

CARSON CITY AUDIT COMMITTEE
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A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, February 14, 2012 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Vice Chairperson William Prowse
Member Ken Brown
Member John McKenna
Member Robert Parvin

STAFF: Nick Providenti, Finance Department Director
Kim Belt, Purchasing and Contracts Manager
Randal Munn, Chief Deputy District Attorney
Kathleen King, Deputy Clerk / Recording Secretary

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary 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 (3:00:57) - Chairperson Bertrand called the meeting to order at 3:00 p.m. Roll was called; a quorum was present.

3. PUBLIC COMMENTS AND DISCUSSION (3:01:21) - Chairperson Bertrand noted, for the record, there were no citizens present in the meeting room.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - January 10, 2012 (3:01:42) - Member McKenna moved to approve the minutes. Vice Chairperson Prowse seconded the motion. Motion carried 5-0.

5. POSSIBLE ACTION TO ADOPT THE AGENDA (3:02:07) - Chairperson Bertrand entertained modifications to the agenda and, when none were forthcoming, a motion to adopt it. **Member Brown so moved. Vice Chairperson Prowse seconded the motion. Motion carried 5-0.**

6. PUBLIC COMMENTS AND RECOMMENDATIONS RELATIVE TO THE CITY'S BUDGET AND OPPORTUNITIES TO IMPROVE PERFORMANCE (3:02:33) - (Clerk's note: There were no agenda materials provided for this item.) Chairperson Bertrand introduced this item, and entertained public comments. He noted again there were no citizens present in the meeting room. Member McKenna requested any interested citizen to contact any of the committee members with comments or questions. At Member Parvin's request, Chairperson Bertrand agreed to re-open this item in the event citizens wishing to comment arrived later in the meeting. Vice Chairperson Prowse established there was no one present by telephone.

7. VICE CHAIRPERSON PROWSE'S REPORT ON THE STATUS OF THE MOSS-ADAMS CONTRACT (3:04:12) - (Clerk's note: There were no agenda materials provided for this item.) Chairperson Bertrand introduced this item. Vice Chairperson Prowse reported that the contract was signed on January 19, 2012, and that Moss-Adams representatives met with the City Manager, the Finance Department Director, the Human Resources Director, the Sheriff, and a representative of the Chamber of

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Commerce “on or about January 30.” Vice Chairperson Prowse further reported having requested guidance from City representatives “in terms of how the Audit Committee is going to function relative to the day-to-day operation of the contract. ... We can think of the Audit Committee as the internal audit project manager of the contract.” Vice Chairperson Prowse explained the reason for the clarification to “keep ... the contract on some kind of direction; to be sure our concerns are considered or addressed.”

Vice Chairperson Prowse reported that the Moss-Adams contract director met with the Audit Committee chair and vice chair on February 2, 2012. A request was made for Moss-Adams representatives to inform both the chair and the vice chair prior to each visit to Carson City and to schedule a meeting with the chair and vice chair prior to their departure. Vice Chairperson Prowse further reported that Moss-Adams representatives intend to follow the internal audit risk assessment project scope, as provided to the Audit Committee on January 9th; “that the committee wants Moss-Adams to strive to obtain community input into the risk assessment and review; ... that a major focus of the committee is to tie both ... potential monetary savings and efficiency effectiveness of City operations into potential audit issues; .. that the risk assessment also includes consideration of major challenges facing the City; ... that Moss-Adams includes consideration of the City’s strategic plan status and performance measures; and, finally, we discussed exactly how the process should work relative to presentation of a draft report to the committee and final report and recommendation to the Board of Supervisors. There wasn’t anything specific decided upon, but he did mention that they would likely be providing the Audit Committee a draft a couple weeks prior to their ... hoped-for presentation to the Board of Supervisors.”

Chairperson Bertrand advised of having met separately with the Moss-Adams representative, and expressed the opinion that it went very well. “It was just an opportunity for us to ... establish that relationship and they are going to be reporting to ... the Audit Committee ... on a monthly basis, a written report so we’ll be able to monitor what’s happening ... so that we can give them feedback.”

(3:20:22) Vice Chairperson Prowse advised of having inquired of the Moss-Adams contract director whether travel expenses were included in the cost of the risk assessment. The contract director advised of the understanding that travel expenses were included, “but he was not positive.” Vice Chairperson Prowse suggested following up on the question and, in response to a question, Mr. Munn suggested requesting City staff to clarify the question. Following a brief discussion, Ms. Belt expressed the understanding, and Mr. Providenti confirmed, that travel expenses are included in the contract amount.

