



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: August 20, 2020

Staff Contact: Sheri Russell, Chief Financial Officer (srussell@carson.org)

Agenda Title: For Possible Action: Discussion and possible action regarding the Audit Committee's recommendation to approve the completed remediation plans and remove the completed findings from the Audit Findings Tracking Summary Report. (Sheri Russell, srussell@carson.org)

Staff Summary: The completed remediation plans for various recommendations and findings have been presented and approved by the Carson City Audit Committee. Upon approval by the Board of Supervisors, the completed recommendations and findings will be considered closed and removed from the Audit Findings Tracking Summary Report maintained by the internal auditor and City staff.

Agenda Action: Formal Action / Motion

Time Requested: 15 Minutes

Proposed Motion

I move to accept the Audit Committee's recommendation and to approve the completed remediation plans and remove the completed findings as presented in the Audit Findings Tracking Summary Report.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Moss Adams had been contracted by Carson City to provide internal audit services for the City through June 30, 2018. Eide Bailey is the City's current internal auditor, providing services from July 1, 2018 through June 30, 2021.

Staff has addressed the recommendations and/or findings contained in the Audit Findings Tracking Summary Report with remediation plans, described below. In most cases, the internal auditor has validated those remediation plans are in place, and the Audit Committee recommends closure of the following findings:

- 2018 External Audit Finding - All addressed, no repeat finding during fiscal year ("FY") 2019 External Audit.
- 2019 External Audit Finding - Item addressed, a FY 2018 finding that affected the FY 2019 audit. No such findings were noted in FY 2019.
- Capital Projects - All items have been addressed.
- Cash Handling - Items 1 through 9, 12 through 15, and items 19 and 20 have been addressed.
- Social Media - Items 1, 2 and 9 have been addressed.
- Human Resources - Eligible Employees Group Insurance - All items have been addressed.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? No

If yes, account name/number:

Is it currently budgeted?

Explanation of Fiscal Impact:

Alternatives

Do not accept the recommendation and/or take different action.

Attachments:

[Audit Findings Summary 8-20-20.pdf](#)

[2-Carson City Capital Projects Process Review FINAL 05-02-18.PDF](#)

[External Findings 8-20-20.pdf](#)

[DRAFT_Cash Handling Internal Audit_AC Release_Public Release - Obfuscated.docx](#)

[DRAFT_Social Media Report_12.30.19.docx](#)

[Draft_HR Benefits Administration Internal Audit_AC Release_12.16.19.docx](#)

[20.03.23 Memo Procurement Audit Qualifications Conflicting Provisions \(updated\).pdf](#)

[19.09.25 Memo Procurement Audit General Conflicting Provisions \(updated\).pdf](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City
Internal Audit Summary
Updated - 8/7/20

Carson City - Audit Findings Tracking Summary Report (revised 8-7-20)

| 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 Go | 10/3/2012 | 5/16/2013 | Internal Auditor | 4 | 4 | | | |
| Fleet Management Efficiency Study | 6/22/2013 | 7/18/2013 | Internal Auditor | 24 | 24 | | | |
| Fleet Utilization Study | 1/30/2014 | 4/3/2014 | Internal Auditor | 12 | 12 | | | |
| Employee Efficiency Study | 11/25/2014 | 12/4/2014 | Internal Auditor | 27 | 27 | | | |
| Internal Controls Review | 3/31/2015 | 6/4/2015 | Internal Auditor | 42 | 42 | 4/21/2015 | 11/15/2018 | |
| Policy and Procedures Review | 3/22/2016 | | Internal Auditor | 5 | 5 | | 12/21/2017 | |
| Payroll Internal Controls Testing | 7/27/2016 | 12/21/2017 | Internal Auditor | 2 | 2 | 8/8/2016 | 11/15/2018 | |
| P-card Internal Controls Testing | 7/27/2016 | 12/21/2017 | Internal Auditor | 2 | 2 | 8/8/2016 | 11/15/2018 | |
| Small Works Projects Review | 2/17/2017 | 12/21/2017 | Internal Auditor | 4 | 4 | 2/14/2017 | 12/21/2017 | |
| Public Guardian Review | 5/1/2017 | 12/21/2017 | Internal Auditor | 13 | 13 | 5/9/2017 | 11/15/2018 | |
| Purchasing and AP Internal Controls Testing | 7/6/2017 | 12/21/2017 | Internal Auditor | 12 | 12 | 7/12/2017 | 11/15/2018 | |
| HTE Access Controls Testing | 9/26/2017 | 12/21/2017 | Internal Auditor | 7 | 7 | 10/3/2017 | 12/21/2017 | |
| FY 2014 CAFR | 12/18/2014 | 12/18/2014 | External Auditor | 5 | 5 | 3/22/2016 | 12/18/2014 | |
| FY 2015 CAFR | 12/17/2015 | 12/17/2015 | External Auditor | 5 | 5 | 3/22/2016 | 12/17/2015 | |
| Capital Projects Process Review | 5/3/2018 | | Internal Auditor | 8 | 8 | 6/15/2020 | 10/3/2019 | Only Item 4 Closed |
| Public Guardian Follow Up Review | 5/3/2018 | 3/7/2019 | Internal Auditor | 8 | 8 | 5/10/2018 | 3/7/2019 | |
| FY 2017 CAFR and Single Audit | 11/30/2017 | 12/21/2017 | External Auditor | 4 | 3 | 5/10/2018 | 3/7/2019 | DA needs to update BOS on #4 |
| FY 2018 CAFR and Single Audit | 12/6/2018 | 12/6/2019 | External Auditor | 3 | 3 | 6/15/2020 | | |
| Temporary Staffing Audit | 5/9/2019 | 5/6/2019 | Internal Auditor | 5 | 3 | 5/9/2019 | 10/3/2019 | Only items 3-5 |
| Fire Department Overtime Audit | 5/9/2019 | 10/3/2019 | Internal Auditor | 2 | 2 | 5/9/2019 | 10/3/2019 | |
| FY2019 CAFR and Single Audit | 12/5/2019 | 12/5/2019 | External Auditor | 1 | 1 | 6/15/2020 | | |
| Cash Handling 2019 | 12/3/2019 | 1/6/2020 | Internal Auditor | 20 | 15 | 6/15/2020 | | Only items 1-9, 12-15, 19 & 20 |
| Social Media Study | 11/25/2019 | 1/6/2020 | Internal Auditor | 13 | 3 | 6/15/2020 | | Only items 1, 2 & 9 |
| HR Administration - Eligible EE Group Ins. | 12/3/2019 | 1/6/2020 | Internal Auditor | 4 | 4 | 6/15/2020 | | |
| AP and P-Card Audit Program | 4/1/2020 | | Internal Auditor | 4 | 0 | | | |
| Total (including archived reports) | | | | 252 | 229 | | | |

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 Review
May 3, 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 | | Develop and utilize a scorecard that establishes objective criteria to assist in the evaluation of capital projects during the capital planning selection process. | <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> | *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>January 2019 Update- On track with scorecards for sewer, water and stormwater projects to prioritize CIPs for this coming fiscal year (FY 2020). Scorecard for facility projects to be developed in Feb. 2020.</p> <p>May 2019 Update- Developed scorecards for water and sewer pipeline replacement/rehabilitation projects and small stormwater projects that consider probability of failure and consequence of failure criteria to help objectively prioritize future CIPs. These scorecards will continue to be refined and advanced in the future, particularly as our asset management program develops. Scorecard for facility projects to be developed in Feb. 2020.</p> <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> |
| 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> | *Y* | PM Manual (February 2020) | 3/30/2020 | | <p>In process of developing a project management checklist for project managers to complete for each CIP. This checklist will track from project initiation to closeout. This checklist will reference to other PM documents related to different stages of the project (project initiation forms, guidelines to setting up project in Smartsheet, creating project schedules, QA/QC for projects, project closeout). A draft of checklist has been developed and is currently in circulation for comments. We anticipate checklist to be completed and in-use by Jan 2019.</p> <p>After completion of PM checklist, the checklist in combination with specific documents and forms related to project management will be located in a central site on the network and be considered the "Project Management Manual". There is no plan at this time to create an actual manual.</p> |
| | | | | <p>The checklist in combination with specific documents and forms related to project management will be located in a central site on the network and be considered the "Project Management Manual". There is no plan at this time to create an actual manual.</p> <p>Expected Benefits- Lead to better management of capital projects</p> | | | | | <p>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>December 2019 Update- The first draft version of the PM Manual is complete and circulating through Public Works for review and comment.</p> <p>January 2019 Update- The decision was made in December 2018 to create a formal project management manual. A working group, consisting of different personnel across public works that is involved with various stages of capital projects, was formed to help develop the contents of the manual. The manual is about 1/3 of the way done and will be complete in time to manage next fiscal year's capital projects (July 2019). This manual will include standardized templates, checklists, forms and best practice guidance as initially recommended by auditor. (See all PM Manual References Below)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> |

