Update-</u> A draft document outlining proper project debrief process has been created by Public Works. This will formally be included as part of the PM Manual to be completed in time for next fiscal year projects. <u>See #2 above for August 2019 Update</u></p>

Carson City
FY 2018 Audit Findings
November 30, 2018

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding 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			2018-001	Financial Statements may be materially misstated as a result of ineffective review of complicated and/or non-reoccurring journal entries and other similar transactions	More attention and thoughtful consideration be given to the supervision and review of complicated, individually material and/or non-reoccurring journal entries.			Carson City will ensure that implementations of new standards which can be challenging or non-recurring transactions are implemented and reviewed by the appropriate staff level	\$ -	0	P	6/30/2019	6/30/2019	FY19 should be a much smoother process as the appropriate staff will be able to take on new GASB implementations and it will be reviewed by the CFO instead of prepared by the CFO.
2			2018-002	Financial Statements may be materially misstated as a result of the failure to appropriately, and timely, communicate significant transactions and/or contractual changes between various operational departments and the Finance Department.	Finance Department attend and or review minute of various meeting and committees to ensure awareness of what is going on. As well as a greater degree of person to person communication between finance and other departments.			Management will be more involved in the meetings and committees to ensure we are aware of new agreements, in addition, the fire department is updating their SOP's to ensure Finance is aware of all new agreements within 5 days of the execution of a new agreement or amended agreement.	\$ -	0	P	6/30/2019	6/30/2019	An amendment was done on a Medicare Contract which significantly increased the amount of revenue the City was going to receive. The agreement was executed on November 17th, and we issued our FY17 audit report on November 30th. The auditor maintains that we should have known and accrued the revenue as a receivable. Finance did not receive a copy of the amended contract until October 2018. We are now attending meetings and Fire is aware that Finance needs to be notified of any such contracts.
3			2018-003	Failure to appropriately verify entity status are not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities prior to entering into a covered transaction.	City should verify that an entity is not debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activity before entering into a covered transaction.			Purchasing & Contracts Department will verify debarment and suspension status on the System for Award Management (SAM) website. Moving forward a pdf print screen will be saved electronically and a paper copy will be included in the contract project file as supporting documentation. The contract will not be executed until the verification is complete.	\$ -	0	P	6/30/2019	6/30/2019	We have updated procedures for the purchasing and contracts position to indicate that this must be completed and documented prior to executing the contract.

Carson City
Temporary Staffing Audit
May 9, 2019

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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			We recommend the City conduct further evaluation by legal professional on the legal risks identified from this internal audit. "We noted Department of Labor considerations which may indicate an "employment relationship" between Carson and temporary employees.			Carson City District Attorney's Office is researching the any possible legal issues with hiring temporary employees through Marathon.	\$ -	0	P	10/31/2019		DA has performed some research; however, the DA is still looking into the legal distinction between Temporary and Permanent employees. The DOL Fact Sheet on an "Employee Relationship" under the FLSA refers to distinguishing independent contractors and employees, which is not the same distinction here.
2			Recommend a single timesheet format be used by temporary workers and for management to implement the requirement to accurately record break periods.			Management will speak with departments on how time is reported, there may be two approved methods, one being a spreadsheet if there are multiple employees and one being the Marathon Timesheet - which is their internal form.	\$ -	0	N	12/31/2019		Speaking with Departments
3			We recommend that city-wide policy and individual department policy involving the use of temporary employees in an overtime capacity be included to address the pre-approval needed and a specified number of hours allowed.			The City will develop a policy, which will include approvals by IFC, HR, Finance and City Manager	\$ -	0	Discussion	8/1/2019	8/1/2019	HR has developed a Policy and various forms, and several have gone through the new process at this time. The form includes necessity of the temporary staffing, how long and estimated number of hours. HR reviews all the information, Finance ensures there is funding available, and it is brought to IFC for final approval.
4			We recommend that a cost analysis be performed when executive level former employees are brought on as temporary consultants. In such instances an independent contractor arrangement established directly with the employee may be more cost effective than using a temporary staffing agency.			The City will include this in the policies and procedures described in #3			Discussion	8/1/2019	8/1/2019	While this exact scenario should be very rare, we are doing a cost analysis for all Temporary staffing.
5			We recommend city wide policies be drafted to include best practices in planning, budgeting, and management of temporary workers. This recommendation includes the use of training to ensure proper implementation of these policies.			The City will include this in the policies and procedures described in #3			Discussion	8/1/2019	8/1/2019	Policies were written and implemented, the form requesting temporary staffing includes who will supervise that employee and can they afford it, as well as explanation as to the need for temporary staffing. HR sent out the form and instructions to each of the directors, and everything seems to be working as designed.

