



## STAFF REPORT

**Report To:** Board of Supervisors                      **Meeting Date:** March 18, 2021

**Staff Contact:** Sheri Russell, Chief Financial Officer

**Agenda Title:** For Possible Action: Discussion and possible action regarding Amendment No. 1 to Contract No. 1718-137 for Internal Audit Services with Eide Bailly, LLC, to extend the contract term for an additional year through June 30, 2022 and for a not to exceed amount of \$110,000. (Carol Akers, cakers@carson.org and Sheri Russell, srussell@carson.org)

Staff Summary: The City is required to have an internal audit function to perform the duties described in Section 3.075(2) of the Carson City Charter. The original contract term was effective July 1, 2018 to June 30, 2019 with two one-year options through June 30, 2021. Eide Bailly, LLP has agreed to extend the contract term for an additional year with all other terms of the contract remaining the same.

**Agenda Action:** Formal Action / Motion                      **Time Requested:** 5 minutes

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### **Proposed Motion**

I move to approve the Amendment.

### **Board's Strategic Goal**

Efficient Government

### **Previous Action**

On March 9, 2021, the Audit Committee approved the recommendation that the Board of Supervisors extend the contract term for Internal Audit Services with Eide Bailly, LLP, through June 30, 2022.

On June 21, 2018, the Board of Supervisors approved Contract No. 1718-137 for Carson City Internal Audit Services with Eide Bailly, LLP for FY 2019 with two (2) one-year options, for a not to exceed annual amount of \$110,000. Vote was 5/0 in favor.

On June 12, 2018, the Audit Committee approved the recommendation that the Board of Supervisors award the contract for Internal Audit Services to Eide Bailly, LLP. Vote was 3 in favor, 1 against, and one abstention.

### **Background/Issues & Analysis**

Eide Bailly is a National Firm with access to significant resources, and staff have been satisfied with their work over the last three years. Eide Bailly has a long-standing relationship with the City as they were previously the City's External Auditor. As the Internal Auditor, they have audited almost every process of the City once, as well as completed a few other special projects. Eide Bailly has been able to provide a lot of service within the Internal Audit's limited budget of \$110,000 and have indicated that they will continue to do so for one additional year.

During Fiscal Year 2018, the City publicly advertised for both Internal and External Auditor Bids and Statement of Qualification (SOQ). Depending on the number of proposals received, it is a significant amount of work for the Finance Review and Selection Committee to assess the proposals and set up interviews for the top candidates. In addition, having new auditors on both the Internal and External Audit functions affects Finance, as it takes time to learn our City, all the internal control processes and how the City operates. Therefore, staff recommends extending this contract for 1 year, to stagger the SOQ process, so that the City is not potentially replacing both internal and external auditors in the same year.

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

Section 3.075 (2) of the Carson City Charter and NRS Chapter 332

**Financial Information**

**Is there a fiscal impact?** Yes

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

**Is it currently budgeted?** Yes

**Explanation of Fiscal Impact:** Annual budget for these services is \$110,000.

**Alternatives**

Do not approve the contract amendment and provide alternative direction to staff.

**Attachments:**

[1718-137 Amendment 1.pdf](#)

[1718-137 Executed Contract.pdf](#)

**Board Action Taken:**

Motion: _____	1) _____	Aye/Nay
	2) _____	_____
		_____
		_____
		_____

\_\_\_\_\_  
(Vote Recorded By)

# AMENDMENT FOR CONTRACT

Contract No.: 1718-137  
Title: Internal Audit Services  
Amendment No.: 1

If Consideration will be amended, please indicate amount: \$110,000.

Reason for amendment: To extend the term of the contract an additional year, July 1, 2021 through June 30, 2022 for a not to exceed amount of \$110,000, mutually agreed upon by both parties.

It is also agreed that all unaffected conditions, requirements, and restrictions of the Original Contract document remain in full force and effect for the duration of the Contract term.

Amendment will become effective when signed by Purchasing and Contracts.

Approved by:

(1) City Department: Finance

Name/Title: Sheri Russell, Chief Financial Officer

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(2) District Attorney's Office:

Name/Title: Mihaela Neagos, Deputy District Attorney

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(3) Carson City Purchasing and Contracts:

Name/Title: Carol Akers, Purchasing and Contracts Administrator

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(4) Eide Bailly LLP:

Name/Title: Kimberley K. Higgins, CPA, Partner

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



# STAFF REPORT

**Report To:** Board of Supervisors

**Meeting Date:** June 21, 2018

**Staff Contact:** Carol Akers and Sheri Russell

**Agenda Title:** For Possible Action: To approve Contract No. 1718-137 for Carson City Internal Audit Services with Eide Bailly, LLP for FY 2019 with two (2) one-year options, for a not to exceed annual amount of \$110,000. (Carol Akers@carson.org and Sheri Russell SRussell@carson.org).

**Staff Summary:** The City is required to have an internal audit function to perform the duties described in Section 3.075 (2) of the Carson City Charter. Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Internal Audit Function on April 3, 2018 at 2:00 p.m. The SOQ was published in the Nevada Appeal and posted on Carson City's website on March 1, 2018. The submitted SOQ's were sent for review by the Review and Selection Committee where a decision was made on the recommended firm.

**Agenda Action:** Formal Action/Motion

**Time Requested:** 5 minutes

### Proposed Motion

I move to approve Contract No. 1718-137 for Carson City Internal Audit Services with Eide Bailly, LLP for FY 2019 with two (2) one-year options, for a not to exceed annual amount of \$110,000.

### Board's Strategic Goal

Efficient Government

### Previous Action

6/12/18-The Audit Committee approved the recommendation that the Board award the contract for Internal Audit Services to Eide Bailly LLP. Vote was 3 in favor, 1 against, and one abstention..

### Background/Issues & Analysis

SOQ's were received from three firms: Eide Bailly, LLP; Moss Adams, LLP; and BKD, LLP with Eide Bailly and Moss Adams selected for follow-up oral interviews.

Based on the Review and Selection Committee's review of the submitted SOQ's, Eide Bailly, LLP is the only qualified applicant that could be recommended.

The Committee is recommending Eide Bailly, LLP for the following reasons:

1. Superior level of certifications - Every member of the Eide Bailly team is a CPA except for the Director of Cyber Security who has 3 more relevant certifications related to Information Systems.
2. Extensive experience auditing Nevada Cities, Counties, School Districts, and State Government creating a vast knowledge of Nevada Revised Statutes and Nevada Administrative Codes.
3. Extensive experience auditing Carson City – in depth knowledge of the City's Departments and employees including operations, internal controls, and risks making the potential transition seamless.

4. In addition to achieving operating efficiencies, internal audit should provide assurance that internal controls are effective to ensure reliable financial reporting. Eide Bailly has expertise in governmental financial reporting and single audit to include provisions of the new administrative requirements, cost principles and audit requirements for Federal Awards.

5. The hourly rates by staff level are less than half of the rates proposed by the City's current internal auditor for the Manager and Senior Associate level and \$100 less for the partner level. In addition, there will be no additional charge for travel.

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

Section 3.075 (2) of the Carson City Charter

**Financial Information**

Is there a fiscal impact?  Yes  No

If yes, account name/number: Internal Auditor Department, General Fund 101-0800-415-03-09

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: \$110,000 was included in FY 2019 Budget

**Alternatives**

Do not approve contract and provide alternative direction to staff.

**Board Action Taken:**

Motion: \_\_\_\_\_ APP \_\_\_\_\_

1) KA  
2) BB

Aye/Nay S/O  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

WM  
\_\_\_\_\_  
(Vote Recorded By)

**INDEPENDENT CONTRACTOR AGREEMENT**  
**Contract No. 1718-137**  
**Title: Internal Audit Services**

THIS CONTRACT is made and entered into this 3<sup>rd</sup> day of July, 2018, by and between Carson City, a consolidated municipality, a political subdivision of the State of Nevada, hereinafter referred to as "CITY", and Eide Bailly LLP, hereinafter referred to as "CONTRACTOR".

**WITNESSETH:**

**WHEREAS**, the Purchasing and Contracts Administrator for CITY is authorized pursuant to Nevada Revised Statutes (hereinafter referred to as "NRS") 332 and Carson City Purchasing Resolution #1990-R71, to approve and accept this Contract as set forth in and by the following provisions; and

**WHEREAS, CONTRACTOR'S** compensation under this agreement (does   ) (does not   X  ) utilize in whole or in part money derived from one or more federal grant funding source(s); and

**WHEREAS**, it is deemed necessary that the services of **CONTRACTOR** for **CONTRACT No. 1718-137** (hereinafter referred to as "Contract") are both necessary and in the best interest of CITY; and

**NOW, THEREFORE**, in consideration of the aforesaid premises, and the following terms, conditions and other valuable consideration, the parties mutually agree as follows:

1. **REQUIRED APPROVAL:**

This Contract shall not become effective until and unless approved by the Carson City Board of Supervisors.

2. **SCOPE OF WORK (Incorporated Contract Documents):**

2.1 **CONTRACTOR** shall provide and perform the following services set forth in **Exhibit A**, which shall all be attached hereto and incorporated herein by reference for and on behalf of CITY and hereinafter referred to as the "SERVICES".

2.2 **CONTRACTOR** represents that it is duly licensed by CITY for the purposes of performing the SERVICES.

2.3 **CONTRACTOR** represents that it is duly qualified and licensed in the State of Nevada for the purposes of performing the SERVICES.

2.4 **CONTRACTOR** represents that it and/or the persons it may employ possess all skills and training necessary to perform the SERVICES described herein and required hereunder. **CONTRACTOR** shall perform the SERVICES faithfully, diligently, in a timely and professional manner, to the best of its ability, and in such a manner as is customarily performed by a person who is in the business of providing such services in similar circumstances. **CONTRACTOR** shall be responsible for the professional quality and technical accuracy of all SERVICES furnished by **CONTRACTOR** to CITY.

For P&C Use Only	
CCBL expires	<u>12/31/18</u>
NVCL expires	<u>n/a</u>
GL expires	<u>4/29/19</u>
AL expires	<u>4/29/19</u>
WC expires	<u>4/29/19</u>

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2.5 **CONTRACTOR** represents that neither the execution of this Contract nor the rendering of services by **CONTRACTOR** hereunder will violate the provisions of or constitute a default under any other contract or agreement to which **CONTRACTOR** is a party or by which **CONTRACTOR** is bound, or which would preclude **CONTRACTOR** from performing the SERVICES required of **CONTRACTOR** hereunder, or which would impose any liability or obligation upon CITY for accepting such SERVICES.

2.6 Before commencing with the performance of any SERVICES under this Contract, **CONTRACTOR** shall obtain all necessary permits and licenses as may be necessary. Before and during the progress of work under this Contract, **CONTRACTOR** shall give all notice and comply with all the laws, ordinances, rules and regulations of every kind and nature now or hereafter in effect promulgated by any Federal, State, County, or other Governmental Authority, relating to the performance of work under this Contract. If **CONTRACTOR** performs any work that is contrary to any such law, ordinance, rule or regulation, it shall bear all the costs arising therefrom.

2.7 It is expressly understood and agreed that all SERVICES done by **CONTRACTOR** shall be subject to inspection and acceptance by CITY and approval of SERVICES shall not forfeit the right of CITY to require correction, and nothing contained herein shall relieve **CONTRACTOR** of the responsibility of the SERVICES required under the terms of this Contract until all SERVICES have been completed and accepted by CITY.

### 3. CONTRACT TERM:

3.1 This Contract shall be effective from July 1, 2018, subject to Carson City Board of Supervisors' approval (anticipated to be June 21, 2018) to June 30, 2019, with two (2) one-year options at the sole discretion of the CITY, unless sooner terminated by either party as specified in Section 7 (CONTRACT TERMINATION).

### 4. NOTICE:

4.1 Except any applicable bid and award process where notices may be limited to postings by CITY on its Bid Opportunities website ([www.carson.org](http://www.carson.org)), all notices or other communications required or permitted to be given under this Contract shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by e-mail, by regular mail, by telephonic facsimile with simultaneous regular mail, or by certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address specified below.

