

**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
AUDIT COMMITTEE**

Day: Tuesday
Date: June 22, 2021
Time: Beginning at 1:30 pm
Location: Robert "Bob" Crowell Board Room
851 East William Street
Carson City, Nevada

AGENDA

NOTICE TO THE PUBLIC:

The State of Nevada and Carson City are currently in a declared State of Emergency in response to the global pandemic caused by the coronavirus (COVID-19) infectious disease outbreak. In accordance with the applicable Directives issued under authority of the Governor's Declaration of Emergency, including Directive 045, and subject to any potential changes in state or federal mandates or guidelines, face coverings are no longer required to be worn when attending this meeting in person if you have been fully vaccinated against COVID-19, you are not currently experiencing symptoms of illness and you have not tested positive for COVID-19 within 10 days prior to the date of this meeting. If you do not meet all of the foregoing requirements, you must wear a face covering when attending this meeting in person.

Members of the public who wish only to view the meeting but do NOT plan to make public comment may watch the livestream of the Audit Committee meeting at www.carson.org/granicus and by clicking on "In progress" next to the meeting date.

The public may provide public comment in advance of a meeting by written submission to the following email address: publiccomment@carson.org. For inclusion or reference in the minutes of the meeting, your public comment must include your full name and be submitted via email by not later than 3:00 p.m. the day before the meeting.

Members of the public who wish to provide live public comment via telephonic appearance in lieu of physical attendance may do so during the designated public comment periods indicated on the agenda by dialing the numbers listed below. Please do NOT join by phone if you do not wish to make public comment.

Join by phone:
Phone Number: +1-408-418-9388
Meeting Number: 146 555 5373

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:**

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

4. For Possible Action: Approval of Minutes -

4.A March 9, 2021

4.B March 30, 2021

5. Agenda Items

5.A For Possible Action: Discussion and possible action regarding the Revenue and Accounts Receivable internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Revenue and Accounts Receivable internal audit from the FY21 Audit Work Program. Briefing will address internal audit findings, recommendations and agency response(s).

5.B For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: Staff will discuss the monitoring, review and closure of the previous internal auditor findings and/or recommendations included in the Audit Findings Tracking Report.

5.C For Presentation Only: Discussion regarding FY 21 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 21 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

5.D For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2022.

Staff Summary: Eide Bailly will provide an updated risk assessment and recommendations for future internal audits for the period ending June 30, 2022.

5.E For Possible Action: Discussion and possible action regarding the review of agreed upon procedures suggested by Eide Bailly regarding Payroll, if selected as part of the FY 2022 audit work program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Payroll agreed upon procedures. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2022 Audit Work Program to the next Audit Committee meeting.

6. For Information Only: Future Meeting Date

Discussion and consideration of dates of the next meeting

7. Public Comment:

The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

8. For Possible Action: To Adjourn

Agenda Management Notice - Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the Finance Department. You are encouraged to attend this meeting and participate by commenting on any agenda item.

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the Finance Department in writing at 201 North Carson Street Ste 3, Carson City, NV, 89701, or by calling (775) 887-2133 at least 24 hours in advance.

To request a copy of the supporting materials for this meeting contact Maria Diaz at mdiaz@carson.org or call (775) 887-2133.

This agenda and backup information are available on the City's website at www.carson.org, and at the Finance Office - City Hall, 201 N. Carson Street, Ste 3, Carson City, Nevada (775) 887-2133.

In accordance with NRS 241.020, this notice has been posted before 9:00 a.m. three working days before the day of the meeting at the following locations:

Carson City Library 900 North Roop Street
City Hall 201 North Carson Street
Community Center 851 East William Street
Community Development Permit Center 108 East Proctor Street
<https://notice.nv.gov>
www.carson.org/agendas

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the March 9, 2021 Meeting
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A special meeting of the Carson City Audit Committee was scheduled for 9:00 a.m. on Tuesday, March 9, 2021 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Member Lori Bagwell
Member Ernie Mayhorn
Member Margie Molina via WebEx

STAFF: Sheri Russell, Chief Financial Officer
Mihaela Neagos, Deputy District Attorney via WebEx
Danielle Howard, Public Meetings Clerk

NOTE: A recording of these proceedings, the committee’s agenda materials, and any written comments or documentation provided to the Clerk, during the meeting, are part of the public record. These materials are available for review, in the Clerk’s Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL

(9:05:38) – Chairperson Ferguson called the meeting to order at 9:05 a.m. Roll was called, and a quorum was present.

3. PUBLIC COMMENTS

(9:05:59) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

4. POSSIBLE ACTION ON ADOPTION OF AGENDA

(9:06:38) – Chairperson Ferguson, and Ms. Russell noted that there were no modifications to the agenda.

5. PUBLIC MEETING ITEMS:

5.A FOR POSSIBLE ACTION: DISCUSSION AND POSSBLE ACTION REGARDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS ON THE APPROVAL OF THE FINANCE REVIEW AND SELECTION COMMITTEE’S RECOMMENDATION FOR CONTRACT AWARD TO HINTONBURDICK CPAS AND ADVISORS FOR THE CARSON CITY EXTERNAL AUDIT FUNCTION.

(9:06:57) – Chairperson Ferguson introduced the item, and he and Ms. Russell referenced the Staff Report and the agenda materials, all of which are incorporated into the record.

(9:09:28) – Chairperson Ferguson entertained Member questions and comments, and Ms. Russell responded to clarifying questions. When there were no further questions from the Members, Chairperson Ferguson entertained a motion.

(9:12:12) – MOTION: Member Mayhorn moved to recommend that the Board of Supervisors approve the Finance Review and Selection Committee’s recommendation for contract award to HintonBurdick CPAs

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and Advisors for the Carson City External Audit Function. Member Bagwell seconded the motion. Motion carried 4-0-0.

5.B FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS ON AMENDMENT NO. 1 TO CONTRACT NO. 1718-137 FOR INTERNAL AUDIT SERVICES WITH EIDE BAILLY, LLC, EXTENDING THE CONTRACT TERM FOR AN ADDITIONAL YEAR THROUGH JUNE 30, 2022 AND FOR A NOT TO EXCEED ADDITIONAL AMOUNT OF \$110,000.

(9:13:30) – Chairperson Ferguson introduced the item. Member Bagwell disclosed that, per NRS 281A.420 requiring disclosure of a conflict of interest and abstain from voting for a disqualifying conflict, her son works for Eide Bailly; therefore, she would not be voting, as she considered this a disqualifying conflict of interest.

(9:14:59) – Ms. Russell referenced the Staff Report and the accompanying documents, all of which are incorporated into the record.

(9:16:32) – Chairperson Ferguson entertained Member questions and comments and, when none were forthcoming, a motion.

(9:16:44) – MOTION: Member Mayhorn moved to recommend that the Board of Supervisors approve Amendment No. 1 to Contract No. 1718-137 with Eide Bailly, LLP extending the contract through June 30, 2022. Member Molina seconded the motion. Motion carried 4-0-0.

6. PUBLIC COMMENT

(9:17:21) – Chairperson Ferguson entertained public comments; however, none were forthcoming. Chairperson Ferguson noted that the next AC meeting was scheduled for March 30, 2021 originally at 1:30 p.m., which was changed to 3:30 p.m. per Ms. Russell’s suggestion.

7. FOR POSSIBLE ACTION: TO ADJOURN

(9:20:37) – Chairperson Ferguson adjourned the meeting at 9:20 a.m.

The Minutes of the March 9, 2021 Carson City Audit Committee special meeting are so approved this 22nd day of June, 2021.

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A regular meeting of the Carson City Audit Committee was scheduled for 3:30 p.m. on Tuesday, March 30, 2021 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Member Lori Bagwell
Member Ernie Mayhorn

STAFF: Sheri Russell, Chief Financial Officer
Mihaela Neagos, Deputy District Attorney via WebEx
Danielle Howard, Public Meetings Clerk

NOTE: A recording of these proceedings, the committee’s agenda materials, and any written comments or documentation provided to the Clerk, during the meeting, are part of the public record. These materials are available for review, in the Clerk’s Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL

(3:34:49) – Chairperson Ferguson called the meeting to order at 3:34 p.m. Roll was called, and a quorum was present. Member Wells and Member Molina were both absent.

3. PUBLIC COMMENTS AND DISCUSSION

(3:35:11) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES - DECEMBER 8, 2020

(3:35:21) – Chairperson Ferguson introduced the item and entertained comments and/or a motion.

(3:35) – Member Bagwell moved to approve the meeting minutes of December 8, 2020 with the correction to Item #7 to indicate 3:30 p.m. instead of 1:30 p.m. Member Mayhorn seconded the motion. Motion carried 3-0-0.

5. FOR POSSIBLE ACTION: ADOPTION OF AGENDA

(3:36:00) – Ms. Russell noted that there were no changes to the agenda.

6. MEETING ITEMS:

6.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE INTERNAL AUDIT AND RECOMMENDATIONS TO THE CITY FLEET MAINTENANCE DEPARTMENT.

(3:36:21) – Chairperson Ferguson introduced the item. Member Bagwell disclosed that, per NRS 281A.420 requiring disclosure of a conflict of interest and abstaining from voting when there is a disqualifying conflict, her

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son works for Eide Bally; however, the contract for which Member Bagwell had abstained from voting on due to her belief that her son's employment had posed a disqualifying conflict had already been awarded, and this item was related to giving direction by the Committee as a whole for purposes related to mediations or audits presented. She added that this item would not materially affect the independence of her judgment, and she did not believe she had a disqualifying conflict and would be voting on this item.