Carson City
Fire Department Overtime Hours Audit
May 9, 2019

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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			We recommend the Fire Department utilize a sub-category function in Telestaff to track different types of overtime, such as training and mutual aids. This will allow the department more visibility into the various overtime activities and provide for better budget oversight. Additionally, we recommend the Fire Department budget for total hours and have the finance department calculate the amounts based on the pay rate of employees. Prior year actual hours or a three-year average may be used as a starting point until sufficient historical data is built.			Carson City will work on adding appropriate coding to Telestaff in order to break out the types of Overtime. - Finance will work on the overtime budget for the FY21 Budget.	\$ -	0	Discussion	9/30/2019		FD Telestaff Codes: Budget of OT: FY20 budget is set, but we will work up a better estimate for the FY21 budget. Update 8-29-19: Telestaff Sub Categories for specific overtime types will be fully implemented when the Telestaff upgrade is complete. The upgrade should be complete by the end of September 2019.
2			Per discussion with Sean Slamon, Fire Chief, the department is currently operating at 51 personnel. The Fire Department determined that six (6) additional firefighters are needed to offset the increase in the number of personnel allowed off each day.			Per the Non-Bargaining Agreement with the Firefighters, if we add more than 51 firefighters, we have to allow 3 firefighters vacation at the same time, instead of 51 and under we only allow 2 firefighters off at the same time. We believe this will increase the Overtime. 6 new firefighters may reduce overtime but the cost of 6 new firefighters with Salary and Benefits is approximately \$795,000 (Average Firefighter/Paramedic or Firefighter salary is \$132,500) We currently budget \$772,646 in Overtime.	\$ -	0	Discussion	9/9/2019		Currently, we cannot guarantee that 6 new positions would reduce overtime significantly. We are working on this analysis. Chief Slamon is also looking into another option to reduce overtime which is a three year FEMA SAFER Staffing Grant. If awarded, the Grant would cover 75% of the employee(s) costs for two years, and 35% for the third year. 9-9-19 - Audit Committee Recommended Closure as City is aware of the recommendation and looking into potential ways to implement the recommendation while being fiscally responsible.



Fire Department Overtime Audit
Carson City, Nevada



EXECUTIVE SUMMARY

Eide Bailly LLP performed an internal audit of Carson City Fire Department's overtime hours for Fiscal Year 2017 through Fiscal Year 2018. The objective of this audit was to determine if overtime hours were properly recorded and to identify areas of risk and opportunities for potential savings.

During the internal audit, it was noted that the Fire Chief and his staff were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed.

The internal audit resulted in two recommendations to further improve the Fire Department's controls over overtime.

BACKGROUND

As it pertains to the use of overtime labor, reasonable and necessary expenditures enable the Fire Department to continue to provide services despite labor shortages due to vacancies, injuries, mandated services levels, and operational and seasonal workload spikes. However, long-term overtime or uncontrolled uses of overtime represent significant risks of increased direct and indirect costs.

Unnecessary overtime may be avoided through management control activities such as pre-approval of overtime, adjusting staffing levels to service demand levels, and regular management monitoring of overtime.

Total overtime expense for Fiscal Year (FY) 2017 and 2018 was \$1,310,707 and \$1,409,287 respectively. Total budgeted overtime for FY17 and FY18 totaled \$772,646. Resulting in 41% and 45% budget shortfall for respective years.

Total mutual aids overtime, which is fully reimbursed by the federal or other state governments was \$469,101 for FY17 and \$405,874 for FY18. Overtime shortfall for mutual aids was 9% for FY17 and 30% for FY18.

Total overtime hours for FY17 totaled 35,660 and increased 3% for FY18 with total overtime hours of 36,849.

