

CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
AUDIT COMMITTEE

Day: Monday
Date: June 15, 2020
Time: Beginning at 1:00 pm
Location: Community Center, Sierra Room, 851 East William Street, Carson City, Nevada
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 -

4.A Meeting Minutes 01/06/19

5. For Possible Action: Adoption of Agenda

6. Meeting Item

6.A For Possible Action: Discussion and possible action regarding the approval of Internal Audits and recommendations to the City Departments. (Sheri Russell, srussell@carson.org)
Staff Summary: Eide Bailly, LLP completed the Accounts Payable and Procurement Card internal audits from the FY20 Audit Work Program. Briefing will address internal audit findings, recommendations and agency response(s).

6.B For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and to 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.C For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2021.

Staff Summary: Eide Bailly will provide results of the risk assessment for the current year and discuss recommendations for future internal audits for the period ending June 30, 2021.

6.D For Presentation Only: Discussion regarding FY 20 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 20 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

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 agendized 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 City Manager's Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775) 887-2100 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) 887-2133.

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

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
Draft Minutes of the January 6, 2020 Meeting
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A regular meeting of the Carson City Audit Committee was scheduled for 1:00 p.m. on Thursday, Jan 6, 2020 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Member Lori Bagwell
Member Ernie Mayhorn
Member Rachelle Resnick

STAFF: Nancy Paulson, City Manager
Sheri Russell, Chief Financial Officer
Todd Reese, Deputy District Attorney
Danielle Howard, Public Meetings Clerk

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

1 - 2. CALL TO ORDER AND ROLL CALL

(1:04:25) – Chairperson Ferguson called the meeting to order at 1:04 p.m. Roll was called, and a quorum was present. Vice Chairperson Michael Bertrand was absent. Member Mayhorn arrived at 1:11 p.m.

3. PUBLIC COMMENTS

(1:04:51) - Chairperson Ferguson entertained public comment. Carson City Clerk Recorder Aubrey Rowlatt introduced Ms. Howard as the new Public Meetings Clerk covering the Audit Committee.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES – SEPTEMBER 9, 2019

(1:05:50) – Chairperson Ferguson introduced this item, and entertained a comments and/or a motion.

(1:06:12) – Member Bagwell moved to approve the minutes. Member Resnick seconded the motion. Motion carried 3-0-0.

5. POSSIBLE ACTION ON ADOPTION OF AGENDA

(1:06:32) – Chairperson Ferguson entertained modifications to the agenda; however, none were forthcoming.

6. PUBLIC MEETING ITEMS:

6.A FOR DISCUSSION AND POSSIBLE ACTION: THE RELEASE AND ACCEPTANCE OF INTERNAL AUDITS AND THE RECOMMENDATIONS MADE IN THE AUDITS OF CARSON CITY DEPARTMENTS.

(1:06:56) – Chairperson Ferguson introduced this item, and Ms. Russell briefly presented the Staff Report, which is incorporated into the record, and introduced Eide Bailly Engagement Partner Kim Higgins and Eide Bailly

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Senior Manager Audrey Donovan. Ms. Donovan presented the draft *Internal Audit Report* regarding “Cash Handling, Human Resources] (HR) Benefits, and Social Media” audits, incorporated into the record, and she and Ms. Russell responded to clarifying questions.

(1:37:56) – Responding to Member Bagwell, Ms. Donovan explained that comments made on City-run social media pages are not deleted due to First Amendment rights, although attorneys are still reviewing the policy to identify how the City can go about removing comments, such as those that are inflammatory, derogatory, and pornographic. She stated that such comments would be archived. In response to a follow up question from Member Bagwell regarding the City’s social media policy and how it applies to City Staff in “two different capacities” (personal and professional), Mr. Reese noted that “you would be in two different capacities” when using social media as a member of the community or City employee, and Carson City Deputy District Attorney Pierron Tackes noted that the attorneys have been looking into updating the Unacceptable Behavior Policy to make it “more clear and specific” as to what is not permitted in relation to social media as a City employee.

(1:42:02) – Chairperson Ferguson inquired about avoiding the release of confidential City information and whether such entities as City Boards [and Commissions] volunteers, and whether the temporary agencies that independent contractors go through are subject to a social media policy. Ms. Donovan referred to Recommendation #11 of the Social Media audit regarding the City assisting in monitoring the City’s social media content. Mr. Reese noted that the City Boards and Commissions are “complicated [and follow] a different set of laws,” referenced the Open Meetings Laws (OML), and pointed out that much of the information from and provided for the City Boards and Commissions are not confidential. He also stated that, in regards to the City’s contractors, “those would impact the City’s contracts and agreements,” and that the contracts have provisions “providing for confidentiality of records.”

(1:46:06) – Member Bagwell pointed out that many Marathon [Staffing] workers have access to City computer systems, and she was concerned about their posting of such things as “derogatory, inflammatory, inappropriate words, inappropriate pictures, inappropriate jokes.” Ms. Russell assured that those even from Marathon [Staffing] are subject to the Unacceptable Behavior Policy and would “be fired immediately.”

(1:47:29) – Carson City Chief Information Officer (CIO) Eric Von Schimmelmann clarified that social media would not be dependent on a device that’s connected to the City network, and “it’s all based off of access that you’re given,” which he explained is “why we point back to the department heads and the departments to control their own people.” In response to Member Bagwell’s inquiry, Mr. Schimmelmann stated that he believed the cost estimate for a risk management and analytics suite of the current ArchiveSocial software referenced in Recommendation #11 was approximately \$6,000 annually. Mr. Schimmelmann stated that he “can do either depending on your recommendation here,” although he would have to get approval from the Interim Finance Committee (IFC). Member Bagwell commented that because the software is “only a \$6,000 item,” she would “hate to wait nine months to implement [it] if we truly believe it’s going to be of value,” and she believed it could potentially save money by addressing the issue right away.

(1:50:58) – Member Resnick was concerned about “catastrophic consequences” referenced in the report that could amount from “an incident that’s not effectively contained” and asked if anything could be done in the interim, sooner than 2021. Mr. Schimmelmann stated that what could be done sooner would be “overwritten” in 2021. He also explained that while he would be working with the State for a [formalized action] plan, “legislation had let to a National Cyber-Security Division,” and “they are pushing their policies down to all local governments.”

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(1:52:20) – Regarding the absence of a formalized action plan, Ms. Donovan offered Mr. Schimmelmann resources from Eide Bailly. Mr. Schimmelmann noted that social media would be included “in [addressing] that larger scope [of the cyber-security issue].”

(1:53:26) – Ms. Higgins confirmed that Eide Bailly has a “Cyber-Security Division [that could assist] from a resource standpoint [to] close that gap until those State policies come online so you’re not exposed.”

(2:01:58) – Carson City Human Resources Director Melanie Bruketta and Carson City Human Resources Generalist Jacquie Cassinelli responded to clarifying Committee Member questions related to the Human Resources Department audit. Member Resnick inquired about double-dipping (an employee being simultaneously covered by City-provided medical benefits and as a dependent under another City employee or retiree), in reference to Recommendation #4 of the “HR Benefits” audit. Ms. Cassinelli explained that she goes over benefits with every employee when they “have a qualifying event change” or are newly-hired, and asks them if they are already covered, and if she were to try to enroll a dependent that was already employed by the City, the insurance company would reject it because they are already enrolled under their Social Security Number.

(2:06:02) – Because there is a practice in place to prevent double-dipping, Member Bagwell recommended removing the last sentence of Recommendation #4 of the HR Benefits audit that reads:

“As a practice, HR should implement a process to identify these occurrences or work with the benefits provider to perform.”

(2:07:06) – Member Bagwell thanked all the Staff for their hard work and their cooperation. Discussion ensued among the Committee members and Staff regarding the draft *Internal Audit Report* formatting, finalization, and validation.

(2:12:04) – MOTION: Member Mayhorn moved to accept the Cash Handling, HR Benefits, and Social Media internal audits and to direct Staff to work on the recommendations provided. Member Resnick seconded the motion. Motion carried 4-0-0.

6.B FOR DISCUSSION AND POSSIBLE ACTION: 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 CLOSECOMPLETED FINDINGS AND/OR RECOMMENDATIONS.

(2:12:18) – Chairperson Ferguson introduced the item. Ms. Russell presented the Staff Report and the Audit Findings Tracking Report, both of which are incorporated into the record. She and Carson City Public Works City Engineer Dan Stucky responded to clarifying Committee Member questions.

(2:30:44) – MOTION: Member Bagwell moved to close Capital Projects Items #1, #3, and #5, close FY 2018 CAFR Audit Findings #1, #2, and #3, and close FY 2019 CAFR Audit Finding #1. Member Mayhorn seconded the motion. Motion carried 4-0-0.

6.C FOR DISCUSSION AND POSSIBLE ACTION: AGREED UPON PROCEDURES ESTABLISHED BY EIDE BAILLY AND STAFF REGARDING THE FY20 AUDIT WORK PROGRAM.

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(2:31:23) – Chairperson Ferguson introduced the item. Ms. Donovan led the discussion regarding the agreed upon procedures for the items approved as part of the FY 2020 Audit Work Program as well as the agreed upon procedures for the Citywide Revenue and Accounts Receivable and the Citywide Budget Monitoring audits, all of which are incorporated into the record. She also responded to clarifying questions.

(2:33:31) – Discussion ensued regarding the Citywide Budget Monitoring audits, as Ms. Russell had informed the Committee that they were going through their first budget augmentation in the new Enterprise Resource Planning (ERP) system, and which included the new payroll software being used to develop estimated projections. Because it “takes a couple extra [of] months to pull this all together,” she commented that she would prefer a review in May or June after the budget is finished to look at the process and give recommendations. There was consensus among the Committee Members regarding pushing the budget audit out until at least May or June.

(2:42:52) – MOTION: Member Mayhorn moved to direct Eide Bailly and Staff to proceed with the agreed upon procedures as discussed on the record. Member Bagwell seconded the motion. Motion carried 4-0-0.

(2:43:05) – Per Chairperson Ferguson’s request, Ms. Russell reported that \$81,000 was spent on the internal audit.

6.D FOR DISCUSSION ONLY: STATUS OF FEE STRUCTURE REVIEW FOR PARKS & RECREATION AND COMMUNITY DEVELOPMENT.

