

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

Day: Monday
Date: September 9, 2019
Time: Beginning at 1:00 pm
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

AGENDA

1. Call to Order

2. Roll Call

3. Public Comments and Discussion:

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 - May 9th, 2019

5. For Possible Action: Adoption of Agenda

6. Meeting Items

6.A 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 provide a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

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

6.B For Discussion Only: Update and discussion on the selected agreed upon procedures performed by Eide Bailly regarding the Social Media Policy Creation and the Fee Structure Review. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be providing an update regarding the Social Media Policy Creation and the Fee Structure Review.

6.C For Possible Action: Discussion and possible action regarding projects to be performed by the Internal Auditor for the period ending June 30, 2020, and recommending to the Board of

Supervisors moving forward with the identified FY 20 Audit Work Program. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP will work with the Audit Committee to develop a FY20 Audit Work Program. Eide Bailly has reviewed the prior meeting, and is prepared to provide recommendations (including project budgets) for suggested future internal audits/reviews.

6.D For Possible Action: Discussion and possible action regarding the review of agreed upon procedures established by Eide Bailly and Staff regarding the FY20 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP and City staff will be discussing and taking direction from the Audit Committee regarding the agreed upon procedures for the items agreed to as part of the FY20 Audit Work Program.

6.E For Discussion Only: Discussion regarding dates for the next meeting of the Audit Committee.

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 City Manager's Office. 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 Office in writing at 201 North Carson Street, Suite 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 Omattie Luedtke at oluedtke@carson.org or call (775) 283-7485.

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.

This notice has been posted at the following locations:
Community Center 851 East William Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Community Development Permit Center 108 Proctor Street
<http://notice.nv.gov>

CARSON CITY AUDIT COMMITTEE

Minutes of the May 9, 2019 Meeting

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A regular meeting of the Carson City Audit Committee was scheduled for 1:00 p.m. on Thursday, May 9, 2019 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Vice Chairperson Michael Bertrand
Member Lori Bagwell
Member Ernie Mayhorn
Member Betsy Strasburg

STAFF: Nancy Paulson, City Manager
Sheri Russell, Chief Financial Officer
Todd Reese, Deputy District Attorney
Kathleen King, Chief Deputy 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 (1:02:40) - Chairperson Ferguson called the meeting to order at 1:02 p.m. Ms. King called the roll; a quorum was present.

3. PUBLIC COMMENTS (1:03:01) - Chairperson Ferguson entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - January 29, 2019 (1:03:37) - Chairperson Ferguson introduced this item, and entertained a motion. **Member Bagwell moved to approve the minutes. Vice Chairperson Bertrand seconded the motion. Motion carried 5-0.**

5. POSSIBLE ACTION ON ADOPTION OF AGENDA (1:04:20) - Chairperson Ferguson entertained modifications to the agenda; however, none were forthcoming.

6. PUBLIC MEETING ITEMS:

6(A) 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 TO PROVIDE A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND / OR RECOMMENDATIONS (1:04:40) - Chairperson Ferguson introduced this item. Ms. Russell described a format change to the tracking report, and presented the agenda materials. Ms. Russell responded to questions and discussion followed. No formal action was taken.

6(B) PRESENTATION BY EIDE BAILLY REPRESENTATIVE(S) ON FIRE DEPARTMENT OVERTIME AGREED-UPON PROCEDURES FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO PROVIDE RECOMMENDATION TO THE BOARD OF SUPERVISORS (1:08:55) - Chairperson Ferguson introduced this item, and Dan Carter, of Eide Bailly, presented the agenda materials. Mr. Carter, Fire Chief

CARSON CITY AUDIT COMMITTEE

Minutes of the May 9, 2019 Meeting

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Sean Slamon, and Ms. Russell responded to questions of clarification, and extensive discussion followed. Chairperson Ferguson expressed appreciation to Mr. Carter and Chief Slamon, and entertained public comment. When no public comment was forthcoming, Chairperson Ferguson entertained a motion. **Member Bagwell moved to accept the report, as amended, from Eide Bailly and to direct staff to work on the recommendations provided. Vice Chairperson Bertrand seconded the motion. Motion carried 5-0.**

6(C) PRESENTATION BY EIDE BAILLY ON TEMPORARY STAFFING AGREED-UPON PROCEDURES FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO PROVIDE RECOMMENDATION TO THE BOARD OF SUPERVISORS (1:38:52) - Chairperson Ferguson introduced this item, and Dan Carter, of Eide Bailly, presented the agenda materials. Mr. Carter and Ms. Russell responded to questions of clarification, and extensive discussion ensued. Chairperson Ferguson entertained additional questions or comments of the committee members and of the public and, when none were forthcoming, a motion. **Member Mayhorn moved to accept the report by Eide Bailly on temporary staffing, as presented. Member Strasburg seconded the motion. Motion carried 5-0.**

6(D) 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, 2020 (2:07:31) - Chairperson Ferguson introduced this item, and Dan Carter, of Eide Bailly, provided an overview of discussion which took place at the January committee meeting. Ms. Russell responded to questions of clarification, and discussion took place regarding possible audit projects. No formal action was taken.

6(E) DISCUSSION REGARDING DATES FOR THE NEXT MEETING OF THE AUDIT COMMITTEE (2:26:33) - Chairperson Ferguson introduced this item. Following discussion, consensus of the committee was to schedule the next meeting for 1:00 p.m. on Thursday, August 8th.

7. PUBLIC COMMENT (2:30:48) - Chairperson Ferguson entertained public comment; however, none was forthcoming.

8. ACTION TO ADJOURN (2:31:03) - Chairperson Ferguson adjourned the meeting at 2:31 p.m.

The Minutes of the May 9, 2019 Carson City Audit Committee meeting are so approved this ____ day of August, 2019.

STEPHEN FERGUSON, Chair



STAFF REPORT

Report To: Audit Committee

Meeting Date: September 9, 2019

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 provide a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: City 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: 10 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

N/A

Background/Issues & Analysis

January 1, 2019 - Staff brought the list of findings and/or recommendations to the Committee, and several of the items were deemed corrected, and closed at the March 7, 2019 Board of Supervisors meeting.