4.2 Notice to **CONTRACTOR** shall be addressed to:

Daniel Carter, CPA, Partner  
Eide Bailly LLP  
5441 Kietzke Lane, Suite 150  
Reno, NV 89511  
775-689-9271/FAX: 775-689-9299  
[dcarter@aidebailly.com](mailto:dcarter@aidebailly.com)

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4.3 Notice to CITY shall be addressed to:

Carson City Purchasing and Contracts Department  
Carol Akers, Purchasing & Contracts Administrator  
201 North Carson Street, Suite 2  
Carson City, NV 89701  
775-283-7362 / FAX 775-887-2286  
[CAkers@carson.org](mailto:CAkers@carson.org)

## 5. COMPENSATION:

5.1 The parties agree that **CONTRACTOR** will provide the **SERVICES** specified in **Section 2** (SCOPE OF WORK) and **CITY** agrees to pay **CONTRACTOR** the Contract's compensation based upon Time and Materials and the Scope of Work Fee Schedule for a not to exceed maximum annual amount of One Hundred Ten Thousand Dollars and 00/100 (\$110,000.00), and hereinafter referred to as "Contract Sum".

5.2 Contract Sum represents full and adequate compensation for the completed **SERVICES**, and includes the furnishing of all materials; all labor, equipment, tools, and appliances; and all expenses, direct or indirect, connected with the proper execution of the **SERVICES**.

5.3 **CITY** does not agree to reimburse **CONTRACTOR** for expenses unless otherwise specified.

## 6. TIMELINESS OF BILLING SUBMISSION:

6.1 The parties agree that timeliness of billing is of the essence to this Contract and recognize that **CITY** is on a fiscal year which is defined as the period beginning July 1 and ending June 30 of the following year. All billings for dates of service prior to July 1 must be submitted to **CITY** no later than the first Friday in August of the same year. A billing submitted after the first Friday in August will subject **CONTRACTOR** to an administrative fee not to exceed \$100.00. The parties hereby agree this is a reasonable estimate of the additional costs to **CITY** of processing the billing as a stale claim and that this amount will be deducted from the stale claim payment due to **CONTRACTOR**.

## 7. CONTRACT TERMINATION:

### 7.1 Termination Without Cause:

7.1.1 Any discretionary or vested right of renewal notwithstanding, this Contract may be terminated upon written notice by mutual consent of both parties or unilaterally by either party without cause.

7.1.2 **CITY** reserves the right to terminate this Contract for convenience whenever it considers termination, in its sole and unfettered discretion, to be in the public interest. In the event that the Contract is terminated in this manner, payment will be made for **SERVICES** actually completed. If termination occurs under this provision, in no event shall **CONTRACTOR** be entitled to anticipated profits on items of **SERVICES** not performed as of the effective date of the termination or compensation for any other item, including but not limited to, unabsorbed overhead. **CONTRACTOR** shall require that all subcontracts which it enters related to this Contract likewise contain a termination for convenience clause which precludes the ability of any subcontractor to



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make claims against CONTRACTOR for damages due to breach of contract, lost profit on items of SERVICES not performed, or unabsorbed overhead, in the event of a convenience termination.

### 7.2 Termination for Nonappropriation:

7.2.1 All payments and SERVICES provided under this Contract are contingent upon the availability of the necessary public funding, which may include various internal and external sources. In the event that Carson City does not acquire and appropriate the funding necessary to perform in accordance with the terms of the Contract, the Contract shall automatically terminate upon CITY'S notice to CONTRACTOR of such nonappropriation, and no claim or cause of action may be based upon any such nonappropriation.

### 7.3 Cause Termination for Default or Breach:

7.3.1 A default or breach may be declared with or without termination.

7.3.2 This Contract may be terminated by either party upon written notice of default or breach to the other party as follows:

7.3.2.1 If CONTRACTOR fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or any SERVICES called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or

7.3.2.2 If any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by CONTRACTOR to provide the goods or SERVICES or any services required by this Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or

7.3.2.3 If CONTRACTOR becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the bankruptcy court; or

7.3.2.4 If CITY materially breaches any material duty under this Contract and any such breach impairs CONTRACTOR'S ability to perform; or

7.3.2.5 If it is found by CITY that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by CONTRACTOR, or any agent or representative of CONTRACTOR, to any officer or employee of CITY with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or

7.3.2.6 If it is found by CITY that CONTRACTOR has failed to disclose any material conflict of interest relative to the performance of this Contract.

### 7.4 Time to Correct (Declared Default or Breach):

7.4.1 Termination upon a declared default or breach may be exercised only after providing seven (7) calendar days written notice of default or breach, and the subsequent failure of the defaulting or breaching party, within five (5) calendar days of providing that default or breach notice, to provide evidence satisfactory to the aggrieved party demonstrating that the declared default or breach has been corrected. Time to correct shall run concurrently with any notice of

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default or breach and such time to correct is not subject to any stay with respect to the nonexistence of any Notice of Termination. Untimely correction shall not void the right to termination otherwise properly noticed unless waiver of the noticed default or breach is expressly provided in writing by the aggrieved party. There shall be no time to correct with respect to any notice of termination without cause or termination for nonappropriation.

### 7.5 Winding Up Affairs Upon Termination:

7.5.1 In the event of termination of this Contract for any reason, the parties agree that the provisions of this **Subsection 7.5** survive termination:

7.5.1.1 The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination; and

7.5.1.2 **CONTRACTOR** shall satisfactorily complete SERVICES in progress at the agreed rate (or a pro rata basis if necessary) if so requested by CITY; and

7.5.1.3 **CONTRACTOR** shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by CITY; and

7.5.1.4 **CONTRACTOR** shall preserve, protect, and promptly deliver into CITY possession all proprietary information in accordance with "**Section 19**".

### 7.6 Notice of Termination:

7.6.1 Unless otherwise specified in this Contract, termination shall not be effective until seven (7) calendar days after a party has provided written notice of default or breach, or notice of without cause termination. Notice of Termination may be given at the time of notice of default or breach, or notice of without cause termination. Notice of Termination may be provided separately at any time after the running of the 7-day notice period, and such termination shall be effective on the date the Notice of Termination is provided to the party unless a specific effective date is otherwise set forth therein. Any delay in providing a Notice of Termination after the 7-day notice period has run without a timely correction by the defaulting or breaching party shall not constitute any waiver of the right to terminate under the existing notice(s).

### 8. REMEDIES:

Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorney's fees and costs. The parties agree that, in the event a lawsuit is filed and a party is awarded attorney's fees by the court, for any reason, the amount of recoverable attorney's fees shall not exceed the rate of \$125 per hour. CITY may set off consideration against any unpaid obligation of **CONTRACTOR** to CITY.

### 9. LIMITED LIABILITY:

CITY will not waive and intends to assert available NRS Chapter 41 liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise expressly provided for elsewhere in this Contract. Damages for any CITY breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to **CONTRACTOR**, for the fiscal year budget in existence at the time of the breach. **CONTRACTOR'S** tort liability shall not be limited.

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### 10. FORCE MAJEURE:

Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of this Contract after the intervening cause ceases.

### 11. INDEMNIFICATION:

11.1 To the extent permitted by law, including, but not limited to, the provisions of NRS Chapter 41, each party shall indemnify, hold harmless and defend, not excluding the other's right to participate, the other party from and against all liability, claims, actions, damages, losses, and expenses, including but not limited to reasonable attorney's fees and costs, arising out of any alleged negligent or willful acts or omissions of the indemnifying party, its officers, employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of the indemnity which would otherwise exist as to any party or person described in this Section.

11.2 Except as otherwise provided in Subsection 11.4 below, the indemnifying party shall not be obligated to provide a legal defense to the indemnified party, nor reimburse the indemnified party for the same, for any period occurring before the indemnified party provides written notice of the pending claim(s) or cause(s) of action to the indemnifying party, along with:

11.2.1 a written request for a legal defense for such pending claim(s) or cause(s) of action; and

11.2.2 a detailed explanation of the basis upon which the indemnified party believes that the claim or cause of action asserted against the indemnified party implicates the culpable conduct of the indemnifying party, its officers, employees, and/or agents.

11.3 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall not be obligated to fund or reimburse any fees or costs provided by any additional counsel for the indemnified party, including counsel through which the indemnified party might voluntarily choose to participate in its defense of the same matter.

11.4 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall be obligated to reimburse the reasonable attorney's fees and costs incurred by the indemnified party during the initial thirty (30) day period of the claim or cause of action, if any, incurred by separate counsel.

### 12. INDEPENDENT CONTRACTOR:

12.1 **CONTRACTOR**, as an independent contractor, is a natural person, firm or corporation who agrees to perform SERVICES for a fixed price according to his or its own methods and without subjection to the supervision or control of the CITY, except as to the results of the SERVICES, and not as to the means by which the SERVICES are accomplished.

12.2 It is mutually agreed that **CONTRACTOR** is associated with CITY only for the purposes and to the extent specified in this Contract, and in respect to performance of the contracted SERVICES pursuant to this Contract. **CONTRACTOR** is and shall be an independent contractor and, subject only to the terms of this Contract, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Contract.

12.3 Nothing contained in this Contract shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for CITY whatsoever with respect to the indebtedness, liabilities, and obligations of **CONTRACTOR** or any other party.

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12.4 **CONTRACTOR**, in addition to Section 11 (INDEMNIFICATION), shall indemnify and hold **CITY** harmless from, and defend **CITY** against, any and all losses, damages, claims, costs, penalties, liabilities, expenses arising out of or incurred in any way because of, but not limited to, **CONTRACTOR'S** obligations or legal duties regarding any taxes, fees, assessments, benefits, entitlements, notice of benefits, employee's eligibility to work, to any third party, subcontractor, employee, state, local or federal governmental entity.

12.5 Neither **CONTRACTOR** nor its employees, agents, or representatives shall be considered employees, agents, or representatives of **CITY**.

### 13. **INSURANCE REQUIREMENTS (GENERAL):**

13.1 **NOTICE: The following general insurance requirements shall apply unless these general requirements are altered by any specific requirements set forth in CITY'S solicitation for bid document, the adopted bid or other document incorporated into this Contract by the parties.**

13.2 **CONTRACTOR**, as an independent contractor and not an employee of **CITY**, must carry policies of insurance in amounts specified and pay all taxes and fees incident hereunto. **CITY** shall have no liability except as specifically provided in this Contract.

13.3 **CONTRACTOR** shall not commence work before: (1) **CONTRACTOR** has provided the required evidence of insurance to **CITY** Purchasing and Contracts, and (2) **CITY** has approved the insurance policies provided by **CONTRACTOR**.

13.4 Prior approval of the insurance policies by **CITY** shall be a condition precedent to any payment of consideration under this Contract and **CITY'S** approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent this Contract. Any failure of **CITY** to timely approve shall not constitute a waiver of the condition.

13.5 *Insurance Coverage (13.6 through 13.23):*

13.6 **CONTRACTOR** shall, at **CONTRACTOR'S** sole expense, procure, maintain and keep in force for the duration of this Contract the following insurance conforming to the minimum requirements specified below. Unless specifically specified herein or otherwise agreed to by **CITY**, the required insurance shall be in effect prior to the commencement of work by **CONTRACTOR** and shall continue in force as appropriate until the later of:

13.6.1 Final acceptance by **CITY** of the completion of this Contract; or

13.6.2 Such time as the insurance is no longer required by **CITY** under the terms of this Contract.

13.6.3 Any insurance or self-insurance available to **CITY** under its coverage(s) shall be in excess of and non-contributing with any insurance required from **CONTRACTOR**. **CONTRACTOR'S** insurance policies shall apply on a primary basis. Until such time as the insurance is no longer required by **CITY**, **CONTRACTOR** shall provide **CITY** with renewal or replacement evidence of insurance no less than thirty (30) calendar days before the expiration or replacement of the required insurance. If at any time during the period when insurance is required by this Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as **CONTRACTOR** has knowledge of any such failure, **CONTRACTOR** shall immediately notify **CITY** and immediately replace such insurance or bond with an insurer meeting the requirements.

13.7 *General Insurance Requirements (13.8 through 13.23):*

13.8 **Certificate Holder:** Each certificate shall list Carson City c/o Carson City Purchasing and Contracts, 201 N. Carson Street, Suite 2, Carson City, NV 89701 as a certificate holder.