(2:43:46) – Chairperson Ferguson introduced the item. Ms. Donovan welcomed Carson City Parks and Recreation Department Director Jennifer Budge and Carson City Recreation Superintendent Dan Earp. Ms. Budge explained how she found the Fees and Charges Resolution to be “very outdated” and “not practical” since it was approved over 10 years ago. She mentioned how Staff conducted an “in-house market analysis from over 20 agencies throughout the region” and how Eide Bailly assisted by updating the information that Staff had previously collected to ensure the information was current as well as reviewed, made some comments on, and gave some direction on the Policy, which Ms. Budge mentioned was approximately 95 percent finished. She explained that because they wanted to provide special opportunities for Carson City residents without “punishing” non-residents, a pass for the pool or Multi-Purpose Athletic Center (MAC) were among “opportunities” that were considered. She stated that they intend to attend the Carson City Parks and Recreation Commission and Carson City Open Space Advisory Committee meetings in February with the draft Policy and draft Fee Schedule, and she assured that the proposed Fee Schedule should be ready in time for those meetings.

(2:46:58) – Member Bagwell was in favor of Ms. Budge’s, Mr. Earp’s, and Eide Bailly’s efforts and stated that she hoped that the Policy has a methodology to implement to be responsive and propose the new fees.

(2:49:55) – Ms. Donovan mentioned that Eide Bailly has been providing the Carson City Parks and Recreation Department with assistance to use “the last bit of data that we need to identify prospective analysis” in regards to the Fee Structure. She explained that the fees have many “layers” in regards to licenses and permits, so in order to find a less complicated Fee Structure, the revenue based on the amount of licenses and permits that they currently have needed to be identified.

6.E FOR DISCUSSION ONLY: DATES FOR THE NEXT MEETING OF THE AUDIT COMMITTEE.

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(2:48:54) – Chairperson Ferguson introduced the item. Ms. Russell provided some recommendations on the next meeting date and time. The Committee reached a consensus with meeting on May 19, 2020 at 3:00 p.m.

7. PUBLIC COMMENT

(2:52:07) – Chairperson Ferguson introduced the item. There was no public available to comment.

8. FOR POSSIBLE ACTION: TO ADJOURN

(2:52:27) – Chairperson Ferguson adjourned the meeting at 2:52 p.m.

The Minutes of the January 6, 2020 Carson City Audit Committee meeting are so approved this 19th day of May, 2020.



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 15, 2020

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

Agenda Title: For Possible Action: Discussion and possible action regarding the approval of Internal Audits and recommendations to the City Departments. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Accounts Payable and Procurement Card internal audits from the FY20 Audit Work Program. Briefing will address internal audit findings, recommendations and agency response(s).

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

I move to accept the Accounts Payable and Procurement Card internal audit reports and direct staff to work on the recommendations provided.

Board's Strategic Goal

Efficient Government

Previous Action

Procurement Card procedures were done by Moss Adams 7/27/16 and Purchasing and Accounts Payable internal Controls were also done by Moss Adams 7/6/17.

Background/Issues & Analysis

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

Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Chapter 3.075, Carson City Municipal Code 2.14.040

Financial Information

Is there a fiscal impact? Yes No

Is it currently budgeted? Yes No

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

Accounts Payable and Procurement Card Audit Program
Internal Audit Report
April 1, 2020

Carson City, Nevada

Submitted By

Eide Bailly LLP

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DRAFT



Executive Summary

Eide Bailly LLP performed an internal audit over Carson City's (the "City") Accounts Payable (AP) and Procurement Card (P-Card) Program for the period of July 1, 2019 through December 31, 2019. The internal audit focused on the Finance Department's accounts payable invoice payment procedure, vendor management, and P-Card process.

During the internal audit, it was noted that the City's Chief Financial Officer, Accounting Manager, and staff were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed.

During our review, we identified four (4) recommendations that would improve the City's accounts payable and purchase card program process.

Background

The City recently went through a citywide transition of their core financial system from HTE Technologies to MUNIS – Tyler Technologies. This project was approved by the Board of Supervisors in the City's FY18 Capital Improvement Plan (CIP). The implementation phase of this project was estimated to take approximately 22 months.¹ Carson City has used the same system for over twenty years and a change to a longstanding application comes with challenges. The benefits, however, are worth the trouble. Benefits such as ease of access to information and increases in efficiency of the approval processes are some examples. The expanded list is below. At the time of the audit, the City was still in the transition process from the old system.

Benefits of Tyler-Munis System:

- More user friendly
- Data is more centralized (i.e. contracts, purchase orders, invoices, receipts, etc.)
- More efficient approval process – every layer of approval is embedded in the system and is automatically documented
- Quicker invoice processing
- System restriction on duplicate invoices/payments
- Vendor management
- Invoices are recorded in real time
- Recurring invoice and recurring JE functionality

Objective & Scope

The objective of the audit was 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, to review processes and controls over procurement card issuance, purchasing guidelines, and individual and department transaction/purchase compliance.

Specifically, we evaluated:

- 1) System security and access to accounts payable applications
- 2) Invoice payment processing / three-way match / review and authorization / recording of invoice
- 3) Duplicate payment identification
- 4) Vendor master file maintenance

¹ Taken from the City's Staff Report dated March 1, 2018.

- 5) Open receiver analysis and accrual process
- 6) Account reconciliation
- 7) Resolution of outstanding debit and credit balances in payables
- 8) Proper segregation of duties

The scope of the audit was from July 1, 2019 through December 31, 2019.

Methodology

Procedures performed during this internal audit included the following:

ACCOUNTS PAYABLE

- Interviewed selected Finance and Treasury Department staff to obtain an understanding of the Accounts Payable and Procurement Card processes. The following personnel were interviewed:
 - Sherri Russell – Chief Financial Officer
 - Ana Jimenez – Accounting Manager
 - Beth Huck – Deputy Treasurer
 - Emily Toups – Accounts Payable Staff
 - Curtis Horton – Deputy Public Works Director
 - Bretta Inman – Department Business Manager (Health & Human Services)
- Obtained and reviewed prior internal audit performed of this area and determined if risks noted have been remediated.
- Reviewed the organization's written policies and procedures.
- Obtained the City's and department's organizational chart and evaluated the Accounts Payable department's independence from purchasing department and general ledger activities.
- Observed the vendor invoice entry process and verified that the accounts payable person does not have access to receiving and purchasing functions.
- Reviewed process for reviewing and approving new vendors and changes to the master vendor file.
- Compared vendor and supplier names to employee file.
- Observed process for positive pay and verified that the file is approved before being sent to the bank for processing.
- Obtained the Accounts Payable voucher history and vendor master file and selected a sample of paid invoices for the audit period and verified the following:
 - Invoices are traced to approved purchase order or requisition; or invoices are reviewed and approved by management in the absence of a purchase order.
 - Invoices agree to appropriate receiving information and invoices are reviewed and approved by management in the absence of receiving document.
 - Quantities and price invoiced tie to quantity and price listed on the purchase order and if not, discrepancy is resolved before invoice is paid.
 - Invoices are properly approved in accordance with approval thresholds.
 - Payments are made from original invoice.
 - Early payment discounts are being fully utilized, and if not, management has a procedure to determine how lost discounts are recorded.

CARSON CITY – ACCOUNTS PAYABLE AND PURCHASE CARD PROGRAM

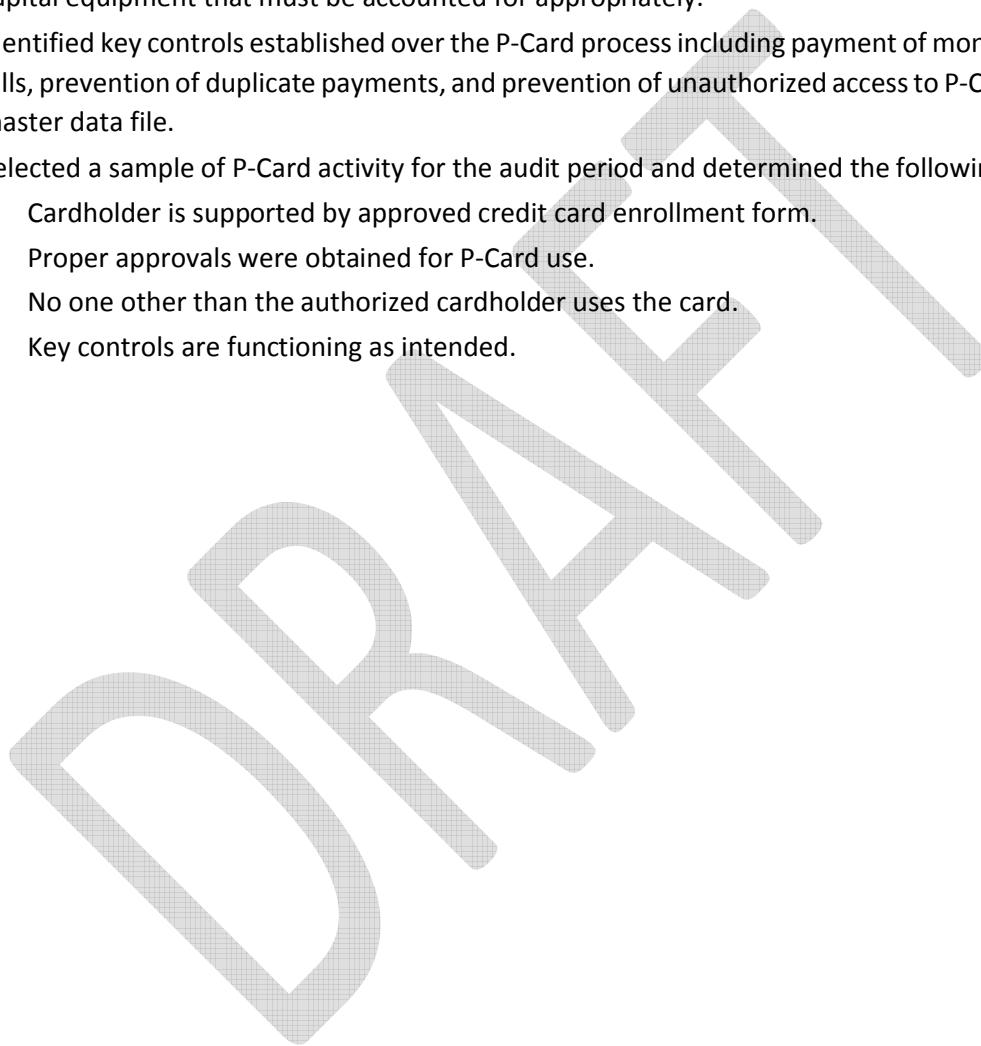
- Invoices are recorded in the correct accounting period.
- Verified that significant variances to the material price list are being adequately investigated.
- Performed the following data analytics on the voucher history file:
 - Identify potential duplicate payments based on the same dollar amount to vendors under different but similar invoices.
 - Identify potential duplicate payments based on same invoice number with different dates.
 - Determine whether system-based controls are operating effectively to prevent duplicate payments.
- Performed the following data analytics on the vendor master file:
 - Identify pattern of significant vendor activity for new or unrecognized suppliers.
 - Identify potential duplicate vendor listings and test for the same payments to vendors under different vendor numbers.
 - Scan vendor master file for different vendor names with the same address to identify potential sham vendors.
 - Verify that user ID's evidencing changes to vendor file are limited to individuals with appropriate access.
- Confirmed limits of signing authority established to ensure that approvers are still authorized to approve and have not been terminated or no longer assigned responsibility.
- Confirmed dual signatures are required above a specified limit.
- Reviewed bank statements for selected months for disbursement activity occurring outside of the accounts payable invoice clearing process to determine the appropriateness of expenditures.
- Agreed the range of check disbursements per bank to check disbursements per the check log to ensure check activity is appropriately recognized.
- Obtained aged, unmatched purchase orders, receiving transactions, and invoices, to verify whether they are periodically reviewed, investigated, and resolved.
- Obtained debit and credit balance accounts and verified whether they are reviewed regularly and remittance on amounts over x days is requested.
- Verified that debit and credit memos are uniquely identified and traced.
- Selected a sample of debit and credit memos and verified that they are appropriately documented and approved.