Carson City
Capital Projects Review
May 3, 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 |
|----------|--------------------------|-------------|--|---|--------------------------------------|----------------------|--------------------|--------------------------|--|
| | | | | | | | | | June 2020 Update - 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. |
| 3 | 5/3/2018 | | Subscribe to Electronic Signature Services to expedite the contract approval process. | <p>Course of Action- Public Works will have the discussion with Purchasing & Contracts to see what options are available for electronic signature implementation. Discussion will occur in Fall 2018 and then decision will be made on whether to pursue or not</p> <p>Expected Benefits- If implemented, the contract approval process would be expedited</p> | *Y* | October 2019 | 12/31/2019 | N/A | <p>We do spend a great amount of time collecting signatures and passing documents around, so exploring electronic signature options may be beneficial. Public Works will have the discussion with Purchasing & Contracts to see what options are available. Discussion will occur in Fall 2018. - New ERP System will definitely have electronic approvals as well as some electronic signature options. We would like to wait until we are farther along in the implementation process.</p> <p>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</p> <p>December 2019 Update - 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.</p> |
| 4 | 5/3/2018 | 10/3/2019 | Utilize a single unique identifier for projects to ensure documentation clearly references each project. | <p>Course of Action- Modify documents internal to public works to include project number along with contract number. The Public Works Financial Analyst does currently keep a contract register which does relate all contracts back to their unique project numbers, so the current method does work for searches/tracking, but could be improved. Discuss with Finance, Purchasing & Contracts and Public Works Financial Analyst to discuss options to be consistent with our project naming and unique identifier. Review ERP system capabilities to see if new system may lead to better tracking and streamline document searches in future.</p> <p>Expected Benefits- Improve project document tracking and searches</p> | Y (Audit Committee Approved Closure) | Nov 2018 | 1/1/2019 | N/A | <p>We currently assign single unique identifiers to projects, however these project numbers don't get referenced in all construction documents such as design or construction contracts (only contract numbers used). The Public Works Financial Analyst does keep a contract register, which links all contracts back to their associated unique project numbers. Therefore, everything can be searched and tracked with some effort.</p> <p>We are in the process of modifying public works related construction documents (i.e. project completion memos and other documents used for construction management during construction) to reference both project numbers and contract numbers. We will plan on discussing with Finance, Purchasing & Contracts and Public Works Financial Analyst to discuss options to be consistent with our project naming and unique identifier. Plan on holding these discussions in fall of 2018. This process may also be improved with the capabilities/features of the new ERP system.</p> <p>The project number assigned by Finance is supposed to be included on contracts with the account number. The new ERP system will allow for contract, payments, purchase orders, payroll and grants to be tied to specific projects. It also has the ability to store pertinent documents with the project.</p> <p>January 2019 Update- All contract documents have been modified to make reference to contract number and project number to easily help Finance, Contracts and Public Works Department clearly track public works related construction documents through life of a project. The new ERP system will help make this tracking even better.</p> |

Carson City
Capital Projects Review
May 3, 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 |
|----------|--------------------------|-------------|--|---|------------------------------------|------------------------------|--------------------|--------------------------|---|
| 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. | <u>Course of Action</u> - 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 <u>Expected Benefits</u> - 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</u> - The City is now using the Executime software to track and input staff hours for capital projects in "real time" |
| 6 | 5/3/2018 | | Clearly identify and separate capital project documents to properly track contract modifications. | <u>Course of Action</u> - 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. <u>Expected Benefits</u> - Improve organization of project documents | *Y* | (PM Manual) February 2020 | 3/30/2020 | | 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 <u>January 2019 Update</u> - Public Works has completed developing specific folder locations and guidelines for project managers to follow to place bid documents, conformed documents and contract documents. This process will also be added to the PM Manual to be completed in July 2019. <u>See #2 above for December 2019 Update.</u> <u>June 2020 Update</u> - 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. |
| 7 | 5/3/2018 | | Expand capital project close-out processes to include a review of project costs, deliverables, and required documentation. | <u>Course of Action</u> - 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. <u>Expected Benefits</u> - Improve close-out of projects and improve organization and how we manage projects in the future | *Y* | (PM Manual) February 2020 | 3/30/2020 | | A draft step-by-step procedure document outlining proper project close-out has been created and is currently in circulation for comments. We anticipate this close-out procedure to be completed and in-use by Jan 2019. This will be added as step in the project management checklist <u>January 2019 Update</u> - Public Works has completed developing document outlining proper project close-out. This will formally be included as part of the PM Manual to be completed in time for next fiscal year projects. <u>See #2 above for December 2019 Update.</u> <u>June 2020 Update</u> - 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. |
| 8 | 5/3/2018 | | Create a project postmortem process to continuously improve capital project efficiencies. | <u>Course of Action</u> - Create a standard form that addresses lessons learned related to construction issues, quality control, external department coordination (for projects where public works PMs run a project for Parks department), comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets). This document will integrate with the project management checklist referred to in item #2. This postmortem form will be required to be completed by PMs before a project can be closed out. <u>Expected Benefits</u> - Improve future management of projects | *Y* | (PM Manual) February 2020 | 3/30/2020 | | This will be added as a step in the project management checklist and be required for PMs to complete before closing out project. A standard form will be developed that addresses lessons learned related to construction issues, quality control, external department coordination (for projects where public works PMs run a project for Parks department), comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets). This postmortem form will be required to be completed by PMs before a project can be closed out <u>January 2019 Update</u> - A draft document outlining proper project debrief process has been created by Public Works. This will formally be included as part of the PM Manual to be completed in time for next fiscal year projects. <u>See #2 above for December 2019 Update.</u> <u>June 2020 Update</u> - 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. |

Carson City
FY 2018 CAFR and Single Audit Findings
December 6, 2018

| 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-recurring 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-recurring 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 implementations 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 activity before entering into a covered transaction. | | | Purchasing & Contracts Department will verify debarment and suspension status on the System for Award Management (SAM) website. Moving forward a pdf print screen will be saved electronically and a paper copy will be included in the contract project file as supporting documentation. The contract will not be executed until the verification is complete. | \$ - | 0 | *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. |

Carson City
FY2019 CAFR and Single Audit Findings
December 5, 2019

| 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 understated 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 | Department level 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
Cash Handling Audit 2019
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 misappropriation 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. 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. |
| 6 | | CLERK & RECORDER: Cash handing 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 | *Y* | 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 | *Y* | 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. |

Carson City
Cash Handling Audit 2019
December 3, 2019

| | | | | | | | | | | |
|----|--|--|--|------|---|-----|------------|------------|---|---|
| 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 | *Y* | 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 | *Y* | 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 | *Y* | 1/31/2020 | 1/31/2020 | Y | The department plans to install locked cash drawers for each individual user and expect to have them in place by the end of December. |
| 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. |

Carson City
Cash Handling Audit 2019
December 3, 2019

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|----|--|---|--|------|---|-----|-----------|-----------|---|--|
| 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's 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. |
| 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 | *Y* | 5/31/2020 | 6/1/2020 | Y | 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. |