(3:37:53) – Eide Bailly Senior Manager Audrey Donovan, appearing via WebEx, referenced the Staff Report, which is incorporated into the record. Eide Bailly Manager Nicholas Sidikovich, appearing via WebEx, presented an overview of the Vehicle Fleet Operations – Assessment of Internal Controls and Procedures internal audit report, which is also incorporated into the record. Chairperson Ferguson entertained discussion on each finding and recommendation in the report while Mr. Sidikovich, Ms. Donovan, Ms. Russell, Carson City Public Deputy Public Works Director Dan Stucky, and Carson City Public Works Department Transportation Manager Lucia Maloney responded to clarifying questions.

(3:42:26) – Member Bagwell stated “just because we have a recommendation doesn't mean we're going to implement something” regarding the recommendations to the findings referenced in the report. She was in favor of accepting Recommendation #1. She also believed that Recommendation #2 should be accepted and closed, as corrective action had already been taken, and “it's a simple thing to redirect the checks to the [Carson City] Treasurer's Office” per Management's response. Chairperson Ferguson agreed with Member Bagwell.

(3:57:13) – Ms. Russell suggested moving the timing of the review of the Low Usage Asset Report referenced in Recommendation #3 to during the budget.

(4:08:43) – Member Bagwell recommended accepting and closing Recommendation #5, and she believed that Recommendation #4 should also be closed.

(4:09:35) – Ms. Russell indicated that she expected to have Recommendation #6 closed by the next AC meeting.

(4:10:20) – Member Bagwell and Chairperson Ferguson thanked Staff for their work on the report, and Chairperson Ferguson entertained a motion.

(4:10:39) – MOTION: Member Bagwell moved to approve the Vehicle Fleet Operations – Assessment of Internal Controls and Procedures internal audit report, accepting all and closing Recommendations #2, #4, and #5. Member Mayhorn seconded the motion. Motion carried 3-0-0.

6.B FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW AND CLOSURE OF INTERNAL AUDIT FINDINGS AND/OR RECOMMENDATIONS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT, AND PROVIDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND/OR RECOMMENDATIONS.

(4:11:36) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report, which is incorporated into the record. Relating to Item #1 of the Temporary Staffing Audit from the Audit Findings

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Tracking Report, also incorporated into the record, Carson City Deputy District Attorney Todd Reese, appearing via WebEx, provided an overview of the Internal Memorandum, incorporated into the record as Late Material, and he and Carson City Director of Human Resources Melanie Bruketta responded to clarifying questions.

(4:23:09) – In response to Chairperson Ferguson’s inquiry, Mr. Reese confirmed that there is some conflict regarding how the federal law and the State law treat employees employed through staffing agencies, with the federal law treating employment through staffing agencies as a “joint employment aspect” and the State law, especially Public Employees Retirement System (PERS), treating it as separate employment.

(4:24:50) – Ms. Russell and Carson City Information Technology Department Chief Information Officer James Underwood presented the Audit Findings Tracking Report, and Ms. Russell entertained discussion on the items in the peach-colored rows for potential closure. The Members agreed with closing Item #1 of the Temporary Staffing audit; Item #17 of the Cash Handling 2019 audit; Items #3, #4, #8, #10, #11, and #12 of the Social Media Study; and Items #2, #4, and #5 of the Fleet Management audit. Chairperson Ferguson entertained a motion.

(4:32:36) – MOTION: Member Bagwell moved to recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report. Member Mayhorn seconded the motion. Motion carried 3-0-0.

6.C FOR PRESENTATION ONLY: DISCUSSION REGARDING FISCAL YEAR (FY) 21 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(4:33:05) – Chairperson Ferguson introduced the item. Ms. Donovan informed the Committee of the following updates:

- The Vehicle Fleet audit had been delivered.
- Eide Bailly had “kicked off engagement” for the City Revenue and Accounts Receivable audit, which was roughly 30 to 40 percent complete and would be ready for presentation at the next AC meeting.
- Eide Bailly would begin the Annual Risk Assessment on the first week of April 2021 and would be reaching out to all of the City department heads via email to schedule time with the departments of higher risk and exposure to the City.
- Eide Bailly had noted one audit to be included on the Audit Plan, and Ms. Donovan would reveal the entire Plan when it is completed at the next AC meeting.
- Eide Bailly had a few hours to the follow-up activity regarding Accounts Payable (AP) and Purchasing Card (P-Card).

Ms. Donovan also stated that there was no activity to report with the fraud hotline.

7. PUBLIC COMMENT

(4:35:35) – Chairperson Ferguson entertained public comments; however, none were forthcoming. Based on potential dates provided by Ms. Russell, the consensus was to schedule the next AC meeting for June 22, 2021 at

CARSON CITY AUDIT COMMITTEE (AC)
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1:30 p.m.

8. FOR POSSIBLE ACTION: TO ADJOURN

(4:37:16) – Chairperson Ferguson adjourned the meeting at 4:37 p.m.

The Minutes of the March 30, 2021 Carson City Audit Committee meeting are so approved this day 22nd of June, 2021.

Audit Committee Agenda Item Report

Meeting Date: June 22, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action regarding the Revenue and Accounts Receivable internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Revenue and Accounts Receivable internal audit from the FY21 Audit Work Program. Briefing will address internal audit findings, recommendations and agency response(s).

Suggested Action:

I move to approve the Revenue and Accounts Receivable internal audit report and direct staff to work on the recommendations as discussed.

Attachments:

[SR - FY 21 Release Internal Audits - Revenue & Receivables Audit.docx](#)

[Revenue_AR_IA Report 2021_Final_5.25.21.pdf](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 22, 2021

Staff Contact: Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: For Possible Action: Discussion and possible action regarding the Revenue and Accounts Receivable internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Revenue and Accounts Receivable internal audit from the FY21 Audit Work Program. Briefing will address internal audit findings, recommendations, and agency response(s).

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

I move to approve the Revenue and Accounts Receivable internal audit report and direct staff to work on the recommendations as discussed.

Board's Strategic Goal

Efficient Government

Previous Action

Fiscal Year 2021 internal audit program was approved by the Audit Committee on August 4th, 2020.

Background/Issues & Analysis

According to Carson City Municipal Code 2.14.040 the Audit Committee will review and make recommendations to the Board of Supervisors regarding the annual financial audit, performance, compliance and efficiency audits, including specific issues of concern providing a higher level of accountability over the use of public funds and the adequacy of any city department or office performance measure for internal audit purposes.

Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Article 3 Section 3.075, CCMC 2.14.040

Financial Information

Is there a fiscal impact? Yes No

Is it currently budgeted? Yes No

Alternatives

Do not approve or provide alternative direction to internal auditors or staff.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Revenue & Accounts Receivable

Internal Audit Report

May 25, 2021

Carson City, Nevada

Submitted By

Eide Bailly LLP

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Executive Summary

Eide Bailly LLP (“We”, or “Our”) performed an independent assessment of Carson City’s (“City”) processes and procedures for collecting and recording City’s revenues and the associated accounts receivable (“AR”). This review also included identifying the City’s departments responsible for ensuring adequate internal controls in revenue capture and collection processes are in place. Key internal controls and primary control activities identified during this project are described in **Appendix A**.

During the assessment, we identified 2 (two) low to medium risk findings that represent process improvement opportunities and developed associated recommendations to minimize the risks related to recording cash receipts and respective accounts receivables at the end of a fiscal year.

Background Information

Most of the cash receipts are approved and recorded by the City’s Treasury Department (“Treasury”) in Tyler Cashiering system utilizing the daily data batches received from various departments. The data batches received contain supporting documentation for cash receipts along with departmental manager approvals identified on batch reports. A smaller portion of the cash receipts, also known as general cash receipts (‘GCR’), for unusual cash receipts such as grant reimbursements and live check payments are recorded by the Finance Department that maintains the complete accounting records for the City.

Monthly, Treasury reconciles cash receipts to the monthly bank statements to ensure all receipts for the month have been posted in the City’s bank account. Additionally, Treasury reviews and verifies that cash receipts in the daily outstanding data batches have been recorded in the system timely, accurately, and completely. Daily, data batches from Tyler Cashiering are routed to Tyler Munis, the cities enterprise resource planning (ERP) software through a system workflow where the Finance Department records receipts in the City’s general ledger.

The City’s Methodology:

Based on the modified cash basis of accounting that is typically used by governmental entities, the City records revenues when cash is received and expenses when cash is disbursed (e.g., refunds, reimbursements, expenses). At the end of every fiscal-year, the City records AR for the revenue receipts during the 60-day collection period after a fiscal year-end (i.e., July and August each year). For all cash receipts collected during the 60-day collection period, Treasury indicates a “fiscal year-end” designation (e.g., ‘FY20’ for Fiscal Year 2020) when the receipts are recorded in Tyler Cashiering to ensure that the Finance Department records the revenue and the associated AR in the correct accounting period in Munis (see **Table 2** below).

Key Systems:

- “Munis” – ERP system by Tyler Technologies used by the City for financial accounting purposes.
- “Tyler Cashiering” – a system by Tyler Technologies that is used by Treasury to record all revenue receipts.