PROCUREMENT CARD:

- Obtained and reviewed the organization's written policies and procedures describing and controlling the purchase card program.
- Obtained the contractual agreements with the bank service provider for the purchase card program.
- Identified and interviewed the following selected purchase card program personnel:
 - Ana Jimenez – Accounting Manager
 - Emily Toups – Accounts Payable staff
 - Beth Huck – Deputy Treasurer
- Determined how the organization initially and periodically verifies who the purchase cards are issued to and continue to be held by.

CARSON CITY – ACCOUNTS PAYABLE AND PURCHASE CARD PROGRAM

- Determined how the organization initially and periodically determines whether cardholder and approved credit limits are appropriate and in alignment with needs of job responsibilities.
- Determined how and when the organization provides and documents initial and refresher training for cardholders, approving officials, and agency/organization program coordinators.
- Determined the organization's process for investigating allegations of fraudulent purchase card activity.
- Determined whether the organization compares list of cardholders with list of employees separated from employment and cancel cards as necessary.
- Determined whether Finance reviews transactions to identify purchases of capital equipment and non-capital equipment that must be accounted for appropriately.
- Identified key controls established over the P-Card process including payment of monthly purchasing card bills, prevention of duplicate payments, and prevention of unauthorized access to P-Card transactions and master data file.
- Selected a sample of P-Card activity for the audit period and determined the following:
 - Cardholder is supported by approved credit card enrollment form.
 - Proper approvals were obtained for P-Card use.
 - No one other than the authorized cardholder uses the card.
 - Key controls are functioning as intended.



Audit Results

Eide Bailly evaluated the adequacy of controls and processes related to the City's Accounts Payable and P-Card processes by conducting the following procedures:

- **Compliance**

Eide Bailly obtained and reviewed the City's Accounts Payable Policy, P-Card contractual agreements, and signing authority and no instances of non-compliance were noted. An exception is noted on the P-Card Manual as it is unclear relative to transaction/purchasing limits (see Finding #1 below).

- **Segregation of Duties**

Eide Bailly reviewed the City's Accounts Payable duties and responsibilities and noted that appropriate segregation of duties is in place. Controls are in place for creating and updating vendors, authorizing purchases, and processing payments.

- **Invoice Payment Processing**

Eide Bailly performed transactional testing on a sample of invoices and determined that invoices are properly documented and approved, duplicate invoices are not paid, invoices for authorized purchases are paid timely, and invoices are properly recorded in the correct accounting period. Copies of invoices and other support documentation are maintained electronically within Tyler Munis. The City has a three-level approval process for AP transactions which means transactions are reviewed three times before final approval is granted.

- **Procurement Card Procedures**

Eide Bailly evaluated processes over P-Card issuance, purchasing guidelines, and compliance. Eide Bailly noted that appropriate controls are in place and functioning as intended. P-Card transactions also go through three levels of review and approval.

Additionally, Eide Bailly performed testing on a sample of P-Card transactions and determined that P-Card purchases are properly authorized, reviewed, approved and paid timely. Lastly, although controls are in place to prevent unauthorized access to P-Card transactions, additional controls are needed (see Finding #2 below).

- **Vendor Master File Maintenance**

Eide Bailly reviewed the vendor master file and noted several employees listed as vendors and duplicate vendors with the same name and/or address as city employees (see Finding #4 below). The vendor master file was imported from the City's Legacy system and has not been thoroughly reviewed for duplicates after the transition to Tyler Munis. Additionally, city employees were added as vendors in the Legacy system for expense reimbursement, but this process has changed with the Munis system and employee related expenses are paid through a miscellaneous vendor account.

- **Benford's Analysis²**

Eide Bailly performed Benford's Law analysis on check amounts in the aggregate to recognize the probabilities of highly likely or highly unlikely frequencies of numbers in naturally occurring data sets. See results in Appendix A & B.

² Benford's law (also called the first digit law) has been used to detect fraud in accounting for some time. The distribution is most often used on an individual account basis, such as accounts payable, to detect the over or under use of certain digits. Benford's Law can recognize the probabilities of highly likely or highly unlikely frequencies of numbers in a data set. The probabilities are based on mathematical logarithms of the occurrence of digits in randomly generated numbers in large data sets.

Findings & Recommendations

While the procedures performed indicate that controls are operating as designed, we noted four (4) findings and recommendations to assist the Finance Department and the City in strengthening internal controls related to the accounts payable and purchase card processes.

Finding #1:

A finding from the prior internal audit performed on the P-Card Program has not been fully remediated.

Prior finding: The P-Card Program Manual states that P-Card users cannot have single transactions that exceed \$5,000 or total transactions that exceed \$10,000 per month. However, the City allows transactions to exceed these limits as long as all purchasing policies are followed when making these purchases. In addition, the P-Card Program Manual is not clear if users can use the P-Card for securing the services of a consultant, purchasing meals, entertainment and related expenses, and computer hardware and/or software purchases.

The latter part of the finding is addressed and clarified in the current P-Card Program Manual (Section 10. P-Card Maintenance and Closure – page 11). However, the P-Card program is still unclear on the cardholders' transactional and monthly limits. The transactional and monthly limits remain the same in the current manual, with additional verbiage which states that departments may implement more stringent limitations based on their requirements (Section 6. Cardholder Responsibilities – page 8) and another which states that Carson City will adjust limits as determined by demonstrated need (Section 15. Completing a P-Card Transaction – page 15). During P-Card transactional testing, it was noted that several transactions exceeded the \$5,000 for single transactions and \$10,000 per month, which is not reflective of a more stringent limitation.

Recommendation #1:

The City should update the verbiage in the P-Card Program Manual (Section 6. Cardholder Responsibilities – Page 8) to state that the City will adjust limits as determined by demonstrated need which more accurately reflects their current allowable limits on a single transaction and on a monthly basis.

Department Response:

The City will update the P-Card Program Manual to reflect current cardholder responsibilities relating to adjusting current allowable limits. The Accounting Manager (Procurement Card Program Coordinator) will be responsible for updating the P-Card Program Manual, by the end of December 2020.

Finding #2:

During P-Card transaction testing, Eide Bailly noted that additional controls are needed to flag purchases over approved limits and purchases approved by the purchaser (self-approvals). When the system does not prevent the same person from approving their own transactions, there is a potential risk of lack of segregation of duties.

One transaction exceeded the approval limit noted in the system but was confirmed that the limit was extended to allow the purchase. Since the Works System does not have an audit trail of approvals, the City has locked down exceeding purchasing limits to the CFO and the Accounting Manager. However, this exception-based process is not documented in the City's P-Card policy and the transaction is not flagged/noted as an exception.

Another transaction had the department-level approval approved by the cardholder (Executive Director of the Carson Tourism Authority – Component Unit). It was verified that this transaction was approved by the Board and Board approvals will be attached to this particular cardholder's purchases going forward.

Recommendation #2:

The City should document the approval for increasing approval limits for those P-Card transactions that exceed the approval limits set in the system to ensure that transactions are processed within policy guidelines.

Additionally, Board approvals or City Manager approval should be attached to cardholders' purchases, where applicable going forward.

Department Response:

The City will update the P-Card Program Manual to reflect the process for credit limit increases. Currently the Accounting Manager increases single transaction limits and/or monthly limits as requested by the CFO or Department Directors. Going forward, the Accounting Manager will document within the P-Card module in Munis the reason for the increase and the approving authority. The Accounting Manager will update the policy by the end of calendar year 2020.

The Carson City Tourism Authority (CCTA) Executive Director's p-card transactions are currently approved by their Board. In addition to attaching the CCTA Board approval signature to the p-card backup, the City Manager will approve the Executive Director's p-card in Munis as of April 2020.

Finding #3:

The City's current purchasing policy does not specify whether the City utilizes vendor services owned by city employees. Eide Bailly noted a few city employees who are also listed as vendors or own a company that the city contracts services from. This creates a potential conflict of interest and the appearance of preferential treatment. When there is a perception of conflict of interest, public trust becomes undermined.

Recommendation #3:

The City should update their existing policy to specify the City's use of employees as vendors and document how employee-vendor relationship is addressed to avoid potential issues such as conflict of interest, preferential treatment, double dipping, etc.

NOTE: The Finance Department intends to revisit its policy regarding vendor management but has not done so because the City has been busy with the system migration.