Carson City
Social Media Study
November 25, 2019

| 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. Update: 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. Update: 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 PolicyTech 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 if 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 CM for review. |
| 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." |

Carson City
Social Media Study
November 25, 2019

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| 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. |
| 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 budge cycle. - NOTE that recent court cases have found government social media accounts to be "designated pubic 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. |

Carson City
Social Media Study
November 25, 2019

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| 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
HR Administration - Eligible EE 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 | 1/31/2020 | 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 determinations if the use of the program will in fact create more efficiency by reducing costs and saving time in Spring 2020. <u>Update:</u> 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 | 1/31/2020 | 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 | 1/31/2020 | 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. |



MOSSADAMS

PROPRIETARY AND CONFIDENTIAL

FINAL REPORT

FOR

CARSON CITY

Capital Projects Process Review

May 2, 2018

Moss Adams
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I. EXECUTIVE SUMMARY

A. BACKGROUND, SCOPE, AND APPROACH

Carson City's Public Works Department provides technical assistance and support for the City's capital projects. Capital projects are physical assets that have a useful life of 10 or more years and cost at least \$25,000. These projects are proposed by a variety of stakeholders including Board of Supervisors members, citizens, and City employees, and are approved by the Board of Supervisors annually.

This review was conducted to document, assess, and identify opportunities for improvement in the processes surrounding the administration of the City's capital projects. Documentation was reviewed for seven projects that were completed between FY 2015 and FY 2017. The review was conducted between November 2017 and March 2018 and consisted of four phases: planning, fact finding, analysis, and reporting.

B. RECOMMENDATIONS

This review identified the following opportunities for improvement in the City's capital projects processes:

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|---|--|
| 1 | Develop and utilize a scorecard that establishes objective criteria to assist in the evaluation of capital projects during the capital planning selection process. |
| 2 | Cultivate a Project Management Manual that provides standardized templates, checklists, forms, and best practice guidance. |
| 3 | Subscribe to Electronic Signature Services to expedite the contract approval process. |
| 4 | Utilize a single unique identifier for projects to ensure documentation clearly references each project. |
| 5 | Explore system support for staff payroll on capital projects to enable more efficient and effective tracking of Public Works staff time. |
| 6 | Clearly identify and separate capital project documents to properly track contract modifications. |
| 7 | Expand capital project close-out processes to include a review of project costs, deliverables, and required documentation |
| 8 | Create a project postmortem process to continuously improve capital project efficiencies. |



II. BACKGROUND, SCOPE, AND APPROACH

A. BACKGROUND

The Carson City Public Works Department (the Department) provides technical assistance and support for capital projects. Capital projects are defined as physical assets, constructed or purchased, that have a useful life of 10 years or longer and cost \$25,000 or more. Projects vary from year to year, but often include construction of water, sewer and storm drain facilities, streets, parks, bridges, and buildings. The Department consists of seven divisions: Administrative, Transportation, Engineering, Water, Wastewater, Operations, and Control Systems. Public Works manages capital project construction for all City departments.

Board of Supervisors members, citizens, and City staff have the ability to propose potential Capital projects. Each project is reviewed by the Capital Improvement Project Review Committee, which is composed of senior staff and the City Manager. The Review Committee develops a proposed Capital Improvement Plan (CIP), which receives final approval by the Board of Supervisors. Throughout the development of this plan, several factors are considered, including City goals, policies, and funding sources and availability, as determined by the Finance Department.

B. SCOPE AND APPROACH

The purpose of this review is to document and assess the processes surrounding the administration of the City's capital projects, and identify opportunities for improvement. The review was conducted between November 2017 and March 2018 and was performed in four phases: planning, fact finding, analysis, and reporting. In the fact finding phase, we interviewed Carson City Public Works management and reviewed various relevant documents. Using this information, we drafted capital projects-related process flowcharts (Appendix A), which were reviewed with the Department to validate the accuracy of the process documentation. We also tested the documented processes by reviewing project documentation for a sample of seven capital works projects with the Public Works Document Control Specialist. This sample was judgmentally selected from 25 capital projects completed between FY 2015 and FY 2017, with the goal of assessing projects for each division, funding source, and budget. See Appendix B for a list of documentation artifacts that were tested in this review. We reviewed a draft report with the Department and City management to validate facts and confirm the practicality of recommendations.



III. COMMENDATIONS

Although the focus of the Capital Project Process Review was to identify opportunities for improvement, it is important to acknowledge areas of strength that can be leveraged throughout the organization. The Public Works Department should be commended for the following accomplishments:

- *Development of Policies and Procedures:* The Public Works Department has continued to improve its internal policies and procedures in order to standardize Department processes. For example, the Project Initiation Procedure provides guidance on procedures to initiate projects managed by Public Works. There are also existing bid process procedures and vendor guides. Standard filing hierarchy has been established for document storage and archival, and increasingly consistent naming conventions are utilized.
- *Construction Management Documentation Manual:* This document, last updated in 2017, provides the documentation requirements for construction projects, including project setup, project administration, testing, and quality control. The Manual outlines the expected filing system and structure, naming conventions, required documentation for projects, and examples of common forms and reports.
- *Implementation of Smartsheet Project Management Solution:* The Public Works Department implemented and utilizes the cloud-based project management solution Smartsheet. This creates greater transparency and accountability within the Department, as well as a centralized way to plan, track, automate, and report on projects.
- *Continuous Improvement Culture:* Carson City uses the third-party online bidding program Nevada Government Electronic Marketplace (NGEM) to facilitate bidder registration and solicitation publishing, as well as transact solicitations electronically. The City's Purchasing and Contracts Division is working with the Public Works Department to implement the feature offered in NGEM that allows the bid documents to be created within the system.

We would like to commend Public Works staff and management for their willingness to assist us in this review process.



IV. RECOMMENDATIONS

1. CAPITAL PROJECT PLANNING

The City currently implements consensus-based processes among department leaders in order to develop one-year and five-year Capital Improvement Plans (CIP). As part of the annual budget process, all departments and funds are required to identify and submit a five-year capital improvement program to accomplish the City's goals and objectives. The CIP committee, comprised of department heads throughout the City, reviews each request and interviews each department regarding their request. The role of this committee is to prioritize the CIP requests into a recommendation for the City Manager to consider. The committee members consider the City's goals and objectives in determining the capital spending priorities; however, there is no quantifiable scorecard utilized within this process.

1 RECOMMENDATION

Develop and utilize a scorecard that establishes objective criteria to assist in the evaluation of capital projects during the capital planning selection process.

We recommend that objective criteria be developed to evaluate and prioritize capital projects to support a capital budget based on City-wide priorities, sound asset management practices, and projects where the greatest need and benefit is demonstrated. This would allow for proposed capital projects to be initially ranked based on objective criteria, and then the committee could focus on determining priority. While ultimately based on judgment, decisions still have to be defended on the merits of the pre-established criteria, thus ensuring that the capital projects that add the most value to the City are approved for funding regardless of which department proposes them. An objective prioritization process for selecting capital projects is fundamental in ensuring that the City uses its limited resources on the capital projects that will provide the most value to citizens.

2. PROJECT MANAGEMENT STANDARDIZATION

The City maintains a Construction Management Documentation Manual, last revised in 2017, which applies to projects with state and federal funding and projects worth \$50,000 and greater. This manual provides guidance on how to consistently and uniformly process the documentation surrounding construction projects, including Capital Projects. However, this Manual is not inclusive of other elements necessary for overall project success, particularly from the perspective of Project Managers. A comprehensive project management manual would provide practical guidance and best practice information on topics such as managing project planning, cost estimating, scope, budgeting, scheduling, and types of changes. Additional topics include safety management and risk management resources for Project Managers.