Objective & Scope

The objective of this project was to assess business processes and procedures associated with revenue capture and collection and verify that the revenues and associated accounts receivables at year-end were recorded accurately and completely before fiscal year-end financial statements are prepared. Our audit procedures were designed to assess the accuracy and completeness of the revenues and AR recorded for Fiscal Year 2020 (FY20) focusing on the departments that typically process a high volume of revenue receipts including the following:

- Treasury Department
- Landfill Services
- Ambulance Services
- Finance Department

Scope exclusion: * We evaluated Community Development processes and determined them to be out of scope for this internal audit as payments are obtained prior to services being rendered (prepaid). As such, the process to record AR is not needed. Additionally, the departments shown below in **Table 1** (Permit Center and Carson City Culture & Tourism Authority) follow the same prepaid process and were excluded from scope.

The following tables provide basic financial information on the total cash receipts processed, and AR recorded for the cash receipts collected and recorded during the 60-day collection period of July & August 2020 for fiscal year end 2020.

Table 1 – Tyler Cashiering receipts processed in July & August 2020

Department	Amount	Department	Amount
TREASURER RECEIPTS	\$6,985,402.18	HEALTH & HUMAN SERVICES	\$56,450.10
LANDFILL	\$868,775.87	ALTERNATIVE SENTENCING	\$29,171.50
FIRE DEPARTMENT	\$796,408.22	LIBRARY	\$23,254.25
PERMIT CENTER*	\$507,856.35	SHERIFF'S CIVIL DIVISION	\$23,058.00
CLERK-RECORDER	\$467,703.01	MARRIAGE BUREAU	\$19,050.36
CC CULTURE & TOURISM AUTHORITY*	\$340,688.34	JUVENILE PROBATION	\$6,320.57
FINES AND FEES	\$177,260.88	CEMETERY	\$3,155.00
UTILITIES DEVELOPMENT	\$172,778.40	PARKING ENFORCEMENT	\$2,894.50
PARKS AND RECREATION	\$91,940.80	JUVENILE COURT	\$2,090.50
DISTRICT COURT	\$80,962.42	HUMAN RESOURCES	\$506.25
SHERIFF'S BUSINESS OFFICE	\$76,609.28	JAC - CARSON CITY TRANSIT	\$320.00
Grand Total		\$10,732,656.78**	

Source: Treasury Department

Table 2 – Tyler Cashiering receipts with 'FY20' designation

Period	Amount
July 2020	\$5,565,485.29
August 2020	\$5,592,695.67
Grand Total	\$11,158,180.96**

Source: Finance & Accounting

Note 1: **Totals between the Table 1 and Table 2 do not and are not ordinarily expected to match due to timing of when the receipts are received and when the account receivables are recorded in the system of financial records.

Table 3 – General Cash Receipts with 'FY20' designation

Period	Amount
July 2020	\$1,938,953.20
August 2020	\$1,559,708.04
Grand Total	\$3,498,661.24

Source: Munis GCR & journal entry spreadsheet for July & August 2020

Methodology

We held discussions with key personnel from the Treasury Department, Landfill Services, Ambulance Services, and Finance Department to gain an understanding of the monthly billing, revenue reconciliation, review processes and procedures, and processes and procedures for recording the City’s revenues and AR focusing on fiscal year-end accounting procedures. We also discussed and identified primary internal controls and control activities performed by the departments, as applicable, to ensure management has adequate internal controls in place as they relate to the City’s revenue capture and collection processes.

Our detailed audit procedures described below were designed and executed based on the City’s methodology to record revenue and AR for the individual departments that were in scope for this project as well as the associated key risks. The key risks were, but not limited to, completeness and accuracy of revenue and AR recorded during fiscal year-end accounting close process to ensure that the receipts collected during the 60-day collection period were recorded in the correct and respective accounting periods within Munis ERP (the financial system of records) prior to the preparation of year-end financial statements.

We designed and performed the following procedures for [Tyler Cashiering receipts](#):

- **Data Analytics**: Obtained and analyzed the Tyler Cashiering report on the receipts processed in July and August 2020 to gain an understanding of and a concentration of transaction volumes by department during the 60-day collection period. See **Table 1** above.
- **Accuracy and Completeness Test**: Reviewed a sample of Tyler Cashiering data batches for a total of \$5.2 million, which represented approximately 52% of all Tyler Cashiering receipts during July and August 2020. We reviewed a sample of receipts along with underlying supporting documentation from various departments including Treasury, Landfill, and Ambulance Services and tested to ensure the receipts were recorded in correct accounting periods (i.e., FY20/FY21) in Munis ERP.
- **Completeness Test**: Inspected a sequential order of the Tyler Cashiering data batch numbers for the period, identified and reviewed a sample of potentially missing batch numbers to verify the related revenue receipts were properly recorded by verifying accounting records in Munis ERP. For the data batches with zero totals and negative totals, we verified supporting documentation including batch reports and ‘Munis’ accounting records as applicable.
- Evaluated the process and general control environment around creating and monitoring data batches in Tyler Cashiering.

We designed and performed the following procedures for [general cash receipts \(‘GCR’\)](#):

- **Data Analytics, Accuracy and Completeness Test**: Generated a report from Munis ERP on GCR revenue receipts processed in July and August 2020 in order to identify transactions with ‘FY20’ designation. Then, we reconciled the report with the AR journal entry spreadsheets for the same period to verify that all receipts with ‘FY20’ designation were included in the FY20 year-end revenue and AR journal entries.
- **Accuracy and Completeness Test**: Reviewed a sample of GCR receipts from July and August 2020 with ‘FY20’ designation to verify they were properly recorded in FY20 accounting period in Munis ERP. As needed, we inspected the journal entry records in Munis ERP as well as the associated supporting documentation retained in the system.
- **Accuracy and Completeness Test**: Utilizing the Munis ERP report on GCR receipts processed in July and August 2020, we created a summary of transactions that didn’t have "FY20" designation to obtain a high-level understanding of the categories (types) of transactions. Then, we tested a sample of such transactions to verify they were recorded in proper period(s) including a sample of receipts with “FY21” designation to ensure they weren’t inadvertently recorded in FY20. This procedure was performed to

address the risk of inflation of revenue at FY20 year-end. As needed, we inspected the journal entry records in Munis ERP as well as the associated supporting documentation retained in the system.

Testing Results

This section of the report provides a high-level description of the testing results and specific observations. The 2 (two) findings and the associated recommendations are described in detail in the ‘*Findings and Recommendations*’ section of the report as well as cross-referenced below.

- **Landfill Accounts Receivable (‘AR’):** AR for June 2020 invoice billing for Landfill Services in the amount of \$422,116.11 was incorrectly recorded in FY21, instead of FY20. Additionally, the receivables for the first 4 (four) months in FY21 were recorded in an incorrect AR account instead of the designated AR account for Landfill. See **Finding #1**.
- **Tyler Cashiering Data Batch Monitoring:** There is a lack of a close monitoring process and control over sequential order of data batch numbers created in the system to ensure completeness. See **Finding #2**.

Conclusion

With the exception of the issues identified in this audit the City appears to have well-established process and procedures and internal controls in place for recording revenues and accounts receivable. We believe that evaluating and implementing recommendations provided in this report will increase accuracy and completeness of the recorded revenues and accounts receivable during the year-end close process performed by Finance & Accounting prior to annual financial statements being prepared.

Findings & Recommendations

Finding #1: Landfill Accounts Receivable June 2020

Risk Rating: **Medium**

During our review of the Tyler Cashiering receipts for Landfill Services, we noted that a year-end adjustment in July 2020 billing for June 2020 in the amount of \$422,116.11 was not performed to record the billing as a receivable and a revenue in FY20.

Additionally, it was noted that the Landfill billings for the first four months in FY21 (periods 1 - 4, July to October) were recorded to the incorrect General AR account 101-115000 whereas the correct AR account designated for Landfill Services is 101-115400. The detailed review of the Munis ERP accounting records and additional inquiries with the Finance Department confirmed that at the time of the audit there hadn’t been subsequent reclassification journal entries to correct the accounting records. This issue was primarily caused by the new system (Munis) limitations that prevented recording Landfill monthly invoice totals to the designated Landfill AR account. Auditors verified that the system issue was resolved in October 2020 by verifying that the monthly billings have been recorded to the correct AR account beginning November 2020.

Recommendation #1:

We recommend that the Finance Department develop and implement a methodology to ensure completeness and accuracy of accounts receivable and revenue recorded at year-end. Additionally, we recommend recording reclassification journal entries for Landfill billings for the first four months of FY21 to move the monthly billings from AR account 101-115000 to the correct Landfill AR account 101-115400 and ensure that the associated invoice payments are also recorded to the same account to ensure consistency and proper accounting.

Management Response:

The Finance department will add a checklist for all year-end journal entries to our year-end closing process, to ensure completeness and accuracy of accounts receivables and revenue. Additionally, we will record a reclassifying journal entry for the Landfill billings for the first four months of FY21 (July to October) to correct the AR account from General AR 101-115000 to Landfill AR 101-115400, as well as ensure that the

associated payments are also recorded in the same account. The Journal Entry correction will be done before May 31, 2021.