In response to a further question, Mr. Providenti explained that a new task will be determined following the risk assessment process. “We have basically a task-oriented contract so we’ll negotiate tasks with them. ... as long as it doesn’t exceed the total amount of the contract, it would just be on a task basis.” In response to a further question, Mr. Providenti explained the method by which a remaining contract balance would be handled. “... if the amount isn’t spent, then it just starts over at \$110,000. We don’t roll operating expenses over.” In response to a further question, he explained that, “as of July 1st, there’ll be a new budget of \$110,000 ... for fiscal 2013.” Discussion followed wherein Mr. Providenti and Member McKenna clarified the contract term relative to the City’s budget processes. Chairperson Bertrand entertained additional questions or comments; however, none were forthcoming.

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8. POSSIBLE ACTION TO APPROVE THE FINANCE REVIEW AND SELECTION COMMITTEE'S RECOMMENDATION FOR CONTRACT AWARD TO KAFOURY, ARMSTRONG & CO., CERTIFIED PUBLIC ACCOUNTANTS, FOR THE CARSON CITY EXTERNAL AUDIT FUNCTION, AND TO AUTHORIZE STAFF TO PREPARE A CONTRACT AND A BOARD ACTION FORM FOR BOARD OF SUPERVISORS APPROVAL (3:08:37) - Chairperson Bertrand introduced this item, and Ms. Belt reviewed the agenda materials. In response to a question, Ms. Belt advised that statements of qualification were received from Percy, Bowler, Taylor and Kern; Kafoury, Armstrong & Co.; Barnard, Vogler & Co.; J.A. Solari and Partners; and Galena, LLP. In response to a further question, she and Mr. Providenti reviewed the differences in the quotes provided. Mr. Providenti clarified that the statements of qualification were not evaluated solely on price. "We looked at the qualifications and we ... broke it down on what we thought was ... an hourly rate. ... Based on the hourly rates, it was pretty similar to Kafoury and we just weren't sure that they could do it in the hours that they had stated in their proposal."

In response to a question, Mr. Providenti advised of anticipating additional costs for extra programs. "We basically put in there two programs that they were auditing and ... it'll be at least two. ... last year, we had seven. It just depends on the nature of the programs ... how many programs there are. ... we'll have some extra costs based on those programs that we'll negotiate with them." Mr. Providenti acknowledged no anticipation of travel costs. He further acknowledged that special consideration was given to local, Nevada firms. "... another thing ... we ... looked at was the experience of former audits. We know Kafoury has ... done Carson City and Carson City, as a consolidated municipality, ... is a little bit different animal. Some of the other firms, we weren't sure that they had ... county-type experience. They had more dealing with ... smaller GIDs or city-type experience which is a little bit different. So we thought it would just be easier to select the firm that had more county experience."

In response to a question, Chairperson Bertrand referred to the fiscal impact of \$96,910.00, as delineated in the agenda report. Mr. Providenti advised that Kafoury, Armstrong & Co. anticipates using 1,034 hours annually. Chairperson Bertrand referred the committee members to page 5 of Kafoury, Armstrong & Co.'s statement of qualifications, copies of which were included in the agenda materials. In response to a question, Mr. Providenti expressed the belief that the City entered into a three-year contract with Kafoury, Armstrong & Co. in 2006. The last two years were single-year contracts. "It had been five years since we had done an RFQ for an external auditor." In response to a further question, Mr. Providenti advised that Kafoury, Armstrong & Co. representatives anticipate a new GASB in FY 2013 "which will probably cause a little bit more work."

Chairperson Bertrand entertained public comment and, when none was forthcoming, a motion to accept staff's recommendation to engage Kafoury, Armstrong as the external auditor. **Vice Chairperson Prowse so moved.** At Member McKenna's request, Vice Chairperson Prowse amended his motion as follows: **move to approve the finance review and selection committee's recommendation for contract award to Kafoury, Armstrong & Co., Certified Public Accounts, for the Carson City external audit function, and authorize staff to prepare a contract and Board Action form for Board of Supervisors approval. Member Brown seconded the motion. Motion carried 5-0.**

9. POSSIBLE ACTION TO SCHEDULE THE NEXT COMMITTEE MEETING (3:29:28) - Chairperson Bertrand introduced this item, and extensive discussion took place regarding the need for monthly meetings and the appropriate date for the next meeting. Chairperson Bertrand entertained a motion

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and, following additional discussion, suggested confirming there will be a meeting in March, the date and location to be determined. **Vice Chairperson Prowse moved that the Audit Committee hold a meeting within the next six weeks, for staff to schedule the meeting in cooperation with the chair and to notify the committee members. Member Brown seconded the motion. Motion carried 5-0.**

10. PUBLIC COMMENT (3:35:11) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

11. ACTION TO ADJOURN (3:36:02) - Member Brown moved to adjourn the meeting at 3:36 p.m. Vice Chairperson Prowse seconded the motion. Motion carried 5-0.

The Minutes of the February 14, 2012 Carson City Audit Committee meeting are so approved this _____ day of March, 2012.

MICHAEL BERTRAND, Chair