The principle responsibility of any Project Manager is to deliver assigned projects on schedule, within budget, and in accordance with the agreed upon scope of work. The scope of work is developed with input from various stakeholders, who many have conflicting goals and priorities. Ultimately, Project Managers are responsible for managing stakeholder expectations and reconciling them with budget constraints.



Project Managers may delegate tasks to other project team members, but still retain the responsibility for project success.

2 RECOMMENDATION

Cultivate a Project Management Manual that provides standardized templates, checklists, forms, and best practice guidance.

To ensure that capital projects are managed consistently and that internal control requirements are met, we suggest that the City continue to evolve the Construction Management Documentation manual to expand beyond documentation and into other aspects of project management. A manual with project management procedures would serve as a central source of information for Project Managers, and should include the existing standardized templates, checklists, forms, and best practice guidance. The level of detail for capital projects may vary due to project costs, schedule, level of complexity, and information needs; a project management manual would provide guidance to project managers in managing the planning, design, and administration of capital projects. This manual should be regularly updated to provide project managers with the most current information necessary to properly execute projects. Appendix C includes a suggested table of contents for a project management manual.

3. DOCUMENT SIGNATURE MANAGEMENT

Currently, the City processes hard-copy documents related to capital projects which require all parties to print, sign, scan, and return documents. Multiple parties are involved (including the Board of Supervisors; City Clerk; City Attorney's Office; Contractors; Finance; and Public Works), and the Contracts Manager and Document Control Specialist are required to coordinate the gathering of these signatures across multiple copies of documents. For example, after a contract is approved, the City Clerk works to gather the required signatures from the Mayor and the members of the Board of Supervisors. At the same time, the Department Business Manager obtains the signatures from the Public Works Director and coordinates with the City Attorney's Office for the signature of the District Attorney. The City reports that the signature gathering process typically takes two weeks to complete.



3 RECOMMENDATION

Subscribe to Electronic Signature Services to expedite the contract approval process.

Allowing for electronic signatures can expedite an organization's approval procedure by capturing the electronic approvals made by individuals or departments. Therefore, the City should consider subscribing to an electronic signing solution that would allow the various parties involved in capital projects to approve and sign documents using digital certificates. Moving from paper-based to electronic document workflows increases efficiency and reduces costs. There are at least two statutes applicable in Nevada that allow digital signatures – the Federal ESIGN Act of 2000 and Nevada's State Revised Statute 719.240, adopted in 2001. A digital signature is not a valid substitute for a wet signature when there is a requirement for a record to be signed in the presence of a third party; however, for most of the contracts and documents submitted to the City, a digital, electronic, or typographic signature is sufficient.

4. CAPITAL PROJECT IDENTIFIERS

Files for Capital Projects are notated by project number, which is the system-generated number created by the Finance department in SunGard (accounting system). The Project number is assigned during the project initiation phase, after the Finance department processes the Project Request Form submitted by the Project Manager. The Document Control Specialist creates the project folder and subfolders on the network drive, utilizing the project number in the naming convention. Projects in Smartsheet also utilize the project number for tracking and reporting on projects. However, our testing revealed that some documents related to the same project are referenced by Purchasing and Contracts using the contract number, which is generated internally within that department during the bidding process. This creates two separate sets of unique identifiers used on different documents for individual Capital Project.

4 RECOMMENDATION

Utilize a single unique identifier for projects to ensure documentation clearly references each project.

The Public Works Department and Purchasing and Contracts division should explore utilizing the Finance system-generated project number as the sole unique identifier in order to facilitate standardized naming conventions and ease of search. Choosing a single unique identifier allows for clear reference to each project, and establishes a distinct hierarchy and association of each of the subsequent contract numbers within projects. Project naming conventions for official projects names should also be concise, consistent, and descriptive in order to reduce confusion and streamline document searches.



5. PUBLIC WORKS STAFF PAYROLL FOR CAPITAL PROJECTS

Public Works staff currently record any time spent working on individual capital projects in spreadsheets on the network drive, which are printed and approved by supervisors. Payroll time sheets are then sent to the Business Manager for payroll processing. The Financial Analyst compiles staff time spent on capital projects and sends to the Finance Department for journal entry to move payroll charges to capital projects.

5 RECOMMENDATION

Explore system support for staff payroll on capital projects to enable more efficient and effective tracking of Public Works staff time.

We suggest that Public Works collaborate with the Finance department to explore potential ways to better track the Public Works staff payroll costs associated with capital projects. Any solution would need to consider the importance of tracking fully-loaded rates in order to track the full cost of staff time.

6. DOCUMENTATION STANDARDIZATION

Currently, each capital project should have separate Bid Documents, Conformed Documents, and Contract Documents. Conformed Documents should include revisions to the Bid Documents, completed Bid Documents from the Contractor, and any other changes from the original Bid Documents. This is to allow for easy identification of any changes made or modified via addenda. The difference between these types of documents is not currently captured in City policies and procedures. During testing of select capital projects documentation, not all of these documents were separated and stored in the assigned locations.

6 RECOMMENDATION

Clearly identify and separate capital project documents to properly track contract modifications.

It is important to clearly define what does, and does not, constitute each of the types of documents associated with a capital project; failure to properly designate the Contract Documents can be a significant contractual flaw. Collectively, the documents should be clearly separated by type for ease of reference, auditing, and other needs. The distinction and appropriate filing between these types of documents should be incorporated into documented City procedures.

7. PROJECT CLOSE-OUT PROCEDURES

The current Public Works administrative close-out process for capital projects focuses primarily on document archival. There is currently no comprehensive close-out checklist, documented procedure, or close-out approval process established. During our on-site testing, not all project documentation was correctly filed within the Public Works network drive folder hierarchy, and some project artifacts remained with the Purchasing and Contracts department. This was in part due to the fact that many of the projects were completed before or during the changes made to project documentation standardization.



7 RECOMMENDATION

Expand capital project close-out processes to include a review of project costs, deliverables, and required documentation.

The Department would benefit from developing a template for capital project close-out. A more robust close-out procedure helps ensure that projects close out in a timely manner. Close-out procedures should include project post-mortem, comparing final outcomes to scope, cost outcomes, performance measures, and project objectives (such as milestones/targets). The close-out of the project should have a clearly defined trigger for action and include a review of costs and project deliverables. The close-out process can also include a review of contracts to verify reconciliation and to collect any recoverable funding. Finally, project managers should work with the Document Control Specialist to verify that all required documentation is filed and archived fully and correctly on the network drive.

8. PROJECT POSTMORTEM

The documented Public Works capital projects close-out policies and procedures do not include a step to identify, document, and review any lessons learned from individual projects. The Construction Management Documentation Manual includes a list of close-out documentation that should be maintained; however, there is not a formalized process to conduct a post-project review.