OBJECTIVE & SCOPE

To assess the Fire Department's administration and use of overtime and identify areas of risk and opportunities for potential savings. The scope of the audit was from FY 2017 through FY 2018.

METHODOLOGY

Procedures performed during this internal audit included the following:

- Reviewed historical budget reports and dispatch data.
- Reviewed department policies and procedures.
- Performed data analysis on system generated reports from Telestaff to the Carson City payroll system.
- Conducted walkthroughs of selected transactions and related controls.

- Interviewed key personnel of the Fire Department and of those charged with recording and payment of overtime. Interviews were conducted to gain an understanding of the processes and key risks, to assess responsibilities related to the overtime processes in place, identify key controls, and opportunities for improvement. The personnel we interviewed were as follows:
 - Sean Slamon – Fire Chief
 - David Aurand – Business Manager
 - Lorelei Barr – Administrative Assistant
 - Jamie Stevenson – Accounting Manager of Carson City

AUDIT RESULTS

We evaluated the adequacy of controls and processes related to overtime processes in place through the following procedures:

- We obtained the system-generated reports for calendar year 2016, 2017 and 2018 from the Telestaff application and extracted overtime data related to FY17 and FY18.
- We obtained the Fire Department Cumulative Register for FY17 and FY18 from Carson City payroll.
 - A cumulative difference of 67 hours was noted equating to less than 0.1% of the total hours. This was deemed immaterial and no further testing performed.
- We selected all overtime transactions where an employee incurred both callback and overtime on the same day and all transactions where an employee incurred multiple entries of overtime that did not sum to 24 hours (one full shift). For each transaction, we verified Staffing and Callback Procedures were followed, overtime was properly approved, and supporting documentation was obtained including Telestaff Roster, training logs, and National Fire Incident Report/Dispatch reports.
 - We noted one instance where one employee incurred 27 hours of overtime in one day. After further investigation, we believe this was an isolated misstatement and the process in place appears to be working as designed and functioning as expected. No further testing was performed.
- We calculated the labor burden by comparing the overtime pay to regular salary for employees with the highest overtime hours for each job category (captain, driver, and firefighter). We noted the following:
 - 10 employees incurred over 40% of total overtime in both fiscal years.
 - Total overtime for firefighter category equals approximately 6 full time employees at the highest pay grade.
 - 2 Captains overtime pay exceeded their regular pay by 90%.
 - 5 Captains overtime pay exceeded their regular pay by 70%
 - 2 driver operators overtime pay exceeded their regular pay by 100%.
 - 5 driver operators overtime pay exceeded their regular pay by 40%
 - 5 firefighters operators overtime pay exceeded their regular pay by 49%.

RECOMMENDATIONS

While the procedures performed indicated that controls were operating as designed, we noted two general recommendations, which are presented below.

Observation 1:

We noted the initial budget of overtime expense of \$772,646 remained the same from FY16 through FY19. This amount did not incorporate the increased salaries defined in the Collective Bargaining Agreement, and the increase in total overtime hours.

Recommendation 1:

We recommend the Fire Department utilize a sub-category function in Telestaff to track different types of overtime, such as training and mutual aids. This will allow the department more visibility into the various overtime activities and provide for better budget oversight. Additionally, we recommend the Fire Department budget for total hours and have the finance department calculate the amounts based on the pay rate of employees. Prior year actual hours or a three-year average may be used as a starting point until sufficient historical data is built.

Observation 2:

We noted extensive usage of overtime in the Fire Department to provide continued service. This excessive overtime could potentially lead to reduced employee productivity, burn out, and increased litigation costs arising from unsafe conditions.

