



# STAFF REPORT

**Report To:** Board of Supervisors **Meeting Date:** October 6, 2022

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

**Agenda Title:** For Possible Action: Discussion and possible action regarding the Fiscal Year ("FY") 2023 Audit Work Program and audit services recommended by the Audit Committee to be performed by the City's retained internal auditor, Eide Bailly, LLP, for an amount not to exceed \$110,000. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP made recommendations for future projects at the Audit Committee's July 12, 2022 meeting; however, the Audit Committee was not sure what level of review was needed for the Carson City Sheriff's Office ("CCSO") Body Worn Cameras policy, equipment and procedures. Eide Bailly, LLP was asked to perform a risk assessment first, using only \$10,000 of the \$45,000 proposed Body Worn Cameras project budget, to determine if the project was necessary. At the Audit Committee's September 13, 2022 meeting, it was determined that audit procedures for the Body Worn Cameras should wait to allow CCSO time to fully implement all the data tracking software. The Audit Committee further discussed final recommendations based on the budget available, and selected various projects that are being recommended to be included in the FY 2023 Audit Work Program.

**Agenda Action:** Formal Action / Motion **Time Requested:** 10 minutes

### Proposed Motion

I move to direct Eide Bailly, LLP to proceed with the Fiscal Year 2023 Audit Work Program as discussed.

### Board's Strategic Goal

Efficient Government

### Previous Action

July 12, 2022 - The Audit Committee agreed with most of the proposed audits by Eide Bailly, LLP, but requested a risk assessment on the CCSO Body Worn Cameras before determining the level of work to be performed and moving forward with the FY 2023 Audit Work Program.

September 13, 2022 - The Audit Committee recommended moving forward with the FY 2023 Audit Work Program as discussed.

### Background/Issues & Analysis

Eide Bailly, LLP was able to perform all selected audit programs for FY 2022 but did spend time in the beginning of FY 2023 finalizing the IT Vulnerability Update, Endpoint and Wireless testing. For the FY 2023 Audit Work Program, the Audit Committee recommended:

Risk Assessment (FY 2024) \$12,000

Utility Billing Audit	50,000
Risk Assessment - Body Worn Cameras	10,000
Grants management audit	30,000
Follow-up	2,400
Fraud, Waste & Abuse hotline	500
Special Projects/Validation	5,100
Total	\$110,000

Risk Assessment is an annual expense as the Auditor reviews the City's overall controls annually to determine areas of risk to propose as audit procedures for the upcoming Fiscal Year.

Utility Billing was the last module implemented as part of the Tyler Munis Technologies transition (the City's new Enterprise Resource Planning ("ERP") System). The Carson City Public Works Department went live with the Utility Billing module July 1, 2021, and therefore a full year of data was available to audit. Other implemented ERP modules were also audited after a full year of data was available. Procedures have been started and that report is expected in January 2023.

An audit was proposed on the Body Worn Cameras policy, equipment and procedure at the CCSO. Eide Bailly, LLP recommended procedures regarding when to turn a body worn camera on, when to turn it off, who is reviewing the footage, etc., as there is a lot of liability associated with the Body Worn Cameras program. In addition, the storage space was thought to be an issue as video takes up quite a bit of storage space and the CCSO has retained all footage since body worn cameras were first implemented. Eide Bailly, LLP also looked at retention policies, storage costs and the entity responsible for the storage costs. Axion is providing cloud storage as part of our software maintenance agreement and currently that storage is unlimited. CCSO is currently looking at systems that will track performance metrics for the body worn cameras. During the risk assessment, the auditor reviewed the Body Worn Cameras policies and procedures, which were in-line with the Nevada Revised Statutes. The auditor did provide some recommendations, but did not feel it was useful to dive deeper into an audit at this time.

The Audit Committee recognized that City grants are scrutinized very frequently by the Carson City External Auditor as well as outside granting agencies. However, a detailed review of the City's Grant Management has not been performed since 2018. Because of the increase in Health, TIGER, RAISE, CARES and ARPA grant funding received, the Audit Committee felt it was appropriate to implement a Grants management audit to mitigate any risk and ensure that the City's Grant Management is running smoothly.