Department Response:

The City will update the Purchasing and Contracts policy to address potential risks when using vendors who are related to City employees. We are a small City and it is difficult to avoid employee-vendor relationships. However, it would require collusion from the Purchasing and Contracts Administrator, CFO, Accounting Managers and District Attorney's office as they are all responsible for reviewing and approving City Contracts and Purchase Orders. The policy will be updated by the end of December 2020.

Finding #4:

The City's vendor master file has several duplicate vendors with the same name and/or the same address. These were discussed with the Accounting Manager and the Accounts Payable Clerk. Most are inactive accounts however there were a number of duplicate vendors left that either need to be inactivated or re-assessed. Additionally, there does not appear to be a process in place for periodic reviews of the vendor master file. Duplicate vendors present risks of duplicate payments, fictitious vendors being paid, and potential vendor fraud.

Recommendation #4:

The City should establish a process to manage their vendor master file. This process should include the review and clean-up of duplicate vendors, validation of vendor addresses, ensuring vendor data is complete, archiving inactive vendors and employee accounts, properly documenting miscellaneous vendor accounts that are used by the City for various purposes, and all other assessments that the City deems necessary.

Department Response:

The Finance Department performed a yearlong vendor cleanup process, prior to going live with Munis. During the import a lot of vendors were duplicated, and Finance has been working on flagging duplicate vendors as

CARSON CITY – ACCOUNTS PAYABLE AND PURCHASE CARD PROGRAM

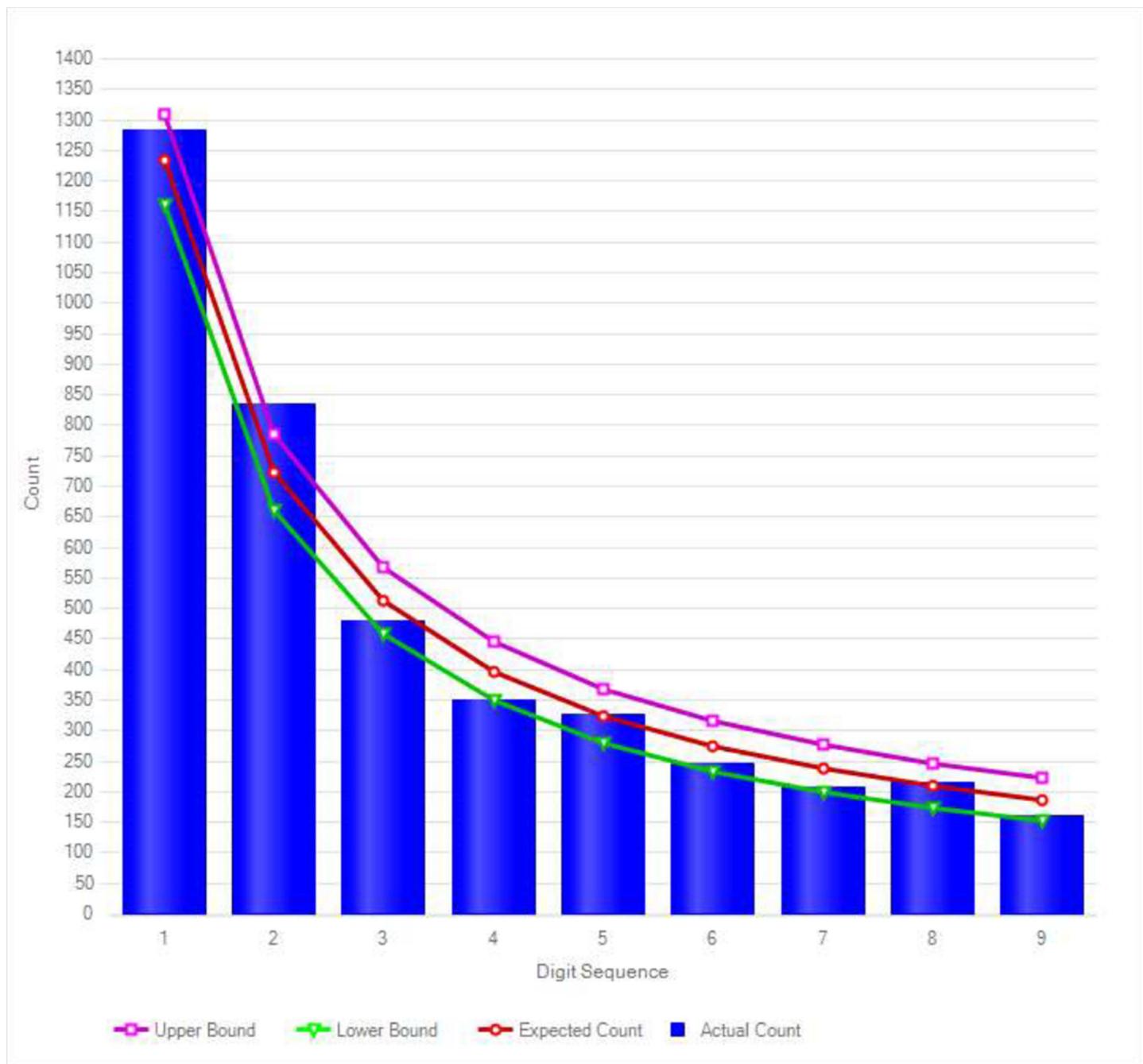
inactive. There will be cases where duplicate vendors cannot be avoided, such as a vendor with different remittance addresses and vendors who share office space. The Accounting Clerk will verify and deactivate duplicate vendors by the end of June 2021.



Appendix A: Benford's Analysis on Check Amounts (First Digit)

Conclusion: Acceptable Conformity

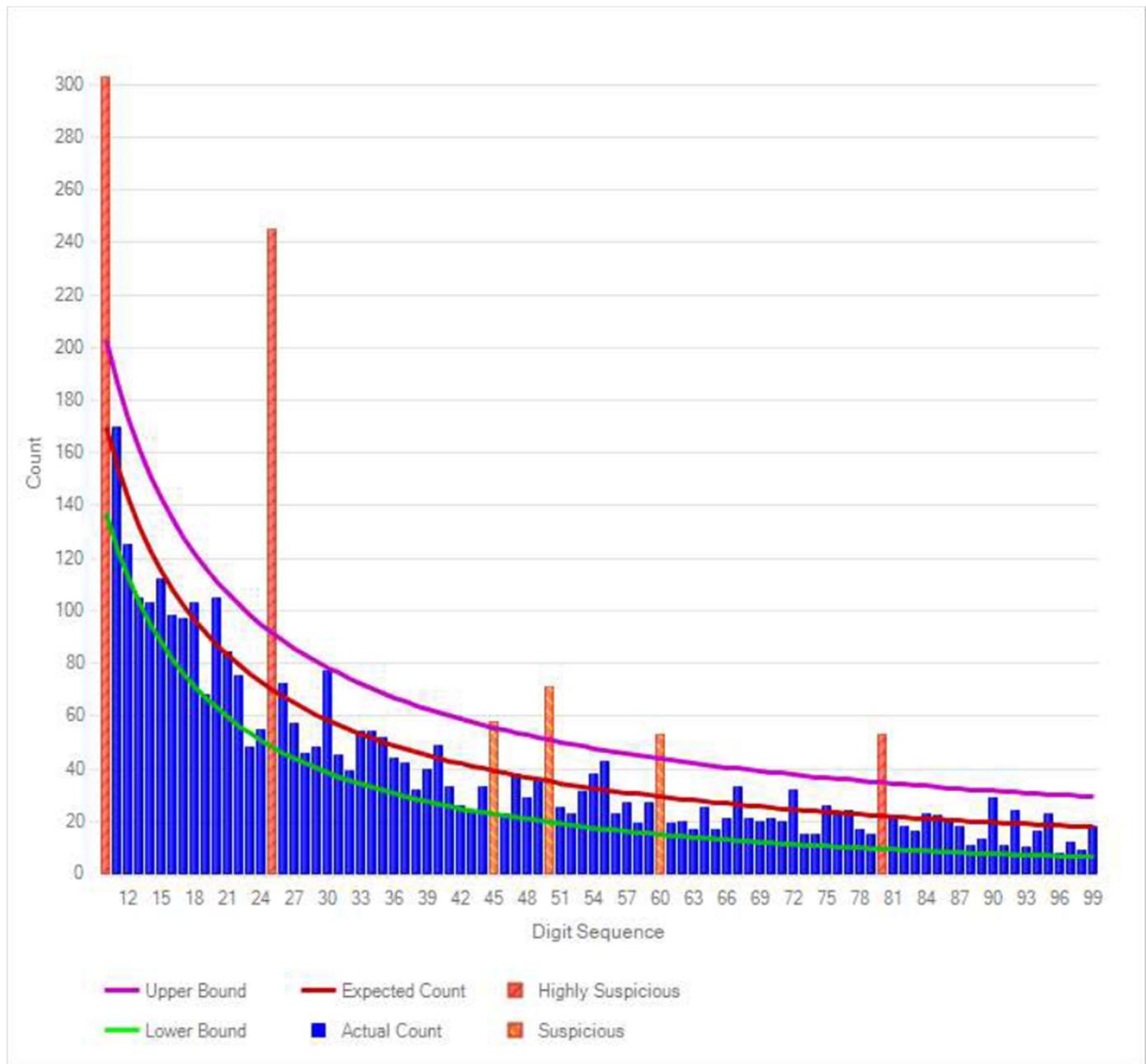
We used Benford's law to measure the actual occurrence of leading digits (first number) in disbursements compared to the digits' probability; excluding all split payments. The expected disbursement compared to the actual disbursement amount was within \$50 as shown on the graph below with the green line being the lower limit and the purple line the upper limit.



Appendix B: Benford's Analysis on Check Amounts (Second Digit)

Conclusion: Non-conformity

We performed Benford's law analysis on check amounts in the aggregate on the first two digits of the disbursement amount (excluding all split payments). The results shown below identify 6 visual exceptions to the expected disbursement amount (red line) and the actual disbursement amount (blue bar). This information was shared with the City to help recognize apparent patterns or anomalies and determine whether there are specific accounts that should be reviewed.





Caring for our external and internal clients with a passion to go the extra mile.

Respecting our peers and their individual contributions.

Conducting ourselves with the highest level of integrity at all times.