13.9 **Additional Insured:** By endorsement to the general liability insurance policy evidenced by **CONTRACTOR**, The City and County of Carson City, Nevada, its officers, employees and immune

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contractors shall be named as additional insureds for all liability arising from this Contract.

**13.10 Waiver of Subrogation:** Each liability insurance policy, except for professional liability, shall provide for a waiver of subrogation in favor of City.

**13.11 Cross-Liability:** All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.

**13.12 Deductibles and Self-Insured Retentions:** Insurance maintained by **CONTRACTOR** shall apply on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by **CITY**. Such approval shall not relieve **CONTRACTOR** from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed \$5,000.00 per occurrence, unless otherwise approved by **CITY**.

**13.13 Policy Cancellation:** Except for ten (10) calendar days' notice for non-payment of premium, premium, **CONTRACTOR** or its insurers must provide thirty (30) calendar days prior written notice to Carson City Purchasing and Contracts if any policy will be canceled, non-renewed or if required coverage and /or limits reduced or materially altered, and shall provide that notices required by this paragraph shall be sent by mail to Carson City Purchasing and Contracts, 201 N. Carson Street, Suite 2, Carson City, NV 89701. When available, each insurance policy shall be endorsed to provide thirty (30) days' notice of cancellation, except for ten (10) days' notice for non-payment of premium, to City.

**13.14 Approved Insurer:** Each insurance policy shall be issued by insurance companies authorized to do business in the State of Nevada or eligible surplus lines insurers under federal and Nevada law and having agents in Nevada upon whom service of process may be made, and currently rated by A.M. Best as "A-VII" or better.

**13.15 Evidence of Insurance:** Prior to commencement of work, **CONTRACTOR** must provide the following documents to Carson City Purchasing and Contracts, 201 North Carson Street, Suite 3, Carson City, NV 89701:

**13.16 Certificate of Insurance:** **CONTRACTOR** shall furnish City with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth herein. The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to Carson City Purchasing and Contracts to evidence the insurance policies and coverages required of **CONTRACTOR**.

**13.17 Additional Insured Endorsement:** An Additional Insured Endorsement (CG20 10 or C20 26), signed by an authorized insurance company representative, must be submitted to Carson City Purchasing and Contracts to evidence the endorsement of **CITY** as an additional insured per **Subsection 13.9** (Additional Insured).

**13.18 Schedule of Underlying Insurance Policies:** If Umbrella or Excess policy is evidenced to comply with minimum limits, a copy of the Underlying Schedule from the Umbrella or Excess insurance policy may be required.

**13.19 Review and Approval:** Documents specified above must be submitted for review and approval by **CITY** Purchasing and Contracts prior to the commencement of work by **CONTRACTOR**. Neither approval by **CITY** nor failure to disapprove the insurance furnished by **CONTRACTOR** shall relieve **CONTRACTOR** of **CONTRACTOR'S** full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of **CONTRACTOR** or its sub-contractors, employees or agents to **CITY** or others, and shall be in addition to and not in lieu of any other remedy available to **CITY** under this Contract or otherwise. **CITY** reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these requirements.

**13.20 COMMERCIAL GENERAL LIABILITY INSURANCE:**

## INDEPENDENT CONTRACTOR AGREEMENT

Contract No. 1718-137

Title: Internal Audit Services

**CONTRACTOR** shall maintain commercial general liability (CGL) and, if necessary, commercial umbrella insurance with a limit of not less than \$1,000,000 each occurrence.

13.20.1 *Minimum Limits required:*

13.20.2 Two Million Dollars (\$2,000,000.00) - General Aggregate.

13.20.3 Two Million Dollars (\$2,000,000.00) - Products & Completed Operations Aggregate.

13.20.4 One Million Dollars (\$1,000,000.00) - Each Occurrence.

13.20.5 CGL insurance shall be written on ISO occurrence form CG 00 01 04 13 (or a substitute form providing equivalent coverage) and shall cover liability arising from premises, operations, products-completed operations, personal and advertising injury, and liability assumed under an insured contract [(including the tort liability of another assumed in a business contract)].

13.20.6 City and County of Carson City, Nevada, its officers, employees and immune contractors shall be included as an insured under the CGL, using ISO additional insured endorsement CG 20 10 or CG 20 26, or a substitute providing equivalent coverage, and under the commercial umbrella, if any.

13.20.7 This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to City There shall be no endorsement or modification of the CGL to make it excess over other available insurance; alternatively, if the CGL states that it is excess or pro rata, the policy shall be endorsed to be primary with respect to the additional insured.

13.20.8 There shall be no endorsement or modification of the CGL limiting the scope of coverage for liability assumed under a contract.

13.20.9 Contractor waives all rights against City and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the commercial general liability or commercial umbrella liability insurance maintained pursuant to this Contract. Insurer shall endorse CGL policy as required to waive subrogation against City with respect to any loss paid under the policy.

### 13.21 BUSINESS AUTOMOBILE LIABILITY INSURANCE:

13.21.1 *Minimum Limit required:*

13.21.2 Contractor shall maintain automobile liability and, if necessary, commercial umbrella liability insurance with a limit of not less than \$1,000,000 each accident for bodily injury and property damage.

13.21.3 Such insurance shall cover liability arising out of owned, hired, and non-owned autos (as applicable). Coverage as required above shall be written on ISO form CA 00 01, CA 00 05, CA 00 25, or a substitute form providing equivalent liability coverage.

13.21.4 Contractor waives all rights against City and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the automobile liability or other liability insurance obtained by **CONTRACTOR** pursuant this Contract.

### 13.22 PROFESSIONAL LIABILITY INSURANCE

13.22.1 *Minimum Limit required:*

## INDEPENDENT CONTRACTOR AGREEMENT

Contract No. 1718-137

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13.22.2 **CONTRACTOR** shall maintain professional liability insurance applying to all activities performed under this Contract with limits not less than One Million Dollars (\$1,000,000.00) and Two Million Dollars (\$2,000,000) in the aggregate.

13.22.3 Retroactive date: Prior to commencement of the performance of this Contract.

13.22.4 **CONTRACTOR** will maintain professional liability insurance during the term of this Contract and for a period of three (3) years after termination of this Contract unless waived by the City. In the event of non-renewal or other lapse in coverage during the term of this Contract or the three (3) year period described above, **CONTRACTOR** shall purchase Extended Reporting Period coverage for claims arising out of **CONTRACTOR's** negligence acts, errors and omissions committed during the term of the Professional Liability Policy. The Extended Reporting Period shall continue through a minimum of three (3) years after termination date of this Contract.

13.22.5 A certified copy of this policy may be required.

### 13.23 **WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE:**

13.23.1 **CONTRACTOR** shall provide workers' compensation insurance as required by NRS Chapters 616A through 616D inclusive and Employer's Liability insurance with a minimum limit not less than \$1,000,000 each accident for bodily injury by accident or \$1,000,000 each employee for bodily injury by disease.

13.23.2 **CONTRACTOR** may, in lieu of furnishing a certificate of an insurer, provide an affidavit indicating that **CONTRACTOR** is a sole proprietor; that **CONTRACTOR** will not use the services of any employees in the performance of this Contract; that **CONTRACTOR** has elected to not be included in the terms, conditions, and provisions of NRS Chapters 616A-616D, inclusive; and that **CONTRACTOR** is otherwise in compliance with the terms, conditions, and provisions of NRS Chapters 616A-616D, inclusive.

13.23.3 **CONTRACTOR** waives all rights against City and its agents, officers, directors, and employees for recovery of damages to the extent these damages are covered by the workers' compensation and employer's liability or commercial umbrella liability insurance obtained by Contractor pursuant to this Contract. Contractor shall obtain an endorsement equivalent to WC 00 03 13 to affect this waiver.

### 14. **BUSINESS LICENSE:**

14.1 **CONTRACTOR** shall not commence work before **CONTRACTOR** has provided a copy of his Carson City business license to Carson City Purchasing and Contracts.

14.2 The Carson City business license shall continue in force until the later of: (1) final acceptance by **CITY** of the completion of this Contract; or (2) such time as the Carson City business license is no longer required by **CITY** under the terms of this Contract.

### 15. **COMPLIANCE WITH LEGAL OBLIGATIONS:**

**CONTRACTOR** shall procure and maintain for the duration of this Contract any state, county, city, or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONTRACTOR** to provide the goods or **SERVICES** or any services of this Contract.

**CONTRACTOR** will be responsible to pay all government obligations, including, but not limited to, all taxes, assessments, fees, fines, judgments, premiums, permits, and licenses required or imposed by law or a court. Real property and personal property taxes are the responsibility of **CONTRACTOR** in accordance with NRS Chapter 361 generally and NRS 361.157 and 361.159, specifically regarding for profit activity. **CONTRACTOR** agrees to be responsible for payment of any such government obligations not paid by its subcontractors during

## INDEPENDENT CONTRACTOR AGREEMENT

Contract No. 1718-137

Title: Internal Audit Services

performance of this Contract. CITY may set-off against consideration due any delinquent government obligation.

If the CITY was required by NRS 332.039(1) to advertise or request a proposal for this Agreement, by signing this Agreement, the CONTRACTOR provides a written certification that the CONTRACTOR is not currently engaged in, and during the Term shall not engage in, a Boycott of Israel. The term "Boycott of Israel" has the meaning ascribed to that term in Section 3 of Nevada Senate Bill 26 (2017). The CONTRACTOR shall be responsible for fines, penalties, and payment of any State of Nevada or federal funds that may arise (including those that the CITY pays, becomes liable to pay, or becomes liable to repay) as a direct result of the CONTRACTOR's non-compliance with this Section.

16. **WAIVER OF BREACH:**

Failure to declare a breach or the actual waiver of any particular breach of this Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.

17. **SEVERABILITY:**

If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.

18. **ASSIGNMENT / DELEGATION:**

To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by CITY, such offending portion of the assignment shall be void, and shall be a breach of this Contract. CONTRACTOR shall neither assign, transfer nor delegate any rights, obligations or duties under this Contract without the prior written approval of CITY. The parties do not intend to benefit any third party beneficiary regarding their respective performance under this Contract.

19. **CITY OWNERSHIP OF PROPRIETARY INFORMATION:**

Any files, reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer programs, computer codes, and computer records (which are intended to be consideration under this Contract), or any other documents or drawings, prepared or in the course of preparation by CONTRACTOR (or its subcontractors) in performance of its obligations under this Contract shall be the exclusive property of CITY and all such materials shall be delivered into CITY possession by CONTRACTOR upon completion, termination, or cancellation of this Contract. CONTRACTOR shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of CONTRACTOR'S obligations under this Contract without the prior written consent of CITY. Notwithstanding the foregoing, CITY shall have no proprietary interest in any materials licensed for use by CITY that are subject to patent, trademark or copyright protection.

20. **PUBLIC RECORDS:**

Pursuant to NRS 239.010, information or documents received from CONTRACTOR may be open to public inspection and copying. CITY will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests. CONTRACTOR may clearly label specific parts of an individual document as a "trade secret" or "confidential" in accordance with NRS 332.061, provided that CONTRACTOR thereby agrees to indemnify and defend CITY for honoring such a designation. The failure to so label any document that is released by CITY shall constitute a complete waiver of any and all claims for damages caused by any release of the records.

21. **CONFIDENTIALITY:**

CONTRACTOR shall keep confidential all information, in whatever form, produced, prepared, observed or received by CONTRACTOR to the extent that such information is confidential by law or otherwise required by this



**INDEPENDENT CONTRACTOR AGREEMENT**  
**Contract No. 1718-137**  
**Title: Internal Audit Services**

Contract.

22. **FEDERAL FUNDING:** Intentionally omitted

23. **LOBBYING:**

23.1 The parties agree, whether expressly prohibited by federal law, or otherwise, that no funding associated with this Contract will be used for any purpose associated with or related to lobbying or influencing or attempting to lobby or influence for any purpose the following:

23.1.1 Any federal, state, county or local agency, legislature, commission, council or board;

23.1.2 Any federal, state, county or local legislator, commission member, council member, board member, or other elected official; or

23.1.3 Any officer or employee of any federal, state, county or local agency; legislature, commission, council or board.

24. **GENERAL WARRANTY:**

**CONTRACTOR** warrants that it will perform all **SERVICES** required hereunder in accordance with the prevailing standard of care by exercising the skill and care normally required of individuals performing the same or similar **SERVICES**, under the same or similar circumstances, in the State of Nevada.