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
January 29, 2019

Carson City - Audit Findings Tracking Summary Report (revised 8-21-19)

Report Name	Report Submittal	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			1 open finding
Community Facility Cost Recovery Eagle Valley Gol	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	
Performance Measures Development	6/3/2015		Internal Auditor	1	0	6/7/2016		
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		Internal Auditor	8	0	5/10/2018		
Public Guardian Follow Up Review	5/3/2018		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	3	5/10/2018	3/7/2019	
FY 2018 CAFR and Single Audit	12/6/2018		External Auditor	3		12/6/2018		
Temporary Staffing Audit	5/9/2019		Internal Auditor	5		5/9/2019		
Fire Department Overtime Audit	5/9/2019		Internal Auditor	2		5/9/2019		
Total (including archived reports)				210	190			

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

Findings Addressed - project closed

Partially Addressed items

Not yet addressed

For Discussion today

Carson City
Capital Projects Process Review
05-02-18

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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	Status Comments
1	5/3/2018		Develop and utilize a scorecard that establishes objective criteria to assist in the evaluation of capital projects during the capital planning selection process.	PW		<p>Course of Action- Use current scorecard for sewer CIPs and modify and determine objective criteria to evaluate water and stormwater CIPs (Feb 2019). Scorecards will be prepared for utility project CIPs in time for each year's budget planning period (typically around January/February). We will also plan on developing a scorecard for facility projects (Feb 2020). Ultimate goal is to use data collected through asset management program (work orders, maintenance costs, condition, etc.) to feed CIP decisions</p> <p>Expected Benefits- Use of objective data/criteria will help us make effective data driven decisions and improve transparency in the CIP planning process.</p>			P	Feb 2020		<p>We have developed a scorecard for sewer CIP projects and are in the process of developing scorecards for water and stormwater capital projects to be ready for next FY budget planning period (Feb 2019). These scorecards evaluate projects and rank/prioritize using objective data such as age of pipe, material, condition, capacity, maintenance cost, street classification, risk of failure, consequence of failure, etc.</p> <p>January 2019 Update- On track with scorecards for sewer, water and stormwater projects to prioritize CIPs for this coming fiscal year (FY 2020). Scorecard for facility projects to be developed in Feb. 2020.</p> <p>-May 2019 Update- Developed scorecards for water and sewer pipeline replacement/rehabilitation projects and small stormwater projects that consider probability of failure and consequence of failure criteria to help objectively prioritize future CIPs. These scorecards will continue to be refined and advanced in the future, particularly as our asset management program develops. Scorecard for facility projects to be developed in Feb. 2020</p>
2	5/3/2018		Cultivate a Project Management Manual that provides standardized templates, checklists, forms, and best practice guidance.	PW		<p>Course of Action- Create a project management checklist that guides PMs through all required steps to successfully complete a project. This checklist will reference other project management related documents that offer more detail on specific stages of project management (project initiation forms, guidelines to setting up project in Smartsheet, creating project schedules, QA/QC for projects, project closeout). The checklist will be placed in the project folder and be required to be completed for each CIP.</p> <p>The checklist in combination with specific documents and forms related to project management will be located in a central site on the network and be considered the "Project Management Manual". There is no plan at this time to create an actual manual.</p> <p>Expected Benefits- Lead to better management of capital projects</p>			P	PM Manual (December 2019)		<p>In process of developing a project management checklist for project managers to complete for each CIP. This checklist will track from project initiation to closeout. This checklist will reference to other PM documents related to different stages of the project (project initiation forms, guidelines to setting up project in Smartsheet, creating project schedules, QA/QC for projects, project closeout). A draft of checklist has been developed and is currently in circulation for comments. We anticipate checklist to be completed and in-use by Jan 2019.</p> <p>After completion of PM checklist, the checklist in combination with specific documents and forms related to project management will be located in a central site on the network and be considered the "Project Management Manual". There is no plan at this time to create an actual manual.</p> <p>January 2019 Update- The decision was made in December 2018 to create a formal project management manual. A working group, consisting of different personnel across public works that is involved with various stages of capital projects, was formed to help develop the contents of the manual. The manual is about 1/3 of the way done and will be complete in time to manage next fiscal year's capital projects (July 2019). This manual will include standardized templates, checklists, forms and best practice guidance as initially recommended by auditor. (See all PM Manual References Below)</p>
												<p>August 2019 Update: The goal of Public Works was to complete the PM Manual by July in time for the start of FY20 projects. However, due to the heightened demand from capital projects and other critical special projects, transition to the new Munis system and the impact to public works project management workflow, as well as the other daily duties required of public works personnel, this task was unfortunately unable to be fully completed by the July timeframe. Public Works will continue to move forward with competing the PM manual over the next couple months and anticipates completing by the end of the calendar year.</p>

Carson City
Capital Projects Process Review
05-02-18

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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	Status Comments
3	5/3/2018		Subscribe to Electronic Signature Services to expedite the contract approval process.	PW		<p>Course of Action- Public Works will have the discussion with Purchasing & Contracts to see what options are available for electronic signature implementation. Discussion will occur in Fall 2018 and then decision will be made on whether to pursue or not</p> <p>Expected Benefits- If implemented, the contract approval process would be expedited</p>			N	October 2019		<p>We do spend a great amount of time collecting signatures and passing documents around, so exploring electronic signature options may be beneficial. Public Works will have the discussion with Purchasing & Contracts to see what options are available. Discussion will occur in Fall 2018. - New ERP System will definitely have electronic approvals as well as some electronic signature options. We would like to wait until we are farther along in the implementation process.</p> <p><u>January 2019 Update-</u> Meeting was held in Fall 2018 and decision was made to wait until new ERP system is rolled out. The ERP system will include electronic approvals as well as some electronic signature options. Implementation Team - Purchasing Administrator - Carol Akers</p>
4	5/3/2018		Utilize a single unique identifier for projects to ensure documentation clearly references each project.	PW		<p>Course of Action- Modify documents internal to public works to include project number along with contract number. The Public Works Financial Analyst does currently keep a contract register which does relate all contracts back to their unique project numbers, so the current method does work for searches/tracking, but could be improved. Discuss with Finance, Purchasing & Contracts and Public Works Financial Analyst to discuss options to be consistent with our project naming and unique identifier. Review ERP system capabilities to see if new system may lead to better tracking and streamline document searches in future.</p> <p>Expected Benefits- Improve project document tracking and searches</p>			Y	Nov 2018		<p>We currently assign single unique identifiers to projects, however these project numbers don't get referenced in all construction documents such as design or construction contracts (only contract numbers used). The Public Works Financial Analyst does keep a contract register, which links all contracts back to their associated unique project numbers. Therefore, everything can be searched and tracked with some effort.</p> <p>We are in the process of modifying public works related construction documents (i.e. project completion memos and other documents used for construction management during construction) to reference both project numbers and contract numbers. We will plan on discussing with Finance, Purchasing & Contracts and Public Works Financial Analyst to discuss options to be consistent with our project naming and unique identifier. Plan on holding these discussions in fall of 2018. This process may also be improved with the capabilities/features of the new ERP system.</p> <p>The project number assigned by Finance is supposed to be included on contracts with the account number. The new ERP system will allow for contract, payments, purchase orders, payroll and grants to be tied to specific projects. It also has the ability to store pertinent documents with the project.</p> <p><u>January 2019 Update-</u> All contract documents have been modified to make reference to contract number and project number to easily help Finance, Contracts and Public Works Department clearly track public works related construction documents through life of a project. The new ERP system will help make this tracking even better.</p>