Trusting and supporting one another.

Being accountable for the overall success of the Firm,
not just individual or office success.

Stretching ourselves to be innovative and creative, while managing the related risks.

Recognizing the importance of maintaining a balance between work and home life.

Promoting positive working relationships.

And, most of all, enjoying our jobs ... and having fun!



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Carson City - Audit Findings Tracking Summary Report (revised 6-8-20)

| Report Name | Report Submittal | AC/BOS Report Approval | Reporting Entity | Report Findings | Completed Findings | AC Approval | BOS Approval | Notes |
|---|------------------|------------------------|------------------|-----------------|--------------------|-------------|--------------|------------------------------|
| Community Facility Cost Recovery Study | 11/28/2012 | 1/17/2013 | Internal Auditor | 15 | 15 | | | |
| Community Facility Cost Recovery Eagle Valley 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 | | | |
| Policy and Procedures Review | 3/22/2016 | 12/21/2017 | Internal Auditor | 5 | 5 | | | |
| Payroll Internal Controls Testing | 7/27/2016 | 12/21/2017 | Internal Auditor | 2 | 2 | | | |
| P-card Internal Controls Testing | 2/17/2017 | 12/21/2017 | Internal Auditor | 4 | 4 | | | |
| Small Works Projects Review | 5/1/2017 | 12/21/2017 | Internal Auditor | 13 | 13 | | | |
| Public Guardian Review | 7/6/2017 | 12/21/2017 | Internal Auditor | 12 | 12 | | | |
| Purchasing and AP Internal Controls Testing | 9/26/2017 | 12/21/2017 | Internal Auditor | 7 | 7 | | | |
| HTE Access Controls Testing | 12/18/2014 | 12/18/2014 | External Auditor | 5 | 5 | | | |
| FY 2014 CAFR | 12/17/2015 | 12/17/2015 | External Auditor | 5 | 5 | | | |
| FY 2015 CAFR | | | Internal Auditor | 8 | 1 | 5/10/2018 | 10/3/2019 | Only Item 4 Closed |
| Capital Projects Process Review | 5/3/2018 | 3/7/2019 | Internal Auditor | 8 | 8 | 5/10/2018 | 3/7/2019 | |
| Public Guardian Follow Up Review | 5/3/2018 | 3/7/2019 | External Auditor | 4 | 3 | 5/10/2018 | 3/7/2019 | DA needs to update BOS on #4 |
| FY 2017 CAFR and Single Audit | 11/30/2017 | 12/21/2017 | External Auditor | 3 | 3 | 5/10/2018 | 3/7/2019 | |
| FY 2018 CAFR and Single Audit | 12/6/2018 | 1/2/2019 | Internal Auditor | 5 | 3 | 5/9/2019 | 10/3/2019 | Partially |
| Temporary Staffing Audit | 5/9/2019 | 5/6/2019 | Internal Auditor | 2 | 2 | 5/9/2019 | 10/3/2019 | |
| Fire Department Overtime Audit | 5/9/2019 | 10/3/2019 | External Auditor | 1 | 1 | | | |
| FY2019 CAFR and Single Audit | 12/5/2019 | 12/5/2019 | Internal Auditor | 20 | 14 | | | |
| Cash Handling 2019 | 12/3/2019 | 1/6/2020 | Internal Auditor | 13 | 0 | | | |
| Social Media Study | 11/25/2019 | 1/6/2020 | Internal Auditor | 4 | 3 | | | |
| HR Administration - Eligible EE Group Ins. | 12/3/2019 | 1/6/2020 | Internal Auditor | 4 | 0 | | | |
| AP and P-Card Audit Program | 4/1/2020 | | | 252 | 191 | | | |
| Total (including archived reports) | | | | | | | | |

Legend:

Report Submittal = date report submitted to City

BOS Report Approval = date report adopted by BOS

Reporting Entity = organization that prepared the report

Report Findings = number of findings in the report

Completed Findings = number of findings completed by management

AC Approval = Audit Committee approval of completed findings

BOS Approval = Board of Supervisors approval of completed findings

Notes = notes about findings

Finding Corrected?

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

y For Discussion today

Carson City
Capital Projects Process Review
May 2, 2018

| Item No. | BOS Acceptance /Approval | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|--------------------------|-------------|--|---|---------------------------------------|----------------------|--------------------|--------------------------|--|
| 1 | 5/3/2018 | | <p>Recommendation</p> <p>Develop and utilize a scorecard that establishes objective criteria to assist in the evaluation of capital projects during the capital planning selection process.</p> <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>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 (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> | *Y* | Feb 2020 | 12/31/2019 | N/A | <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>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><u>May 2019 Update-</u> 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> <p>December 2019 Update- The City hired a consultant to perform a facility condition assessment of all City buildings and facilities. This project is over 50% complete. The deliverable will provide the City with a 10-year CIP list for all buildings and facilities that objectively identifies the criticality of each CIP to help prioritize projects. These reports will be used as the scorecards for facilities moving forward. The report will be received in February 2020 for use in the upcoming FY21 budgeting process</p> |

| Item No. | BOS Acceptance /Approval | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|--------------------------|-------------|--|---|------------------------------------|---------------------------|--------------------|--------------------------|--|
| 2 | 5/3/2018 | | Cultivate a Project Management Manual that provides standardized templates, checklists, forms, and best practice guidance. | <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> | *Y* | PM Manual (February 2020) | | | 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. |

| Item No. | BOS Acceptance /Approval | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Validation (Y,N) | Auditor | Status Comments |
|----------|--------------------------|-------------|----------------|---|------------------------------------|----------------------|--------------------|------------------|---------|---|
| | | | | | | | | | | <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> <p><u>December 2019 Update</u> - The first draft version of the PM Manual is complete and circulating through Public Works for review and comment. Once comments are collected and necessary revisions are made, then the first version will be complete. Public Works anticipates this occurring by the end of February 2020.</p> <p><u>June 2020 Update</u> - Public Works has completed version 1 of the PM Manual. The manual will be effective on July 1 for the start of FY21 projects. The manual outlines the Division's project delivery procedures, the authority and respective responsibilities of individual staff and other Public Works divisions and City Departments, quality control processes, quality standards, and various tools and documents used to effectively manage projects. The manual is intended to be used as a "living document" whereby new best management practices and updated procedures can be quickly incorporated and placed into practice. The nature of a "living document" is also intended to encourage all clients and Engineering staff members to constantly develop and bring forward new ideas which streamline our work, improve efficiencies, clarify practices, or improve the quality of our product. As we move forward, we hope that the process of updating and improving the manual in the future will serve as a catalyst for continuous improvement.</p> |

| Item No. | BOS Acceptance /Approval | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|--------------------------|-------------|--|--|---------------------------------------|---------------------------|--------------------|--------------------------|--|
| 3 | 5/3/2018 | | Subscribe to Electronic Signature Services to expedite the contract approval process. | 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 Expected Benefits- If implemented, the contract approval process would be expedited | *N* | October 2019 | 12/31/2019 | N/A | January 2019 Update- 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 Admin. - Carol Akers <u>December 2019 Update-</u> We did not purchase the Contract Module of the ERP software. We would like to keep our current signature process and place and forgo electronic signatures for now. |
| 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. | 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. | *Y* | July 2020 | 12/31/2019 | N/A | 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" <u>December 2019 Update - The City is now using the Executive software to track and input staff hours for capital projects in "real time"</u> |
| 6 | 5/3/2018 | | Clearly identify and separate capital project documents to properly track contract modifications. | 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 | *Y* | (PM Manual) February 2020 | | | 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 January 2019 Update- 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. See #2 above for _____ <u>December 2019 Update.</u> <u>June 2020 Update - Public Works has completed version 1 of the PM Manual, which defines the various capital project documents and outlines the steps required throughout the project delivery process to develop, organize, and track these documents.</u> |

| Item No. | BOS Acceptance /Approval | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|--------------------------|-------------|--|--|---------------------------------------|------------------------------|--------------------|--------------------------|--|
| 7 | 5/3/2018 | | <p>Expand capital project close-out processes to include a review of project costs, deliverables, and required documentation.</p> <p>Expected Benefits- Improve close-out of projects and improve organization and how we manage projects in the future</p> | <p>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.</p> <p>Expected Benefits- Improve close-out of projects and improve organization and how we manage projects in the future</p> | *Y* | (PM Manual) February 2020 | | | <p>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.</p> <p>This will be added as step in the project management checklist</p> <p><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. See #2 above for December 2019 Update.</p> <p>June 2020 Update - Public Works has completed version 1 of the PM Manual, which outlines the project close-out process, including project archiving, financial closure, performance measures, and project debrief.</p> |
| 8 | 5/3/2018 | | <p>Create a project postmortem process to continuously improve capital project efficiencies.</p> | <p>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.</p> <p>This postmortem form will be required to be completed by PMs before a project can be closed out.</p> <p>Expected Benefits- Improve future management of projects</p> | *Y* | (PM Manual) February 2020 | | | <p><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. See #2 above for December 2019 Update.</p> <p>June 2020 Update - Public Works has completed version 1 of the PM Manual, which outlines the project close-out process, including a lessons learned step within the project debrief where the PM and project team can discuss ways to continuously improve capital project efficiencies.</p> |

| Item No. | BOS Acceptance Approval | BOS Closure | 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 | 12/6/2019 | | 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 | *Y* | 6/30/2019 | 11/12/2019 | FY19 should be a much smoother process as the appropriate staff will be able to take on new GASB implementation and it will be reviewed by the CFO instead of prepared by the CFO. - Implemented Auditor Cleared Finding. |
| 2 | 12/6/2019 | | 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 | *Y* | 6/30/2019 | 11/12/2019 | 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. Implemented Auditor Cleared Finding. |
| 3 | 12/6/2019 | | 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 activities prior to 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 | *Y* | 6/30/2019 | 11/12/2019 | We have updated procedures for the purchasing and contracts position to indicate that this must be completed and documented prior to executing the contract. - Implemented Auditor Cleared Finding. |

| Item No. | BOS Acceptance /Approval | BOS Closure | 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 | 12/6/2019 | | 2019-001 | The fiscal year 2018 SEFA was undersubscribed by \$215,000 as finance was misinformed as to what was reimbursable on the JAC relocation project. The inclusion of the \$215,000 would not have affected our determination of major programs in 2018, and did not affect our 2019 determination of major programs | Program Managers should receive additional training on how to evaluate award terms and determine more precisely what costs are allowed under each program to ensure that reimbursable costs are captured completely and timely. | | | Management informed the auditor that additional training will be provided to the Transit Coordinator to improve understanding and awareness of what is and is not reimbursable, and associated timelines. Communication and coordination with finance will also be improved between public works and finance, especially with regard to expenses and projects that overlap fiscal years. | \$ - | 0 | *Y* | 6/30/2019 | 6/30/2019 | Staff encountered the error during our preparation of the FY19 SEFA and informed Public Works that this would result in a finding very early in the audit. The employee no longer works with the City and that position is currently vacant. However, we are confident that the Transportation Manager will work with us as we move forward to ensure expenses are properly captured, and the position is filled, the new Transit Coordinator will receive the proper training. We do not expect a repeated finding in FY20. |