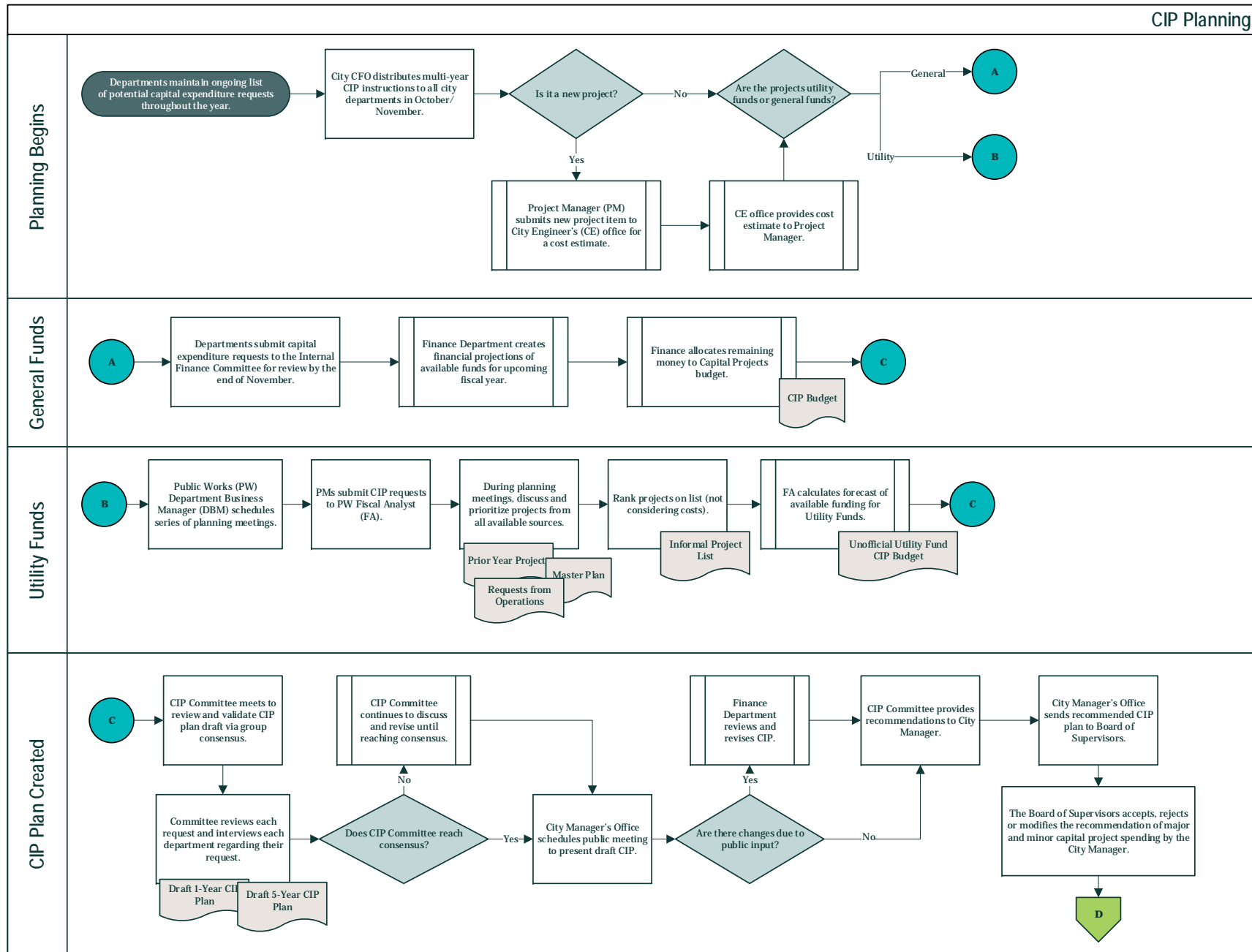
8 RECOMMENDATION

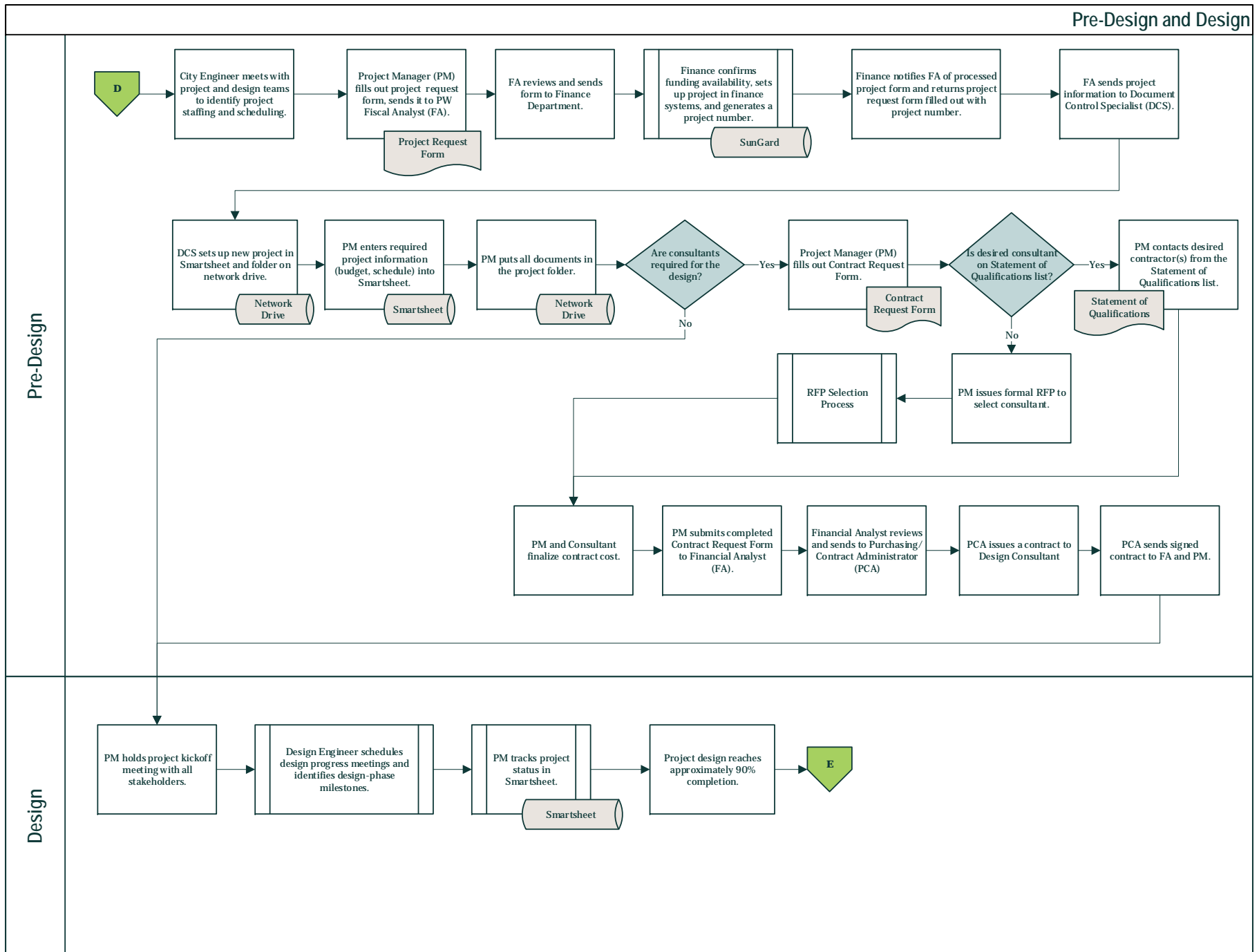
Create a project postmortem process to continuously improve capital project efficiencies.

