



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** March 4, 2021

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

Agenda Title: For Possible Action: Discussion and possible action regarding recommendations of the Carson City Audit Committee 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 Audit Committee. Upon approval by the Board of Supervisors, the completed recommendations and findings will be considered closed and removed from the Audit Findings Tracking Summary Report maintained by the internal auditor and City staff.

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

Proposed Motion

I move to approve the Audit Committee's recommendations as presented.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Eide Bailley has been contracted by Carson City to provide internal auditor services starting July 1, 2018 through June 30, 2021.

Staff has addressed the recommendations and/or findings contained in the Audit Findings Tracking Summary Report with remediation plans. The internal auditor has validated various remediation plans, and the Audit Committee is recommending closure of the following findings:

- Temporary Staffing - Item #2
- Cash Handling - Item #10, 11, 16 & 18
- Social Media - Item #7
- AP & P-Card Audit - All items have been addressed.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? No

If yes, account name/number: N/A

Is it currently budgeted?

Explanation of Fiscal Impact: N/A

Alternatives

Do not accept the recommendations and/or provide alternative direction.

Attachments:

[Audit Findings Summary 2-17-21.pdf](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City
Internal Audit Summary
Updated - 8/7/20

Carson City - Audit Findings Tracking Summary Report (revised 8-7-20)

Report Name	Report Submittal	AC/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 Go	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	8/20/2020	Internal Auditor	8	8	6/15/2020	8/20/2020	
Public Guardian Follow Up Review	5/3/2018	3/7/2019	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	4	5/10/2018	8/20/2020	
FY 2018 CAFR and Single Audit	12/6/2018	12/6/2019	External Auditor	3	3	6/15/2020	8/20/2020	
Temporary Staffing Audit	5/9/2019	5/6/2019	Internal Auditor	5	3	5/9/2019	10/3/2019	Only items 3-5
Fire Department Overtime Audit	5/9/2019	10/3/2019	Internal Auditor	2	2	5/9/2019	10/3/2019	
FY2019 CAFR and Single Audit	12/5/2019	12/5/2019	External Auditor	1	1	6/15/2020	8/20/2020	
Cash Handling 2019	12/3/2019	1/6/2020	Internal Auditor	20	15	6/15/2020	8/20/2020	Only items 1-9, 12-15, 19 & 20
Social Media Study	11/25/2019	1/6/2020	Internal Auditor	13	3	6/15/2020	8/20/2020	Only items 1, 2 & 9
HR Administration - Eligible EE Group Ins.	12/3/2019	1/6/2020	Internal Auditor	4	4	6/15/2020	8/20/2020	
AP and P-Card Audit Program	4/1/2020	6/15/2020	Internal Auditor	4	0			
IT Volatility Audit	10/30/2020		Internal Auditor	10				
Total (including archived reports)				262	230			

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
Y	For Discussion today

Carson City
Temporary Staffing Audit
May 9, 2019

Item No.	BOS Closure	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	Auditor Validation (Y,N)	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	6/30/2021			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	*Y*	11/30/2020	11/30/2020		Finance is working with Departments on one City prepared timesheet when several Marathon employees are on the same timesheet. We have obtained the different lists used, and are now trying to find common ground. We are also still planning on allowing the use of the Marathon provided timesheet for smaller departments who only have one person on their staff for a very short period of time. Update: We have narrowed this down to two timesheets. Marathon standard timesheet, and one list that is used Citywide. The list contains employee signature as well as supervisor, and disclaimer.