Carson City
Temporary Staffing Audit
May 5, 2019

| Item No. | BOS Acceptance /Approval | BOS Closure | Recommendation | Dept. | Owner | Remediation Plan (Course of Action & Expected Benefits) | Est. Cost | Est. Savings | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|--------------------------|-------------|---|-------|-------|---|-----------|--------------|------------------------------------|----------------------|--------------------|--------------------------|--|
| 1 | | | We recommend the City conduct further evaluation by legal professional on the legal risks identified from this internal audit. "We noted Department of Labor considerations which may indicate an "employment relationship" between Carson and temporary employees. | | | Carson City District Attorney's Office is researching the any possible legal issues with hiring temporary employees through Marathon. | \$ - | 0 | P | 3/31/2020 | | | 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 | P | 7/1/2020 | | | Finance is working with Departments on one City prepared timesheet; when several Marathon employees are on the same timesheet. We have obtained the different lists used, and are now trying to find common ground. We are also still planning on allowing the use of the Marathon provided timesheet for smaller departments who only have one person on their staff for a very short period of time. |

Carson City
Cash Handling Audit
December 3, 2019

| Item No. | BOS Closure | Finding/Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Est. Cost | Est. Savings | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|-------------|---|--|-----------|--------------|---------------------------------------|----------------------|--------------------|--------------------------|---|
| 1 | | LIBRARY: Incompatible duties where they collect cash and prepare the bank deposit. | Proper segregation of duties between cash handling and preparation of bank deposits should be put into practice to prevent individuals from handling unrecorded cash and preparing the bank deposit. | \$ - | 0 | *Y* | 12/1/2019 | 12/1/2019 | Y | Although the Library has limited full and part-time staff available, they will work to assign another staff person each day. The procedure will be implemented by the last day of November. |
| 2 | | Daily balancing of the cash transactions lacks sign-off by the Finance Clerk as evidence that the activity was preformed. | The Finance Clerk should sign-off on the cash transactions reconciliation as evidence that the activity was preformed. | \$ - | 0 | *Y* | 11/18/2019 | 11/18/2019 | Y | The Finance Clerk will add signing the cash transaction sheet each day it is prepared and add this step to the cash transactions process. The Business Manager will review the sheets as part of the deposit reconciliation to ensure it has been signed. This process has been put in place as of November 18, 2019. |
| 3 | | Controls are not in place to prevent or detect missappropriation of assets | Implement a preventative control where a second person is present in the same room while the cash is being recounted and bank deposit preparations are preformed. Alternatively, the Library should request installation of a camera as a detective control to observe the cash count and bank deposit preparation when another person is not present. | \$ - | 0 | *Y* | 1/1/2020 | 1/1/2020 | Y | Library will review staff availability in order to add a person to sit in the same room with the Finance Clerk while the cash recount/reconciliation occurs. Due to library open hours and staff schedules it will likely be a different person each day. Library does prefer the camera solution recommended and will request this as part of their FY21 budget process as a long-term solution. Add staff process will be in place in Early December. |
| 4 | | Although there is a biweekly inventory performed the bus passes require additional safekeeping. | We recommend adding additional controls to secure the bus passes. | \$ - | 0 | *Y* | 1/1/2020 | 1/1/2020 | Y | Library is working with JAC to address the finding. |
| 5 | | Checks are endorsed the following day by the Finance Clerk which is not in compliance with the City's Cash Handling Policy. | Individuals processing the payment should endorse checks immediately upon receipt. | \$ - | 0 | *Y* | 11/30/2019 | 11/30/2019 | Y | The Library will purchase additional check endorsement stamps for the cash registers in November. Immediately endorsing the checks will be added to the transaction process as soon as stamps are received. |

Carson City
Cash Handling Audit
December 3, 2019

| | | | | | | | | | |
|----|--|---|------|---|---|-----------|-----------|---|---|
| 6 | CLERK & RECORDER: Cash handling is not in compliance with the City's Cash Handling Policy. | We recommend adding additional controls to secure cash. To note, locked cash drawers are both behind locked doors, with security cameras, and is inside the Courthouse which is secured at all entrances. At a minimum, the department should request a policy modification to the City's Cash Handling Policy. | \$ - | 0 | N | 1/31/2020 | 1/31/2020 | Y | Clerk-Recorder will address the additional controls to secure cash. |
| 7 | Safekeeping of the keys to the cash drawers require additional modification to be in compliance with the City's Cash Handling Policy. | Clerk Dept. should mirror the practice of the Recorders and keep the key to the cash drawer in their custody at all times. | \$ - | 0 | N | 1/31/2020 | 1/31/2020 | Y | Chief Deputy Clerk will provide each staff member their individual cash drawer key that they will maintain possession of. |
| 8 | Multiple individuals have access to perform transactions from the same cash drawer, which is not in compliance with the City's Cash Handling Policy. Each user has their own log-in code which they need to input before a transaction can be processed. | We recommend the department update the procedures cash drawer section of their department specific policy and procedure and add details on the user log-in process when performing cash transactions that allow for each user to record their transactions while sharing the same cash drawer. | \$ - | 0 | N | 1/31/2020 | 2/9/2020 | Y | Clerk-Recorder will update the cash drawer procedures within it's department specific policy and procedure. |
| 9 | Cash Handling training sessions are not conducted every two years which is not in compliance with the City's Cash Handling Policy. | Conduct cash handling refresher training every two years to ensure employees handling cash are adhering to the City's Cash Handling Policy with the first session scheduled to be conducted in January 2020 | \$ - | 0 | N | 1/31/2020 | 1/31/2020 | Y | Clerk-Recorder will request each staff member within its' departments watch the Carson City Treasurer's cash handling video as well as facilitate a department meeting to discuss cash handling procedures every two years. There will be an attendance log and agenda for each meeting held. |
| 10 | COMMUNITY DEVELOPMENT: Controls are not in place to prevent or detect misappropriation of assets. | Analyze the security needs of each cash collection point and strengthen security controls whenever necessary. | \$ - | 0 | N | 6/30/2020 | | | Community Development has current fiscal year budget to address the security needs. |
| 11 | Security controls are weak and are not in compliance with the City's Cash Handling Policy. | We recommend implementing tighter security controls in compliance with the City's Policy. | \$ - | 0 | N | 1/31/2020 | | | The Department is currently looking at options for recommended controls. |
| 12 | Multiple individuals have access to perform transactions from the same cash drawer, which is not in compliance with the City's Cash Handling Policy. | We recommend that the department use cash registers or POS system that requires each user to input a unique log-in code before a transaction can be processed. This will allow investigation of shortages, overages, or misappropriation of cash. | \$ - | 0 | N | 1/31/2020 | 1/31/2020 | Y | The department plans to install locked cash drawers for each individual user and expense to have them in place by the end of December. |

Carson City
Cash Handling Audit
December 3, 2019

| 13 | During the evening count and reconciliation of the drawers the cash handler did not generate all required reports causing the end of the day total amounts to not balance when there should not have been an issue. | Cash handlers should ensure all necessary reports for end-of-day reconciliation are present when handing over their cash drawers to the reconciler. Cash handlers should provide the necessary reports to the reconciler daily. | \$ - | 0 | *Y* | 11/30/2019 | 11/30/2019 | Y | The Department management expects that all necessary reports are provided to the reconciler. The reconciler is to report to the manager whenever such reports are not provided. This process is already in place. | | | |
|----|---|---|------|---|-----|------------|------------|---|---|--|--|--|
| 14 | Refresher cash handling training sessions are not being done every two years, which is not in compliance with the City's Cash Handling Policy. | Conduct cash handling refresher training every two years to ensure employees handling cash are adhering to the City's Cash Handling Policy. | \$ - | 0 | *Y* | 11/30/2019 | 12/31/2019 | Y | The Department will immediately implement a policy to refresh cash handling training for all employees at least once every year, in December of each year. | | | |
| 15 | TREASURER'S OFFICE: Incompatible duties were noted with cash handling, recording, and preparation of bank deposits. | Proper segregation of duties between cash handling , recording of transactions, and preparation of bank deposits should be put into practice to prevent individuals from handling unrecorded cash and preparing the bank deposit. | \$ - | 0 | *Y* | 12/1/2019 | 12/1/2019 | Y | Treasurer's has a limited number of staff so total segregation of duties is difficult. To compensate for this, cash is counted by a second employee. Additionally, the Chief Deputy Treasurer is told of any discrepancies and oversees the recording of all deposits. | | | |
| 16 | Controls are not in place to prevent or detect misappropriation of assets | The department should analyze security needs of each cash collection point and strengthen security controls whenever necessary. | \$ - | 0 | N | 6/30/2020 | | | The City's IT department is working on getting cameras for City Hall which will capture out front counter and safe. The cost of the project was included in the FY20 Budget and should be completed by June 30, 2020. | | | |
| 17 | Cash handlers are subject to unannounced audits by the Treasurer's Office on an annual basis in those departments/areas where they maintain petty cash and/or change funds. However, this has not occurred since 2017, which is out of compliance with the City's Cash Handling Policy. | In accordance with the City's Cash Handling Policy, the Treasurer's Office should resume the annual surprise cash audits to ensure cash handling procedures are being followed throughout the departments. | \$ - | 0 | N | 4/30/2020 | | | Treasurer's will resume the surprise cash audits in the Spring of 2020. The City has several software conversions taking place across City departments so we will resume the surprise cash audits after each Department has started using their new software and any resulting new procedures are in place. | | | |
| 18 | Daily cash reconciliation and end-of-shift process are not in compliance with both the City's Cash Handling Policy and the City' Cash Handling training video. | We recommend cash handlers follow the City's Cash Handling Policy. Alternatively, we recommend updating the policy to address the department's current process which is effective and sufficient. | \$ - | 0 | N | 4/30/2020 | | | Morning count works better for the Treasurer's. By Spring of 2020 the Treasurer will prepare a document for approval which will outline the exceptions to the Cash Handling Policy for the Treasurer's Office. This will allow incorporation of any new procedures through the implementation of the upcoming software conversions. | | | |