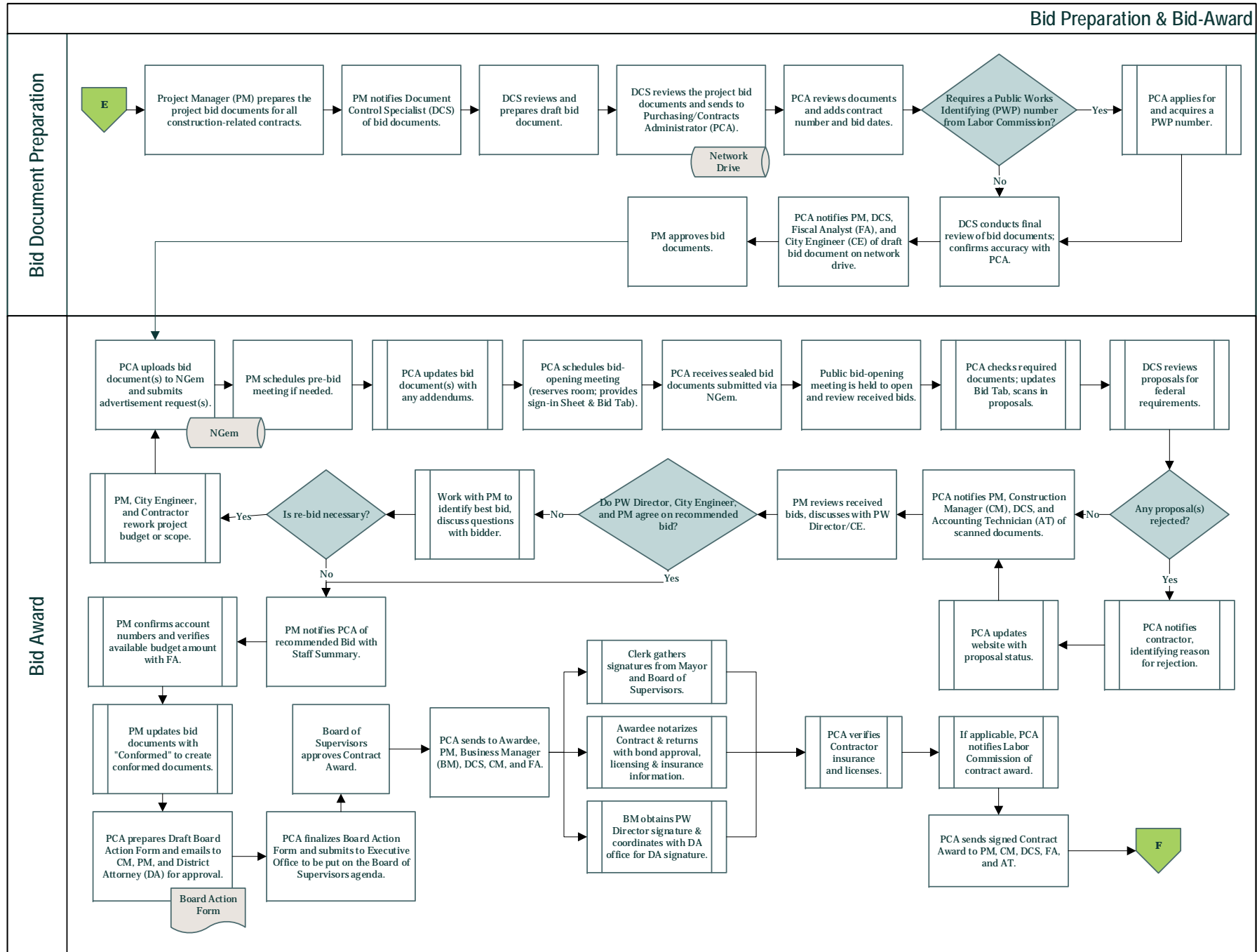
Implementing a project postmortem process as part of project close-out for capital projects would support the capture of lessons learned and help identify opportunities for improvement for future projects. Lessons learned can include technical, managerial, and process aspects of the project. Project Managers should work with contractors, departments, and clients in order to ensure that relevant issues, including process changes, are documented and reviewed by relevant parties. Lessons learned should include the cause of issues, reasoning behind any corrective actions chosen, and any other specific issues that challenged the project/project team.