Carson City
Cash Handling Audit 2019
December 3, 2019

Item No.	BOS Closure	Finding/Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
10		COMMUNITY DEVELOPMENT: Controls are not in place to prevent or detect misappropriation of assets.	Analyze the security needs of each cash collection point and strengthen security controls whenever necessary.	\$ -	0	*Y*	6/30/2021			Community Development has current fiscal year budget available and is working with IT to get camera's installed.
11		Security controls are weak and are not in compliance with the City's Cash Handling Policy.	We recommend implementing tighter security controls in compliance with the City's Policy.	\$ -	0	*Y*	1/31/2020	8/30/2020		Department purchased a locking cabinet and are very strict about keeping the cash drawer locked in the cabinet. As a side note, with Energove, they are finding that most customers are paying on-line, instead of coming to the counter.
16		Controls are not in place to prevent or detect misappropriation of assets	The department should analyze security needs of each cash collection point and strengthen security controls whenever necessary.	\$ -	0	*Y*	6/30/2020	11/17/2020		The City's IT department is working on getting cameras for City Hall which will capture out front counter and safe. The cost of the project was included in the FY20 Budget and should be completed by November 30, 2020.
17		Cash handlers are subject to unannounced audits by the Treasurer's Office on an annual basis in those departments/areas where they maintain petty cash and/or change funds. However, this has not occurred since 2017, which is out of compliance with the City's Cash Handling Policy.	In accordance with the City's Cash Handling Policy, the Treasurer's Office should resume the annual surprise cash audits to ensure cash handling procedures are being followed throughout the departments.	\$ -	0	N	6/30/2021			Treasurer's will resume the surprise cash audits in the Spring of 2020. The City has several software conversions taking place across City departments so we will resume the surprise cash audits after each Department has started using their new software and any resulting new procedures are in place. UPDATE: COVID-19 became a factor this spring, and Treasurer's thought it prudent, not to visit other departments.
18		Daily cash reconciliation and end-of-shift process are not in compliance with both the City's Cash Handling Policy and the City's Cash Handling training video.	We recommend cash handlers follow the City's Cash Handling Policy. Alternatively, we recommend updating the policy to address the department's current process which is effective and sufficient.	\$ -	0	*Y*	4/30/2020	11/30/2020		Morning count works better for the Treasurer's. By Spring of 2020 the Treasurer will prepare a document for approval which will outline the exceptions to the Cash Handling Policy for the Treasurer's Office. This will allow incorporation of any new procedures through the implementation of the upcoming software conversions. UPDATE: Policy has been updated.

Carson City
Social Media Study
November 25, 2019

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
3		We reviewed the citywide Social Media policy on PolicyTech which states, "Departments wishing to create and manage department specific social media assets,...should fill out a Social Media Asset Form (available on CCNET) and submit if for approval by the City Manager." However, this policy was not enforcement, which increases the risk to the City, as the social media site may not be administered or monitored in accordance with the citywide policy.	Evaluate enforcement practices related to non-compliance with the City's Social media policy and document the approach.	N	2/28/2021			CIO and Digital Media Coordinator will evaluate enforcement practices. UPDATE: The process for enforcement is depicted in the policy, which is being reviewed by the DA's office.
4		Social media site created without a formal request or approval obtained. We compared the current social media policy on PolicyTech to the draft version of the policy being updated and noted one area that should be included in the updated policy. The updated policy needs the method or methods for which the departments would obtain approval from the City Manager prior to creating a social media site.	Formalize the social media request and approval process prior to creating a new site.	N	2/28/2021			CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy and provide to CM for review. UPDATE: DA's office is still reviewing the Policy
5		Risks of employee's access to social media sites while on the City's network and personal mobile devices has not been addressed in the Unacceptable Behavior policy.	Update the unacceptable behavior policy	N	2/28/2021			HR Director will update policy as proposed and CM will review and approve. NOTE: Regarding 1st Amendment rights by accepting public employment the U.S. Supreme Court has found that citizens do not surrender their rights. However, an employer can impose certain restraints so long as the restrictions are based upon the government's interest in "promoting efficiency and integrity in the discharge of official duties and maintaining proper discipline in the public service." UPDATE: DA's office is still reviewing the Policy
6		Risks of employee's access to social media sites while on the City's network and personal mobile devices has not been addressed in the Computer Resources Usage policy.	Update the Computer Resources Usage Policy to include Employee personal use of social media using City devices and for business purposes using personally owned devices.	N	2/28/2021			HR Director will update policy as proposed and CM will review and approve. UPDATE: DA's office is still reviewing the Policy
7		Individual city departments have their own social media policy that does not align with the city's Social Media policy.	Review current social media accounts for compliance with set rules add modifications if necessary.	*Y*	12/31/2020	9/30/2020		CIO and Digital Media Coordinator shall review each departments social media polies and forward recommendations to the department director. UPDATE: All departments except Health and Human Services will fall under the proposed social media policy, the Digital Media Coordinator reviewed CCHHS policy and no changes are needed.
8		CCHHS department Marketing and Communications Procedures have several best practices including, content approval hierarchy, a style guide, and templates. However, the policy does not include controls over social media communications such as monitoring, archiving, and site removal.	Departments should update their social media policies to ensure they align with and refer to the Citywide Policy.	N	2/28/2021			CIO and Digital Media Coordinator shall review each departments social media polies and forward recommendations to the department director. UPDATE: Health and Human Services is currently being archived and monitored by the Digital Media Coordinator, CCHHS media now falls under the citywide monitoring and archiving guidelines, DA's office is still reviewing the Policy.

