



# 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 approval of the Fiscal Year 2020 Audit Work Program to be performed by the City's retained internal auditor Eide Bailly, LLP consistent with recommendations of the Audit Committee's September 9, 2019 meeting, for an amount not to exceed \$158,100 for the total cost of the internal audits. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP made recommendations for future projects to the Audit Committee at their September 9, 2019 meeting. The Committee discussed those recommendations and the members were in agreement that Eide Bailly, LLP should perform internal audit projects for the following items and for the following corresponding amounts for the services to be performed:

-Risk Assessment Evaluation FY19	\$17,625
-Citywide Budget Monitoring	17,625
-Citywide Social Media Audit	11,750
-Citywide Audit of Fee Structure	17,625
-Citywide Revenue & Accounts Receivable Audit	23,500
-Accounts Payable & P-Card Audit	23,500
-HR Administration - Eligible Employee Group Insurance Audit	23,500
-Cash Handling Audit	13,475
-Findings Follow-up	9,500
TOTAL	\$158,100

**Agenda Action:** Formal Action / Motion **Time Requested:** 15 Minutes

**Proposed Motion**

I move to direct Eide Bailly, LLP, to proceed with internal audit projects for the Fiscal Year 2020 Audit Work Program as proposed.

**Board's Strategic Goal**

Efficient Government

**Previous Action**

September 9, 2019: Audit Committee Meeting recommended moving forward with the FY20 Audit Work Program.

**Background/Issues & Analysis**

This was the City's first year having Eide Bailly as internal auditor, and the FY19 Audit Work Program was completed with the exception of the Cyber Security Review. This project was postponed due to the number of

changes in the City's current systems, and it was decided to move this to FY21 once ERP and other IT projects are fully implemented. During the Audit Committee's May 9, 2019 meeting, it was recommended by the Audit Committee that Eide Bailly move forward with a Citywide Social Media Audit as well as a Citywide Fee Structure Audit given the available funding. Due to turnover at Eide Bailly, these two projects were not started until FY20.

**Applicable Statute, Code, Policy, Rule or Regulation**

N/A

**Financial Information**

**Is there a fiscal impact?** Yes

**If yes, account name/number:** General Fund, Internal Audit Department, Account 1010800-500309.

**Is it currently budgeted?** Yes

**Explanation of Fiscal Impact:** \$110,000 was budgeted for FY 20. Due to savings on projects, elimination of the Cyber Security Review as well as turnover at Eide Bailly, \$47,587 is unspent from the FY19 Internal Audit Budget. If all projects are approved, the Finance Department will roll forward the unspent FY19 amount to the FY20 budget, making \$157,587 available for internal audit projects. This augmentation will come before the Board of Supervisors in January for approval.

-Risk Assessment Evaluation FY19	\$17,625	150 Hours
-Citywide Budget Monitoring	17,625	150 Hours
-Citywide Social Media Audit	11,750	100 Hours
-Citywide Audit of Fee Structure	17,625	150 Hours
-Citywide Revenue & Accounts Receivable Audit	23,500	200 Hours
-Accounts Payable & P-Card Audit	23,500	200 Hours
-HR Administration - Eligible Employee Group Insurance Audit	23,500	200 Hours
-Cash Handling Audit	13,475	125 Hours
-Findings Follow-up	9,500	100 Hours
<b>TOTAL</b>	<b>\$158,100</b>	

NOTE: Eide Bailly estimated the hours on all projects. Projects will be billed by actual hours spent and savings will make up the difference of \$513 (total projects approved for \$158,100 and the budget available is \$157,587). Additional savings or incomplete projects will be completed and spent in future years.

**Alternatives**

Do not direct the recommended audits to proceed, modify the recommendations of the Audit Committee or provide alternative direction to staff.

**Attachments:**

[2019.2020 Internal Audit Budget.pdf](#)

**Board Action Taken:**

Motion: \_\_\_\_\_ 1) \_\_\_\_\_ Aye/Nay  
 2) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
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 \_\_\_\_\_

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(Vote Recorded By)

## INTERNAL AUDIT PROPOSED SCHEDULE FOR 2019-2020

2019 Proposed Internal Audit Plan	Budget Hours	Budget Amount
✓ <b>2019 Risk Assessment</b> – Continue to meet with department directors and elected officials to update the risks/rankings identified in the 2018 risk assessment to refine the 2019 audit plan.	150	\$17,625
✓ <b>Citywide Budget Monitoring Audit</b> – To test internal control structure of the budget monitoring process to ensure approval of budget authorizations, monitoring, proper use of methods and procedures, and transactions are timely and accurate.	150	\$17,625
✓ <b>Citywide Social Media Audit</b> – To determine if adequate controls over using social media as a communication tool are in place. Additionally, to evaluate the City’s guidance, policies, strategy, business objectives, monitoring, governance structure, and administration of social media throughout the City as a way of communicating with the media and public.	100	\$11,750
✓ <b>Citywide Audit of Fee Structure</b> – To assess whether fees for key services cover the cost of services and follow applicable legal requirements. The audit may include benchmarking against similar municipalities and assess the administration of fee waivers.	150	\$17,625
✓ <b>Citywide Revenue &amp; Accounts Receivable Audit</b> – Internal Audit to assess revenue capture and collection processes. IA to identify all major sources of revenue for the City, including those that are paid indirectly through a third-party such as hotels, businesses, and the State to ensure that all charges and fees allowed by law are assessed and collected in a timely manner. Additionally, determine the entity responsible for ensuring controls over the revenue source(s) and verify the existence of strong internal controls and adequate segregation of duties.	200	\$23,500
<b>Tax Exempt Property Audit</b> – To evaluate the controls within the Assessor’s Office over tax exemption determination, maintenances and tax role eligibility.	100	\$11,750
✓ <b>Accounts Payable &amp; P-Card Audit</b> – To evaluate the accounts payable process and controls to determine that vendors are paid timely, duplicate invoices are not paid. Additionally, review processes and controls over procurement card issuance, purchasing guidelines, and individual and department transaction/purchase compliance.	200	\$23,500

	<b>Network Security Audit</b> – Penetration Testing and Scanning to determine whether the City’s data network is protected from unauthorized access and whether controls are effective in protecting network confidentiality, integrity, and availability.	250	\$29,375
✓	<b>HR Administration – Eligible Employee Group Insurance Audit</b> – To determine whether HR has adequate controls over health benefits administration to ensure that health premiums are calculated and paid accurately for eligible active employees in accordance with policies/procedures, applicable bargaining unit agreements, and that the City is in compliance with healthcare provider agreements. Specifically, we will evaluate 1) HR’s administrative practices; 2) the key features and costs of the City’s medical benefit plans; 3) HR’s process for determining employee eligibility and enrollment; 4) claims management; and 5) HR’s payments to providers.	200	\$23,500
	<b>HR Administration – Cobra Audit</b> – To determine whether appropriate controls and procedures are in place for properly handling all Continuation of Employee Health Care Coverage (COBRA) qualifying events, timely notifications, and payments were remitted timely and in accordance with the Benefit Plan Sponsor’s policy.	150	\$17,625
✓	<b>Cash Handling Audit</b> – To determine whether risks related to cash handling are being managed appropriately, that internal controls are in place to reduce the risk of misappropriation, and all cash receipts are promptly, accurately and completely reported.	125	\$13,475
✓	<b>Follow-up</b> – Prior internal audit findings followed up to confirm risk(s) identified have been properly remediated.	100	\$9,500

✓ Procedures recommended to be completed by the City's Internal Auditor, Eide Bailly, LLP, as part of the FY20 Audit Work Program. Others will be considered in future years.