The rest of the items are standard in the Internal Auditor budget, and address items such as the Fraud, Waste and Abuse program, validation that management did correct the finding or implement the recommendation and special projects or follow-up procedures.

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

N/A

**Financial Information**

**Is there a fiscal impact?** Yes

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

**Is it currently budgeted?** Yes

**Explanation of Fiscal Impact:** \$110,000 is budgeted for FY 2023, see attached for hours per project.

NOTE: Eide Bailly, LLP estimated hours on all projects. Project will be billed by actual hours spent according to the bid proposal, at a not to exceed amount approved as part of this item.

**Alternatives**

Do not accept the recommendations, modify recommendations and/or provide alternative direction to staff.

**Attachments:**

[Budget for FY22\\_23 Internal Audit Services.pdf](#)

**Board Action Taken:**

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

1) \_\_\_\_\_

2) \_\_\_\_\_

Aye/Nay

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(Vote Recorded By)

FY22/23 Proposed Internal Audits	Estimated Hours	Estimated Fees
<b>FY23-24 Risk Assessment</b> – Perform citywide risk assessment and develop the annual audit plan based on developed risk types and a combination of likelihood and impact.	60	12,000
<p><b>Utility Billing (Water, Sewer &amp; Storm Water)</b> – To assess the current state of operational efficiency and effectiveness with the new utility billing program related to following activities: billing, pricing structure, refunds, discounts, adjustments, and customer outreach. Additionally, to identify opportunities for improving utility billing controls, including recommendations for addressing control gaps and ineffective control design or operation. Lastly, to determine whether improvements planned by management are sufficient to address issues, where applicable.</p> <p><i>Specific items identified for testing and review include:</i> (1) Ensure that new accounts are opened accurately; (2) Ensure that the on-going servicing of accounts complies with established policy and procedure, and with City Code; (3) Review basic system and operational control processes; (4) Ensure that performance monitoring and reporting are occurring; (5) Ensure that accounting data is captured accurately and timely, and that it is properly reconciled; and, (6) Review the Utility Rate Payor Assistance Program (URAP) to ensure donations are properly captured and amounts are applied to qualified accounts.</p>	280	\$50,000
<p><b>Sheriff Mobile &amp; Body Worn Video Recording Equipment</b> – To determine whether mobile and body worn cameras and respective programs were being used and executed in accordance with Nevada Revised Statutes (NRS) and policies, and internal controls are adequately designed, administered, and monitored since the initial issuance.</p> <p><i>Specific items identified for testing and review include:</i> (1) Ensure body worn camera policy that focuses on the use of equipment and software aligns with the sheriffs program and related Nevada Revised Statutes; (2) Review current system user access and related monitoring; (3) Evaluate the effectiveness of internal controls surrounding the management of data requests; (4) Ensure proper training and written material are provided for mobile video and body worn camera; (5) Determine whether internal controls are in place to ensure body camera footage is properly collected, maintained, and monitored by appropriate personnel and whether the appropriate audit trail is captured when information is accessed; (6) Evaluate the adequacy of video retention and storage (juvenile detention and potentially alternative sentencing); and (7) Perform sample testing to ensure Start Up, Activation, Usage, Deactivation, Categorization &amp; Case Number – including non-evidence, and Upload of body cameras is effectively being performed.</p>	100	\$10,000
<b>Grants</b> – 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.	165	\$30,000
<b>Special Projects</b> – Time to perform other procedures not otherwise associated with a specific audits, special request audits or consulting engagement (e.g. ARPA consulting) not originally captured on the plan, and for urgent audit issues that arise throughout the year.	TBD	5100
<b>Follow-Up</b> – Evaluate corrective action performed by city departments to determine whether identified risks from prior internal audit recommendations have been properly remediated.	20	\$2,400
<b>Fraud, Waste &amp; Abuse Hotline</b> – Monitor complaints filled through the hotline, assist the city with resolving cases where needed, and communicate results to the Audit Committee.	5	\$500
<b>Estimated Totals</b>	<b>630</b>	<b>\$110,000</b> <b>(\$166.50 blended rate)</b>