Finding #2: Tyler Cashiering Data Batch Monitoring**Risk Rating: Low**

Review of the listing of Tyler Cashiering data batch numbers processed in July and August 2020 to verify completeness of the daily batches for FY20 accounting purposes identified a lack of an internal control over the sequential order and completeness of batch numbers created in the system. However, in our sample testing of *potentially* missing batch numbers, we didn't find any unrecorded receipts by inspecting accounting records in Munis ERP. Therefore, based on the test results and due to the fact that the Treasury Department has a process in place to ensure that outstanding daily batches containing revenue receipts are recorded timely in the system of records, this finding is rated 'low risk'.

Recommendation #2:

We recommend that the Treasury Department design and implement a monitoring mechanism over the total number and sequential order of the daily data batch numbers created in Tyler Cashiering to minimize the risk of missing or omitting any pending or closed batches that may contain revenue receipts.

Management Response:

The Treasurer's Office, with the help of our IT Department, was able to expand our search criteria, which brought in all sequentially numbered batches. At that point we did locate one batch that was not in sequential order #7168. That batch had been dated for 12/28/21 and should have been 12/28/20. To eliminate the possibility for future batches to be opened with the incorrect date, we have set limitations in Tyler Cashiering. We will also run the batch number sequence report on a monthly basis to check for any batch that may not be in sequential order.

Appendix A – Internal Controls and Related Control Activities

We identified the following internal controls (IC) and/or management control activities as they relate to the City’s revenue capture and collection process:

- IC1.** Monthly, the City Treasurer reviews a reconciliation of all receipts recorded in Tyler Cashiering to the City’s bank account statements to ensure all recorded receipts during a given month have been deposited. In addition, the City Treasurer’s office will run a monthly batch report to verify all batch numbers are accounted for.
- IC2.** Monthly, as a compensating control activity, the Treasury Analyst sends a summary of monthly cash deposits to individual departments to verify the accuracy and completeness of the reported receipts through daily data batches. Note: We verified this process for Landfill and Ambulance Services.
- IC3.** Daily, the Treasury Analyst(s) review Tyler Cashiering for any outstanding batches to ensure all daily receipts have been recorded in the system.
- IC4.** Annually, the Finance Department reconciles the total amount of revenues collected and recorded for EMS billings, which represent approximately 85% of the Ambulance Services’ annual revenues. EMS receipts are recorded in Munis ERP monthly but are reconciled on annual basis during year-end accounting close process. (EMS – Emergency Medical Services).
- IC5.** Daily, the Ambulance Services Business Manager reviews Tyler Cashiering data batches for all cash receipts collected during the day and evidences a completion of his review with a date and a signature on the batch reports. The batch reports including the supporting receipts are prepared by another staff member who reports to the Business Manager evidencing proper segregation of duties. The same control is performed on a monthly basis for all receipts processed by the department.
- IC6.** Monthly, prior to sending customer invoices, the Landfill Services Accounting Technician reconciles monthly invoices to service tickets downloaded from ‘*Compuweigh*’, a third-party system that was designed to be used by landfill customers. The reconciliation is performed between monthly ‘*Compuweigh*’ system report and monthly customer invoices created in Munis ERP.



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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.

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Audit Committee Agenda Item Report

Meeting Date: June 22, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: Staff will discuss the monitoring, review and closure of the previous internal auditor findings and/or recommendations included in the Audit Findings Tracking Report.

Suggested Action:

Action will depend on the discussion. I move to [continue the monitoring and review of the items as discussed or] recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report.

Attachments:

[SR - Internal Audit Findings Tracking Report.docx](#)

[Audit Findings Summary 6-22-21.pdf](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 22., 2021

Staff Contact: Sheri Russell, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: Staff will discuss the monitoring, review and closure of the previous internal auditor findings and/or recommendations included in the Audit Findings Tracking Report.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Action will depend on the discussion. I move to [continue the monitoring and review of the items as discussed or] recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report.

Board's Strategic Goal

Efficient Government

Previous Action

On March 30, 2021 the Audit Committee Meeting recommended closing the following items:

- 1) Temporary Staffing – Item 2 (Final item)
- 2) Cash Handling – Item 17 (Final item)
- 3) Social Media – Items 3, 4, 8, 10 through 12

Staff will be taking these recommendations to the Board of Supervisors on July 1, 2021 along with all recommendations approved at the, June 22, 2021 meeting.

Background/Issues & Analysis

Staff is recommending the following items to the Audit Committee for closure or validation, then closure:

- 1) Social Media – Items 5 and 6
- 2) Fleet Management Audit – Items 1, 3 and 6 (for Final Closure of all items)
- 3) Revenue & Receivable Audit – Items 2-3

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

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

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

Report Name	Report Submittal	AC/BOS Report Approval	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
Community Facility Cost Recovery Study	11/28/2012	1/17/2013	Internal Auditor	15	15			
Community Facility Cost Recovery Eagle Valley Go	10/3/2012	5/16/2013	Internal Auditor	4	4			
Fleet Management Efficiency Study	6/22/2013	7/18/2013	Internal Auditor	24	24			
Fleet Utilization Study	1/30/2014	4/3/2014	Internal Auditor	12	12			
Employee Efficiency Study	11/25/2014	12/4/2014	Internal Auditor	27	27			
Internal Controls Review	3/31/2015	6/4/2015	Internal Auditor	42	42	4/21/2015	11/15/2018	
Policy and Procedures Review	3/22/2016		Internal Auditor	5	5		12/21/2017	
Payroll Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	2	8/8/2016	11/15/2018	
P-card Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	2	8/8/2016	11/15/2018	
Small Works Projects Review	2/17/2017	12/21/2017	Internal Auditor	4	4	2/14/2017	12/21/2017	
Public Guardian Review	5/1/2017	12/21/2017	Internal Auditor	13	13	5/9/2017	11/15/2018	
Purchasing and AP Internal Controls Testing	7/6/2017	12/21/2017	Internal Auditor	12	12	7/12/2017	11/15/2018	
HTE Access Controls Testing	9/26/2017	12/21/2017	Internal Auditor	7	7	10/3/2017	12/21/2017	
FY 2014 CAFR	12/18/2014	12/18/2014	External Auditor	5	5	3/22/2016	12/18/2014	
FY 2015 CAFR	12/17/2015	12/17/2015	External Auditor	5	5	3/22/2016	12/17/2015	
Capital Projects Process Review	5/3/2018	8/20/2020	Internal Auditor	8	8	6/15/2020	8/20/2020	
Public Guardian Follow Up Review	5/3/2018	3/7/2019	Internal Auditor	8	8	5/10/2018	3/7/2019	
FY 2017 CAFR and Single Audit	11/30/2017	12/21/2017	External Auditor	4	4	5/10/2018	8/20/2020	
FY 2018 CAFR and Single Audit	12/6/2018	12/6/2019	External Auditor	3	3	6/15/2020	8/20/2020	
Temporary Staffing Audit	5/9/2019	5/6/2019	Internal Auditor	5	4	5/9/2019	10/3/2019	All except item #1 are closed
Fire Department Overtime Audit	5/9/2019	10/3/2019	Internal Auditor	2	2	5/9/2019	10/3/2019	
FY2019 CAFR and Single Audit	12/5/2019	12/5/2019	External Auditor	1	1	6/15/2020	8/20/2020	
Cash Handling 2019	12/3/2019	1/6/2020	Internal Auditor	20	19	6/15/2020	8/20/2020	All except item #17 are closed
Social Media Study	11/25/2019	1/6/2020	Internal Auditor	13	4	6/15/2020	8/20/2020	All except item #5, 6 & 13
HR Administration - Eligible EE Group Ins.	12/3/2019	1/6/2020	Internal Auditor	4	4	6/15/2020	8/20/2020	
AP and P-Card Audit Program	4/1/2020	3/4/2021	Internal Auditor	4	4	8/4/2020	3/4/2021	
IT Volatility Audit	10/30/2020		Internal Auditor	10				
Fleet Audit	3/30/2021		Internal Auditor	6				
Revenue and Receivables Audit	5/25/2021		Internal Auditor	2				
Total (including archived reports)				262	240			

Legend:

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

Finding Corrected?

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

Y For Discussion today

Carson City
Temporary Staffing Audit
May 9, 2019

Item No.	BOS Closure	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
1		We recommend the City conduct further evaluation by legal professional on the legal risks identified from this internal audit. "We noted Department of Labor considerations which may indicate an "employment relationship" between Carson and temporary employees.			Carson City District Attorney's Office is researching the any possible legal issues with hiring temporary employees through Marathon.	\$ -	0	Y	6/30/2021			DA has performed some research; however, the DA is still looking into the legal distinction between Temporary and Permanent employees. The DOL Fact Sheet on an "Employee Relationship" under the FLSA refers to distinguishing independent contractors and employees, which is not the same distinction here. UPDATE: The Carson City District Attorney's Office has reviewed the legal concerns elucidated in the internal audit and has not found that the concerns expressed expose Carson City to any current legal risk associated with hiring temporary employees.

Audit Committee Recommended Closure 3-30-2021 - Will take to BOS in May once Budget is done.

Carson City
Cash Handling Audit 2019
December 3, 2019

Item No.	BOS Closure	Finding/Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
17		Cash handlers are subject to unannounced audits by the Treasurer's Office on an annual basis in those departments/areas where they maintain petty cash and/or change funds. However, this has not occurred since 2017, which is out of compliance with the City's Cash Handling Policy.	In accordance with the City's Cash Handling Policy, the Treasurer's Office should resume the annual surprise cash audits to ensure cash handling procedures are being followed throughout the departments.	\$ -	0	Y	6/30/2021	3/23/2021		Treasurer's will resume the surprise cash audits in the Spring of 2021. The City has several software conversions taking place across City departments so we will resume the surprise cash audits after each Department has started using their new software and any resulting new procedures are in place. UPDATE: COVID-19 became a factor this spring, and Treasurer's thought it prudent, not to visit other departments. UPDATE: Treasurer will be performing an on site Cash Audit this week.