Carson City
Cash Handling Audit
December 3, 2019

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|----|--|--|------|---|-----|-----------|-----------|---|--|
| 19 | Daily cash counts were performed where it is visible from the customer's perspective, which is not in compliance with the City's Cash Handling Policy. | We recommend starting a few minutes earlier than 8am to allow time for the morning count before the department opens to the public. Alternatively, employees can take their cash drawers to a secure location and perform their count there, away from the view of the public. | \$ - | 0 | *Y* | 12/1/2019 | 12/1/2019 | Y | The Treasurer's Office will have the cashiers perform the cash counts in a secure location away from public view. |
| 20 | Refresher cash handling training sessions are not being done every two years, which is not in compliance with the City's Cash Handling Policy. | Conduct cash handling refresher training every two years. Additionally, we recommend submitting a request for Policy Tech to send an annual notification which website links for other departments to access the Cash Handling Training Video. | \$ - | 0 | N | 5/31/2020 | | | Policy states that various City departments are responsible for their employees receiving training. Each May, Treasurer sends an e-mail reminder to departments asking them to revisit the cash handling video. Beginning May 2020, we will update our records to reflect the names of their employees that have been trained and the dates of their initial training, and refresher training. Thereafter we will continue to follow-up with each department on an annual basis to confirm the training and keep our records updated. Treasurer's office is constantly discussing cash handling procedures, but will document this going forward. Policy tech was requested, but they were told it was not possible, therefore, it was made available on the Treasurer's web page for easy access. |

| Item No. | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y, N) | Status Comments |
|----------|--|---|--|---------------------------------------|----------------------|--------------------|---------------------------|---|
| 1 | City run social media sites created without the approval of the City Manager or the knowledge of the IT department. | Create a list of all active Social Media Accounts. Implement annual review. | *Y* | | 3/31/2020 | 3/31/2020 | | City Manager Office will ask that Departments provide to CIO a listing of all active social media accounts. <u>Update:</u> The City Manager's Office requested that City Departments provide a listing of all active social media accounts. The Digital Media Coordinator now has access to all City accounts. In addition, the Digital Media Coordinator regularly runs audits on accounts utilizing archive social software. |
| 2 | Although the City has developed associated policies and procedures to address social media usage and assessed the risks of employee's access to social media sites, there does not appear to be any approval or enforcement process. | Obtain Social Media Asset forms for all existing social media sites. Enforce the use of this form going forward. | *Y* | | 3/31/2020 | 3/31/2020 | SMR | City Manager will work with IT and CIO and Digital Media Coordinator shall obtain all Social Media Asset forms for all existing social media sites. <u>Update:</u> The Social Media Asset Form is available in PolicyTech. No new accounts have been requested / established since the internal audit was performed. |
| 3 | We reviewed the citywide Social Media policy on Policy Tech which states, "Departments wishing to create and manage department specific social media assets,...should fill out a Social Media Asset Form (available on CCNET) and submit it for approval by the City Manager." However, this policy was not enforcement, which increases the risk to the City, as the social media site may not be administered or monitored in accordance with the citywide policy. | Evaluate enforcement practices related to non-compliance with the City's Social media policy and document the approach. | | | N | 9/30/2020 | | CIO and Digital Media Coordinator will evaluate enforcement practices. |
| 4 | Social media site created without a formal request or approval obtained. We compared the current social media policy on PolicyTech to the draft version of the policy being updated and noted one area that should be included in the updated policy. The updated policy needs the method or methods for which the departments would obtain approval from the City Manager prior to creating a social media site. | Formalize the social media request and approval process prior to creating a new site. | | | N | 6/30/2020 | | CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy and provide to CIO for review. |

Carson City
Social Media Audit
November 25, 2019

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|----|---|--|-----|-------------------------------------|---|
| 5 | Risks of employee's access to social media sites while on the City's network and personal mobile devices has not been addressed in the Unacceptable Behavior policy. | Update the unacceptable behavior policy | N | 9/30/2020 | HR Director will update policy as proposed and CM will review and approve. NOTE: Regarding 1st Amendment rights by accepting public employment the U.S. Supreme Court has found that citizens do not surrender their rights. However, an employer can impose certain restraints so long as the restrictions are based upon the government's interest in "promoting efficiency and integrity in the discharge of official duties and maintaining proper discipline in the public service." |
| 6 | Risks of employee's access to social media sites while on the City's network and personal mobile devices has not been addressed in the Computer Resources Usage policy. | Update the Computer Resources Usage Policy to include Employee personal use of social media using City devices and for business purposes using personally owned devices. | N | 9/30/2020 | HR Director will update policy as proposed and CM will review and approve. |
| 7 | Individual city departments have their own social media policy that does not align with the city's Social Media policy. | Review current social media accounts for compliance with set rules add modifications if necessary. | N | 12/31/2020 | CIO and Digital Media Coordinator shall review each departments social media polies and forward recommendations to the department director. |
| 8 | CCHHS department Marketing and Communications Procedures have several best practices including, content approval hierarchy, a style guide, and templates. However, the policy does not include controls over social media communications such as monitoring, archiving, and site removal. | Departments should update their social media policies to ensure they align with and refer to the Citywide Policy. | N | 12/31/2020 | CIO and Digital Media Coordinator shall review each departments social media polies and forward recommendations to the department director. |
| 9 | Online access to request new social media account(s) or marketing campaign would help to streamline the request and approval process. | IT department should provide tracking and timely approval of requests for new social media accounts. | *Y* | Start as soon as form is available. | 3/31/2020 SMR New social media requests/Forms can be handled through current IT help Desk e-mail process. <u>Update:</u> The Social Media Asset Form is available in Policytech. No new accounts have been requested / established since the internal audit was performed. |
| 10 | Social media archiving is likely not in compliance for those departments not actively monitored by the Digital Media Coordinator and the City's software - ArchiveSocial. | All deleted comments should be properly archived with comments. | N | 9/30/2020 | CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy and provide for CM for review. |

Carson City
Social Media Audit
November 25, 2019

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| 11 | The Digital Media Coordinator is responsible for the creation of the majority of the social media content and monitoring. As the number of the City's social media accounts continue to grow so do the comments and followers. As such, the need for more moderation and department interaction also continues to rise. | Recommend the City acquire the risk management and analytics suite of the current ArchiveSocial Software to assist in the use of automated monitoring, analysis and alerts to violation of City policy. | N FY21 Budget Cycle | CIO will provide cost estimate for risk management and analytics suite of the current ArchiveSocial Software for FY 21 budget cycle. - NOTE that recent court cases have found government social media accounts to be "designated public forums", meaning that individuals have a 1st amendment right to comment on government social media pages. However restrictions are permitted where they are viewpoint neutral and reasonable. To implement these restrictions, there must be an explicit policy indicating the government intent to restrict the forum to certain topics. Where the social media policy allows for departments to delete certain comments, clear guidelines will be needed. Additionally, I would recommend disclaiming on the individual social media page what the purpose of the page is to limit the scope of the forum and disclaiming which types of comments will not be permitted. |
| 12 | Currently, the communications function is handled primarily by the Digital Media Coordinator, which has one staff member who splits their time doing other IT activities. An effective public information program relies in part upon timely information from City staff about upcoming projects, programs and services. For greater effectiveness and efficiency in informing the public, more employees should be solely dedicated to communications and its practices. | Determine duties regarding who is responsible for content and monitoring of such content. | N 12/30/2020 | CM will meet with Department Directors to discuss the possibility of partially shifting content creation down to the department level which could allow for more timely content, responses, and relevant information. Additionally, Dept. Directors' responsibility for the detailed oversight and monitoring of the department's social media accounts will be incorporated into the Social Media Policy within the timeframes Stated above |
| 13 | The City does not have an Information Security Response Plan | Create a Information Security Response Plan to include procedures for responding to security incidents, communication protocol and determine system impact. | N 6/30/2021 | CIO will create an Information Security Response Plan. |

Carson City
Human Resources Administration - Eligible Employee Group Insurance
December 3, 2019