Carson City
Social Media Study
November 25, 2019

10		Social media archiving is likely not in compliance for those departments not actively monitored by the Digital Media Coordinator and the City's software - ArchiveSocial.	All deleted comments should be properly archived with comments.	N	2/28/2021			CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy and provide for CM for review. UPDATE: DA's office is still reviewing the Policy
11		The Digital Media Coordinator is responsible for the creation of the majority of the social media content and monitoring. As the number of the City's social media accounts continue to grow so do the comments and followers. As such, the need for more moderation and department interaction also continues to rise.	Recommend the City acquire the risk management and analytics suite of the current ArchiveSocial software to assist in the use of automated monitoring, analysis and alerts to violation of City policy.	N	3/31/2021			CIO will provide cost estimate for risk management and analytics suite of the current ArchiveSocial Software for FY 21 budge cycle. - NOTE that recent court cases have found government social media accounts to be "designated pubic forums", meaning that individuals have a 1st amendment right to comment on government social media pages. However restrictions are permitted where they are viewpoint neutral and reasonable. To implement these restrictions, there must be an explicit policy indicating the government intent to restrict the forum to certain topics. Where the social media policy allows for departments to delete certain comments, clear guidelines will be needed. Additionally I would recommend disclaiming on the individual social media page what the purpose of the page is to limit the scope of the forum and disclaiming which types of comments will not be permitted. - UPDATE: Software for Archiving Social Media was purchased on August 30th.
12		Currently, the communications function is handled primarily by the Digital Media Coordinator, which has one staff member who splits their time doing other IT activities. An effective public information program relies in part upon timely information from City staff about upcoming projects, programs and services. For greater effectiveness and efficiency in informing the public, more employees should be solely dedicated to communications and its practices.	Determine duties regarding who is responsible for content and monitoring of such content.	N	12/30/2020			CM will meet with Department Directors to discuss the possibility of partially shifting content creation down to the department level which could allow for more timely content, responses, and relevant information. Additionally, Dept. Directors' responsibility for the detailed oversight and monitoring of the department's social media accounts will be incorporated into the Social Media Policy within the timeframes Stated above
13		The City does not have an Information Security Response Plan	Create a Information Security Response Plan to include procedures for responding to security incidents, communication protocol and determine system impact.	N	6/30/2021			CIO will create an Information Security response Plan.