25. **PROPER AUTHORITY:**

The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. **CONTRACTOR** acknowledges that this Contract is effective only after approval by the Carson City Board of Supervisors and only for the period of time specified in this Contract. Any **SERVICES** performed by **CONTRACTOR** before this Contract is effective or after it ceases to be effective is performed at the sole risk of **CONTRACTOR**.

26. **GOVERNING LAW / JURISDICTION:**

This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada, without giving effect to any principle of conflict-of-law that would require the application of the law of any other jurisdiction. **CONTRACTOR** consents and agrees to the jurisdiction of the courts of the State of Nevada located in Carson City, Nevada for enforcement of this Contract.

27. **ENTIRE CONTRACT AND MODIFICATION:**

This Contract and its integrated attachment(s) constitute the entire Contract of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other Contracts that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Carson City Board of Supervisors. Conflicts in language between this Contract and any other agreement between **CITY** and **CONTRACTOR** on this same matter shall be construed consistent with the terms of this Contract. The parties agree that each has had their respective counsel review this Contract which shall be construed as if it was jointly drafted.


**INDEPENDENT CONTRACTOR AGREEMENT**  
**Contract No. 1718-137**  
**Title: Internal Audit Services**

**28. ACKNOWLEDGMENT AND EXECUTION:**

This Contract may be executed in counterparts. The parties hereto have caused this Contract to be signed and intend to be legally bound thereby as follows:

**CITY**


Finance Department  
Attn: Carol Akers, Purchasing & Contracts Administrator  
Purchasing and Contracts Department  
201 North Carson Street, Suite 2  
Carson City, Nevada 89701  
Telephone: 775-283-7362  
Fax: 775-887-2286  
[CAkers@carson.org](mailto:CAkers@carson.org)

By:  \_\_\_\_\_  
Sheri Russell, ~~Deputy~~ Chief Financial Officer  
Dated 7/3/18

**CITY'S LEGAL COUNSEL**


Carson City District Attorney

I have reviewed this Contract and approve as to its legal form.

By:  \_\_\_\_\_  
Deputy District Attorney  
Dated 6/21/18

**CONTRACTOR will not be given authorization to begin work until this Contract has been signed by Purchasing and Contracts**

BY: Carol Akers  
Purchasing & Contracts Administrator

By:  \_\_\_\_\_  
Dated 7/3/18

**INDEPENDENT CONTRACTOR AGREEMENT**

**Contract No. 1718-137**

**Title: Internal Audit Services**

Undersigned deposes and says under penalty of perjury: That he/she is **CONTRACTOR** or authorized agent of **CONTRACTOR**; that he/she has read the foregoing Contract; and that he/she understands the terms, conditions and requirements thereof.

**CONTRACTOR**

BY: Daniel Carter

TITLE: CPA, Partner

FIRM: Eide Bailly LLP

CARSON CITY BUSINESS LICENSE #: 18-00031096

Address: 5441 Kietzke Lane, Suite 150

City: Reno State: NV Zip Code: 89511

Telephone: 775-689-9271/FAX: 775-689-9299

E-mail Address: [dcarter@eidebailly.com](mailto:dcarter@eidebailly.com)

*Daniel Carter*  
(Signature of Contractor)

DATED 7/2/18

STATE OF Nevada )

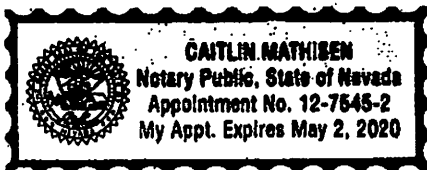
County of Washoe )

)ss

Signed and sworn (or affirmed before me on this 2 day of July, 2018.

*Caitlin Mathisen*  
(Signature of Notary)

(Notary Stamp)



**INDEPENDENT CONTRACTOR AGREEMENT**

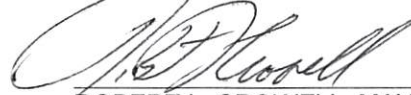
**Contract No. 1718-137**

**Title: Internal Audit Services**

**CONTRACT ACCEPTANCE AND EXECUTION:**

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting of June 21, 2018 approved the acceptance of the attached Contract hereinbefore identified as **CONTRACT No. 1718-137**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to set his hand to this document and record his signature for the execution of this Contract in accordance with the action taken.

**CARSON CITY, NEVADA**



**ROBERT L. CROWELL, MAYOR**

DATED this 21<sup>st</sup> day of June, 2018.

**ATTEST:**



**SUSAN MERRIWETHER, CLERK-RECORDER**

DATED this 21<sup>st</sup> day of June, 2018.

**INDEPENDENT CONTRACTOR AGREEMENT**  
**Contract No. 1718-137**  
**Title: Internal Audit Services**

**SAMPLE INVOICE**

Invoice Number: \_\_\_\_\_  
 Invoice Date: \_\_\_\_\_  
 Invoice Period: \_\_\_\_\_

Invoice shall be submitted to:

Carson City Finance Department  
 201 N. Carson St. #3  
 Carson City NV 89701

Line Item #	Description	Unit Cost	Units Completed	Total \$\$
<b>Total for this invoice</b>				

Original Contract Sum	\$	_____
Less amount previously billed	\$	_____
= contract sum prior to this invoice	\$	_____
Less this invoice	\$	_____
=Dollars remaining on Contract	\$	_____

**ENCLOSE COPIES OF RECEIPTS & INVOICES FOR EXPENSES & OUTSIDE SERVICES**



Exhibit A



## **Statement of Qualifications for Internal Audit Services (1718-137)**

---

### **Carson City, Nevada**

April 3, 2018

**Submitted By:**

Eide Bailly LLP

**Contact Person**

Daniel Carter, CPA

Partner

5441 Kietzke Lane, Suite 150

Reno, NV 89511

T: 775.689.9271

F: 775.689.9299

[dcarter@eidebailly.com](mailto:dcarter@eidebailly.com)

**MASTER**

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Cover Letter

## WE WANT TO WORK WITH YOU.

Laura Rader, CPPB  
Purchasing and Contracts Administrator  
Purchasing Contracts  
201 N. Carson Street, Suite 2  
Carson City, NV 89701

Dear Ms. Rader:

Thank you for the opportunity to present this statement of qualifications to provide internal audit services for Carson City (City). We've served Governmental clients for more than 40 years so we know the ins and outs of your specific challenges, needs and goals.

### Our Experience

We are confident the City will benefit from working with Eide Bailly. Our extensive experience and knowledge positions us to be the right Firm for you. The guidance we provide comes from our working knowledge of the government industry and our internal audit experience. With over 40 years of experience serving counties and government clients, including providing internal audit services, our team members are engaged in the industry and well-positioned in organizations associated with governmental entities. Our Firm annually performs more than 130,000 service hours for our 400 governmental clients which include cities, counties, school districts, colleges and universities, hospitals, state agencies, tribal entities and housing authorities. We act as independent and objective advisors providing you with proven internal audit methodologies.

### Our People

We have dedicated and knowledgeable internal audit teams consisting of Certified Public Accountants (CPA), Certified Internal Auditors (CIA), Certified Government Financial Managers (CGFM), members of the Institute of Internal Auditors (IIA), Certified Information Systems Auditors (CISA), Certified Information Security Manager (CISM), Certified in Risk and Information Systems Control (CRISC), GIAC Security Essentials Certification (GSEC), Certified Financials Services Auditor (CFSA), Certified Fraud Examiners (CFE), Certified Forensic Interviewers (CFI), professionals who have held leadership roles in Internal Audit and Compliance roles, Certified in Financial Forensics (CFF) and professionals with Masters of Business Administration degrees in Fraud Management and Economic Crime, as well as other disciplines.

We will work closely with your team to identify issues and provide responsive solutions that are tailored to your internal audit needs. In addition, you will experience partner involvement throughout all phases of an engagement. At Eide Bailly, we make it a priority to be accessible to our clients, which includes returning phone calls and e-mails in a timely manner.

### Timeliness

We will meet your deadlines. Our professionals are trained to anticipate, identify and respond to your needs in a timely manner. We will work closely with your Audit Committee and Management team to customize our internal audit services to your needs. We believe in clear, up-front and open communication with *no* surprises.



## Cover Letter

### **Personal, Customized Service**

As internal audit and accounting professionals, we offer vital services to organizations facing an ever-changing business environment. Delivering a high level of service to clients is a priority at Eide Bailly, and therefore, our staff members realize the importance of staying informed on current issues impacting internal audit, internal controls and risk management.

Eide Bailly and its predecessor firm has worked with Carson City as their external auditor for the past 15 years. Our Reno office will be the main resource for staffing the Internal Audit for the City. This provides us two distinct advantages:

- 1) An in depth knowledge of the City's departments and people including operations, internal controls, and risks and
- 2) Minimal travel time with no travel costs included in the budget. This allows us to spend more time on identified projects and less time traveling than other firms. We can also attend meetings on short notice given we are 30 minutes away.

The following pages highlight our firm's strengths and demonstrate why Eide Bailly merits serious consideration. Know that you will continue to be a highly valued client. Our people are proud to work with Carson City and will continue to build a trusting relationship with your team. Please contact me at 775.689.9271 or email me at [dcarter@eidebailly.com](mailto:dcarter@eidebailly.com) if you would like to discuss any aspect of this statement of qualifications.

Sincerely,



Daniel Carter, CPA  
Partner

## Industry Experience

# INSPIRED TO SERVE GOVERNMENTS

Our professionals have the experience, talent and skill sets to continue to meet Carson City's needs.

## Internal Audit Experience

We understand the value of an effective internal audit function to assess risk throughout the organization and provide assurance that operational, financial, and information technology risks are effectively mitigated through appropriately designed and implemented internal controls. Specifically, internal audit should provide assurance that internal controls are effective to ensure reliable financial reporting; adherence to approved policies and procedures; compliance with laws and regulations, and efficient and effective operations.

An effective internal audit department also must be staffed or co-sourced with individuals with appropriate knowledge and experience to assess risk throughout the organization, develop an effective plan of audit, and generate practical and implementable recommendations when issues are identified. Effective Audit Committee, Board and Management reporting is essential to ensure communication of significant issues, tracking of outstanding issues through remediation, and results of re-audit to ensure effective implementation of remediation strategies.

Our professionals have over 100 years of combined knowledge and expertise in the internal audit arena. Our team includes those experienced in managing Internal Audit departments, Sarbanes Oxley control reviews, COSO and IT/Internal Controls reviews, as well as those professionals with our independent audit and risk management practice, along with process improvement assessment professionals.

This combination of team members is highly effective in assisting clients to determine the overall quality and independence of their internal audit function and effectiveness in aligning internal audit with business structure, goals, strategies, and initiatives.

## Forensic Accounting Investigative Experience

Our forensic accountants are experienced in assisting with internal, civil, criminal and insurance recovery investigations related to allegations of theft, fraud and accounting irregularities. The forensic methodologies and technology used by our team of specialists help get to the facts of these situations and are court proven. We understand the urgency of resolving these types of matters and take pride in delivering a quality work product in an efficient and timely matter.

## Cyber Security

Our professionals have deep IT backgrounds, specializing in a broad range of security services allowing us to tailor solutions to your needs. We work with every level of your organization—your boards and executives, technical IT admins and general users—to provide insight and guidance so you can feel confident your data's protected.

## Risk Advisory

Eide Bailly's risk advisory services combine comprehensive industry experience with a collaborative, risk-based approach to minimize risk without restraining sensible business opportunities. Our experienced professionals work with a variety of clients across a multitude of industries, assisting them with identifying ways to minimize organizational risk specific to their unique needs. Our priority is to fully utilize the risk-planning process to not just manage risk but also help you enhance your operations.