Carson City
Social Media Study
November 25, 2019

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
3		We reviewed the citywide Social Media policy on PolicyTech which states, "Departments wishing to create and manage department specific social media assets,...should fill out a Social Media Asset Form (available on CCNET) and submit if for approval by the City Manager." However, this policy was not enforcement, which increases the risk to the City, as the social media site may not be administered or monitored in accordance with the citywide policy.	Evaluate enforcement practices related to non-compliance with the City's Social media policy and document the approach.	Y	2/28/2021	3/5/2021		CIO and Digital Media Coordinator will evaluate enforcement practices. UPDATE: The process for enforcement is depicted in the policy, which is being reviewed by the DA's office. UPDATE: The DA's Office approved the process for enforcement. This process is currently in practice. - RS
4		Social media site created without a formal request or approval obtained. We compared the current social media policy on PolicyTech to the draft version of the policy being updated and noted one area that should be included in the updated policy. The updated policy needs the method or methods for which the departments would obtain approval from the City Manager prior to creating a social media site.	Formalize the social media request and approval process prior to creating a new site.	Y	2/28/2021	3/5/2021		CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy and provide to CM for review. UPDATE: Final CM approval in PolicyTech is all that we are waiting on.
5		Risks of employee's access to social media sites while on the City's network and personal mobile devices has not been addressed in the Unacceptable Behavior policy.	Update the unacceptable behavior policy	*Y*	4/8/2021			HR Director will update policy as proposed and CM will review and approve. NOTE: Regarding 1st Amendment rights by accepting public employment the U.S. Supreme Court has found that citizens do not surrender their rights. However, an employer can impose certain restraints so long as the restrictions are based upon the government's interest in "promoting efficiency and integrity in the discharge of official duties and maintaining proper discipline in the public service." UPDATE: Policy Final Approval completed on 4/8/2021
6		Risks of employee's access to social media sites while on the City's network and personal mobile devices has not been addressed in the Computer Resources Usage policy.	Update the Computer Resources Usage Policy to include Employee personal use of social media using City devices and for business purposes using personally owned devices.	*Y*	4/21/2021			HR Director will update policy as proposed and CM will review and approve. UPDATE: Policy Final Approval completed on 4/21/2021
8		CCHHS department Marketing and Communications Procedures have several best practices including, content approval hierarchy, a style guide, and templates. However, the policy does not include controls over social media communications such as monitoring, archiving, and site removal.	Departments should update their social media policies to ensure they align with and refer to the Citywide Policy.	Y	4/21/2021	3/5/2021		CIO and Digital Media Coordinator shall review each departments social media polies and forward recommendations to the department director. UPDATE: All departments fall under the scope of the final social media policy, and are enrolled in the digital media archiving and monitoring system.
10		Social media archiving is likely not in compliance for those departments not actively monitored by the Digital Media Coordinator and the City's software - ArchiveSocial.	All deleted comments should be properly archived with comments.	Y	4/21/2021	3/5/2021		CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy and provide for CM for review. UPDATE: All departments fall under the scope of the final social media policy, and are enrolled in the digital media archiving and monitoring system.

Carson City
Social Media Study
November 25, 2019

11		The Digital Media Coordinator is responsible for the creation of the majority of the social media content and monitoring. As the number of the City's social media accounts continue to grow so do the comments and followers. As such, the need for more moderation and department interaction also continues to rise.	Recommend the City acquire the risk management and analytics suite of the current ArchiveSocial software to assist in the use of automated monitoring, analysis and alerts to violation of City policy.	Y	3/31/2021	3/5/2021		CIO will provide cost estimate for risk management and analytics suite of the current ArchiveSocial Software for FY 21 budget cycle. - NOTE that recent court cases have found government social media accounts to be "designated public forums", meaning that individuals have a 1st amendment right to comment on government social media pages. However restrictions are permitted where they are viewpoint neutral and reasonable. To implement these restrictions, there must be an explicit policy indicating the government intent to restrict the forum to certain topics. Where the social media policy allows for departments to delete certain comments, clear guidelines will be needed. Additionally I would recommend disclaiming on the individual social media page what the purpose of the page is to limit the scope of the forum and disclaiming which types of comments will not be permitted. - UPDATE: Software for Archiving Social Media was purchased on August 30th. UPDATE: All the collected, stored, and managed social media sites currently display their purpose and a link to the finalized social media policy, in addition, a portion of the policy is displayed disclaiming what types of comments may authorize City intervention for removal.
12		Currently, the communications function is handled primarily by the Digital Media Coordinator, which has one staff member who splits their time doing other IT activities. An effective public information program relies in part upon timely information from City staff about upcoming projects, programs and services. For greater effectiveness and efficiency in informing the public, more employees should be solely dedicated to communications and its practices.	Determine duties regarding who is responsible for content and monitoring of such content.	Y	12/30/2020	3/5/2021		CM will meet with Department Directors to discuss the possibility of partially shifting content creation down to the department level which could allow for more timely content, responses, and relevant information. Additionally, Dept. Directors' responsibility for the detailed oversight and monitoring of the department's social media accounts will be incorporated into the Social Media Policy within the timeframes Stated above. UPDATE: The full scope of the responsibilities departments have in relation to media content creation and monitoring have been expressed in the social media policy and are in practice.
13		The City does not have an Information Security Response Plan	Create a Information Security Response Plan to include procedures for responding to security incidents, communication protocol and determine system impact.	N	6/30/2021			CIO will create an Information Security response Plan.

Carson City
External Internal IT Vulnerability Audit
October 30, 2020

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
		NOTE: 12 Findings - External						
1		Update all systems that are currently running on outdated software: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's perimeter network.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	P	5/1/2021			Date changed from 2/1/2021 to 5/1/2021 due to resource constraints. 12 of 13 external vulnerabilities reported have been resolved or scheduled to be resolved by 5/1/2021. In addition, recent critical Microsoft Exchange vulnerabilities were resolved within 24 hours of being announced. Staff will update the audit committee with the actual number resolved at the meeting on 3/30/2021.
2		System hardening processes should be in place across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	P	6/1/2021			Staff has continuing making progress on system hardening and change management including the use of automated deployment tools and templates. Work is being conducted to update patch deployment systems.
3		Web development processes: Ensure coding of website and web applications follow OWASP standards. The OWASP Top 10 is a standard awareness document for developers and web application security. Carson City should adopt this document and start the process of ensuring that their web applications minimize these risks.	External findings that would fall under OWASP guidelines are Commercial Off The Shelf (COTS) applications under which the City has little control over development. The City can add OWASP as a procurement requirement for COTS applications, however this may limit the scope and range of options for the City as a whole when considering vendors of specialized software, such as the software from which this item stems. Staff will review this recommendation and consider how to implement it.	N	6/1/2021			Changed date from 3/1/2021 to 6/1/2021. Staff does not have the recommendation yet, but has begun to approach new vendors with this requirement.
4		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Carson City systems are regularly scanned and most by MS-ISAC / CIS as part of a federal program intended to harden local government systems. Most issues identified by the external audit were also identified by the MS-ISAC / CISC scanning effort and were known/expected. Staff will either remediate or document exceptions to all findings.	P	9/1/2021			Date changed from 1/1/2021 to 9/1/2021. In the December 2020 Audit Committee meeting, it was decided to re-test in August 2021.
		NOTE: 103 - Internal						
1		Update all systems that are currently running on unsupported operating systems: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain security vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's infrastructure and data.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	P	8/1/2021			Date changed from 2/1/2021 to 8/1/2021. The work to mitigate the 103 internal vulnerabilities has turned out to be much more than originally thought. Staff expects to be able to demonstrate significant progress at the time of the re-test in August 2021.

