City of Carson City
Agenda Report

Date Submitted: April 7, 2008 **Agenda Date Requested: April 17, 2008**

Time Requested: 5 Minutes

To: Mayor and Supervisors

From: Internal Audit Department

Subject Title: Action to approve the Internal Audit Work Plan for the period April 2008 through June 2009.

Staff Summary:
The April 2008 through June 2009 Audit Work Plan is a combination of projects in progress, new projects and quarterly reviews. The Audit Work Plan provides for the Audit Committee's oversight of the City's internal audit function. In recommending the Audit Work Plan for approval by the Board of Supervisors, the Audit Committee believes that the proposed work plan provides a balance of audit work that once complete, will result in improving the overall operations of the City of Carson City by strengthening management controls, improving accountability, and enhancing the efficiency and effectiveness of municipal services. A request to amend this Audit Work Plan may be brought forward to the Board of Supervisors if additional projects of high priority are identified during this period time April 2008 through June 2009.

Type of Action Requested: (check one)

(_____) Resolution (_____) Ordinance
(___X_) Formal Action/Motion (_____) Other (Status Report)

Does this action require a Business Impact Statement: ( ) Yes (X) No

Recommended Board Action: I move to approve the Internal Audit Work Plan for the period April 2008 through June 2009.

Explanation for Recommended Board Action: In formulating the Audit Work Plan, the City Auditor consulted with members of the Board of Supervisors and City Management to identify areas of potential risk. These proposed audits were brought forward for lengthy discussion with the Audit Committee. Based on their discussion and understanding of the primary audit objectives and the estimated time to complete, the Audit Committee has prioritized the audits to be performed.

Applicable Statute, Code, Policy, Rule or Regulation: Varies depending on the specific audit.

Fiscal Impact: Per audit potential cost savings, cost avoidance, cost containment

Explanation of Impact: May result on a per audit basis.

Funding Source: Budget of the Internal Audit Department.

Alternatives: Modify or do not approve Audit Work Plan.

Supporting Material: See attached.

Prepared by: Sue Johnson

Reviewed by: ______________________ Date: ______________
(Department Head)

: ______________________ Date: 4-8-08
(City Manager)

: Melanie Bruketta Date: 4-8-08
(District Attorney)

: Sue Johnson Date: 4/8/8
(~~Director of Finance~~) City Auditor

Board Action Taken:

Motion: ______________________ 1) ________ 2) ________ Aye/Nay

____
(Vote Recorded By)

CARSON CITY AUDITOR'S PROPOSED WORK PLAN APRIL 2008 – JUNE 2009

City Auditor's Work Plan
April 2008 – June 2009

RECOMMENDED AUDITS	PRIMARY OBJECTIVE	RISK ASSESSMENT	PRIORITY
Redevelopment Authority & Office of Economic Development	To ensure that the Redevelopment Authority in conjunction with the Office of Business Development is functioning in an effective, efficient, and economical manner and is in compliance with internal policies and procedures aw well as applicable Federal, State, and City regulations.	HIGH	1.
Compensation Structure Review	To ensure that the "Compensation Structure" for the city represents sound compensation policies that are implemented consistently City wide and are periodically reviewed and revised in response to the changing business environment.	HIGH	2.
Ambulance Billing Process	To ensure that the recording of revenues, processing of payments and write-off of uncollectible accounts for the City's ambulance service represent sound financial practices that support a sound system of internal controls.	MEDIUM	3.
NDOT- Carson City Freeway Project	To ensure that the charges and payments for this multi-million dollar project and multi agency project are accounted for properly and comply with regulatory requirements and internal policy and procedures.	LOW	4.

POTENTIAL AUDITS PENDING EXTERNAL AUDITS "RISK ASSESSMENT FOCUS"	PRIMARY OBJECTIVE	RISK ASSESSMENT	PRIORITY
Financial Policy Review	To ensure that the financial policies maintained within the City's Finance Department represent sound financial practices and are updated periodically to be responsive to changes in the business environment	HIGH	1.
Parks & Recreation Programs	To ensure that the inflow of revenues and the out flow of expenditures comply with internal policies and procedures supporting a strong system of internal controls.	MEDIUM	2.
Grant Management	Perform a compliance review and determine the adequacy of City wide internal controls for grant management	MEDIUM	3

RECOMMENDED QUARTERLY REVIEWS	PRIMARY OBJECTIVE	RISK ASSESSMENT	PRIORITY
PERS Timesheet Compliance	Perform a compliance review and determine that Citywide the timesheets are properly prepared and compensation is properly recorded according to the PERS policy and requirements for Call-Back vs. Overtime Pay components.	HIGH	1.
Healthcare Providers Billing Compliance	Perform a compliance review and determine that invoices per the City's healthcare providers properly reflect additions, deletions, and changes in coverage for employees, to ensure Carson City is properly charged and deductions are properly taken for employee portion of premium.	MEDIUM	2.