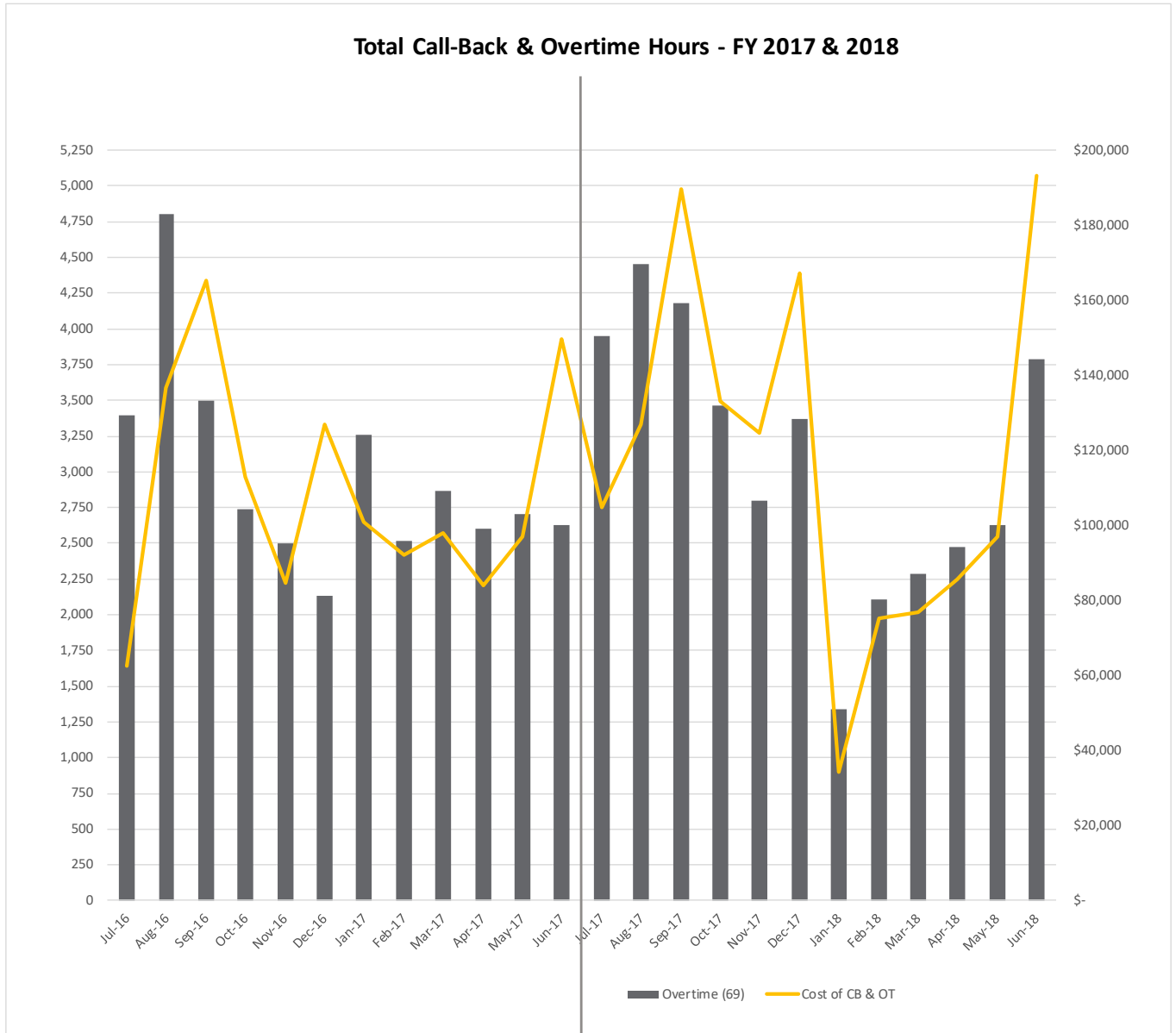
Recommendation 2:

Per discussion with Sean Slamon, Fire Chief, the department is currently operating at 51 personnel. The Fire Department determined that six (6) additional firefighters are needed to offset the increase in the number of personnel allowed off each day.

Based on the calculations performed and noted above, the overtime expense incurred appears to be greater than the salaries for 6 full-time fire fighters to fill the needed overtime positions. We recommend that the City's Finance Department work with the Fire Department to conduct a cost benefit analysis to determine whether additional full-time fire fighters outweigh the overtime expense and associated risks.

The graph shown below depicts the total hours and associated overtime cost for FY17 and FY18 by month.

Graph 1



Source: Created by Eide Bailly from data provided from system-generated reports from Telestaff and Carson City Payroll.



Temporary Staffing Audit
Carson City, Nevada



EXECUTIVE SUMMARY

Eide Bailly LLP performed an internal audit of Carson City usage and management of temporary staff for the period of July 1, 2016 through June 30, 2018. The internal audit focused on temporary staff usage and compliance with applicable policies, regulations, and contract terms. Additionally, the audit evaluated whether Carson City's temporary workforce is effectively and efficiently managed.