Carson City
External Internal IT Vulnerability Audit
October 30, 2020

2		Implement and enforce implementation of change control across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	P	6/1/2021			Staff has continuing making progress on system hardening and change management including the use of automated deployment tools and templates. Work is being conducted to update patch deployment systems.
3		Implement a patch management program: Operating a consistent patch management program per the guidelines outlined in NIST SP 800-40 is an important component in maintaining good security posture. This will help to limit the attack surface that results from running unpatched internal services.	Staff has deployed tools such as inventory, deployment, and recently endpoint management software (EMS) to assist with this effort. Inventory and deployment systems allow staff to track and update software. EMS allows staff to scan endpoints for known security issues that require a patch and force the patch to be installed as part of network policy. Staff is continually working towards further automating and integrating these tools into our workflow. At last count our inventory of applications has more than 6251 software packages and components, which makes this an evergreen maintenance item for staff, requiring much in the way of time and resources.	P	8/1/2021			Date changed from 4/1/2021 to 8/1/2021. Staff expects to be able to demonstrate significant progress at the time of the re-test in August 2021.
4		Change default credentials upon installation: To reduce the risk of security breaches through default credentials which have been left configured on network devices, it's best to implement a process to change the passwords, and if possible, account names, when new equipment is installed.	Staff will change the identified systems with default credentials where possible. Some examples identified by the audit do not support credentials for their regular operation. For these devices, staff is working towards isolating in a similar fashion to devices that cannot be reasonably patched as a compensating control.	P	9/1/2021			Staff expects to be able to demonstrate significant progress at the time of the re-test in August 2021.
5		Conduct regular vulnerability assessments: As part of an effective organizational risk management strategy, vulnerability assessments should be conducted on a regular basis. Doing so will allow the organization to determine if the installed security controls are installed properly, operating as intended, and producing the desired outcome. Consult NIST 800-30 for guidelines on operating an effective risk management program	Staff believes that regular third party auditing of IT systems is valuable and will contribute to an increase the security of Carson City systems and data. Performing audits such as this one regularly would likely require additional resources to obtain the audit and then act upon the results of the audit in a timely fashion.	N	9/1/2021			Date changed from 7/1/2021 to 9/1/2021. In the December 2020 Audit Committee meeting, it was decided to re-test in August 2021.
6		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Some issues identified in this report a small effort to remediate and staff will remediate them in a timely fashion. Others are systemic issues that have already been identified by staff and require large-scale efforts to address in the long term. Additional resources would contribute towards addressing all of the identified issues in a more timely fashion.	P	1/1/2022			Staff expects to be able to demonstrate progress at the time of the re-test in August 2021. A recent critical Windows Domain vulnerability was resolved within 10 hours of it being announced. Many of the critical and high vulnerabilities that were identified in the audit have to do with legacy systems that are still running and can't be updated. IT will need to work with the business users to address these, which will take significant time. The preferred way to address these would be to migrate the needed data off of the unsupported systems to supported systems.

Note: In this audit staff gave maximum access to the auditors to simulate an attacker gaining access to a sensitive area of the network. Many of the identified issues were discovered because we bypassed our usual security controls to allow the penetration tester greater access. The findings are valuable, but do not necessarily represent vulnerabilities that could be exploited from any part of the City network.

Carson City
Fleet Management Audit
March 10, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - Inventory Security and Tracking: RECOMMENDATION: Short-term solution - restrict access to Inventory to Fleet Services personnel by installing facility locks if feasible. Long-term solution - incorporate a tracking mechanism by implementing parts tracking sheet where Fleet personnel can sign, date, and identify the parts used and removed from inventory. Consider bar code technology or one designated Fleet Technician responsible for tracking fleet.	This was a recommendation in the last Internal Audit as well. The Fleet Facility is secured within the Public Works Corporate Yard and restricted to badge-only access. To date, there is no known instance of inventory loss; however, management agrees that there are opportunities to reduce risk and improve security over inventory. Management will submit a supplemental budget request for the position with the FY22 budget requests for consideration by the Board of Supervisors.	*Y*	7/1/2021			Tracking sheet has been implemented. Facilities Division is installing additional restrictions on inventory access concurrent with hiring of Fleet Warehouse Coordinator (new FY22 position). Anticipated to be completed August 2021.
2		FINDING 2 - Segregation of duties related to live check handling. RECOMMENDATION: City's Accounts Payable Department instruct the auction company to send all check payments directly to the City's Treasurer, and no longer send the check to Fleet Services.	Management agrees with this recommendation. Starting with the next auction (spring of FY21), live check payments will be directed to the Carson City Treasurer's Office.	Y	4/30/2021	4/30/2021		Corrected Easy Fix, just contacted the Auction, and changed the remittance address, so now Treasurer will get the check directly
3		FINDING 3 - Asset Utilizations Reviews RECOMMENDATION: We recommend that the Fleet Department review the Low Usage Asset Report at least annually prior to fiscal year end to identify opportunities for asset re-assignments on an annual basis.	Management agrees with this recommendation. This review will be conducted annually moving forward. Fleet utilization reports will be generated at the end of each fiscal year, as close to June 30 as it is practical.	*Y*	6/30/2021			This has been scheduled. Annual utilization will be pulled on June 30, 2021 for review of low usage vehicles.
4		FINDING 4 - Monitoring for Driving Violations RECOMMENDATION: Fleet management should preform a cost benefit analysis to determine whether the City should purchase and install GPS devices on all City vehicles or just those with high annual usage.	Management believes the current approach of rotating limited GPS devices through vehicles has been a cost effective solution and does not feel that additional efforts need to be made at this time. (New GPS devise require a monthly service fees for each device.) The City experiences a very low instance of accident/crashes in City vehicles or known instances of violations. Fleet will continue to monitor accidents and violations in the future and pursue if necessary, at that time.	Y	3/30/2021	3/30/2021		March 30th meeting Audit Committee Concurred with Staff that ongoing costs of GPS devices are cost prohibitive. If we do see an uptick in accidents or citizen complaints related to driving City Vehicles, we will revisit this solution.
5		FINDING 5 - Verification of CDLs and Driver Licenses RECOMMENDATION: Risk Management Coordinator or Department Supervisors perform verification of the license renewals by requesting and reviewing the copies of the actual license. Department supervisors should also query the Department of Transportation Clearinghouse for each Commercial Motor Vehicle driver at least annually.	The policy will be updated to clarify the following: (1) Individual Division where CDL employees are working will retain the scanned copies as required. (2) Risk Management will add a column to their tracking spreadsheet and request scanned copies of renewed driver's licenses. When received and verified, the column will be updated. (3) The City has elected to use Sinnett Consulting as our third-party administrator for the Clearinghouse, and Sinnett does the queries on the City's behalf for a fee.	Y	3/30/2021	3/30/2021		Cecilia in Finance has agreed to start obtaining copies of the proof of license renewal for verification, and add a column to her tracking sheet.

Carson City
Fleet Management Audit
March 10, 2021

6	<p>FINDING 6 - Training Records for Drivers & Operators RECOMMENDATION: We recommend that the City Manager updated the Employee Safety Manual or issue an internal management memo to provide clarification and specifics on the procedures to retaining and monitoring training records to ensure expectation for individual departments and the Risk Management Coordinator are clearly communicated. The specifics may include a complete list of periodic mandatory trainings to be completed annually and type of internal trainings (formal vs. informal) that are required to be documented as practically as possible. The Safety Manual should also enable the individual departments to identify the training courses they are expected to complete during any given fiscal year and ensure monitoring mechanism is in place to ensure compliance with the Employee Safety Manual.</p>	<p>The Citywide Employee Safety Manual will be reviewed and updated as necessary. All employee certifications and trainings are not meant to be tracked and maintained in one place as it would require additional FTE's to do so. Each department is responsible for ensuring that their employees have the proper training to perform their functions. OSHA requires that we provide safety training to employees annually, and the Risk Department does ensure that classes are available during the year for employees who would like to participate.</p>	**Y*	6/10/2021		<p>Departments are responsible for maintaining their employees safety certificates, as one department would not have sufficient knowledge of exactly what training is required of every single employee in the City, from Health, Public Works, Public Safety, and all other functions of the City. We do have a Citywide Safety manual which was updated to include this information, as well as the informaiton that our risk manager does provide some OSHA Type training during the year, the changes were reviewed and distributed.</p>
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Carson City
Revenue Accounts Receivable
May 25, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected ? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - A - During our review of the Tyler Cashiering receipts for Landfill Services, we noted that a year-end adjustment in July 2020 billing for June 2020 services, in the amount of \$422,116.11 was not recorded as a receivable and a revenue in FY 2020.	We recommend that the Finance Department develop and implement a methodology to ensure completeness and accuracy of accounts receivable and revenue recorded at year end. - Management will create a year-end Journal Entry checklist, to ensure that all year end adjustments are completed.	N	10/30/2020			
2		FINDING 1 -B - It was noted that the Landfill billings for the first four months in Fiscal Year (FY) 21 (July -October) were recorded to the incorrect receivable account number. This was discovered during the prior year audit, and was corrected for FY 2020; however, has not yet been corrected for FY 2021.	We recommend recording reclassification journal entries for Landfill billings for the first four months of FY21. Management agrees with this recommendation, and have made the correction as of 5/31/2021	Y	5/31/2021	5/31/2021		Correction completed.
3		FINDING 2 - Review of the listing of Tyler Cashiering data batch numbers processed in July and August 2020 to verify completeness of the daily batches for FY 2020 accounting purposes identified a lack of internal control over the sequential order and completeness of batch numbers created in the system.	We recommend that the Treasury design and implement a monitoring mechanism over the total number and sequential order of the daily data batch numbers created in Tyler Cashiering to minimize the risk of missing or omitting any pending or closed batches.	Y	5/15/2021	5/15/2021		Treasurer's office with the help of the IT department, was able to expand our search criteria, which brought in all sequentially numbered batches. At that point we did locate one batch that was not in sequential order. The batch was drafted dated 12/28/21, and should have been 12/28/20. To eliminate the possibility for future batches to be opened with the incorrect date, we have set limitations in Tyler Cashiering. Staff will also run the batch number sequence report on a monthly basis to check for any batch that may not be in sequential order.

Audit Committee Agenda Item Report

Meeting Date: June 22, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

Subject:

For Presentation Only: Discussion regarding FY 21 audit work program update and Hotline activity.
(SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 21 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Suggested Action:

N/A

Attachments:

[SR - Internal Auditor work program update.docx](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 22, 2021

Staff Contact: Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: For Presentation Only: Discussion regarding FY 21 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 21 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

N/A

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Standing item for discussion and update.

Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Chapter 3.075, Carson City Municipal Code 2.14.040

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

Audit Committee Agenda Item Report

Meeting Date: June 22, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2022.