Carson City
Capital Projects Process Review
05-02-18

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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	Status Comments
5	5/3/2018		Explore system support for staff payroll on capital projects to enable more efficient and effective tracking of Public Works staff time.	PW		Course of Action- Continue to learn more about the capabilities of the new ERP system. When ERP system is implemented and staff is trained, we will have the capabilities to provide more efficient and effective tracking of Public Works staff time. Anticipate ERP implementation to occur in next 12 months Expected Benefits- Enable more efficient and effective tracking of Public Works staff time.			N	July 2020		The new ERP system will allow time entry for projects directly in the system. This will eliminate the necessity for the current method of keeping a separate project time sheet and then doing a journal entry to do the direct billing for Public Works Staff time. Implementation Team - Accounting Manager - Jamie Stevenson In the meantime, we will work to update project timesheets more regularly to better track project costs in "real time"
6	5/3/2018		Clearly identify and separate capital project documents to properly track contract modifications.	PW		Course of Action- Modify or create new guidelines/policy that outline and clearly specify bid, conformed and contractual documents for each project. These guidelines will integrate with the project management checklist referred to in item #2. Expected Benefits- Improve organization of project documents			P	(PM Manual) December 2019		Public Works staff is currently working on modifying project management procedural documents to clearly define and distinguish between bid documents, conformed documents and contract documents and to specify the location of where each of these document types should be filed in the project folder. These procedures will integrate with the project management checklist referred to in item #2. Properly designating the contract documents will help identify and track any changes made or modified via addenda <u>January 2019 Update-</u> Public Works has completed developing specific folder locations and guidelines for project managers to follow to place bid documents, conformed documents and contract documents. This process will also be added to the PM Manual to be completed in July 2019. <u>See #2 above for August 2019 Update.</u>
7	5/3/2018		Expand capital project close-out processes to include a review of project costs, deliverables, and required documentation.	PW		Course of Action- Create step-by-step procedure document outlining proper project close-out. These guidelines will integrate with the project management checklist referred to in item #2. Expected Benefits- Improve close-out of projects and improve organization and how we manage projects in the future			P	(PM Manual) December 2019		A draft step-by-step procedure document outlining proper project close-out has been created and is currently in circulation for comments. We anticipate this close-out procedure to be completed and in-use by Jan 2019. This will be added as step in the project management checklist <u>January 2019 Update-</u> Public Works has completed developing document outlining proper project close-out. This will formally be included as part of the PM Manual to be completed in time for next fiscal year projects. <u>See #2 above for August 2019 Update.</u>
8	5/3/2018		Create a project postmortem process to continuously improve capital project efficiencies.	PW		Course of Action- Create a standard form that addresses lessons learned related to construction issues, quality control, external department coordination (for projects where public works PMs run a project for Parks department), comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets). This document will integrate with the project management checklist referred to in item #2. This postmortem form will be required to be completed by PMs before a project can be closed out. Expected Benefits- Improve future management of projects			P	(PM Manual) December 2019		This will be added as a step in the project management checklist and be required for PMs to complete before closing out project. A standard form will be developed that addresses lessons learned related to construction issues, quality control, external department coordination (for projects where public works PMs run a project for Parks department), comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets). This postmortem form will be required to be completed by PMs before a project can be closed out <u>January 2019 Update-</u> A draft document outlining proper project debrief process has been created by Public Works. This will formally be included as part of the PM Manual to be completed in time for next fiscal year projects. <u>See #2 above for August 2019 Update</u>

Carson City
FY 2018 Audit Findings
November 30, 2018

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	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	Status Comments
1			2018-001	Financial Statements may be materially misstated as a result of ineffective review of complicated and/or non-reoccurring journal entries and other similar transactions	More attention and thoughtful consideration be given to the supervision and review of complicated, individually material and/or non-reoccurring journal entries.			Carson City will ensure that implementations of new standards which can be challenging or non-recurring transactions are implemented and reviewed by the appropriate staff level	\$ -	0	P	6/30/2019	6/30/2019	FY19 should be a much smoother process as the appropriate staff will be able to take on new GASB implementations and it will be reviewed by the CFO instead of prepared by the CFO.
2			2018-002	Financial Statements may be materially misstated as a result of the failure to appropriately, and timely, communicate significant transactions and/or contractual changes between various operational departments and the Finance Department.	Finance Department attend and or review minute of various meeting and committees to ensure awareness of what is going on. As well as a greater degree of person to person communication between finance and other departments.			Management will be more involved in the meetings and committees to ensure we are aware of new agreements, in addition, the fire department is updating their SOP's to ensure Finance is aware of all new agreements within 5 days of the execution of a new agreement or amended agreement.	\$ -	0	P	6/30/2019	6/30/2019	An amendment was done on a Medicare Contract which significantly increased the amount of revenue the City was going to receive. The agreement was executed on November 17th, and we issued our FY17 audit report on November 30th. The auditor maintains that we should have known and accrued the revenue as a receivable. Finance did not receive a copy of the amended contract until October 2018. We are now attending meetings and Fire is aware that Finance needs to be notified of any such contracts.
3			2018-003	Failure to appropriately verify entity status are not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities prior to entering into a covered transaction.	City should verify that an entity is not debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activity before entering into a covered transaction.			Purchasing & Contracts Department will verify debarment and suspension status on the System for Award Management (SAM) website. Moving forward a pdf print screen will be saved electronically and a paper copy will be included in the contract project file as supporting documentation. The contract will not be executed until the verification is complete.	\$ -	0	P	6/30/2019	6/30/2019	We have updated procedures for the purchasing and contracts position to indicate that this must be completed and documented prior to executing the contract.

Carson City
Temporary Staffing Audit
May 9, 2019

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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	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	P	10/31/2019		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.
2			Recommend a single timesheet format be used by temporary workers and for management to implement the requirement to accurately record break periods.			Management will speak with departments on how time is reported, there may be two approved methods, one being a spreadsheet if there are multiple employees and one being the Marathon Timesheet - which is their internal form.	\$ -	0	N	12/31/2019		Speaking with Departments
3			We recommend that city-wide policy and individual department policy involving the use of temporary employees in an overtime capacity be included to address the pre-approval needed and a specified number of hours allowed.			The City will develop a policy, which will include approvals by IFC, HR, Finance and City Manager	\$ -	0	Y	8/1/2019	8/1/2019	HR has developed a Policy and various forms, and several have gone through the new process at this time. The form includes necessity of the temporary staffing, how long and estimated number of hours. HR reviews all the information, Finance ensures there is funding available, and it is brought to IFC for final approval.
4			We recommend that a cost analysis be performed when executive level former employees are brought on as temporary consultants. In such instances an independent contractor arrangement established directly with the employee may be more cost effective than using a temporary staffing agency.			The City will include this in the policies and procedures described in #3			Y	8/1/2019	8/1/2019	While this exact scenario should be very rare, we are doing a cost analysis for all Temporary staffing.
5			We recommend city wide policies be drafted to include best practices in planning, budgeting, and management of temporary workers. This recommendation includes the use of training to ensure proper implementation of these policies.			The City will include this in the policies and procedures described in #3			Y	8/1/2019	8/1/2019	Policies were written and implemented, the form requesting temporary staffing includes who will supervise that employee and can they afford it, as well as explanation as to the need for temporary staffing. HR sent out the form and instructions to each of the directors, and everything seems to be working as designed.