## Industry Experience

### Computer Forensic Experience

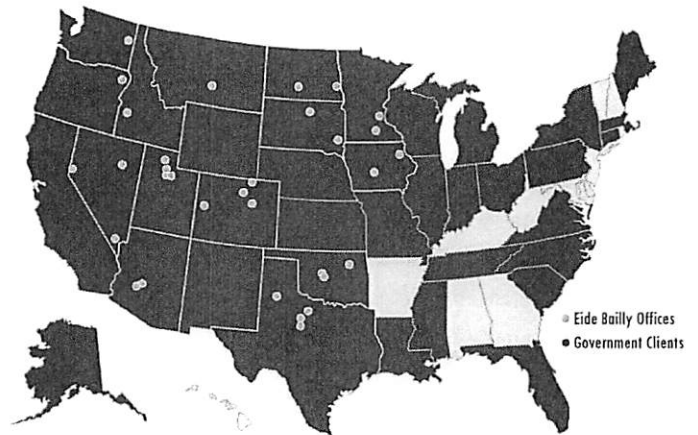
Our computer forensic specialists' depth of expertise and experience includes more than 10,000 cases, handling more than 10 million documents, e-mail and data, as well as performing deletion and destruction services for highly sensitive, top secret data for the Department of Defense. Our investigative experience is drawn from years of federal and local law enforcement computer forensic investigations.

### Government Experience

Eide Bailly has more than 200 professionals throughout the firm who focus on providing services to our governmental clients. The City will have access to these professionals as well as professionals focused on single audit, IT, forensic and government consulting. Eide Bailly audits more than \$9.5 billion of federal expenditures each year. These federal expenditures include the City's programs.

Firmwide, Eide Bailly performs more than 400 governmental audits, including 170 Counties and Cities. We are considered thought leaders in the governmental industry as we are members of national, regional, and local government industry organizations. To gain the greatest benefit, the knowledge gained from these memberships is shared with professionals across the Firm and then passed on to our clients.

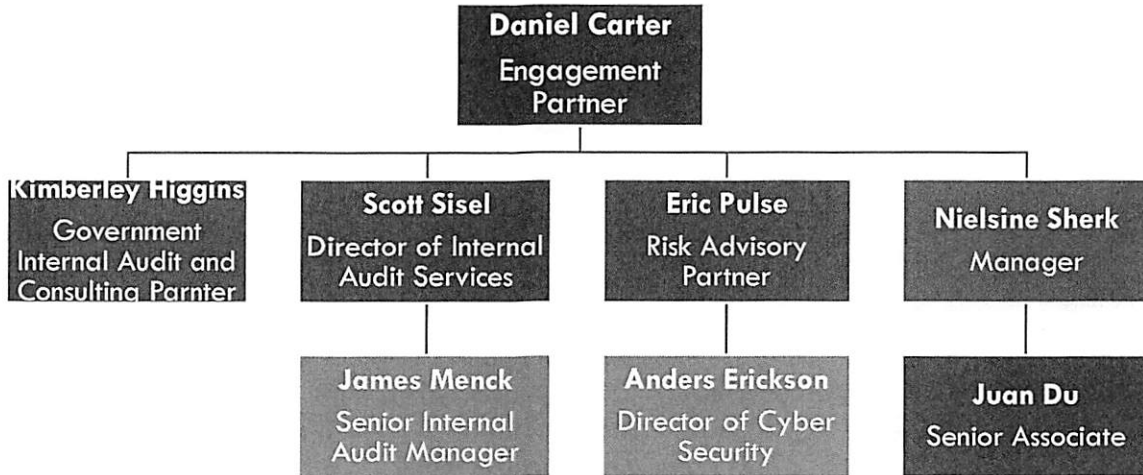
The Nevada office has over twenty professionals that work with our government clients, providing over 23,000 hours of audit services. Our government practice experience for the Reno office ranges from Cities, Counties, School Districts, State Governments and Special Districts.



Team Qualifications

# AN EXPERIENCED TEAM

We're passionate about our work—and your success. We have selected professionals for your service team who are the right fit for your engagement, based on their knowledge and experience in the Governmental Industry.



## SERVICE TEAM

We know the importance of a strong business relationship so we keep staffing changes to a minimum year-to-year. Eide Bailly has a high retention rate, allowing us to provide stability. Your service team has extensive experience in the Governmental industry. Meet your service team.



**Daniel Carter, CPA**  
Engagement Partner

Daniel will serve as the Engagement Partner and will be responsible for directing the activities of the team, coordinating all services and ensuring timely delivery of the final product. He has more than 15 years in service to governmental entities. He currently serves as the Engagement Partner for the consolidated, Legislative Counsel Bureau, Nevada Higher Education Tuition Trust Fund, Nevada Capital Investment Corporation, Local Government Investment Pool, Truckee Meadows Fire Protection District, Tahoe Douglas

Fire Protection District, Incline Village General Improvement District and Nevadaworks. In addition he formerly served as a senior member of the audit team for Washoe County, City of Sparks and the State of Nevada.

## Team Qualifications



### **Kimberley Higgins, CPA**

#### **Government Internal Audit and Consulting Partner**

Kimberley will serve as a Government Internal Audit and Consulting Partner and as an additional resource for the team. Kimberley has more than 30 years in public accounting, with focused experience in the government industry throughout her career. She currently has partner responsibility on a number of government clients, including county, state and local governments. She is integrally involved in the firm's internal audit practice, serving some of our largest governmental, non-profit and for-profit clients receiving federal awards. Her governmental clients include: the City of Commerce City, the City of Lone Tree, the City of Lafayette, Jefferson County, Adams County, and Douglas County.



### **Scott Sisel, CPA**

#### **Internal Audit Partner**

Scott serves as the Firmwide leader of Internal Audit services. Scott has over 25 years of experience serving a variety of industries (including governmental entities), with more than 10 years' experience as a partner in a Big Four firm prior to joining Eide Bailly. He possesses deep experience in internal control processes and procedures, and best practices to drive efficiency and effectiveness. Scott has previously led a team in the Firmwide development of industry best control practices, and also has significant experience in Sarbanes-Oxley control reviews and reporting. He is also a frequent speaker on industry developments, internal control and risk management and IT security management and internal audit's role.



### **Eric Pulse, CPA, CISA, CISM, CRISC, GSEC, CFSA**

#### **Risk Advisory Partner**

Eric has nearly 20 years in the public accounting and consulting industry providing information technology risk advisory and cyber security consulting services to a variety of industries, including health care, insurance, financial services, banking, credit union, retail, manufacturing, and governments. He performs IT audits, cyber security reviews, Service Organization Control (SOC) 1 and 2 audits, HITRUST assessments, and various other information security framework reviews (NIST, ISO, PCI, HIPAA, etc.), as well as provides leadership in developing and enhancing IT risk advisory and cyber security consulting practice for people, processes, methodologies and growth.



### **Anders Erickson, CISA, CISSP, CRISC**

#### **Director of Cyber Security**

Anders will be a valuable resource for the City. Anders has more than fifteen years of experience providing IT risk and control solutions within the private and public sector. His experience includes planning and executing assessments of IT security practices, risks, and controls against organizational, industry, and government standards. He is currently heading up the Eide Bailly Cyber Security team to help clients understand their risks related to Cyber Security and create a plan for remediating weaknesses and managing ongoing risks related to cyber security. Anders is Certified in Risk and Information Systems Control, a Certified Information Systems Auditor and a Certified Information Systems Security Professional.



### **James Menck, CPA, CIA, CFE**

#### **Senior Internal Audit Manager**

James will serve as the Senior Internal Audit Manager and will be responsible for ensuring the engagement meets the Institute of Internal Auditor's International Standards for Internal Auditing. He has more than 25 years of experience, including the past seven years with Eide Bailly. Prior to joining Eide Bailly, he served as an internal audit director for a national company. In that role he had responsibility for financial and operational audits and Sarbanes-Oxley controls testing and reporting. Prior to his industry experience, James spent over 12 years (ten with a Big Four accounting firm) providing audit and consulting services. James holds the Certified Public Accountant, Certified Internal Auditor and Certified Fraud Examiner designations.

## Team Qualifications



### Nielsine Sherk, CPA

#### Manager

Nielsine will serve as a Manager on the City’s engagement. She has more than ten years of experience in public accounting, with experience in the governmental industry, governmental employee benefit plans, and internal audit. She has served as manager on Washoe County, Regional Transportation Commission, County/City of Carson, and the State of Nevada. Nielsine leads the governmental employee benefit plan practice in the Reno office. She also serves as part of the co-sourced internal audit function for a local publicly



### Juan Du, CPA

#### Senior Associate

Juan will serve as a Senior Associate on the City’s engagement. She has more than two years of public accounting experience, with experience in the governmental and employee benefit plan industries. She has served as the Senior Associate on Nevada Public Employees’ Deferred Compensation Plan, Nevada FICA Alternative Deferred Compensation Plan. She holds the Certified Public Accountant designation

## References

# SIMILAR CLIENTS

As a top 25 CPA firm with 32 offices in 14 states, we’ve built our business on relationships. But we know that you’d rather hear it from people like you who’ve used our services.

The clients below have used similar services to your company, and we encourage you to contact them to learn more about their Eide Bailly experiences.

### Similar Clients

Client Entity Name	Contact Name & Title	Phone & Email	Services Provided
Carson City, Nevada	Nancy Paulson Deputy City Manager	775.283.7944 npaulson@carson.org	Prior audits, single audits and agreed-upon procedures for the City
Adams County, CO	Raymond Gonzalez County Manager	720.523.6100 rgonzales@adcogov.org	Internal Audit and Consulting
State of Nevada, Department of Transportation	Robert Nellis Assistant Director	775.888.7440 rnellis@dot.state.nv.us	Internal Audit and Consulting
Employers Holdings, Inc	Jay Goldberg Vice President	775.327.2681 Jgoldberg@employers.com	Internal Audit

Cost Proposal

# RATES AND CHARGES

Our fees are based on the complexity of the issue and the experience level of the staff members necessary to address it.

We propose the following fees based on our understanding of the scope of work and the level of involvement of Carson City’s staff, and the annual budget for Internal Audit. This fee is inclusive of all cost to perform the services requested. For estimated manpower see Appendix A.



## Audit Engagement

Professional Services & Fees	2018
Total All-inclusive Maximum Price	\$ 110,200
Total Fees	\$ 110,200



## Audit Engagement

Hourly Rate by Staff Level	2018
Partner	\$ 250.00/ hr.
Manager	\$ 120.00/ hr.
Senior Associate	\$ 95.00/ hr.

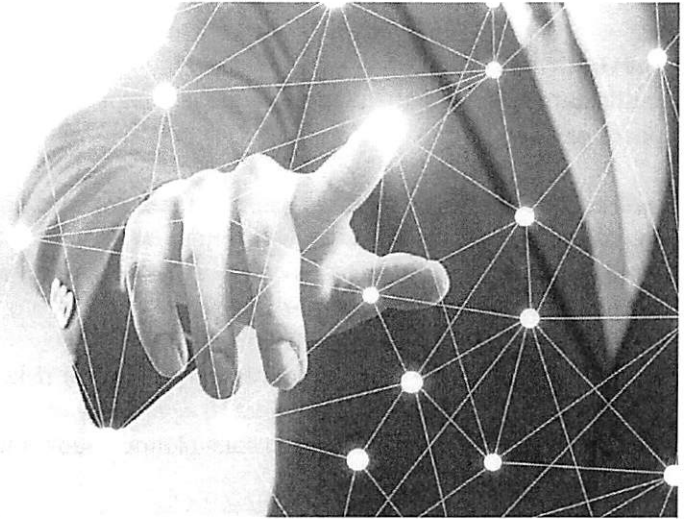
The above rates are based on a plan to schedule work outside of the traditional busy seasons of the City and Finance staff (i.e. outside of annual audit and budget preparation seasons). We affirm we are able to devote an average of 25 hours per week to Carson City over the contract period. We will communicate with the Audit Committee on a regular basis the percentage of budget used year to date.

### Billing Policy Regarding Telephone Inquiries

We know clients appreciate access to all of their service team members. We embrace this opportunity for constant communication and will ensure our team members are available when you have questions and issues. This service is included in the scope of the engagement. If a particular issue surfaces that falls outside the scope of this engagement, we’ll bring it to your attention and obtain approval before proceeding.

## Internal Audit Approach

# CONNECTING YOU TO SERVICES



The key to our delivery of this service will be an ability to share best practices from our experience, including those that encounter similar compliance, reporting, control, and operational issues. We will provide recommendations and responses based on our observations that will drive efficiency while at the same time focus on reducing risks.