Staff Summary: Eide Bailly will provide an updated risk assessment and recommendations for future internal audits for the period ending June 30, 2022.

Suggested Action:

Will depend on the discussion and possible recommendations.

Attachments:

[SR - FY 22 Internal Audit Program.docx](#)

[FY21_22 Risk Assessment Report_Carson City.pdf](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 22, 2021

Staff Contact: Sheri Russell, Chief Financial Officer & Steve Ferguson, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2022.

Staff Summary: Eide Bailly will provide an updated risk assessment and recommendations for future internal audits for the period ending June 30, 2022.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on the discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

CCMC 2.14.040

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: General Fund Internal Auditor / Professional Services

1010800-500309

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: \$110,000 has been budgeted for FY 22. In addition to the annual budget, there is \$6,000 in savings that can be rolled forward to FY 2022 as well.

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

**Citywide Risk Assessment
& Annual Audit Plan for
Fiscal Year 2021-2022**

Carson City

Prepared by:

Eide Bailly LLP

RISK ASSESSMENT

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 Audit Committee must be considered in this process.

This report describes how Internal Audit analyzed the City's risk environment, prioritized audit areas, and prepared the annual Audit Plan. The contents of this report are based on the following:

- Risk, control and governance largely determine the City's ability to achieve its objectives.
- City management is responsible for managing risk by implementing internal controls and providing reasonable assurance that they are operating as intended.
- Internal Audit is responsible for assessing risk by analyzing conditions that can impair the City's ability to achieve its objectives.
- Internal Audit is responsible for developing audit plans to review controls that City management has implemented to address risks.

What is a Citywide Risk Assessment?

The risk assessment is a means to assess various areas of the City. An auditor assessing risks to develop an audit plan or schedule while considering risks to programs and departments in a silo approach, this is designed to identify audits of a single department, program, or process. Additionally, we assess risks across the entire city to identify the risks to achieving overall City objectives. A Citywide 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.

The risk assessment and annual audit plan was developed through the completion of the following activities:

- Reviewing external financial auditors' results.
- Assessing current and historical financial performance.
- Reviewing the City's Strategic Plan and alignment with objectives and goals.
- Discussions with Audit Committee, Senior Management, City personnel, and external financial auditors.
- Eide Bailly's general knowledge and observations of the City.
- Past internal audits performed.
- Information provided by the City.

Risk assessment is a systematic process for utilizing professional judgments to evaluate probable adverse conditions and/or events and their potential effects on the City. The process starts with identifying risks associated with business objectives linked through all levels of the City whether it is entity or process level.

- Entity level is the cornerstone for effective control. These objectives provide guidance on what the entity wants to achieve and should be consistent with budget, strategy, and business plans.

- Process level should align with entity level objectives but differ in that they relate directly to goal setting with specific targets and deadlines. It provides guidance for management focus.

Risk Assessment Methodology

The risk assessment is the first step in determining which areas of the City has high risk factors that should be considered for inclusion in the annual audit plan. Eide Bailly developed a risk assessment approach specifically tailored for the departments, programs, and processes of the City. We began by planning and gathering data to facilitate the direction of the risk assessment and to establish the risk types.

Planning and Data Gathering: We began by understanding the City's operations by gathering the City's objectives, goals, and strategies in addition to the key financial, operational, and IT processes. Eide Bailly reviewed past financial audit reports for significant deficiencies or material weaknesses for financial risks. In addition, we took into consideration documentation provided to us, past audit work performed, along with status of remediated risks noted from past audits.

We facilitated detailed phone discussions with senior management to gain an understanding of the current controls, process structure, personnel involved, and supporting technology. Additionally, we discussed their roles, responsibilities, and concerns they have with the City or their operations overall.

Develop Risk Types: We began by defining risk and creating a risk framework. Risk is an event or condition that can negatively affect the ability of an organization to achieve its objectives. Risks are generally thought to be associated with taking actions; however, risks can also occur when no action is taken in the form of missed opportunities. This risk assessment incorporated ten (10) types of risks:

1. **Public Exposure / Health & Safety Risks:** This measure assesses risk in terms of keeping employees and citizens data safeguarded, as well as protection from serious injury. The measure takes into consideration that protecting the safety and health of Carson City citizens and employees is the highest priority and most significant responsibility of City government.
2. **Governance and Stakeholder Risks:** Risks derived from the attitude and actions of elected officials and executive management related to accountability, transparency and continuous improvement. This measure presumes that risk is decreased based on effective internal controls, management oversight and audit frequency, both internal and external audits.
3. **Business / Operational Risks:** Risks derived from core business practices, which rely on systems, practices, programs, and people. Within this risk domain are risks associated with a diverse number of operational areas. Risks associated with business objectives not being met due to poorly defined business strategies, poorly communicated strategies, or the City's inability to execute these strategies due to inadequate organizational structure, infrastructure or alignment. Strategic risk is managed by appropriate organizational governance. Failure to adequately plan and execute against organizational goals may result in significant financial impact to the City along with damage to the City's reputation.
4. **Reputational Risks:** Risk in terms of potential negative public relations impacts caused by the level of visibility and/or public interest in conjunction with financial or operational performance exposure resulting in the City's reputation being impaired or damaged. Reputation risk includes the risk that the City may be subject to lawsuit, poor management of an operational crisis, event or specific reputation issue, or City not meeting stakeholder expectations.

5. **Liquidity and Negotiability Risks:** Risk that processes may not be effective or efficient to meet the City's regulatory obligations and liquidity needs. Failure to maintain liquidity levels and manage cash flows within established amounts to meet known and reasonable unforeseen funding requirements. City is unable to meet its commitments, including debt maturities. This measure assesses risk based on the nature and volume of cash transactions and the ease of converting assets into cash.
6. **Performance Risks:** Risks in terms of improved planning and performance management process may not be effective, efficient, or focused on core business service delivery. Performance indicators do not align with performance indicators of the City. Failure to adequately monitor and respond to third party inferior service or lack of performance.
7. **Legal and Regulatory Risks:** Risks associated with a variety of federal, state, and local laws and regulations. Failure to follow prescribed directives may result in substantial fines, restrictions, loss of business, and/or legal action.
8. **Size of Audit Unit / Human Capital Risks:** Risks associated with the type of behaviors encouraged by management; the methods used to reward employees; the approach to consistently enforce policies and procedures; the selection, screening, and training of employees; and the reason and frequency of turnover.
9. **Revenue Risk:** Risks associated with the City's financial reporting being inaccurate, incomplete, or untimely due to a variety of factors including the pace of change, the amount of uncertainty, the presence of a large error, or the pressure on management to meet certain expectations.
10. **Budgeted Expense Risk:** This measure assesses risk based on the magnitude of an entity in terms of expenditures, the amount and volume of financial transactions and the number of employees.

Deliver Measures and Insights: The risk assessment uses a systematic approach that ranks the most important risks to the City. The most important risks determined by senior management are documented in the City's Strategic Plan with a focus on the strategic goals and objectives of the organization. A common way to determine the relative significance of each risk is to "measure" it as a combination of the likelihood or probability of it occurring, and the impact if it does occur. Using the department data, discussions with City management, input from external financial auditors, past audits performed, and financial data and reports, an impact and likelihood of "low", "medium" or "high" is assigned to map the risk for each auditable area.

- **Likelihood:** is calculated using several factors including.
 - Complexity of process
 - Volume of transactions
 - Known issues
 - Changes in personnel or processes
 - Level of monitoring and oversight
- **Impact:** is calculated using several factors including
 - Financial materiality
 - Degree of regulatory compliance
 - Operational and strategic impact to City objectives

- Number of key IT systems
- Fraud risk

Risk Scores: Risks are summarized by assigning “low”, “medium” or “high” to both impact and likelihood. However, judgment is involved in evaluating whether a risk’s likelihood and impact are low, medium, or high.

A high-risk score does not mean that a department is ineffectively managed, that sufficient controls are not in place, or that the function is not performing properly. A high-risk score simply means that a negative event in that area would be particularly damaging or more likely to occur in the absence of effective controls.

The City’s Audit Committee, senior management, and leadership are the responsible authority to prioritize which risks get the most attention and resources. Those charged with governance know their entity best and how best to manage the risks identified.

AUDIT PLAN

Internal audit was set up with an annual budget not to exceed \$110,000 annually. We have structured our internal audit plan to fit within 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.

The Audit Plan provides the City with a great deal of flexibility to address emerging issues in a timely manner, hours for specially requested audits not originally captured on the plan, and for urgent audit issues that arise throughout the year. Great care is given in the selection of these audits to ensure that there is widespread audit coverage in terms of both types of audits performed and in terms of the City’s vast array of departments, service areas, activities and contracts.

The hours included for each audit are an estimate. Quarterly, the plan will be reassessed and adjusted to account for unanticipated requests and progress on current audits. Audit Committee will be briefed quarterly on the status of work completed to the approved Audit Plan and any adjustments that need to be made to hours and anticipated completion dates.

Based on the results of the risk assessment, professional judgment, findings from previous audit work, and information provided by city staff, the following areas are potential audit topics for FY21/22.