WORK IN PROGRESS	PRIMARY OBJECTIVE	STATUS
Establish Audit Committee	The independence and objectivity between the Audit Committee and the City's management team ensures that internal controls are a key objective of the City's operations. The role of the Audit Committee is to maintain oversight of the auditing function both internal and external resulting in increased integrity and efficiency of the audit processes for the City and City's system of internal controls and financial reporting as well as ensure that those responsible for financial management of the City (governing boards, management, auditors) meet the respective responsibilities for internal compliance and financial management. The Audit Committee will provide a vehicle for open communication between the Board of Supervisors, the City's Management Team, Internal Audit and the Independent Auditors.	Completed March 6, 2008
PERS Audit Compliance	Notification and payment to PERS for the Holiday pay audit issue has been successfully completed. Per Approval by the Board of Supervisors, a check in the amount of $92,584.64 was mailed to PERS in December.	Completed March 6, 2008
	Notification and adjustments required by PERS have been successfully completed regarding the call-back pay issue for <u>all</u> <u>firefighters.</u> The amount of refund received by the City for the firefighters was $79,149.26.	Completed April 4, 2008
	Work as has begun on evaluating all other employee time sheets for compliance with call-back pay for the audit period June 2003 through current. This is a very large undertaking as approximately 50,000 time sheets will be reviewed. In a joint effort with the Director of Finance and the Fire Department, an individual on light duty has been assigned to assist with the administrative portion of this review beginning February 28th. Compliance with the audit issue is anticipated to be completed by April 30' 2008. It is currently anticipated that the City will have	

WORK IN PROGRESS	PRIMARY OBJECTIVE	STATUS
PERS Audit Compliance – Cont.	some exposure for the incorrect coding of call-back pay when it was overtime. At this time, the greatest exposure is believed to be in Public Works and Health and Human Service.	Target Completion April 30, 2008
P2K System	A post implementation review was completed December 7, 2007. Per the detailed review sent to the BOS, it was recommended to mitigate the findings of this review, that the City re-examine its Citywide strategic business plan for its human resource and payroll function. The fundamental business question to be answered, is would be City benefit from finding a solution to their investment of over $400K in P2K or would the City be better off to look at the converting to HTE 5.0 the same software the City used prior to P2K. Per direction of the Audit Committee, work with the City Manager and management team to access the "true" capabilities of this system and evaluate those as it relates to the City's business needs. Upon completion of this due diligences assignment, assist the City Manager with a summary report of recommendations to the BOS as to how to best resolve the issues and what resources will be required for resolution.	Special Project Assigned by Audit Committee
Travel & Training Draft Policy	Due to issues that arose out of the Health and Services Department in May, 2007 the prior City Manager requested that the City's travel and training policy, in place since June 2005, be revised. The policy was revised utilizing a hybrid of the current policy and procedures in place for the City of Reno and the State of Nevada. In October 2007, this revision was forwarded to the prior City Manager for review and comments. Overall, the feedback from the prior City Manager, Management Team and Elected officials was that the policy was "too bureaucratic and too cucumber some".	Review; Pending Completion of draft policy by City Management

WORK IN PROGRESS	PRIMARY OBJECTIVE	STATUS
Training & Travel – Cont.	Per recommendation of the Audit Committee, the development of policy is a function of management. Therefore, it is recommended that the current City Manger complete a revised draft policy for training and travel. Upon completion of the revised policy and prior to implementation, the Audit Committee has recommended the City Auditor review the revised policy and procedure.	Review; Pending Completion of draft policy by City Management

OFFICE OF CITY AUDITOR
APRIL 17, 2008

PRIMARY AUDIT OBJECTIVES

April 2008 – June 2009 Workplan

1. **Redevelopment Authority & Office of Economic Development**
2. **Compensation Structure Review**
3. **Ambulance Billing Process**
4. **NDOT- Carson City Freeway Project**