Through our internal audit services, we will work closely with the Audit committee to assess and address risks and controls throughout the City. We recommend using a tailored scoring and ranking system to prioritize enterprise risks and develop an annual audit plan that focuses resources in areas of greater risk. Our system of risk analysis focuses first on your current controls environment to mitigate performance, operational, financial, and IT risk and determine compliance with the accounting procedures manual.

We also pay special attention to organization risk on a forward looking basis. Through this process, we will identify potential weaknesses, offer practical recommendations to improve your internal controls and reduce risk, and make observations about your processes and procedures based on our experiences with best practices within the government industry.

Our experience with internal audits of governments requires adherence to various standards surrounding internal controls including the COSO Framework, IIA and FISCAM. We work with all of our clients to help them understand the COSO framework. How this particular framework applies to the provisions of the new Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards dealing with your federal awards, may be an area that we determine appropriate for internal audit. We have conducted training on COSO and risk assessments nationwide and believe we will add value and improve the effectiveness of the risk management, control and governance processes.

Our approach to evaluating and identifying risks, prioritizing those risks and developing audit plans is an interactive approach with the City Audit Committee. We will first evaluate previous internal audit reports, your policies, procedures, and will then interview key personnel. Information obtained will be key to developing a comprehensive risk analysis.

The primary focus of the procedures is to provide feedback that controls in the areas tested are properly designed, functioning as designed and documented, and that processes are operating in conformance with established policies, as well as whether the policies are most effective and efficient given the nature and resources of the City, as well as the compliance requirements in place. We will recommend changes in procedures to improve efficiency and effectiveness of internal controls.



## Internal Audit Approach

### **Proposed Schedules**

We anticipate beginning the planning and risk assessment process shortly after being selected as your internal audit resource partner in June.

We will collaborate with your management team and also obtain input from the board and other potential stakeholders, during June and July. We will work with you to better understand your risk factors and issues as well as develop a prioritized risk assessment using risk factors and evaluation with a prioritized weighting factor, and an annual audit plan and work schedule over the course of the year.

We will keep in mind the need to address any particular risks based upon nature of the area and your expectations for delivery of internal audit results. Subject to availability of your personnel and related planning and risk assessment needs, we expect that we could begin each planned audit within four weeks of agreement of the respective audit and plan.

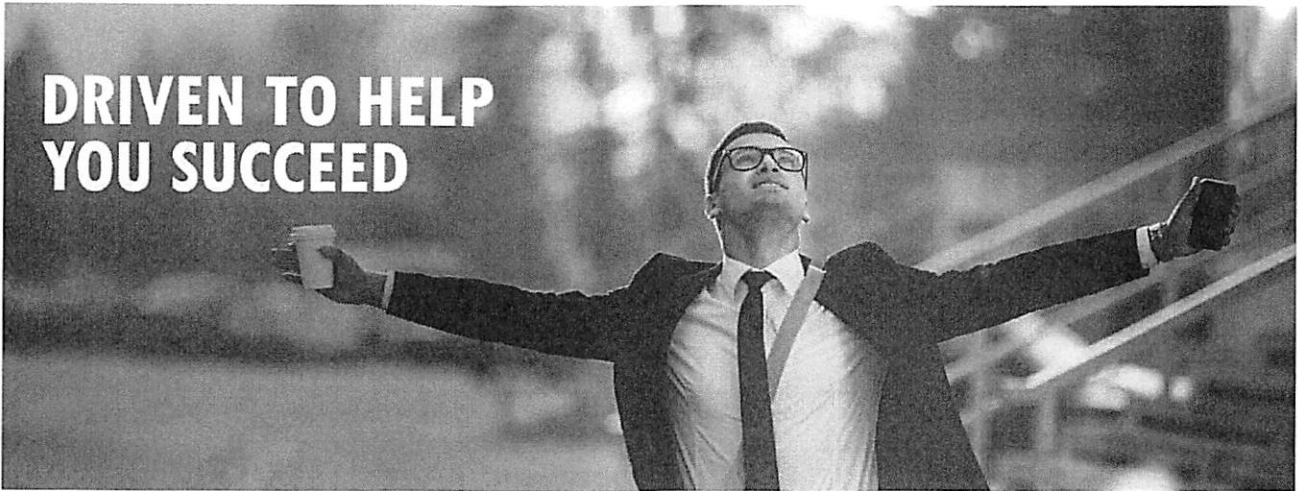
We also anticipate our plan to provide not only the overall audit plan and individual internal audits, but also a detailed schedule of audits, the related risk assessment, objectives and timing of report completion for each audit completed. We will be available to present to the Audit Committee and the Board of Supervisors as needed, but at least quarterly.

### **Team Member Involvement**

Eide Bailly's IA services utilize professionals with experience in the following areas:

- Managing IA departments in industry
- Governmental industry audits and consulting, with specialization working with Cities and Counties
- Financial, operational, performance, and IT internal controls assessment
- IT Audit and Consulting
- Transactions Services
- Compliance and billing
- Grant consulting and contract compliance
- Process Improvement
- Forensic Accounting and Computer Investigative Analysis
- Human Resources Consulting and Outsourcing Services
- Cyber Security and Risk Advisory Services
- Operational review and analysis
- Cultural assessments

This combination of team members is effective in helping clients meet their internal audit needs according to the organization's size, structure, specialized needs and risk appetite.



## WHY CHOOSE EIDE BAILLY

### **WE WANT TO WORK WITH YOU.**

If you are looking for a firm that takes time to understand you and your business, will connect you with knowledge, resources and solutions and bring you confidence in your business decisions, look no further. Based on our understanding of your immediate needs, we believe we are a good fit. And, we want to work with you!

If you have any questions or would like additional information, please don't hesitate to reach out to us. We want to make sure you have all the information you need to make your decision.


- Feel free to call me at 775.689.9271 or by email at [dcarter@eidebailly.com](mailto:dcarter@eidebailly.com)

### **What inspire you, inspires us.**

We are driven to help clients take on the now and the next with inspired ideas, solutions and results. We look forward to working with you.

Appendix A

# ESTIMATED MANPOWER

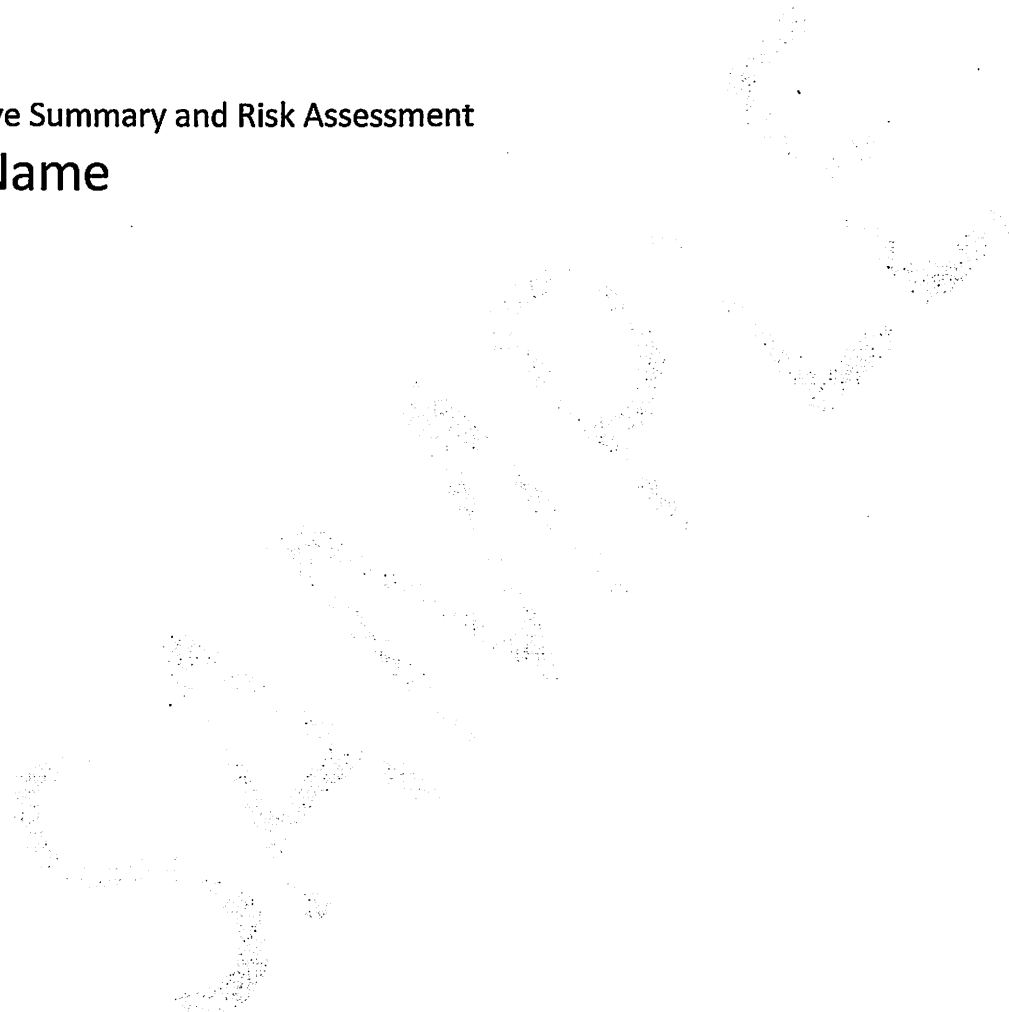
 **Internal Audit Plan & Hours**

Audit Plan	Hours
Risk Assessment	200
Performance Audits	100-200/each
Special Investigations/Projects	100-200/each
Ongoing Follow-up/Re-audit	50-100
Administrative Support Services	50

Appendix B

# **SAMPLE OF WORK**

Executive Summary and Risk Assessment  
City Name



City Name

## Executive Summary and Risk Assessment

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## Executive Summary

Internal Audit departments operate using guidance provided by the International Professional Practices Framework (IPPF) published by the Institute of Internal Auditors. Standards of the IPPF address planning and indicate that risk-based plans should determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

With the issuance of RFP 2014.403, Proposal for Internal Auditor Services, our proposal dated Month/Date/Year and the Purchase of Service Agreement signed Month/Date/Year, City changed its internal auditor services agreement and vendor to Eide Bailly, LLP. We were hired as part of the City team to provide consulting/special projects as well as risk assessments/internal audits for top management with final reporting and approvals by the Board of City Commissioners. The following report outlines our special projects and risk assessment update process to date. We also included the proposed audit plan for 201X, which may include follow up projects from your previous internal auditors based upon our risk assessment updates. Department directors and elected officials provided input as part of the risk assessment process to ensure key risks were captured for each function within the City.

The risk assessment process is not an exact science. The majority of risks are self-reported by the director and staff of the respective function. While every risk and its associated ranking are thoroughly discussed with the risk's owner, no audit procedures are performed to validate the rankings (thorough audit procedures will be developed and performed as part of the individual audits proposed as a result of this report). The audit team applies professional judgment and experience to determine the final risk rankings.

**It is very important to note that risks are written as if they are occurring. Readers should not assume the noted risk actually exists or that the function is deficient in any way.** The purpose of the risk assessment is to develop an audit plan, not to report problems with current operations. In contrast, the purpose of an internal audit is to evaluate and conclude on the adequacy and effectiveness of operations and internal controls through interviews, review of documentation, testing, and other detailed procedures. A countywide risk assessment does not validate data or go into the same level of detail as an internal audit and should not be viewed as such.

As a result of the risk assessment process and our interviews and updates to date, the following areas were identified for internal audit in 201X/201X, in order of risk assessed:

Assessor  
Clerk & Recorder  
Finance  
Sheriff  
Coroner  
Treasurer

In addition to function-specific audits, our proposed 201X/201X audit plan provides for time to maintain the internal audit function at the City, perform an on-going entity-wide risk assessment as outlined in this report, follow up on completion of management actions, and address specific additional concerns which may arise during the year. Our complete proposed audit plan, including the results of specific agreed upon procedures projects is included as Figure 4 on page 8 of this report.

### Objective

The City Internal Audit function was established through a resolution adopted by the Board of City Commissioners in Month 201X and updated Month, 201X. A risk assessment is performed as part of any internal audit function, the objective of which is to determine the risks to the organization and develop an appropriate risk-based audit plan.