| Item No. | BOS Closure | Recommendation | Remediation Plan (Course of Action & Expected Benefits) | Est. Cost | Est. Savings | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Validation (Y,N) | Status Comments |
|----------|-------------|--|---|-----------|--------------|---------------------------------------|----------------------|--------------------|-----------------------------|---|
| 1 | | Employee and benefit documents are paper based with sensitive information accessible by any employee in the Finance Department. Keeping physical documentation poses risk of inefficiency, increased costs, and are more prone to being misfiled, misplaced, or damaged. | The City should adopt an on-line based data management system. NOTE: Finance is scheduled to implement the Payroll module of the ERP System for the first payroll in January. We recommend that in the interim, the employee files should be in a locked and secure location that is limited to those individuals whose job responsibilities require access. | \$ - | 0 *Y* | 12/1/2019 | | | Y | Most forms in the new system will be completed and maintained within the system. Over the next 6 months to a year, I have asked our new Payroll Coordinator to start scanning in the employee files, so all Finance employee files are located in Tyler. We will keep the cabinet locked until we have scanned all employee files and can shred the hard copy and remove the cabinet. |
| 2 | | HR benefits administration process is manual and documentation is entirely paper based. Keeping physical documentation poses risk of inefficiency, increased costs, and are more prone to being misfiled, misplaced, or damaged. | The City should adopt an on-line based data management system. NOTE: HR is scheduled to implement the Human Resources modules of the ERP System in Early January. | \$ - | 0 *Y* | 4/30/2020 | 5/31/2020 | | | HR is exploring the possibility of moving to an online enrollment system. The program that will be vetted is the Tyler ERP System called Employee Self-Service (ESS). ESS has been implemented, but the health insurance enrollment module has not been evaluated. HR Staff is scheduled to evaluate the program and will consider security, risks and make a determination if the use of the program will in fact create more efficiency by reducing costs and saving time in Spring 2020. |
| | | | | | | | | | | Update: HR went paperless with the last open enrollment during the implementation of the Munis system. |
| 3 | | Procedures on how to obtain and submit forms for benefit enrollment and status changes are not clearly documented and readily available for benefit participants to access on their own without additional interaction with the HR department. | The City should establish a process and written procedures allowing benefit participants a self-service approach for relevant HR benefit related forms to include new enrollment, enrollment changes, eligibility documents, etc. | | | *Y* | 12/31/2019 | | Y | Language has been added to the current benefit policy stating that employees have 30 days to notify Human Resources of a qualifying event. This update has been submitted to the City Manager's office and should be approved by the end of the calendar year. Relevant enrollment forms will be added to Policy Tech as well. |
| 4 | | There is no clear policy regarding employees simultaneously receiving City-provided benefits as an employee and a dependent of a City employee or retiree. | Verbiage should be added to the applicable HR benefit policies and the employee benefit packet that specifically states, "An employee may not be simultaneously covered by City-provided medical benefits as a City employee and as a dependent of another City employee or retiree." As a practice, HR should implement a process to identify these occurrences or work with the benefits provider to perform. | | | *Y* | 12/31/2019 | | Y | Suggested statement has been added to the HR policy. The update has been submitted to the City Manager's office and should be approved by the end of the calendar year. |

Carson City
Accounts Payable Procurement Card Audit
April 1, 2020

| Item No. | BOS Acceptance/ Approval | BOS Closure | Recommendation | (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | Expected Compl. Date | Actual Compl. Date | Auditor Verified? (Y, N) | Status Comments |
|----------|-----------------------------|-------------|--|---|---------------------------------------|----------------------|--------------------|--------------------------|---|
| 1 | | | <p>The transactional and monthly limits remain the same in the current manual, with additional verbiage which states that departments may implement more stringent limitations based on their requirements (Section 6. Cardholder Responsibilities – page 8) and another which states that Carson City will adjust limits as determined by demonstrated need (Section 15. Completing a P-Card Transaction – page 15). During P-Card transactional testing, it was noted that several transactions exceeded the \$5,000 for single transactions and \$10,000 per month, which is not reflective of a more stringent limitation.</p> | <p>The City should update the verbiage in the P-Card Program Manual (Section 6. Cardholder Responsibilities – Page 8) to state that the City will adjust limits as determined by demonstrated need which more accurately reflects their current allowable limits on a single transaction and on a monthly basis.</p> | N | 12/31/2020 | | | The City will update the P-Card Program Manual to reflect current cardholder responsibilities relating to adjusting current allowable limits. The Accounting Manager (Procurement Card Program Coordinator) will be responsible for updating the P-Card Program Manual, by the end of December 2020. |
| 2 | | | | <p>Exceeding approval limits is done through an exception-based process which needs to be documented in the City's P-Card policy and flagged/noted as an exception. Another transaction had the department-level approval approved by the cardholder (Executive Director of the Carson Tourism Authority – Component Unit).</p> | | | | | <p>The City will update the P-Card Program Manual to reflect the process for credit limit increases. Currently the Accounting Manager increases single transaction limits and/or monthly limits as requested by the CFO or Department Directors. Going forward, the Accounting Manager will document within the P-Card module in Munis the reason for the increase and the approving authority. The Accounting Manager will update the policy by the end of calendar year 2020.</p> <p>The Carson City Tourism Authority (CCTA) Executive Director's p-card transactions are currently approved by their Board. In addition to attaching the CCTA Board approval signature to the p-card backup, the City Manager will approve the Executive Director's p-card in Munis as of April 2020.</p> |

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|---|--|---|---|------------|--|
| 3 | The City's current purchasing policy does not specify whether the City utilizes vendor services owned by city employees. | The City should update their existing policy to specify the City's use of employees as vendors and document how employee-vendor relationship is addressed to avoid potential issues such as conflict of interest, preferential treatment, double dipping, etc. | N | 12/31/2020 | The City will update the Purchasing and Contracts policy to address potential risks when using vendors who are related to City employees. We are a small City and it is difficult to avoid employee-vendor relationships. However, it would require collusion from the Purchasing and Contracts Administrator, CFO, Accounting Managers and District Attorney's office as they are all responsible for reviewing and approving City Contracts and Purchase Orders. The policy will be updated by the end of December 2020. |
| 4 | The City's vendor master file has several duplicate vendors with the same name and/or the same address. Most are inactive accounts however there were a number of duplicate vendors left that either need to be inactivated or re-assessed. Additionally, there does not appear to be a process in place for periodic reviews of the vendor master file. | Process should be established to manage vendor master file. This process should include the review and clean-up of duplicate vendors, validation of vendor addresses, ensuring vendor data is complete, archiving inactive vendors and employee accounts, properly documenting miscellaneous vendor accounts that are used by the City for various purposes, and all other assessments that the City deems necessary. | N | 6/30/2021 | The Finance Department performed a yearlong vendor cleanup process, prior to going live with Munis. During the import a lot of vendors were duplicated, and Finance has been working on flagging duplicate vendors as inactive. There will be cases where duplicate vendors cannot be avoided, such as a vendor with different remittance addresses and vendors who share office space. The Accounting Clerk will verify and deactivate duplicate vendors by the end of June 2021. |



STAFF REPORT

Report To: Audit Committee

Meeting Date: June 15, 2020

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 to 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, 2020 - Staff brought the list of findings and/or recommendations to the Committee, and several of the items were deemed corrected, and however Committee asked for validation of most items prior to closure. Staff decided to wait for validation before presenting items to the Board of Supervisors for closure.

Validation has been provided as requested. The list of items I'd like to take to the BOS for closure include:

- 1) 2018 Audit – All addressed, no repeat finding in FY2019
- 2) 2019 Audit – Item addressed, really a FY18 Finding that affected the FY19 audit, no such findings were noted in FY19
- 3) Capital Projects – All items have been addressed
- 4) Cash Handling – Items 1 thru 9, 12 thru 15, and item 19.
- 5) Social Media – Items 1, 2 & 9
- 6) HR – All items have been addressed

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) _____

Aye/Nay

2) _____

(Vote Recorded By)



STAFF REPORT

Report To: Audit Committee

Meeting Date: 6/15/20

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

Agenda Title: For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2021.

Staff Summary: Eide Bailly will provide recommendations for future internal audits for the period ending June 30, 2021.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on the discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

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

1010800-500309

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: \$110,000 has been budgeted for FY 21.

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

FY 2020/21
Citywide Risk Assessment &
Annual Audit Plan
Carson City

Prepared by:

Eide Bailly LLP

RISK ASSESSMENT

Internal Audit departments operate using guidance provided by the International Professional Practices Framework (IPPF) published by the Institute of Internal Auditors. Standards of the IPPF address planning and indicate that risk-based plans should determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the Audit Committee must be considered in this process.

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

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

What is a Citywide Risk Assessment?

The risk assessment is a means to assess various areas of the City. An auditor assessing risks to develop an audit plan or schedule while considering risks to programs and departments in a silo approach, this is designed to identify audits of a single department, program, or process. Additionally, we assess risks across the entire city to identify the risks to achieving overall City objectives. A Citywide risk assessment does not validate data or go into the same level of detail as an internal audit and should not be viewed as such.

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

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

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

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

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

Risk Assessment Methodology

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

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

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

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

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

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

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

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

- Number of key IT systems
- Fraud risk

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

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

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

AUDIT PLAN

Internal audit was set up with an annual budget not to exceed \$110,000 annually. We have structured our internal audit plan to fit within proximity to this budget. The internal audit budget also includes audit hours to administer the audit function, update the risk assessment annually, and conduct follow up audits to determine if agreed upon management actions have been satisfactorily completed.

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

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

Based on the results of the risk assessment, professional judgment, findings from previous audit work, and information provided by city staff, the following areas are potential audit topics for FY 2020/21.

| FY 2020/21 Proposed Internal Audits | Hours | Fees | Original Budget | Blended Rate |
|--|-------------|------------------|-----------------|--------------|
| 2021 Risk Assessment – Continue to meet with department directors and elected officials to update the risks/rankings identified in the 2018 risk assessment and develop the FY 2021/22 audit plan. | 40 | \$10,000 | | \$250 |
| Citywide Budget Monitoring Audit – Carry over from 2018/19. 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 | \$20,000 | \$17,625 | \$133 |
| Citywide Revenue & Accounts Receivable Audit – Carry over from 2018/19. 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 | \$25,000 | \$23,500 | \$125 |
| Vehicle Fleet – To assess the internal controls over the management of fiscal resources and evaluate maintenance costs, vehicle utilization, and general operations to determine if adequate controls are in place to ensure an efficient and cost-effective vehicle fleet. | 250 | \$30,000 | | \$120 |
| IT Vulnerability 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. | 250 | \$35,000 | | \$140 |
| Investments – To determine whether adequate internal controls related to investment management are in place and functioning properly to ensure that investment purchases are made in accordance with the City's "Investment & Portfolio Policy" (Investment Policy) and properly recorded in City financial records. fiscal strategies of the City. Additionally, to assess the alignment of Investment Policy with laws and regulations and compliance of activities with the Investment Policy. | 200 | \$26,500 | | \$133 |
| Specially Requested Audits or Urgent Audit Issues – Areas that arise throughout the year not originally captured on the plan. | | | | |
| Follow-Up – Time to perform follow-up review of departments implementation status of prior audit recommendations. | 20 | \$3,000 | | \$150 |
| Fraud, Waste & Abuse Hotline – Receive complaints filled through the hotline, route and monitor cases for investigation, track and resolve cases. | 5 | \$500 | | \$100 |
| Totals | 1115 | \$150,000 | | \$135 |



STAFF REPORT

Report To: Audit Committee

Meeting Date: 06/15/2020

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

Agenda Title: For Presentation Only: Discussion regarding FY 20 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 20 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

N/A

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Standing item for discussion and update.

Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Chapter 3.075, Carson City Municipal Code 2.14.040

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)