Carson City
Fire Department Overtime Hours Audit
May 9, 2019

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	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	Status Comments
1			We recommend the Fire Department utilize a sub-category function in Telestaff to track different types of overtime, such as training and mutual aids. This will allow the department more visibility into the various overtime activities and provide for better budget oversight. Additionally, we recommend the Fire Department budget for total hours and have the finance department calculate the amounts based on the pay rate of employees. Prior year actual hours or a three-year average may be used as a starting point until sufficient historical data is built.			Carson City will work on adding appropriate coding to Telestaff in order to break out the types of Overtime. - Finance will work on the overtime budget for the FY21 Budget.	\$ -	0	N	9/30/2019		FD Telestaff Codes: Budget of OT: FY20 budget is set, but we will work up a better estimate for the FY21 budget. Update 8-29-19: Telestaff Sub Categories for specific overtime types will be fully implemented when the Telestaff upgrade is complete. The upgrade should be complete by the end of September 2019.
2			Per discussion with Sean Slamon, Fire Chief, the department is currently operating at 51 personnel. The Fire Department determined that six (6) additional firefighters are needed to offset the increase in the number of personnel allowed off each day.			Per the Non-Bargaining Agreement with the Firefighters, if we add more than 51 firefighters, we have to allow 3 firefighters vacation at the same time, instead of 51 and under we only allow 2 firefighters off at the same time. We believe this will increase the Overtime. 6 new firefighters may reduce overtime but the cost of 6 new firefighters with Salary and Benefits is approximately \$795,000 (Average Firefighter/Paramedic or Firefighter salary is \$132,500) We currently budget \$772,646 in Overtime.	\$ -	0	N	Unsure		Currently, we cannot guarantee that 6 new positions would reduce overtime significantly. We are working on this analysis. Chief Slamon is also looking into another option to reduce overtime which is a three year FEMA SAFER Staffing Grant. If awarded, the Grant would cover 75% of the employee costs for two years, and 35% for the third year.



POLICY AND PROCEDURE

Subject: Contingent Staffing Policy: Contract Workers

1.0 Purpose

The purpose of this policy is to establish the process and procedure by which a City Department or Elected Office may enter into a contract with a staffing agency to fill a position for a temporary full-time or part-time or seasonal period.

2.0 Applicability

This policy applies to all City Departments and Elected Offices.

3.0 Definitions

- Contract Worker: A person placed into a City position for a temporary full-time or part-time or seasonal period through an agreement with a staffing agency.

4.0 Policy

The City recognizes that a portion of its staffing needs may be met by the placement of a Contract Worker. The Human Resources Department and the Purchasing and Contracts Administrator are responsible for identifying and reviewing employment vendor relationships for these purposes. Any fee and payment schedule must be negotiated in advance with the selected staffing agency and approved by the Board of Supervisors before placing the Contract Worker into a position.

Each City Department and Elected Office is individually responsible for the overall management of the selection and hiring process relating to the placement of a Contract Worker. The authority to contract with a staffing agency pursuant to an approved fee and payment schedule for the placement of a Contract Worker rests exclusively with the City Manager and approval must be obtained by the City Manager prior to entering into any such agreement. The release of a Contract Worker must be coordinated by the applicable City Department or Elected Office, with notification provided to Human Resources in a timely manner.

5.0 Procedure

1. A City Department Director or Elected Official may request approval for the placement of a Contract Worker when an appropriate need arises. The following circumstances are intended to be illustrative but non-exhaustive circumstances constituting an appropriate need:
 - a. special projects;
 - b. coverage for an employee going out on a leave of absence;
 - c. need for additional personnel during emergency situations;
 - d. the intermittent or seasonal nature of the position;
 - e. cost savings to the City;
 - f. staffing a position that is difficult for the City to staff due to insufficient long term funding, including, but not limited to:
 - i. grant positions; and or
 - ii. the need for specific expertise.
2. A City Department Director or Elected Official may seek approval for the placement of a Contract Worker by completing the *Contract Staffing Request* form and submitting the form and a summary of job duties to the Human Resources Department, along with an IFC (Internal Finance Committee) Request Form. Upon receipt by the Human Resources Director of all required paperwork, the request will be placed on an IFC agenda for consideration and possible approval by the IFC.
3. If a request is approved, the Department Director or Elected Official must communicate with the selected staffing agency to facilitate placement of the Contract Worker. If the Department Director or Elected Official proposes to fill a position with a particular person as the preferred Contract Worker, he or she must refer that person to the staffing agency to notify the staffing agency of that preference for placement. Whenever a staffing agency intends to place a Contract Worker, the appropriate Department Director or Elected Official must review the credentials of the proposed Contract Worker and determine whether the person is qualified to fill the intended position based on that person's knowledge, skills and abilities to perform the essential functions of the position.
4. If a Department Director or Elected Official needs to extend the period for which a Contract Worker is placed, the Department Director or Elected Official must revise the previously submitted *Contract Staffing Request* form for resubmission to IFC as a request to extend the length of placement. The form must include the reason for the requested extension. It is at all times the responsibility of the Department Director or Elected Official to maintain the appropriate documentation associated with the placement of a Contract Worker, ensure there are sufficient funds available in his or her budget and monitor the employment dates of the Contract Worker.
5. If a Contract Worker is determined to suffer from work-related performance issues during the course of his or her placement in a position, the supervisor

assigned to that Contract Worker must notify the Department Director or Elected Official, the staffing agency and the Human Resources Department. Because a Contract Worker is not an employee of the City but is an employee of the staffing agency which provided the placement, disciplinary actions, if any, are solely the responsibility of the staffing agency.

6. At the end of a Contract Worker's placement, the Department Director or Elected Official must submit a completed *Contract Staffing Termination Notification* form to the Human Resources Department. The Human Resources Department will send a copy of the completed form to the Information Technology Department and the Finance Department. The Human Resources Department will update the appropriate Contract Worker staffing records and disconnect badge access and PolicyTech access, if applicable. The Information Technology Department will disable access to any City-owned device or network that was provided to the Contract Worker during his or her placement with the City.