### Scope

The scope of our risk assessment update included all departments and elected offices within the City. The previous risk assessment also included the Public Trustee (appointed by the Governor). The City Commissioners established the scope of internal audit to include all activities with financial risk; in other words, activities that have a direct impact on the city-approved budget. We considered additional risk factors (legal/regulatory, operational, and reputational) at the specific request of the individual department directors or elected officials.

### Procedures Performed

We performed the following procedures to complete our risk assessment:

Presentation of methodology to directors/officials interviewed- Upon inception of the internal audit function in 201X, our risk assessment methodology and procedures were presented to all department directors and elected/appointed officials that we met with to promote consistency within the process across all operating entities. For the 201X and subsequent risk assessments, we will present our methodology to any newly interviewed and/or elected officials or newly hired department directors.

Solicitation of risks- Each director/official was asked to review the goals/responsibilities of their function and risks to accomplishing these goals/responsibilities. For each risk, respondents were instructed to rank the magnitude of impact and likelihood of occurrence.

**Magnitude of impact** assesses the severity of the risk, assuming it were to occur, using rankings of high, medium, and low.

**Likelihood of occurrence** assesses the chance the risk will come to fruition, regardless of the severity of the risk, using rankings of probable, potential, and remote.

Risk rankings are further defined in Appendix A- Risk Assessment Results

Evaluation of risks- Internal Audit reviewed all completed risk assessments in conjunction with the function's goals/responsibilities, information available on the function's internet/intranet sites, and Internal Audit's experience with government operations. Additional risks or changes to risk rankings were proposed when deemed appropriate.

Departmental interviews- Internal Audit held individualized risk assessment sessions with each elected official and department director, listed below (*Figure 2, Page 5*). Internal Audit also met with top management and elected officials to obtain their input regarding updates to the 201X risk assessment. The purpose of these meetings and contacts was to clarify responses submitted in the self-assessment, review and revise risk rankings as necessary, and discuss additional risks proposed by Internal Audit.

Validation of risks- To ensure risks and associated rankings were appropriately captured, top management was provided copies of the final risks/rankings and given the opportunity to propose additional changes.



Consolidation of risks- Upon completion of the risk validation process, risks from each function were consolidated into a master risk assessment covering the entire city (see Appendix A - Risk Assessment Results). We assigned risk rankings numerical weights as presented in *Figure 1: Risk Rankings*:

*Figure 1: Risk Rankings*

Magnitude		Likelihood	
Rankings		Rankings	
High	3	Probable	3
Medium	2	Potential	2
Low	1	Remote	1

Financial magnitude was multiplied by the likelihood ranking to arrive at an overall raw risk score.

As discussed in the preceding scope section, some city officials and departments requested an expanded risk assessment scope to evaluate aspects of their operations with legal/regulatory, operational, and reputational risks. When all four categories of risk were considered, we multiplied the mathematical average of rankings in all four of the magnitude categories by the likelihood ranking to arrive at an overall raw risk score.

In addition to individualized risk rankings, we used initial 201X budgeted expenditures as another factor in the risk assessment process. Risks associated with departments with larger budgets were given additional weight. Departmental budgets were summarized and given a “percent rank” in relation to other departments. This percent rank was added to the overall raw risk score as a “budgetary factor” to produce a final risk score.

Since Internal Audits were conducted at some of the City departments during 201X through 201X, we developed a “prior audit” factor which when applied, reduced the final risk score for the audited departments.

An additional weighting factor was integrated into the scores for the Assessor’s Office. Weighted risk scores were doubled for the Assessor’s Office, as this office refused to participate in the 201X internal audit of the assessor’s office property valuation adjustment process. This weighting factor accounts for the greater perceived risk associated with this scope limitation.

As the Internal Audit function continues to mature, overall risk scores in future years will likely include additional factors influencing risk such as the number of agreed upon management actions not completed. Such additional factors will help ensure that all functions receive adequate audit coverage, regardless of initial risk rankings.

Development of audit plan- We translated the final risk scores into relative rankings and sorted the scores in descending order. It is important to note that individual risk factors do not necessarily translate one for one into proposed audits. In some cases, the noted risk may be an inherent risk for which the City has no control over. In these cases, the City should be aware that the risk exists despite the fact that the risk cannot be

Addressed in an audit. In other cases, individual risks may not warrant a discrete internal audit and rather, are combined with other risks to produce a more comprehensive audit of the function. Further detail on the proposed audit plan is included in the "Proposed Audit Plan" section below.

Presentation of draft risk assessment and audit plan- This report, in draft format, was presented to top management for review and comment prior to formal adoption of the annual audit plan by the Board of City Commissioners in public hearing. While all comments were considered, Internal Audit, as an independent function reporting directly to the Board of City Commissioners, made the final decisions on risks, rankings, and proposed audits presented to the Board.

Approval of annual audit plan- As a final step in the risk assessment and audit planning process, the audits outlined in this report are presented to the Board of City Commissioners for final approval.

#### Individuals Contacted

Department Directors and elected/appointed offices were contacted for input into the updated risk assessment process to date. *Figure 2: Departmental Contacts* lists each function contacted, along with the function's respective leader. Internal Audit contacted each of these individuals as part of the updated risk assessment process. Additionally, the majority of functions included key members of their staff when providing input and feedback.

*Figure 2: Departmental Contact*

Assessor's Office –  
Clerk & Recorder –  
Commissioner's Office –  
Deputy City Manager –  
Coroner's Office –  
Sheriff's Office –  
Finance –  
Treasurer's Office –

#### Proposed Audit Plan

Internal audit was set up with an annual budget affording approximately 1,300 annual audit hours. We have structured our special project and internal audit plan to fit within close proximity to this budget. The internal audit budget also includes audit hours to administer the audit function, update the risk assessment annually, and conduct follow up audits to determine if agreed upon management actions have been satisfactorily completed.

Based on the results of our updated risk assessment as presented in Appendix A: Risk Assessment Results, we propose the 201X internal audit plan presented in *Figure 3: Proposed audit plan*. Our proposed audit plan was based on the risk assessment results and our knowledge of city government operations. This plan may be modified as necessary during the year to address immediate concerns or changing conditions. Specific timing of each audit engagement will be determined upon approval of the audit plan and coordination with auditees.

Figure 3: Proposed audit plan

201X Internal Audit Proposed Schedule	Status	Hours
201X Risk Assessment- Interviews with department directors/elected officials to update risk assessment to evaluate risks to the City and develop the 201X/201X internal audit plan.	Complete	200
201X – Assessor’s office Review of departmental operations and compliance with laws and regulations, specifically the process to assess mobile home parks and resulting Board of Equalization hearings and appeals process that have been denied the Office.	Denied Access	
201X/201X - Clerk & Recorder-Review of operations, internal controls, segregation of duties and off-site cash collection sites.	TBS	100
201X/201X-Finance-Payroll analysis/strategy to determine best practices, efficiencies and effectiveness in changing payment cycles and processes and potential vulnerabilities with current planned timing.	TBS	100
201X – Sheriff – operational audits of the office, internal controls, segregation of duties, search and seizure funds, commissary funds based upon risks the Sheriff would like addressed.,	TBS	
201X – Coroner – internal controls surrounding inventory collection, safeguarding, reporting and releases to appropriate persons.	TBS	
201X - City Treasurer’s Office- Follow up review of adequacy of internal controls over financial operations, including receipt and disbursement of funds and roll out of new treasury management system.	TBS	100
201X – Community and Economic Development-Review of grants and internal controls surrounding the compliance of those grants (policies, allocations and sub-recipient monitoring) handled by grant managers in this department.	TBS	
<b>201X Special Projects</b>		
Marijuana Lot Drawing We assisted with the conduction of the Marijuana Lot Drawing held on <u>Month, Date, Year</u> for selection of applications for marijuana establishments as outlined in the City Board of City Commissioner Resolution 2014-358 Approving Marijuana Regulation Amendments in Unincorporated City	Completed	100
Storm water Utility Fees We reviewed the internal controls surrounding the billing process and tested the billing process and calculations before bills were mailed to constituents of unincorporated City related to the 201X Storm water Utility Fee billed in accordance with the City Resolution Establishing Rates, Fees and Addressing Credit and Appeal Policies and Additional Details	Completed	100
201X- Storm water Utility Fee Follow Up Process-to determine if internal controls as tested were implemented and continuing to function as expected during the current live billing process.	TBS	50
Administration- Time required to manage the internal audit function, not otherwise associated with specific audits.	Ongoing	50
<b>Total budgeted hours- 201X</b>		<b>800</b>

In addition to our 201X audit plan, potential audits tentatively planned for 201X include the following:

201X Risk Assessment- Meet with department directors and elected officials to continue to update the risks/rankings identified in the 2015 risk assessment to develop the 201X audit plan.

City Assessor's Office- Review adequacy of controls over property discovery and valuation. Note: Internal audit attempted to perform this audit in September 201X. At the time, our proposed visit/interview and audit program was rejected by the Assessor. We are proposing the same scope of work to be performed, upon agreement of the Assessor, who will have been in office for 1 year in ~~Month-Year~~

Sheriff's Office Cash Collection Process- Review the process by which the Sheriff's Office collects cash for all major functions, such as payment of citations issued. Review to include internal controls over citation issuance and tracking processes, as well as collection of other receivables.

Coroner's Office Inventory in-take procedures-Review the process by which inventory is collected within the office, the accountability of the collection process, safeguarding of the inventory and eventual return of property to owners.

Grant audits within departments targeting the efficiency and effectiveness of managing the grant process against compliance and sub-recipient monitoring.

201X Follow Up- Review and testing of completion status of agreed-upon management actions.

## Appendix A- Risk Assessment Results

The table on the following pages presents the results of our risk assessment procedures as detailed in this report. **We reemphasize that these risks represent potential areas of concern rather than actual problems.** The vast majority of these risks would likely appear for any government or organization performing similar functions. The reader should not infer that this document is a reflection on the strengths or weaknesses of a particular function or the management of that function.

The following guidance relating to ranking of risks was provided to each city function when completing the risk assessment:

### Magnitude rankings

**High risk:** Material impact on budget or financials (defined as \$1,000,000 or greater potential impact), cash flow seriously affected; serious diminution in the City's reputation with adverse publicity; major impact on customer service/significant downtime of critical applications/significant impact on employee morale; severe regulatory/legal criticism and Board attention required.

**Medium risk:** Moderate impact on budget or financials (defined as between \$100,000 and \$1,000,000); cash flow impact will be absorbed under normal operating conditions; impact on reputation, at least in the short term; potential impact to customer service/potential downtime of critical applications/consequences can be absorbed under normal operating conditions; potential for regulatory/legal criticism and Director-level attention required.

**Low risk:** Low (less than \$100,000) or no impact on budget or financial results; no impact on reputation; no impact to customer service/can be resolved by managers and staff; No regulatory or legal criticism.

### Likelihood rankings

**Probable:** Risk issues are occurring or have a high likelihood of occurrence.

**Potential:** Risk may not be currently occurring, but may be reasonably expected to occur in the future.

**Remote:** Risk issues are expected to occur under exceptional circumstances only.

Areas with high magnitude rankings may be insignificant if the likelihood of occurrence is remote. Similarly, areas ranked as probable to occur/currently occurring may be insignificant if the corresponding ranking on magnitude of impact is low.