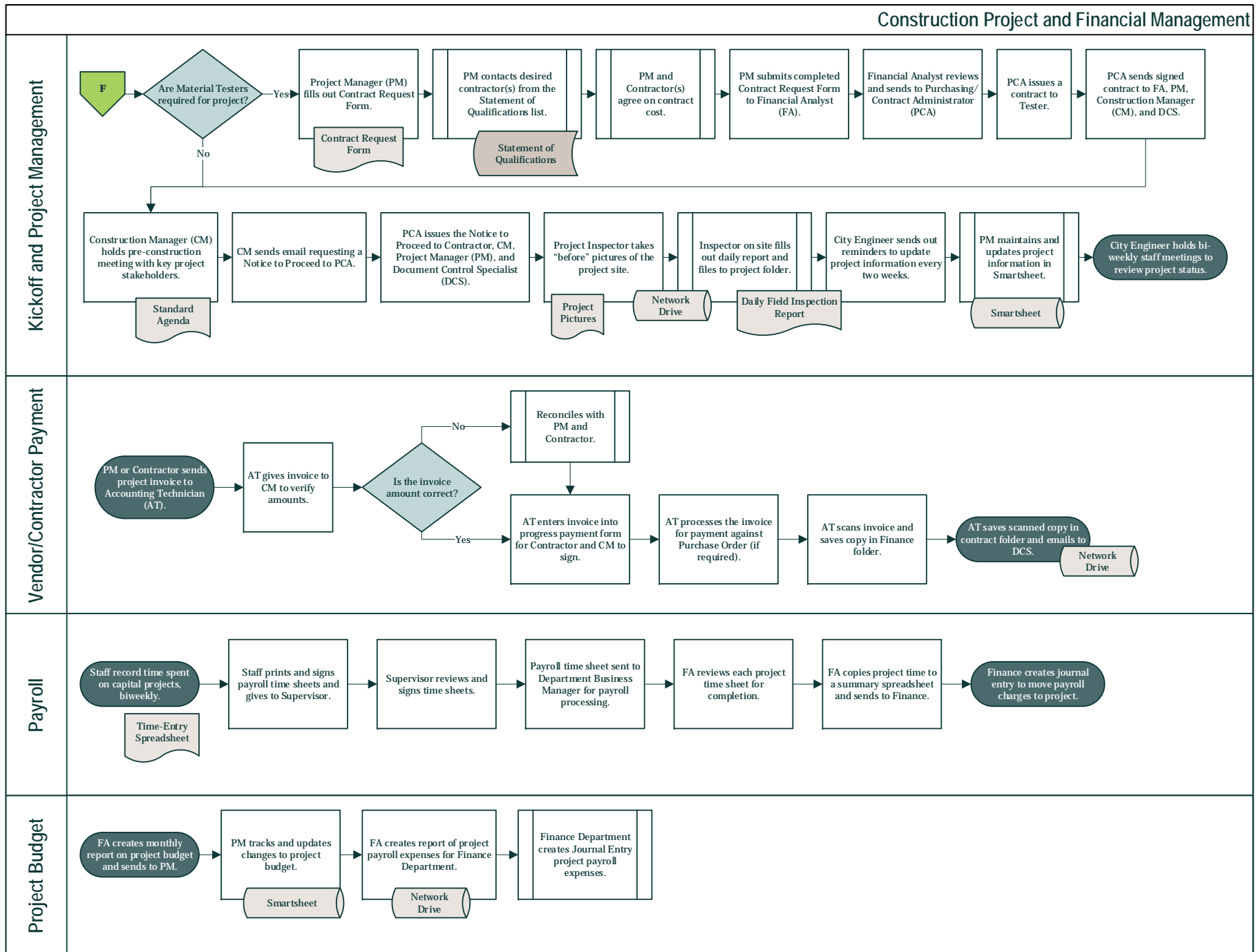


APPENDIX A – PROCESS FLOWCHARTS



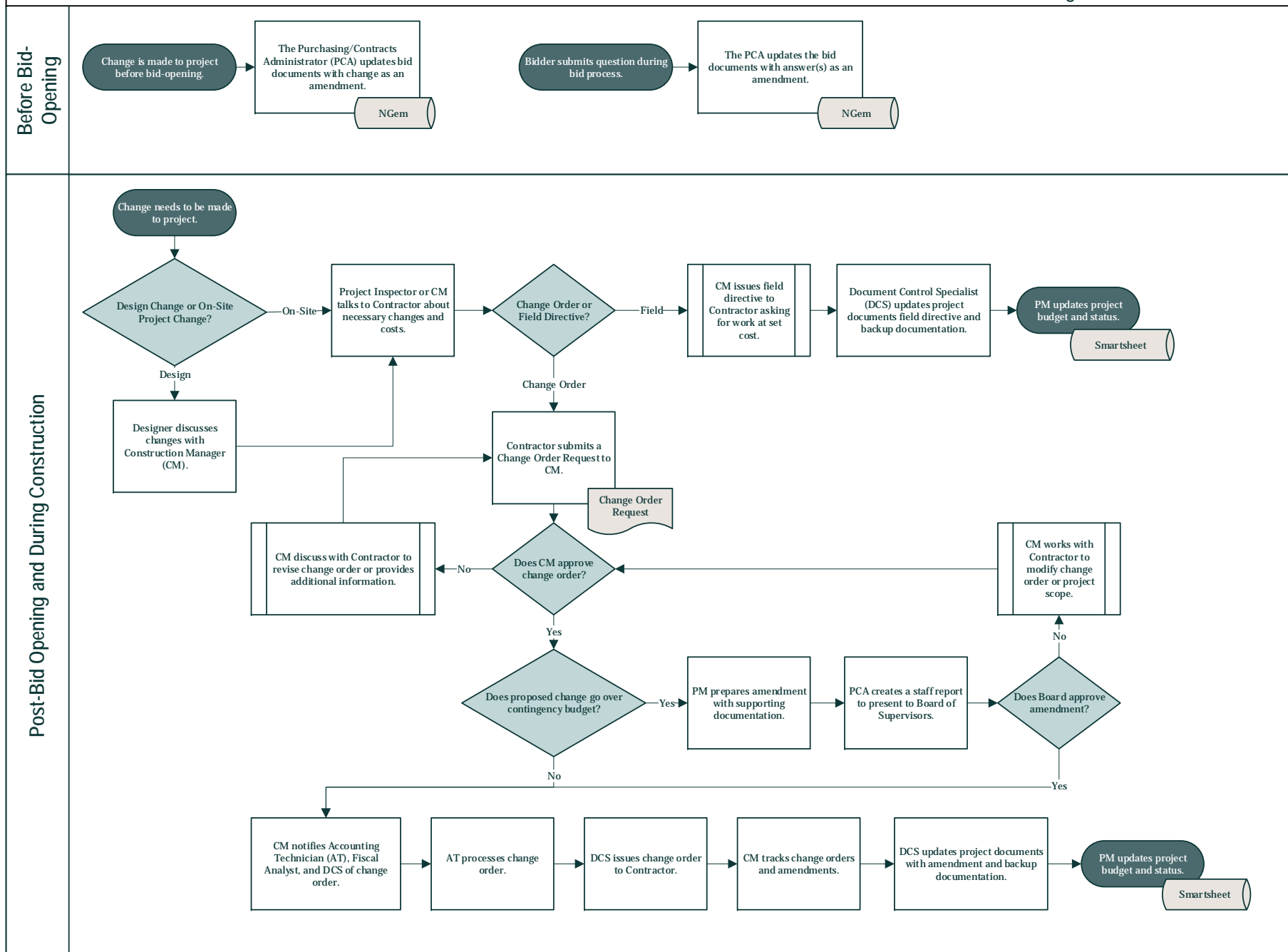






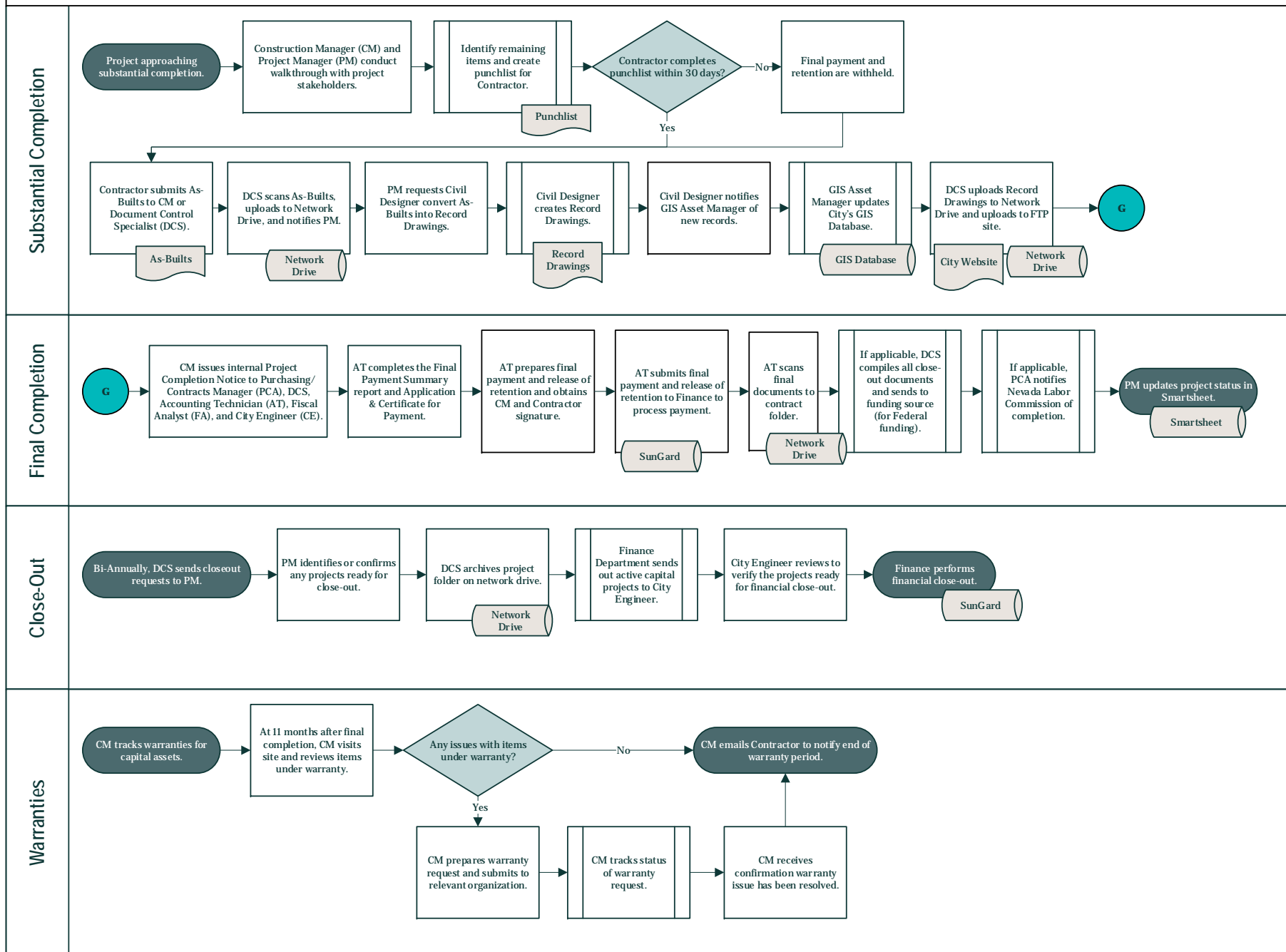


Change Orders and Amendments





Post-Construction, Close-Out, and Warranties





APPENDIX B – DOCUMENTATION TESTED

We reviewed the following documents for a sample of seven projects completed between FY 2015 and FY 2017.

| AREA | ARTICLE | AREA | ARTICLE |
|-----------------------|----------------------------------|-------------------|-----------------------------------|
| Identifying | Network Name | Construction | Notice to Proceed |
| | Project Number | | Before Pictures |
| | Contract Number | | Construction Pictures |
| | Bid Price | | Daily Reports |
| | Total Budget | | Change Orders |
| | Federal Funding | | Certified Payroll from Contractor |
| | PWP Number | | PayApp |
| Design | Project Request Form | Post Construction | Substantial Completion |
| | Estimate | | Punch List |
| | Plans | | Notice of Completion |
| Bid Docs | SpecBook | | As-Builts/Record Drawings |
| | Table of Contents | | Adjusted Contract Amount |
| | Instructions to Bidders | | Retention Release |
| | Contract Award | | Warranty Date |
| | General Conditions | Federal | Davis Bacon |
| | Special Conditions | | Wage Comparison Worksheet |
| | Amendments | | Contractors Monthly Report |
| Conformed Docs | Bid Proposal Completed | | |
| | Schedule of Values | | |
| | Insurance | | |
| | Licensing | | |
| | Bond Approval | | |
| Signed Contract Award | Board Action Form | | |
| | Contractor Signature (Notarized) | | |
| | City Chief Financial Officer | | |
| | Deputy District Attorney | | |
| | Public Works Director | | |



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- 3.2. Issue Resolution
- 3.3. Development & Maintain Scope
- 3.4. Monitor Budget & Schedule
- 3.5. Prepare & Update Project Reports
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- 14.2 Forms



CARSON CITY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Finding 2017-002:

**U.S. Department of Transportation
Nevada Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205**

**Procurement, Suspension, and Debarment and Special Tests and Provisions
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number:

Affects the grant awards included under CFDA 20.205

Criteria:

The *OMB Compliance Supplement* requires competitive bidding when awarding construction contracts. In addition the City is required to have written policies and procedures for each method of procurement used to procure engineering and design services, accept indirect cost rates for consultants, and obtain a "Certificate of Final Indirect Costs" from consultants.