Carson City
AP and P-Card Audit
April 1, 2020

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		The transactional and monthly limits remain the same in the current manual, with additional verbiage which states that departments may implement more stringent limitations based on their requirements (Section 6. Cardholder Responsibilities – page 8) and another which states that Carson City will adjust limits as determined by demonstrated need (Section 15. Completing a P-Card Transaction – page 15). During P-Card transactional testing, it was noted that several transactions exceeded the \$5,000 for single transactions and \$10,000 per month, which is not reflective of a more stringent limitation.	The City should update the verbiage in the P-Card Program Manual (Section 6. Cardholder Responsibilities – Page 8) to state that the City will adjust limits as determined by demonstrated need which more accurately reflects their current allowable limits on a single transaction and on a monthly basis.	*Y*	12/31/2020	11/30/2020	Y - External Auditor asked to review	The City will update the P-Card Program Manual to reflect current cardholder responsibilities relating to adjusting current allowable limits. The Accounting Manager (Procurement Card Program Coordinator) will be responsible for updating the P-Card Program Manual, by the end of December 2020.
2		Exceeding approval limits is done through an exception-based process which needs to be documented in the City's P-Card policy and flagged/noted as an exception. Another transaction had the department-level approval approved by the cardholder (Executive Director of the Carson Tourism Authority – Component Unit).	The City should document the approval for increasing approval limits for those P-Card transactions that exceed the approval limits set in the system to ensure that transactions are processed within policy guidelines. Additionally, Board approvals or City Manager approval should be attached to cardholders' purchases, where applicable going forward.	*Y*	12/31/2020	11/30/2020	Y - External Auditor asked to review	The City will update the P-Card Program Manual to reflect the process for credit limit increases. Currently the Accounting Manager increases single transaction limits and/or monthly limits as requested by the CFO or Department Directors. Going forward, the Accounting Manager will document within the P-Card module in Munis the reason for the increase and the approving authority. The Accounting Manager will update the policy by the end of calendar year 2020. The Carson City Tourism Authority (CCTA) Executive Director's p-card transactions are currently approved by their Board. In addition to attaching the CCTA Board approval signature to the p-card backup, the City Manager will approve the Executive Director's p-card in Munis as of April 2020.
3		The City's current purchasing policy does not specify whether the City utilizes vendor services owned by city employees.	The City should update their existing policy to specify the City's use of employees as vendors and document how employee-vendor relationship is addressed to avoid potential issues such as conflict of interest, preferential treatment, double dipping, etc.	*Y*	12/31/2020	11/30/2020	Y - External Auditor asked to review	The City will update the Purchasing and Contracts policy to address potential risks when using vendors who are related to City employees. We are a small City and it is difficult to avoid employee-vendor relationships. However, it would require collusion from the Purchasing and Contracts Administrator, CFO, Accounting Managers and District Attorney's office as they are all responsible for reviewing and approving City Contracts and Purchase Orders. The policy will be updated by the end of December 2020.
4		The City's vendor master file has several duplicate vendors with the same name and/or the same address. Most are inactive accounts however there were a number of duplicate vendors left that either need to be inactivated or re-assessed. Additionally, there does not appear to be a process in place for periodic reviews of the vendor master file.	Process should be established to manage vendor master file. This process should include the review and clean-up of duplicate vendors, validation of vendor addresses, ensuring vendor data is complete, archiving inactive vendors and employee accounts, properly documenting miscellaneous vendor accounts that are used by the City for various purposes, and all other assessments that the City deems necessary.	*Y*	6/30/2021	10/31/2020	Y - External Auditor asked to review	The Finance Department performed a yearlong vendor cleanup process, prior to going live with Munis. During the import a lot of vendors were duplicated, and Finance has been working on flagging duplicate vendors as inactive. There will be cases where duplicate vendors cannot be avoided, such as a vendor with different remittance addresses and vendors who share office space. The Accounting Clerk will verify and deactivate duplicate vendors by the end of June 2021. UPDATE: We had a new employee in the office and her first task was to go through the list and identify and clean-up duplicates. So this has been done, and we will go through the list on an annual basis to ensure this does not happen again. We have included this procedure in our Policies and procedures manual.