Risk	Entity	Financial	Regulatory & Legal	Operational	Reputation	Likelihood of Occurrence	Raw Risk Score	Final Risk Score
Risk that real or personal property might not be discovered for taxation	Assessor	Low	High	High	High	Probable	7.50	15.84
Risk that mill levies may not be entered into the system correctly	Assessor	Low	High	High	High	Remote	2.50	5.84
Risk that property valuation could be altered inappropriately or that the valuation amounts entered could be inaccurate	Assessor	Low	High	High	High	Probable	7.50	15.84
Risk that a property may not be correctly associated with all applicable taxing districts	Assessor	Low	High	High	High	Remote	2.50	5.84
Risk that appraisal staff may not hold or maintain a valid and appropriate appraiser's license or meet the continuing education requirements for that license	Assessor	Low	High	High	High	Potential	5.00	10.84
Risk that statutory deadlines could be missed	Assessor	Low	Low	Low	Low	Remote	1.00	2.84
Risk that property could be inappropriately classified as exempt due to data entry error or fraud	Assessor	Low	High	High	High	Probable	7.50	15.84
Risk that current or previous employees could have inappropriate access, or an inappropriate level of access, to automated systems	Assessor	Low	High	High	High	Potential	5.00	10.84
Risk that agricultural or commercial landowners could fraudulently complete their valuation questionnaires with inaccurate information to reduce their land valuations	Assessor	Low	High	High	High	Potential	5.00	10.84
Risk that property tax abatement could be processed inappropriately or without proper authorization	Assessor	Low	High	High	High	Probable	7.50	15.84
Risk that information required by law to be maintained confidential could be released or compromised	Assessor	Low	High	High	High	Potential	5.00	10.84

Risk	Entity	Financial	Regulatory & Legal	Operational	Reputation	Likelihood of Occurrence	Raw Risk Score	Final Risk Score
Risk that fees collected could be misappropriated	Clerk & Recorder	Low	High	High	High	Potential	5.00	5.57
Risk that items in the title, plate, or tab inventory could be misappropriated or lost	Clerk & Recorder	Low	Low	Medium	High	Potential	3.50	4.07
Risk that cash from motor vehicle offices could be stolen by an external party	Clerk & Recorder	Low	Low	High	High	Potential	4.00	4.57
Risk that errors might occur during the election process, requiring the election to be redone	Clerk & Recorder	Medium	High	Medium	High	Potential	5.00	5.57
Risk that a theft or catastrophic incident will destroy historical public property records, which have no backup or second copy. Incidents could include water leaks above the historical records, fire and sprinkler system, tornado, etc.	Clerk & Recorder	Low	Medium	Medium	High	Potential	4.00	4.57

SAMPLE

Risk	Entity	Financial	Regulatory & Legal	Operational	Reputation	Likelihood of Occurrence	Raw Risk Score	Final Risk Score
Risk of vendor fraud	Finance	High	Medium	Medium	High	Potential	5.00	4.26
Risk that one or more department director(s) could overspend federal or state grants and allocations, which may require the City's general fund to cover the over expenditure	Finance	High	Medium	Medium	High	Potential	5.00	4.26
Risk that employees may commit fraud	Finance	Medium	Medium	Low	High	Potential	4.00	3.51
Risk that the City might purchase services inappropriately through a sole source procurement, or with inadequate evaluation criteria, which could impair fair competition or result in poor quality performance or excessive costs	Finance	Medium	Low	Low	High	Potential	3.50	3.14
Risk that employee income tax withholdings may not be paid timely or in correct amounts, which could subject the City to penalty and interest payments	Finance	Low	Low	Low	Low	Remote	1.00	1.26
Risk that errors may occur in the final check paid to an employee who is terminating employment, requiring the City to collect the overpayment or pay additional funds due	Finance	Low	Low	Low	Low	Potential	2.00	2.01
Risk that contracts could be executed without proper approvals and authorizations	Finance	Medium	Medium	Medium	Medium	Potential	4.00	3.51
Risk that vendor tax IDs and names may not match on W-9s and 1099s, which could subject the City to fines and require additional staff time to resolve	Finance	Low	Medium	Low	Low	Potential	2.50	2.39
Risk that assets may not be properly tracked, resulting in possible loss or theft	Finance	Low	Low	Low	Low	Remote	1.00	1.26
Risk that other departments/offices might be running duplicate finance/purchasing functions, which could impair City's ability to enforce policies and controls and reduce efficiency	Finance	Medium	Low	Medium	Low	Potential	3.00	2.76
Risk that fraudulent payments might be made to "ghost" employees	Finance	Low	Low	Medium	Low	Remote	1.25	1.45
Risk that employees could split vendor payments to circumvent internal controls	Finance	Low	Low	Low	Low	Potential	2.00	2.01
Risk that inappropriate purchases could be made, which might not represent the best use of city funds	Finance	Low	Low	Low	Medium	Potential	2.50	2.39
Risk that the City is noncompliant with federal, state and other grants that would impair its qualifications to receive future allocations and grant awards	Finance	High	High	Medium	Medium	Potential	5.00	4.26
Risk that ineffective collection processes for the storm water program could result in inaccurate budgeting and improper administration	Finance	High	Medium	High	High	Potential	5.50	6.23
Risk that properties in unincorporated City would not be assessed the correct storm water fee, risking over- or undercharging customers	Finance	Medium	Low	High	High	Probable	6.75	7.48
Risk that purchasing authorization limits for directors and the city manager may not be set appropriately, weakening the control if limits are set too high or increasing purchasing department workload if limits are set too low	Finance	Medium	Low	Medium	Low	Potential	3.00	2.76



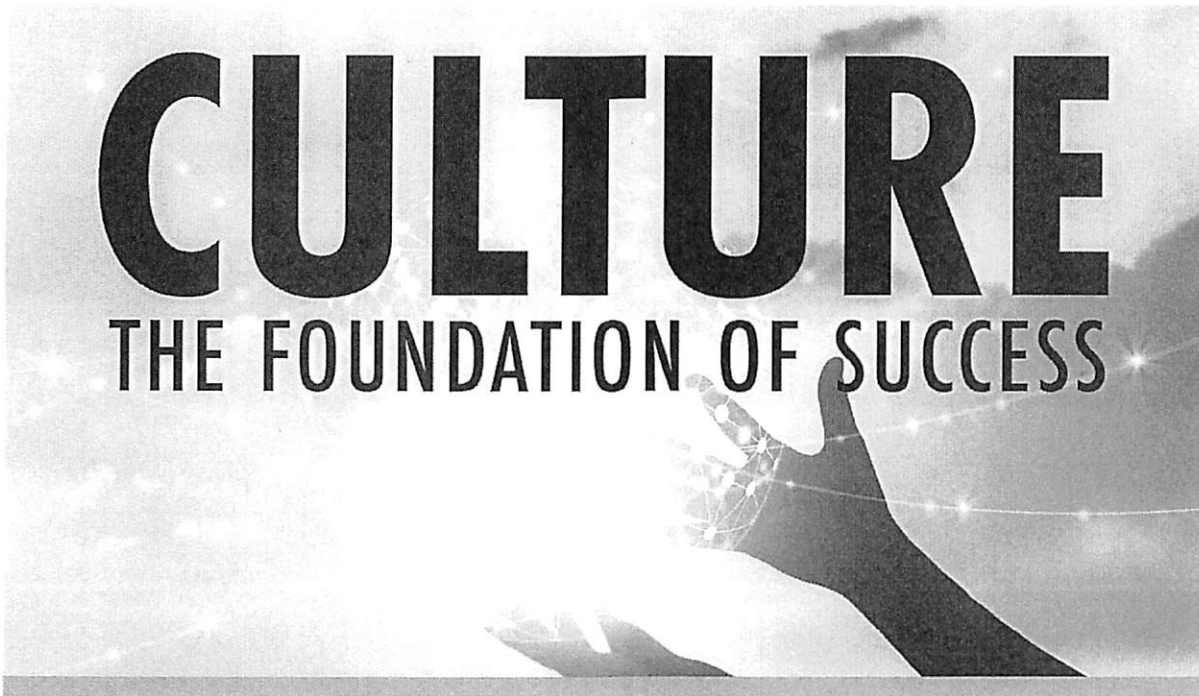
Risk	Entity	Financial	Regulatory & Legal	Operational	Reputation	Likelihood of Occurrence	Raw Risk Score	Final Risk Score
Risk that revenues from traffic tickets, other fines and fees, and handgun permits may be misappropriated	Sheriff	Low	Medium	Low	Medium	Remote	1.50	2.44
Risk that goods and services may not be put out to competitive bid as required	Sheriff	Low	Low	Medium	Low	Remote	1.25	2.19
Risk that items purchased with City funds may be subject to waste and abuse	Sheriff	Low	Low	Low	Medium	Remote	1.25	2.19
Risk that grant provisions may not be adhered to, resulting in loss of funding	Sheriff	Low	Medium	Low	Low	Remote	1.25	2.19
Risk that City-owned assets, including weaponry and specialized police equipment, may not be appropriately secured	Sheriff	Low	Low	Low	Medium	Remote	1.25	2.19
Risk of lawsuits relating to police actions	Sheriff	Medium	Medium	Medium	High	Potential	4.50	5.44
Risk that impounded vehicles may be Ineffectively secured	Sheriff	Low	Low	Low	Low	Remote	1.00	1.94
Risk that Ghost" employees may be added to payroll "	Sheriff	Medium	Low	Low	Medium	Remote	1.50	2.44
Risk of seizure and/or commissary funds or assets could be misappropriated	Sheriff	Low	Low	Low	Medium	Remote	1.25	2.19
Risk of staffing adequacy and that personnel leave due to the nature of the work leaving the office with limited resources	Sheriff	Medium	Low	Medium	Low	Potential	3.00	3.94

Risk	Entity	Financial	Regulatory & Legal	Operational	Reputation	Likelihood of Occurrence	Raw Risk Score	Final Risk Score
Risk that personal property from deceased could be lost or misappropriated	Coroner	Low	Medium	Medium	High	Potential	4.00	4.15
Risk that evidence to support the cause of death may not be adequately maintained, resulting in potential litigation	Coroner	Low	Medium	Low	Medium	Remote	1.50	1.65
Risk of lawsuits resulting from potentially inappropriate handling or disposition of deceased persons	Coroner	Low	Low	Low	Medium	Remote	1.25	1.40
Risk of staffing adequacy and that personnel leave due to the difficult nature of the work leaving the office with more work than they are able to do	Coroner	Medium	Low	Medium	Medium	Potential	3.50	3.65

Risk	Entity	Financial	Regulatory & Legal	Operational	Reputation	Likelihood of Occurrence	Raw Risk Score	Final Risk Score
Risk that tax payment might be applied to the wrong account or that duplicate payments could be made	Treasurer	Low	Low	Medium	Medium	Remote	1.50	1.20
Risk that funds could potentially be embezzled/misappropriated during collection of property tax payments	Treasurer	Low	Low	Medium	Medium	Remote	1.50	1.20
Risk that funds could be misappropriated from cash drawers	Treasurer	Low	Low	High	High	Potential	4.00	3.08
Risk that physical security may not be adequate to protect staff from physical harm or funds from potential theft	Treasurer	Low	Low	High	High	Remote	2.00	1.58
Risk that cash might be left unsecured, subjecting funds to potential misappropriation	Treasurer	Low	Low	Low	Medium	Remote	1.25	1.01
Risk that cash transmitted from other city agencies could be misappropriated during processing	Treasurer	Low	Low	Low	Medium	Remote	1.25	1.01
Risk that controls may not be adequate to prevent funds from being misappropriated or moved erroneously from one taxpayer account to another	Treasurer	Low	Low	Medium	Medium	Remote	1.50	1.20
Risk that a false vendor could be created and payments made to that false vendor without detection	Treasurer	Low	Low	Low	Medium	Remote	1.25	1.01
Risks of changing financial institutions	Treasurer	Low	Low	Low	Low	Remote	1.00	0.83

Preliminary Assessments - Other departments		
Department	Average Raw	Average Final
City Attorney	5.03	5.39
Community and Economic Development	4.59	5.22
City Manager	4.10	4.83
Facility Operations	5.44	4.56
Human Services	3.50	4.50
Commissioner's/City Mgr. Office	3.70	4.01
Parks & Community Resources	3.06	3.87
Emergency Management	3.63	3.63
Transportation	3.75	3.48
Human Resources	3.55	2.86
Front Range Airport	3.32	2.84
Finance and Budget	2.75	2.57
Strategic and Long Term Planning	3.17	2.53
District Attorney	1.67	2.45
Information Technology	2.59	2.33
Fleet	2.38	2.29
Public Trustee	2.00	2.05

SAMPLE



Caring for our external and internal clients with a passion to go the extra mile.

Respecting our peers and their individual contributions.

Conducting ourselves with the highest level of integrity at all times.

Trusting and supporting one another.

Being accountable for the overall success of the Firm,  
not just individual or office success.

Stretching ourselves to be innovative and creative, while managing the related risks.

Recognizing the importance of maintaining a balance between work and home life.

Promoting positive working relationships.

And, most of all, enjoying our jobs ... and having fun!



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