6.0 Reference

Staffing Agency contract *please contact Purchasing & Contracts; cakers@carson.org*
Contract Staffing Request form [Contract Staffing Request Form](#)
Contract Staffing Termination Notification form
[Contract Staffing Termination Notification Form](#)
IFC Request form [IFC Request Form](#)

END



CONTRACT STAFFING REQUEST FORM

Department/Elected Office Name: _____

Account #: _____

Contract Worker Name *(if known)*: _____

Position Title: _____

Carson City retiree/former City employee: Yes No

If yes, please explain why the person is being hired through the staffing agency: _____

If this former City employee/retiree did not work for you previously, did you review the Contract Worker's personnel file: Yes No

Is this Contract Worker related within the third degree of consanguinity or affinity to another Carson City employee? Yes No

If yes, please explain the relationship: _____

(A person may not be hired if the employment would 1. Create either a direct or indirect supervisor/subordinate relationship with a family member or 2. Create an actual conflict of interest or the appearance of a conflict of interest. The City Manager will make the final determination as to an actual or perceived conflict of interest, which decision is not subject to appeal. See Carson City's Nepotism policy and Nevada Revised Statute Chapter 281 for more information.)

Temporary Staffing Firm Name: _____

Department/Elected Office Referral to staffing agency: Yes No

Temporary Staffing Firm Administrative Fee: _____ *(See attached spreadsheet)*

Date Contract Worker is requested to begin: _____

(Please provide at least five working days for the request to be processed.)

Length of Assignment: _____

(If the end date of assignment changes, this form must be revised and sent to Human Resources with an explanation as to why it is being changed and a request must be made to IFC.)

Contract Worker's work schedule: full-time (2080 hours/year) part-time (less than 2080 hours/year)

Is there a possibility of the Contract Worker working overtime hours?
 Yes No

Contract Worker's hourly rate: *(Please do not include the staffing fee set forth above)*

If the Contract Worker is a former City employee/retiree, what was the Contract Worker's hourly rate at the time employment with the City was terminated?

If you are requesting to pay the Contract Worker more than the hourly rate he/she was making when employed by the City, please explain: _____

Please provide the reason for hiring through a temporary staffing agency rather than as a direct hire to the City: _____

Does the Department/Office have sufficient funds in its budget to cover the cost of the Contract Worker, including overtime costs? Yes No
(If the Department/Office does not have sufficient funding, a budget augmentation request must be made to IFC before the position can be filled.)

Contract Worker's supervisor: _____

Name of person, if different from the supervisor, who will be reviewing the Contract Worker's daily work: _____ *(This person must also be the person signing the worker's timesheet.)*

Name of person in the Department/Elected Office responsible for auditing the temporary staffing agency invoices: _____

Will this worker need badge access/keys: Yes No

If yes, please list the locations needed: _____

Will this Contract Worker need e-mail set-up: Yes No *If yes, please attach IT access forms.*

Will this Contract Worker need access to PolicyTech: Yes No
(The Contract Worker must have an email address if you'd like him/her to receive notification of new policies or revisions to policies.)

If yes, please provide the reason: _____



**CONTRACT STAFFING
REQUEST FORM**

Please provide the e-mail address for the PolicyTech notifications: _____

Summary of job duties attached: yes no

Name of person responsible for notifying Human Resources when the placement of the Contract Worker with Carson City is no longer necessary through the temporary staffing agency: _____

(Please note: this form will not be processed until the summary of job duties is provided and the form is filled out in its entirety. Thank you.)

Department Director/Elected Official

Date

Administrative Review:

Human Resources:

The form is complete and ready to be processed:

yes no

Signature/Job Title

Date

Finance:

The funds are available in the Department/Elected Office's account to cover the cost of this Contract Worker yes no

If no, please explain:

Signature/Job Title

Date

City Manager:

I reviewed the application, considered the costs associated with hiring this Contract Worker through a temporary staffing agency rather than as a direct hire or Independent Contractor and approve the application:

City Manager

Date

Reason for non-approval and/or special conditions of approval:



**CONTRACT STAFFING
REQUEST FORM**

Contract for Services of Temporary Staffing			

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Staffing Agency	Agency Recruitment	City Recruitment	Worker Tax/Benefit Cost Fees (included in %)
Marathon Staffing Group, Inc.	Hourly + 31%	Hourly + 23.6%	17.90%
Manpower	Hourly + 34%	Hourly + 24%	20.89%
Acro Service Corporation	Hourly + 30.95%	Hourly + 19.95%	13.95%
Talent Framework, LLC	Hourly + 29%	Hourly + 21%	14.88% to 17.38%



STAFF REPORT

Report To: Audit Committee

Meeting Date: September 9, 2019

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

Agenda Title: For Discussion Only: Update and discussion on the selected agreed upon procedures performed by Eide Bailly regarding the Social Media Policy Creation and the Fee Structure Review. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be providing an update regarding the Social Media Policy Creation and the Fee Structure Review.

Agenda Action: Other/Presentation

Time Requested: 10 minutes

Proposed Motion

No Action – Discussion Only

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

5/9/19 – Eide Bailly and the Audit Committee agreed to add these projects to the FY19 Audit Work Program as there was extra budgeted funding available after the FY19 Approved Audit Work Program was completed. Since that time, they have had some staffing changes and have not been able to complete the procedures as quickly as previously anticipated.

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: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)



STAFF REPORT

Report To: Audit Committee

Meeting Date: September 9, 2019

Staff Contact: Sheri Russell, Chief Financial Officer and Audrey Donovan, Senior Manager

Agenda Title: For Possible Action: Discussion and possible action regarding projects to be performed by the Internal Auditor for the period ending June 30, 2020, and recommending to the Board of Supervisors moving forward with the identified FY 20 Audit Work Program. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP will work with the Audit Committee to develop a FY20 Audit Work Program. Eide Bailly has reviewed the prior meeting, and is prepared to provide recommendations (including project budgets) for suggested future internal audits/reviews.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

I move to approve and recommend to the Board of Supervisors moving forward with the FY20 Audit Work Program as discussed.

Board's Strategic Goal

Efficient Government

Previous Action

Fiscal year 2019 internal audit program was approved by the Audit Committee on July 31, 2018. The program was approved by the Board of Supervisors on August 16, 2018.

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.

The Board approved Contract 1718-137 to appoint Eide Bailly, LLP as the City's internal auditor on June 21, 2018. Eide Bailly is our former external auditor, and therefore, very familiar with the City's operations and the steps necessary to minimize risk in the future and improve operating efficiencies. The Internal Auditor will work with the Audit Committee to prioritize and develop internal audit/review projects based on an annual risk assessment review. The Audit Committee will oversee the Internal Auditor's recommendations and the City's implementation of those recommendations to protect the City from potential fraud, waste and abuse of city resources and property.

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: General Fund Internal Auditor / Professional Services
1010800-500309

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: \$110,000 has been budgeted for fiscal year 2020. FY19 Eide Bailly spent \$64,113 of the budgeted \$110,000, leaving \$45,887 unspent. During the May 2019 meeting it was decided to add the Social Media Policy Creation and Fee Structure Review projects to the FY19 work Program. \$29,375 will be augmented during December/January to roll forward this amount from FY19 to add it to the FY20 internal audit budget for these projects.

