

**CARSON CITY AUDIT COMMITTEE**  
**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 Rowlett 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 CLOSE COMPLETED 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 15<sup>th</sup> day of June, 2020.