During the internal audit, it was noted that department heads and procurement staff were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed.

During our review, we identified five recommendations that would improve Carson City's management of temporary workforce.

BACKGROUND

As it pertains to the use of temporary labor, seasonal assistance is required for departments with established peak seasons such as Parks and Recreation Department and Fire Department. However, long term usage of temporary employees presents risks in the form of legal and compliance, as well as, increased administrative costs.

These risks can be minimized through a thorough examination of compliance issues, improved documentation of temporary worker activities, strategic training and policy development, as well as thorough cost analysis of highly skilled and experienced temporary contractors.

OBJECTIVE & SCOPE

To assess the processes and controls surrounding the use and management of temporary workers as it relates to time tracking and invoice processing. Additionally, to identify potential opportunities to strengthen internal controls related to the use of temporary staffing with the City. Lastly, to identify operational efficiencies and effectiveness within the City.

The scope of the audit was from July 1, 2016 through June 30, 2018.

METHODOLOGY

Procedures performed during this internal audit included the following:

- Reviewed relevant laws, regulations, policies and procedures applicable to temporary staff usage.
- Evaluated the planning and monitoring procedures performed over budgeted temporary staffing needs and actual expenditures.
- Examined transaction documentation for proper review and approval procedures.
- Evaluated the pay rates and period of employment for permanent employees who were prior temporary employees.
- Reviewed payroll records, contracts, invoices, pay and bill rates, procurement and budgetary activities, and legal and compliance considerations.
- Obtained and evaluated the performance measures and compliance considerations outlined by the temporary agency contracts.

- Research on workforce and temporary staffing best practices.
- Interviewed Carson City personnel and officials to obtain an understanding of its temporary staffing. Numerous interviews were conducted to obtain an understanding of the processes, key controls, key risks, and opportunities for improvement. The personnel we interviewed were as follows:
 - Karen Leet – Business Manager, Public Works Department
 - Darren Schulz – Director of Public Works
 - Patti Liebespeck – Business Manager, Parks and Recreation Department
 - David Navarro – Parks Superintendent
 - Diane Baker – Business Manager, Library
 - David Aurand – Business Manager, Fire Department
 - Carol Akers – Purchasing and Contracts Administrator
 - Alana Mills – Human Resources Generalist

AUDIT RESULTS

We evaluated the adequacy of controls and processes related to the usage and management of temporary staff as well as related operational efficiencies and effectiveness in place by performing the following procedures:

- **Compliance**

We obtained and reviewed the applicable laws, regulations, policies, and procedures pertaining to the use of temporary staff and independent contractors. Our initial review noted potential risks with regards to Nevada PERS laws designated in NRS 286, Nevada Labor laws designated in NRS 608, and the Fair Labor Standards Act (FLSA).

No instances of non-compliance were noted, however a legal determination of an “employment relationship” existing between Carson City and its temporary workers may indicate non-compliance with both FLSA and NRS 608.

- Specifically, Carson City under NRS 608.19, is subject to Department of Labor considerations involving the “economic reality” of a temporary employee’s relationship to the City. These considerations include items such as permanency of the relationship and the extent that services rendered are integral to Carson City operations.
- FLSA and state laws mandate specific break periods.

This raised potential concerns after an additional evaluation was performed on the 55 of the 77 temporary employees who were not hired. We noted four individuals who had completed two or more assignments over a five-year period with one individual having completed six assignments during that time. Among those individuals, the average down time between assignments was noted as 65 days and the average number of weeks on assignment in total was 111. We further noted, during our review of transaction level activity, concern regarding the lack of documented employment relationship. In this instance, two temporary workers were undergoing unpaid training for a permanent position while also working on temporary assignments.

- **Contract Provisions**

We obtained the two relevant contracts between Carson City and the temporary staffing agency Marathon Staffing for the period of 8/1/2016 to 7/30/2018 and noted that defined performance measures for individual temporary workers were not established. The only performance measure noted between Carson City and Marathon was for periodic communications which were found to have been followed.