Alternatives

N/A

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

INTERNAL AUDIT PROPOSED SCHEDULE FOR 2019-2020

2019 Proposed Internal Audit Plan	Budget Hours	Budget Amount
2019 Risk Assessment – Continue to meet with department directors and elected officials to update the risks/rankings identified in the 2018 risk assessment to refine the 2019 audit plan.	150	\$17,625
Citywide Budget Monitoring Audit – To test internal control structure of the budget monitoring process to ensure approval of budget authorizations, monitoring, proper use of methods and procedures, and transactions are timely and accurate.	150	\$17,625
Citywide Social Media Audit – To determine if adequate controls over using social media as a communication tool are in place. Additionally, to evaluate the City’s guidance, policies, strategy, business objectives, monitoring, governance structure, and administration of social media throughout the City as a way of communicating with the media and public.	100	\$11,750
Citywide Audit of Fee Structure – To assess whether fees for key services cover the cost of services and follow applicable legal requirements. The audit may include benchmarking against similar municipalities and assess the administration of fee waivers.	150	\$17,625
Citywide Revenue & Accounts Receivable Audit – Internal Audit to assess revenue capture and collection processes. IA to identify all major sources of revenue for the City, including those that are paid indirectly through a third-party such as hotels, businesses, and the State to ensure that all charges and fees allowed by law are assessed and collected in a timely manner. Additionally, determine the entity responsible for ensuring controls over the revenue source(s) and verify the existence of strong internal controls and adequate segregation of duties.	200	\$23,500
Tax Exempt Property Audit – To evaluate the controls within the Assessor’s Office over tax exemption determination, maintenances and tax role eligibility.	100	\$11,750
Accounts Payable & P-Card Audit – To evaluate the accounts payable process and controls to determine that vendors are paid timely, duplicate invoices are not paid. Additionally, review processes and controls over procurement card issuance, purchasing guidelines, and individual and department transaction/purchase compliance.	200	\$23,500

<p>Network Security Audit – Penetration Testing and Scanning to determine whether the City’s data network is protected from unauthorized access and whether controls are effective in protecting network confidentiality, integrity, and availability.</p>	250	\$29,375
<p>HR Administration – Eligible Employee Group Insurance Audit – To determine whether HR has adequate controls over health benefits administration to ensure that health premiums are calculated and paid accurately for eligible active employees in accordance with policies/procedures, applicable bargaining unit agreements, and that the City is in compliance with healthcare provider agreements. Specifically, we will evaluate 1) HR’s administrative practices; 2) the key features and costs of the City’s medical benefit plans; 3) HR’s process for determining employee eligibility and enrollment; 4) claims management; and 5) HR’s payments to providers.</p>	200	\$23,500
<p>HR Administration – Cobra Audit – To determine whether appropriate controls and procedures are in place for properly handling all Continuation of Employee Health Care Coverage (COBRA) qualifying events, timely notifications, and payments were remitted timely and in accordance with the Benefit Plan Sponsor’s policy.</p>	150	\$17,625
<p>Cash Handling Audit – To determine whether risks related to cash handling are being managed appropriately, that internal controls are in place to reduce the risk of misappropriation, and all cash receipts are promptly, accurately and completely reported.</p>	125	\$13,475
<p>Follow-up – Prior internal audit findings followed up to confirm risk(s) identified have been properly remediated.</p>	100	\$9,500



STAFF REPORT

Report To: Audit Committee

Meeting Date: September 9, 2019

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 established by Eide Bailly and Staff regarding the FY20 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP and City staff will be discussing and taking direction from the Audit Committee regarding the agreed upon procedures for the items agreed to as part of the FY20 Audit Work Program.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

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

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

5/9/2019 – The Audit Committee discussed various annual projects for Eide Bailly, and requested that agreed upon procedures be brought back for discussion before work began. Eide Bailly will present suggested agreed upon procedures for five areas:

1. Validation on EE Group Insurance Participants
2. HR Admin. – Cobra
3. Cash Handling
4. Tax Exempt Properties
5. AP and P-Card Sampling

Earlier in the meeting today (September 9th), the Audit Committee discussed the budget of the FY20 Audit Work Program to determine which of the projects discussed at the May 9, 2019 meeting can be performed during the FY20. The Audit Committee will only consider the agreed upon procedures approved as part of the FY20 Audit Work Program.

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)

ACCOUNTS PAYABLE & PURCHASING CARD INTERNAL AUDIT PROGRAM

Objectives:

To evaluate the accounts payable process and controls to determine that invoices are paid for authorized purchases, duplicate invoices are not paid, and vendors are paid timely. Additionally, review processes and controls over procurement card issuance, purchasing guidelines, and individual and department transaction/purchase compliance.

Areas to Consider:

- System security and access to accounts payable applications
- Invoice payment processing/3-way match/review and authorization/recording of invoice
- Duplicate payment identification
- Vendor master file maintenance
- Open receiver analysis and accrual process
- Account reconciliation
- Resolution of outstanding debit balances in payables
- Proper segregation of duties

Audit Procedures
Accounts Payable
<ol style="list-style-type: none"> 1. Interview selected Accounts Payable, Finance, and Information Technology staff to obtain an understanding of the A/P and PCard processes. 2. Obtain and review the organization’s written policies and procedures describing the operations and activities. 3. Verify that the A/P department is independent of purchasing department and general ledger activities. Confirm that the person that adds new vendors does not process invoices. 4. Observe the vendor invoice entry process and verify that the accounts payable person does not have access to receiving function and purchasing functions. 5. Determine process for reviewing and approving new vendors / changes to the master vendor file, and inactive vendors after 12 months are inactivated in system. Consider comparing the master file at two dates to identify new vendors and test accordingly. 6. Comparing vendor / supplier names, addresses to employee file. 7. Observe process for positive pay and verify that file is approved before sending to bank for processing and file cannot be manipulated after approval obtained. 8. From a download of the A/P voucher history file and A/P vendor master file, select a sample of paid vendor invoices for the audit period under review and verify the following: <ol style="list-style-type: none"> a. Trace to approved purchase order or requisition. b. If no P.O. ensure invoice was reviewed and approved by Management before payment was made. c. Trace to appropriate receiving information. d. If no receiving document, ensure invoices for which receiving documents or report does