Estimated Hours: ____________________
Initial Timeline": ____________________
Date Approved by AC: ____________________
Date Approved by BOS: ____________________

RECOMMENDED AUDITS
WORK PLAN
APRIL 1, 2008 – JUNE 30, 2009

TITLE: **REDEVELOMENT AUTHORITY & OFFICE OF ECONOMIC DEVELOPMENT**

PRIMARY OBJECTIVE:

To ensure that the Redevelopment Authority in conjunction with the Office of Business Development is functioning in an effective, efficient, and economical manner and is in compliance with internal policies and procedures as well as applicable Federal, State, and City regulations:

SUB-OBJECTIVES:

1. Determine what criteria are used to identify possible areas for redevelopment as defined by NRS 279.586 and the criteria used to evaluate the economic and financial implications of transferring property from the property tax general fund basis to the redevelopment basis.

2. Evaluate the type of information and the channels of information utilized to communicate the operations of the Office of Business Development to the Advisory Board to the Redevelopment Authority to the Board of Supervisors to ensure the strategic goals and objectives of Redevelopment for the City are achieved and the proper channels of authorization are in place.

3. Determine what criteria are used to provide "Incentive Packages" and the authorization policy in place from the initial evaluation and request to the final disbursement of funds. Additionally, determine what criteria are used to guarantee contractual commitments between parties are achieved.

4. Evaluate the budget process documenting the flow of revenues and the flow of expenditures to meet the strategic goals and objectives as defined.

Estimated Hours: ______________________
Initial Timeline": ______________________
Date Approved by AC: ______________________
Date Approved by BOS: ______________________

RECOMMENDED AUDITS
WORK PLAN
APRIL 1, 2008 – JUNE 30, 2009

TITLE: COMPENSATION STRUCTURE REVIEW

PRIMARY OBJECTIVE:
To ensure that the "Compensation Structure" for the City represents sound compensation policies that are implemented consistently City wide and are periodically reviewed and revised in response to the changing business environment.

SUB OBJECTIVES:

1. Evaluate the current classification system to ensure it is consistently applied to exempt and non-exempt personnel.

2. Evaluate the authorization and approval process for exceptions to the standard policies and procedures that support the overall compensation structure.

3. Evaluate the process for reclassification adjustments for consistency City wide.

Estimated Hours: ______________________
Initial Timeline": ______________________
Date Approved by AC: ______________________
Date Approved by BOS: ______________________

RECOMMENDED AUDITS
WORK PLAN
APRIL 1, 2008 – JUNE 30, 2009

TITLE: **AMBULANCE BILLING PROCESS**

PRIMARY OBJECTIVE:
To ensure that the recording of revenues, processing of payments and write-off of uncollectible accounts for the City's Ambulance services represent sound financial practices that support a sound system of internal controls.

SUB OBJECTIVES:

1. Evaluate the contract the City has with the third party administrator for effectiveness and efficiency.

2. Determine that revenues and payments are billed and processed according to applicable laws and internal policies and procedures.

3. Determine that the methodology, process, authorization, and timeframe for writing off uncollectible accounts are adequate.

Estimated Hours: ______________________
Initial Timeline": ______________________
Date Approved by AC: ______________________
Date Approved by BOS: ______________________

RECOMMENDED AUDITS
WORK PLAN
APRIL 1, 2008 – JUNE 30, 2009

TITLE: NDOT - CARSON CITY FREEWAY PROJECT

PRIMARY OBJECTIVE:
To ensure that the charges and payments for this multi-million dollar project and multi agency project are accounted for properly and comply with regulatory requirements and internal policy and procedures.

SUB OBJECTIVES:

1. Determine that the criteria used for charges and payments for this multi-million dollar project are recorded correctly per agency involved and according to established regulations and internal policy and procedures.

2. Evaluate procedures to bill for the reimbursement of project costs occur within the timeframe as specified by approved agreements.

3. Determine that the prescribed process for obtaining reimbursement for construction contract change orders is followed.

4. Evaluate the process utilized for the recording and processing of charges and payments and the strength of internal controls.

Estimated Hours: ____________________
Initial Timeline": ____________________
Date Approved by AC: ____________________
Date Approved by BOS: ____________________