FY21/22 Proposed Internal Audits	Hours	Fees	Blended Rate
<p>Citywide Payroll Process – To evaluate whether: 1) Internal controls and policies and procedures governing the City’s payroll processes provide reasonable assurance that payroll is processed accurately, timely and in the proper period; 2) Assess the adequacy and functionality of the current payroll system and related IT controls; 3) Identify opportunities for improving payroll controls, including recommendations for addressing control gaps and ineffective control design or operation; 4) Determine cause or contributing factors, as well as impact, for any identified deficiencies, where applicable; and 5) Determine whether improvements already planned by management are sufficient to address issues.</p>	215	\$28,000	\$130
<p>Insourcing vs. Outsourcing of Building Division Activities – To assess the Building Division’s staffing, structure, and service levels to help inform the decision-making process of outsourcing (privatization) versus bringing activities inhouse (insourcing) with supplemental outsourcing of building permits and inspections. Additionally, to compare qualitative and quantitative data points with peer cities and benchmarks to inform the decision-making process, identify new ideas, and opportunities.</p>	310	\$40,000	\$130
<p>Fire Prevention & Inspections – To determine whether Fire Prevention Division of the Fire Department operations are compliant with the established legal-regulatory environment. Additional objectives will consider the following: 1) Determine whether there are adequate controls to ensure an effective and efficient fire inspection program; 2) Determine to what extent the Fire Prevention Division has met the mandated inspection requirements; 3) Determine how the Fire Department manage fire inspections including methods and system software used for scheduling inspections; 4) Review of the adequacy of the staffing relative to the workload; and 5) Evaluate plan reviews and inspection specifically related to the effectiveness of cross-departmental functionality.</p>	270	\$35,000	\$130
<p>IT Vulnerability Follow Up – To evaluate results of the FY20/21 Penetration Testing and Scanning to determine progress against prior year’s results and whether the reported vulnerabilities were properly remediated.</p>	35	\$5,000	\$140
<p>IT Vulnerability Audit, Phase 2 – Perform internal and external Penetration Testing to assist the City in identifying and mitigating new vulnerabilities related to the City’s data network to ensure it is properly protected from unauthorized access. Additionally, to determine whether controls are effective in protecting network confidentiality, integrity, and availability.</p>	232	\$32,500	\$140
<p>End-User & Wireless Vulnerability Assessment – Perform testing to assist the City in identifying and mitigating end user vulnerabilities. Testing to include: 1) end point security assessment (i.e., user workstations both remote and onsite); 2) wireless security assessment for corporate and guest networks.</p>	55	\$7,500	\$140

Grants – To determine whether the cities financial control framework and related internal controls are effective and efficient to manage grant activity for: 1) CARES Act funding; 2) FEMA funding; and 3) funding associated with COVID-19 relief. Additionally, to determine whether city grants are in compliance with terms and expenditures.	230	\$28,000	\$120
Follow-Up – Evaluate corrective action performed by city departments to determine whether identified risks from prior internal audit recommendations have been properly remediated.	20	\$2,400	\$120
Fraud, Waste & Abuse Hotline – Receive complaints filled through the hotline, route and monitor cases for investigation, track and resolve cases.	5	\$500	\$100
Totals	1,372	\$178,900	\$130

Audit Committee Agenda Item Report

Meeting Date: June 22, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action regarding the review of agreed upon procedures suggested by Eide Bailly regarding Payroll, if selected as part of the FY 2022 audit work program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Payroll agreed upon procedures. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2022 Audit Work Program to the next Audit Committee meeting.

Suggested Action:

I move to direct Eide Bailly and staff to proceed with the Payroll agreed upon procedures as discussed on the record.

Attachments:

[SR - Agreed Upon Procedures -Payroll FY 22.docx](#)

[Citywide Payroll Internal Audit AUP.pdf](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 22, 2021

Staff Contact: Sheri Russell, Chief Financial Officer & Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: For Possible Action: Discussion and possible action regarding the review of agreed upon procedures suggested by Eide Bailly regarding Payroll, if selected as part of the Fiscal Year (FY) 2022 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Payroll agreed upon procedures. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2022 Audit Work Program to the next Audit Committee meeting.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

I move to direct Eide Bailly and staff to proceed with the Payroll agreed upon procedures as discussed on the record.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

At the June 22, 2021 meeting, the Audit Committee and Eide Bailly, the Carson City internal auditor, will discuss various annual projects for the FY 2022 Audit Work Program. The Audit Committee has asked to review the agreed upon procedures before the internal audit begins. To be as efficient as possible, Eide Bailly has prepared Payroll agreed upon procedures, which Staff is anticipating will be one of the projects approved by the Audit Committee as part of the FY 2022 Audit Work Program. If the Payroll Agreed Upon Procedures are approved, this will be the first audit project to be completed. All other agreed upon procedures for projects approved for the FY 2022 Audit Work Program, will be brought back for discussion at the next Audit Committee meeting, before work on each particular project begins.

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

CITYWIDE PAYROLL INTERNAL AUDIT PROGRAM

Objective:

To evaluate whether: 1) Internal controls and policies and procedures governing the City's payroll processes provide reasonable assurance that payroll is processed accurately, timely and in the proper period; 2) Assess the adequacy and functionality of the current payroll system and related IT controls; 3) Identify opportunities for improving payroll controls, including recommendations for addressing control gaps and ineffective control design or operation; 4) Determine cause or contributing factors, as well as impact, for any identified deficiencies, where applicable; and 5) Determine whether improvements already planned by management are sufficient to address issues.

Areas to Consider:

- Gain an understanding of Carson City's payroll processes through system and documentation review, personnel interviews, and data gathering. Systems to include: Wendelworks (Parks & Recreation); Telestaff (Sheriff & Fire); and Executime (City employees).
- Gain an understanding of federal and state payroll-related laws as they apply to minimum wages, overtime laws, and payroll recordkeeping policies and identify key compliance risks or known issues,
- Evaluate Carson City's general payroll management process to determine if adequate internal controls are in place to ensure proper segregation of duties are in place for handling payroll, authorization, review, and record keeping.
- Evaluate the design and effectiveness of internal controls over payroll processes within the City's payroll systems (Executime, Telestaff, and Wendelworks) to ensure compliance with the City's policies and procedures, and access to personnel and payroll files are restricted.
- Evaluate Carson City's payroll policies and procedures as they relate to approving timesheets to determine that proper procedures are being followed, a standard timesheet is being utilized, and timesheets are submitted and approved in a timely manner. Test if the same procedures are being followed for temporary employees.
- Evaluate Carson City's general payroll management process to ensure payroll is processed completely, accurately, and in accordance with the City's policies and procedure and management's authorization. Verify pay rate and time paid against supporting documents.
- Evaluate Carson City's general payroll management process to ensure overtime, bonuses, and changes to payroll are appropriate and approved in accordance with the City's policies and procedure and management's authorization.
- Evaluate Carson City's general payroll management process to ensure vacation, sick, holiday, and other leave are appropriate and approved in accordance with the City's policies and procedure and management's authorization. Verify requests are supported by validated leave forms, as applicable, per department policy.



CPAs & BUSINESS ADVISORS

- Review Carson City's payroll policies and procedures as they relate to recording time for activities related to specific Federal Programs to ensure proper documentation and salary/benefits charges are allocated to the correct programs.

Audit Procedures

1. High Level Overview of Carson City's Payroll Management Process:

1. Request and review audit reports from prior year audits performed and identify any significant issues noted in the last five years (2017-2021).
2. Obtain and review policies and procedures (P&Ps), manuals, workflows related to the payroll management process, including paid time off (PTO), leave, holiday, and bonus policy.
3. Conduct high-level discussions with key stakeholders and document a brief overview of the payroll management process.

2. Assessment of the Process and Internal Control Design

4. Perform process walkthroughs of entire payroll management process and systems. Identify key internal controls (manual, automated, preventative, and detective) and any instances of processes not in alignment with documented procedures. Additionally, determine whether work arounds can be or are conducted and the reason(s); information obtained will be used to make recommendations on process improvements and internal controls, where applicable.
5. Obtain and review the City's most recent organizational chart and review payroll staff's roles and responsibilities.

3. Control Testing - Completeness, Timeliness, and Accuracy

6. Obtain population of City employees including personnel file, current pay rate, and PTO detail reports. Perform testing as noted in step #7 - #10.
7. Obtain payroll report and timesheets during testing period. Test a sample of approved timesheets to determine proper procedures were followed and timesheets were submitted and approved by a specific time.
8. Test a sample of payroll transactions to verify time paid against time sheets. Ensure holiday and other leave time are accurately calculated, properly authorized, and adequate supporting documentation exist.
9. Test a sample of payroll transactions to verify overtime, bonuses, and other changes to payroll have appropriate approvals in accordance with the City's policies and procedures.
10. Select a sample of City employee and trace them to payroll report to determine completeness.
11. Obtain population of temporary employees. Perform testing as noted in step #7.



CPAs & BUSINESS ADVISORS

4. Compliance Testing - Federal Programs

12. Obtain and review policies and procedures regarding employee activities related to Federal Programs.
13. Review sample of timesheets and payroll transactions to determine whether time associated to activities related to Federal Programs are properly documented and recorded.

5. Compliance Testing - Systems

14. Review system workflows for Executime, Telestaff, and Wendelworks to assess the design and effectiveness of the systems and ensure compliance with policies and procedures.
15. Obtain system user access report and review listing of users to determine if the access has been granted in accordance with employees' roles and responsibilities and whether the access was disabled timely due to change in roles, terminations or as needed by verifying appropriate supporting documentation.