- not exist are approved by Management before payment was made.
 - e. Price invoiced ties to price on purchase order and if not, discrepancy is resolved before invoice is paid.
 - f. Quantities on invoice tie to quantity on purchase order and if not, discrepancy is resolved before invoice is paid.
 - g. Invoice was properly approved in accordance with approval thresholds.
 - h. Payment was made from original invoice versus copy or statement.
 - i. Early payment discounts are being fully utilized.
 - j. If early payment discount is not fully utilized ensure management has a procedure to determine how lost discounts are recorded.
 - k. Invoice was properly recorded in the correct accounting period.
9. Select a sample of postings to the material price variance account and verify that significant variances are being adequately investigated and are not attributable to inappropriately overrides to P.O. pricing during invoice processing.
 10. Sort A/P voucher history file and perform the following:
 - a. Identify potential duplicate payments based on same dollar amount to suppliers under different but similar invoice numbers.
 - b. Identify potential duplicate payments based on same invoice number with different date.
 - c. Determine whether system-based controls are operating effectively to prevent duplicated payments.
 11. Review pattern of significant supplier activity for new or unrecognized suppliers as follows:
 - a. Invoice numbers that do not run in an expected pattern with increasing invoice dates.
 12. Sort A/P vendor master file and perform the following:
 - a. As part of the duplicate pay test, identify potential duplicate vendor listings and test for same payments to vendors under different vendor numbers.
 - b. Scan vendor master file for different vendor names with the same address to identify potential sham vendors.
 - c. Verify that User ID's evidencing change are limited to individuals with appropriate access.
 13. Confirm limits of signing authority established and ensure that signers are still authorized to approve and have not been terminated or no longer assigned responsibility.
 14. Confirm dual signatures required above a specified limit.
 15. Review bank statements for selected months for disbursement activity occurring outside of the accounts payable invoice clearing process. If significant, determine the appropriateness of the expenditures. Determine whether the transactions present potential duplicate payment risk if also cleared through A/P and whether the transactions would be better controlled if cleared through the accounts payable process.
 16. Agree the range of check disbursements per the bank to check disbursements per the check log to ensure that check activity has been appropriately recognized. Using professional judgment (i.e.- if expected controls over A/P disbursements are not in place or IT process controls are in question), agree disbursements per the A/P system to disbursements to the bank and to disbursements recorded to the G/L cash account.
 17. Obtain aged, unmatched purchase orders, receiving transactions, and invoices and verify they are periodically reviewed, investigated and resolved.
 18. Obtain debit balance accounts and verify they are reviewed regularly and remittance on debit amounts outstanding for over X days is requested.
 19. Verify that debit and credit memos are uniquely identified and traced.
 20. Select a sample of debit and credit memos and verify they are appropriately documented and approved.

P-Card

1. Obtain and review the organizations written policies and procedures describing and controlling the purchase card program.
2. Obtain contractual agreements with the bank service provider for the purchase card program.
3. Identify and interview selected purchase card program personnel, including personnel from the following categories, for the purpose of clarifying understanding gained from review of the organization's written policies and procedures:
 - a. Purchase cardholders
 - b. Approving officials
 - c. Program coordinator
 - d. A/P staff
 - e. Finance staff
4. Determine how the organization initially and periodically verifies who the purchase cards are issued to, and continue to be held by, individuals who need them to perform their assigned duties.
5. Determine how the organization initially and periodically determines that cardholder and approving official credit limits are appropriate to their needs.
6. Determine how and when the organization provides and documents initial and refresher training for cardholders, approving officials, and agency/organization program coordinators.
7. Determine the organization's process for investigating allegations of fraudulent purchase card activity.
8. Determine whether the organization compares list of cardholders with list of employees separated from employment and cancel cards as necessary.
9. Determine whether Finance reviews transactions to identify purchases of Capital Equipment and Non-Capital Equipment (computers) that must be accounted for appropriately.
10. Identify all key controls established over the PCard process including; payment of monthly purchasing card bills; prevention of duplicate payments; prevention of unauthorized access to PCard transactions and master file data.
11. Select sample of PCard activity for the audit period under review and determine if supported by approved credit card enrollment form; proper approvals were obtained for PCard use; validate whether anyone other than authorized card holder used the card; that key controls are functioning as intended.

CASH HANDLING INTERNAL AUDIT PROGRAM

Objectives:

To determine whether risks related to cash handling are being managed appropriately, that internal controls are in place to reduce the risk of misappropriation, and all cash receipts are promptly, accurately and completely reported.

Areas to Consider:

- Only authorized persons, with no conflicting duties, have access to cash receipts, data files, programs, and related records. Individuals handling remittances are independent of billing, accounting and cash disbursements.
- Proper segregation of duties exists; someone independent from the cash receipt function summarizes the cash receipt and this cash summary is compared to the validated bank deposit to ensure that all collections were deposited intact; someone other than the individuals involved on the cash receipt function reconciles the bank accounts.
- Checks received at the location are restrictively endorsed upon their arrival.
- Customers are instructed to mail all payments to the City's bank lock box.
- Remittances from the lock box are posted daily.
- All cash receipts journal entries are supported with validated bank deposit slips and other documentation to ensure an independent verification of cash deposits.
- Collections are posted in the correct accounting period.
- Petty cash separate from individual operating funds and change funds in a locked drawer or safe.

Audit Procedures

1. Interview selected Treasurer, Finance, and Information Technology staff to obtain an understanding of the Cash Handling process and identify all locations that collect cash.
2. Determine process for providing cash handling training within the City and the various department(s) under review.
3. Determine City's controls for complying with payment card industry (PCI) data security standards.
4. Judgmentally select locations to conduct cash handling test work based on risk.
5. Obtain Citywide and individual departments (identified in Step #2) Cash Handling policies and procedures.
6. Interview City department staff involved in cash handling and revenue collection.
7. Judgmentally select a sample of cash receipts representative of the location's activity and:
 - a. Verify checks received were restrictively endorsed immediately upon receipt.
 - b. Verify checks received were made payable to the City rather than an individual or department.
 - c. Trace cash receipts to supporting documentation.
 - d. Note that the cash receipt was reported timely.
 - e. Determine that all items are properly and timely deposited.
 - f. Agree the deposit slip to the bank statement. Note that the bank timely credited the deposit.
 - g. Agree total cash summary to the G/L.
 - h. Determine that reconciliation is performed between the summary and the deposit slips.

- i. Investigate non-cash credits (i.e. adjustments) to accounts receivables or cash balances.
- j. Review all unapplied cash reports for aged items and determine if all matured items have been deposited and posted.
- k. Determine whether someone is independently reviewing and approving voids and refunds.
- l. Verify physical safeguarding of cash receipts (daily and overnight) and related items (checks, credit card receipts, permits), dual custody, and segregation of duties.
- m. Verify individuals handling cash have been properly trained.

HR ADMINISTRATION – ELEGIBLE EMPLOYEE GROUP INSURANCE INTERNAL AUDIT PROGRAM

Objectives:

To determine whether HR has adequate controls over health benefits administration to ensure that health premiums are calculated and paid accurately for eligible active employees in accordance with policies/procedures, applicable bargaining unit agreements, and that the City is in compliance with healthcare provider agreements. Specifically, we will evaluate 1) HR's administrative practices; 2) the key features and costs of the City's medical benefit plans; 3) HR's process for determining employee eligibility and enrollment; 4) claims management; and 5) HR's payments to providers.

Areas to Consider:

- The City promptly and accurately identifies the individuals who are eligible to access care through the City-provided medical plans.
- The City's practice of sending medical providers eligibility reports is prompt, complete, and accurate;
- HR's process for investigating past discrepancy reports from the medical providers;
- The City's process for collecting outstanding premium contributions from employees on leaves of absence and terminated employees;
- Provider payment estimates are calculated completely and accurately.