- **Planning and Monitoring**

We reviewed the planning and budgeting of temporary staffing needs performed on a department level. This included a review of the monitoring procedures performed as a control over the final amounts spent. Through interviews we noted best practices in place for budgeting and monitoring activities performed on the department level. On a city-wide level finance and procurement staff monitored budgeted amounts appropriately without exception.

- **Transaction Level Activity**

We obtained a system generated report of payments made to the contracted temporary staffing agency over a two-year period from 8/1/2016 to 7/30/2018. We judgmentally selected 20 transactions related to temporary staffing after the population of temporary staffing expenditures were evaluated for risk based on expenditure amounts. We obtained support for the 20 transactions including timesheets, invoices, and purchase orders. We found isolated instances of missing documentation and missing sign offs which were resolved by means of alternative supporting documentation.

Other observations made during our review of transaction level activity found that in one instance 32 hours of overtime was approved for a temporary worker over a one-week period. We also noted the usage of two different timesheet formats across four departments. Break times were also found to have been inconsistently recorded on these timesheets along with seven instances where break times were not recorded at all.

- **Temporary Versus Permanent Staffing**

From the transactional level activity testing (noted above), we identified a total of 77 temporary employees. The review of the 77 temporary employees revealed 22 individuals as either former employees or employees hired to permanent positions after their temporary work. We compared temporary pay rates to permanent pay rates as well as periods of employment. Minor inconsistencies were noted and later cleared after review of pay period detail.

Our analysis of the pay rates given to temporary employees who also served as permanent employees prior to their temporary assignments showed one instance where the bill rate of the employee on temporary contract exceeded the employees former pay rate by \$35 dollars an hour. At an average rate of approximately 10 hours worked per week and a total of 212 weeks worked over a four-year period, we noted an additional cost of approximately \$74,000 dollars for this one employee during the four-year period. We noted that this individual performed executive functions as a department head before moving to a temporary consulting assignment.

An additional cost analysis was performed on the temporary staff not hired to a permanent position with the assumption of an average 20-hour work week being performed by these individuals. Our analysis noted that approximately \$78,000 of additional administrative costs were incurred on 17 temporary employees over a five-year period (performed more than one assignment). Of the 17, approximately \$38,700 or 50% of the cost was incurred by 4 temporary employees who worked more than two assignments. This represents nearly half of the total additional costs incurred.

RECOMMENDATIONS

While the procedures performed indicated that controls were operating as designed, we noted five general recommendations which are presented below, to assist management and the City in strengthening internal controls related to the use of temporary staffing, improving operational efficiencies and effectiveness, and reducing legal risk.

Observation 1:

We noted Department of Labor considerations which may indicate an “employment relationship” between Carson City and the temporary employees the City hires. We noted four contracted individuals who had completed two or more assignments over a five-year period with one individual having completed six assignments altogether.

Recommendation 1:

We recommend the City conduct further evaluation by a legal professional on the legal risks identified from this internal audit.

Observation 2:

We noted a lack of uniformity with regards to format and break time recording among the timesheets reviewed.

Recommendation 2:

We recommend that a single timesheet format be used by temporary workers and for management to implement the requirement to accurately record break periods.

Observation 3:

We noted one instance where 32 hours of overtime was performed by a temporary worker over a one-week period. Policy does not specify the allowable overtime.

Recommendation 3:

We recommend that city-wide policy and individual department policy involving the use of temporary employees in an overtime capacity be included to address the pre-approval needed and a specified number of hours allowed.

Observation 4:

We noted one instance where a former employee was billed at a rate of \$35 more an hour as a temporary employee compared to what the employee was paid as a permanent staff. This is estimated to have cost approximately \$74,000 in additional expenditures over a four-year period.

Recommendation 4:

We recommend that a cost analysis be performed when executive level former employees are brought on as temporary consultants. In such instances an independent contractor arrangement established directly with the employee may be more cost effective than using a temporary staffing agency.

Observation 5:

We noted only one instance where a policy specific to the usage of temporary workers existed, and we found that no training specific to this topic was provided.

Recommendation 5:

We recommend city wide policies be drafted to include best practices in planning, budgeting, and management of temporary workers. This recommendation includes the use of training to ensure proper implementation of these policies.