Audit Procedures

1. Interview selected Human Resources, Finance, and Information Technology staff to obtain an understanding of the employee health benefit administration processes.
2. Obtain all operational policies, procedures, manuals, and handbooks for administering employee medical benefits and determine whether;
 - a. procedures provide that all authorizations, particularly notices of separation from employment, are transmitted promptly to the Human Resources Department?
 - b. are leave records maintained in the department for all employees?
 - c. are personnel records maintained in a secure location?
3. Obtain copies of all Group Health Plans and associated contracts.
4. Determine whether Health-care plan vendor contract is routinely reviewed for quality performance, customer service, and cost-benefit analysis.
5. Determine whether the City has stop loss insurance and premium stabilization reserve.
6. Verify Human Resources maintains supporting documentation for employee's enrolled in the City's health benefit plans.
7. Verify Human Resources maintains the required supporting documentation for dependent eligibility.
8. Review most recent eligibility audit of currently enrolled dependents for health/dental plans and verify employees provided documentation proving their dependents eligibility.
9. Review the process for billing and collection of health benefit premiums for inactive employees.
10. Review the related health benefit monthly reconciliations performed by comparing system generated report, as of the audit date, of employees currently enrolled in medical plans to the electronic eligibility report that identifies the enrolled employees and dependents for completeness and accuracy.

11. Conduct an analysis on payroll premiums collected over the audit period and compare to amounts paid to benefits providers and discrepancy reports received from benefits provider. Note any differences.
12. Identify the full population of all employees on leave of absence who retained their medical benefits over the audit period and confirm that the employee submitted their payments for their contribution to medical premiums.
13. Obtain the detailed services provided to employees and their dependents during the period under audit and the related records of medical claims submitted for the same time-frame and perform the following:
 - a. Verify if City conducted periodic and timely audits of the administrator's claims processing.
 - b. Verify if the total claims (in quantity and amount) submitted by the insurance group matches that of the Agency's records.
 - c. If amount of claims noted from the above procedure is material, perform substantive vouching of claims to supporting documents.
14. Gain an understanding of the City's termination, separation, and leaves of absence process as they relate to benefit premiums. Conduct an analysis on payroll records over the audit period and confirm non-eligible employees who are either terminated, separated or on leave of absence are not included on eligibility reports submitted to benefit providers.
15. Conduct an analysis on employees and their dependents with medical benefits to determine whether any City employees are simultaneously receiving benefits as an employee and as a dependent of a City employee resulting in City-provided redundant coverage.
16. Review Payroll and Human Resources duties and responsibilities to ensure that there are proper segregations of duties.
17. Inquire of plan management about the existence and frequency of participant complaints.

HR ADMINISTRATION – COBRA INTERNAL AUDIT PROGRAM

Objectives:

To determine whether appropriate controls and procedures are in place for properly handling all Continuation of Employee Health Care Coverage (COBRA) qualifying events, timely notifications, and payments were remitted timely and in accordance with the Benefit Plan Sponsor's policy.

Areas to Consider:

- The City promptly and accurately identifies all qualifying events that could occur under COBRA.
- The City's practice of sending notifications to employees after a qualifying event occurs.
- That City complies with COBRA requirements.
- Human Resources (HR's) process for determining how premiums are paid for qualified beneficiaries for COBRA coverage.

Audit Procedures

1. Interview selected HR, Finance, and Information Technology (IT) staff to obtain an understanding of the COBRA administration process.
2. Obtain copy of the COBRA procedures manual.
3. Determine the types of qualifying events that could occur.
4. Determine the process of how qualified beneficiaries are notified of their COBRA rights.
5. Determine the process of how the plan administrator is notified that a qualifying event has occurred.
6. Obtain copies of standard COBRA coverage letters sent to qualified beneficiaries.
7. Obtain copies of all Group Health Plans.
8. Obtain details on any past or pending lawsuits filed for failing to provide appropriate COBRA coverage.
9. Determine the process of how premiums are paid by qualified beneficiaries for COBRA coverage.
10. Obtain a list of all individuals affected by a qualifying event (for example, termination, death, etc.) occurring in the year under review through the current date and obtain supporting documentation to describe the election made by qualified beneficiaries to continue health coverage.
11. Obtain a list of all individuals covered on the current and preceding years for each plan (this list is to include employees and dependents).
12. Obtain personnel records, which include documents to support the following items:
 - Name and address of each beneficiary
 - Qualifying event date
 - Copies of COBRA notices
 - Type of COBRA coverage received
 - Premium payments required under COBRA
 - Copy of the City's letter to the insurance company / plan administrator notifying them of a qualifying event.
 - Reasons for the termination of COBRA coverage properly elected by a beneficiary
 - Reasons for employment termination

13. Determine whether all notifications were sent to employees within 2 weeks after a qualifying event occurs.
14. Determine whether all COBRA payments were remitted timely and in accordance with the COBRA requirements.
15. Review Payroll and Human Resources duties and responsibilities to ensure that there are proper segregations of duties.
16. Inquire of plan management about the existence and frequency of participant complaints.

TAX EXEMPT PROPERTY INTERNAL AUDIT PROGRAM

Objectives:

To determine whether the Assessor's Office has adequate controls over tax exemption determination, maintenance, removal of property tax exemptions, and tax role eligibility. Specifically, that controls adequately ensure only qualifying businesses receive the property tax exemption.

Areas to Consider:

- Proper documentation exists to support business tax exemption.
- Exempt account audits, process, timing, resources, and results.
- Process for under/over reporting of property's taxable value.
- The granting, maintenance, and removal of property tax exemptions.

Audit Procedures

1. Interview selected Assessor staff to obtain an understanding of the tax-exempt property process for proper identification.
2. Obtain and review relevant State statutes, City rules, and related policies and procedures.
3. Obtain trend data on the number of properties using the tax exemption and the amount of tax relief provided.
4. Gain an understanding of conditional exemption approvals, method of tracking, following up, monitoring, and documenting.
5. Gain an understanding of review of exempt property for change in use, frequency of review, monitoring, and documenting.
6. Gain an understanding on method for recovering taxes not paid.
7. Identify full population of tax exempt property requests over the audit period and conduct the following audit procedures to determine whether the outcome of the tax-exempt property request is:
 - a. Authorized;
 - b. Complete;
 - c. Supported (application and supporting documentation);
 - d. Accurately calculated;
 - e. Processed promptly; and
 - f. Continues to meet eligibility requirements.
8. Verify the annual certification for all exemptions is accurate and complete.
9. Judgmentally select and verify that those granted exemptions continue to qualify for them and whether method to track and confirm conditions are met is effective.
10. Confirm the transfer of property with exemptions is performed promptly, completely, and accurately.
11. Confirm the removal of exemptions and property returned to the tax rolls when a property with exemptions transfers to a new owner who does not qualify for the exemptions.