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INTERNAL MEMORANDUM

TO: Sheri Russell, Chief Financial Officer
FROM: Todd Reese, Deputy District Attorney
DATE: September 25, 2019

RE: Audit Committee Procurement Finding
Conflicting State and Federal Procurement Law

This memorandum addresses a concern raised by Carson City’s internal auditors that Carson City may not be properly following federal procurement law. The concern is that the Uniform Administrative Requirements in 2 CFR Part 200 allegedly require that Carson City follow federal procedures for federal grants, and under 2 CFR § 200.403(c) Carson City is not permitted to have different procedures for non-federally-financed projects than those set forth in the Uniform Requirements for federally-financed projects. This would effectively supersede the Nevada Revised Statutes (“NRS”) provisions for local government procurement. I disagree with this interpretation.

2 CFR § 200.403(c) provides that:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

....

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

....

(Emphasis added.)

While, in isolation, 2 CFR § 200.403(c) could possibly be interpreted to suggest that Carson City policy for federal and state procurement law must be identical, this interpretation ignores the lead-in clause to 2 CFR § 200.403, which provides that costs must meet the specified general criteria, “[e]xcept where otherwise authorized by statute.” The NRS are “statutes” that authorize procedures that are not uniform with federal law. Therefore, 2 CFR § 200.403

does not expressly create a conflict between state and federal procurement law, and Carson City must comply with both federal law, where applicable, and state law, where applicable.

This interpretation is bolstered by 2 CFR § 200.401(a)(5), which provides overarching guidelines for applying the cost principles in 2 CFR Part 200, Subpart E (including 2 CFR § 200.403), and which provides:

(a) General. These principles must be used in determining the allowable costs of work performed by the non-Federal entity under Federal awards. *The principles do not apply to:*

....

(5) Other awards under which the non-Federal entity is not required to account to the Federal Government for actual costs incurred.

(Emphasis added.) The express provisions of this section do not require Carson City to comply with the 2 CFR Part 200, Subpart E cost provisions (including 2 CFR § 200.403(c)) when Carson City is implementing a non-federally-financed project. *See also* 2 CFR § 200.318(a) (“The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.”).

Accordingly, there is not any federal regulatory command to implement federal law at the expense of state law. Instead, Carson City must comply with both the federal requirements and the NRS, as applicable, when implementing a federally-financed or non-federally-financed project.

In general, the currently applicable federal guidelines are:

- \$0-\$9,999 – Micro-purchase threshold, no quotes, distribute purchases among qualified suppliers.
- \$10,000-\$249,999 – Simplified acquisition threshold, 3 informal quotes required (to promote competition to the maximum extent possible).
- \$250,000 and up – Competitive bidding required, except for allowable exclusions.

The currently applicable state guidelines (including 2019 Legislative changes) are:

Non-Public Works

- \$0-\$50,000 – No requirements.
- \$50,001-\$100,000 – Must solicit two or more bids, but may advertise for competitive bids after soliciting the bids. AB 86 (2019), Sec. 5.
- \$100,001 and up – Must advertise for competitive bids, except where state exclusions apply. NRS 332.065(1); AB 86 (2019), Sec. 11.

Public Works

\$0-\$25,000 – May solicit from one licensed contractor. NRS 338.13862(1)(b).

\$25,000-\$100,000 – Must solicit 3 informal bids. NRS 338.13862(1)(a).

\$100,000 and up – Must advertise for competitive bids, except where state exclusions apply.
NRS 338.1385(1).

Combined, these State and Federal requirements are:

\$0-\$9,999 – Micro-purchases, no quotes, distribute purchases among qualified suppliers. Public Works solicit a bid from 1 licensed contractor.

\$10,000-\$100,000 – Must solicit 3 informal quotes.

\$100,001-\$249,999 – Must follow State bidding/exclusions. However, if there is an applicable State exclusion on a federally-financed project, 3 informal quotes must be solicited unless there is an applicable federal exclusion.

\$250,000 and up – Must follow competitive bidding requirements, except where allowable state or federal exclusions apply, depending on funding source.

As a final caveat, NRS 625.350 requires that a professional engineer, professional land surveyor, or registered architect supervise the professional engineering or land surveying in a public work over \$35,000. The statute further requires that Carson City utilize a statement of qualifications process when retaining these professionals. The question of how to incorporate the requirements of NRS 625.350 into the above process is beyond the scope of this memorandum, but is currently being reviewed.