Condition:

During our testing of the schedule, we noted instances where there was no competitive bid process used for awarding contracts. In addition, written policies and procedures for procurement of engineering and design services and "Certificates of Final Indirect Costs" were not available.

Cause:

The City's Finance Department did not have adequate procedures in place to ensure that all contracts entered into were in compliance with the applicable provisions.

Effect:

The contractors were not subject to the provisions described in the *OMB Compliance Supplement*.

Questioned Costs:

None reported.

Context/Sampling:

A nonstatistical sample of 2 of the 4 contracts entered into were selected for testing. Neither of the contacts followed the applicable provisions.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend the Transportation Division of the Carson City Public Works Department enhance internal controls to ensure that all contracts under Federal awards follow the applicable provisions.

Views of Responsible Officials:

Management of the Transportation Division agrees with this finding.

CARSON CITY, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*

2018 - 001

| | |
|----------------------------------|--|
| Criteria or specific requirement | All journal entries are reviewed for accuracy and appropriateness by someone other than the preparer who is appropriately skilled and knowledgeable. |
| Condition and context | The review of complicated and/or non-recurring journal entries is ineffective and, as a result, two misstatements relating to PERS Accounting (GASB 82 Implementation) and depreciation expense were not detected in the review process. |
| Effect | Financial statements may be materially misstated as a result of ineffective review of complicated and/or non-recurring journal entries and other similar transactions. |
| Cause | The review of such journal entries was not effective. |
| Recommendation | We recommend that more attention and thoughtful consideration be given to the supervision and review of complicated, individually material and/or non-recurring journal entries and other similar transactions. We also recommend that annual adjustments related to PERS and OPEB liabilities and related balances be prepared by someone other than the Chief Financial Officer so that the Chief Financial Officer is available to review such adjustments. |
| Management's response | Management informed us that depreciation procedures have been updated and the implementation of new standards will be shifted to the Deputy Chief Financial Officer or Accounting Managers within the Finance Department, allowing for a more in depth review by the Chief Financial Officer. |

(Continued)

CARSON CITY, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (continued)

2018 - 002

| | |
|----------------------------------|---|
| Criteria or specific requirement | The Finance Department and other departments within the City effectively communicate about contracts and other matters that might require accounting recognition and/or disclosure in the City's financial statements. |
| Condition and context | Management of ambulance operations was aware of an amendment to a medicaid reimbursement contract that was not communicated timely to the Finance Department and, as a result, revenue for services rendered in the current and prior year was materially understated. |
| Effect | 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. |
| Cause | The Finance Department based accrual decisions on a lower threshold stated in the initial contract and other information that was less certain than a formal contract amendment. |
| Recommendation | We recommend that the Finance Department give greater attention and care to the review of all minutes of the Board of Supervisors, its committees, and other organizations in which the City participates that might identify matters requiring accounting recognition and/or disclosures. We also recommend a greater degree of person-to-person communications between Finance and other departments related primarily (but not limited to) contract administration because most will require accounting recognition and/or disclosure. |
| Management's response | Management informed us that a representative from the Finance Department will attend all Board of Supervisors meetings, and read agendas of its committees and attend committee meetings as necessary to ensure we are apprised of all City activities. Carson City Fire will update their procedures to ensure that the Finance Department receives notification within 5 business days of all proposed contracts, contract amendments, or program changes, which will ensure proper reporting. |

(Continued)

CARSON CITY, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Section III – Findings and questioned costs for federal awards, including audit findings required by 2 CFR 200.516(a)

| | |
|---------------------------------------|--|
| 2018 - 003 | |
| Federal program | CFDA 97.036, United States Department of Homeland Security, Disaster Grants-Public Assistance (Presidentially Declared Disasters) |
| Criteria or specific requirement | The City must determine that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities (2 CFR §200.212, §200.213, §200.318(h), §180.300 and 48 CFR §52.209-6). |
| Condition and context | Per discussion with management on October 31, 2018, the determination that the entity was not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities was not performed before entering into a covered transaction. |
| A statistically valid sample was used | No |
| Questioned costs | Not determined |
| Effect | Transactions with entities that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities may occur. |
| Cause | Failure to appropriately verify entity status and not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities prior to entering into a covered transaction. |
| Repeat finding | No |
| Recommendation | We recommend that the City verify that an entity is not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities before entering into a covered transaction. |
| Management's response | Management informed us that the Purchasing & Contracts Department will verify debarment and suspension status on the System for Award Management (SAM) website (www.sam.gov). 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 completed. |

CARSON CITY, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

Section III – Findings and questioned costs for federal awards, including audit findings required by 2 CFR 200.516(a)

| | |
|---------------------------------------|--|
| 2019 - 001 | |
| Federal program | Federal Transit Cluster (CFDA #20.507, 20.526) |
| Criteria or specific requirement | <p>§ 200.502 Basis for determining Federal awards expended. (a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.</p> |
| Condition and context | <p>The 2018 Schedule of Federal Awards (SEFA) was understated by \$215,000. The expenditures were incurred in fiscal year 2018 and a public works employee considered them non-reimbursable and therefore they were excluded from the SEFA. We noted that the expenditures were included on a reimbursement request in Fiscal year 2019.</p> |
| A statistically valid sample was used | Yes |
| Questioned costs | None |
| Effect | <p>The fiscal year 2018 SEFA was understated by \$215,000. 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.</p> |
| Cause | <p>A Public works employee incorrectly informed Finance that they were not going to be able to be reimbursed by the grantor for certain expenditures.</p> |
| Repeat finding | No |
| Recommendation | <p>Department Level 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.</p> |
| Management's response | <p>Management informed us 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.</p> |

Cash Handling
Internal Audit Report
December 3, 2019
Carson City, Nevada

Submitted By
Eide Bailly LLP

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Executive Summary

Eide Bailly LLP performed a cash handling internal audit over four (4) Carson City Department's for Fiscal Year 2019 through the audit date October 2019. The objective of this audit was to determine whether risks related to cash handling are being managed appropriately, that internal controls are in place to reduce the risk of errors and misappropriation, and all cash receipts are promptly, accurately, and completely reported. Internal controls include: segregation of duties, safeguarding of assets, accountability, reconciliations, and monitoring.

The four departments identified in scope for this audit include: Library, Clerk-Recorder, Community Development, and the Treasurer's Office. These are the four departments with high risk scores over Cash Risks from the Citywide Risk Assessment performed for FY 2018/19.

During the internal audit, it was noted that each department head was very knowledgeable about their processes and procedures, and more importantly, was aware of areas that need improvement.

The internal audit resulted in recommendations to further improve each department's controls over cash handling. Primarily recommendations were made to improve proper segregation of duties, security controls, training, and annual surprise cash counts. Overall, we offered a total of twenty (20) findings and recommendations; five (5) for the City Library, four (4) for the Clerk & Recorder, five (5) for Community Development, and six (6) for Treasurer.

Background

The city follows a city-wide cash handling policy serving as a general guideline for all city departments. Most departments have developed their own supplemental procedures to address requirements specific to their department. The City's Cash Handling Policy outlines their cash procedures and controls designed to promote accuracy and reliability, minimize the risk of errors, ensure funds are handled properly, and safeguard against fraud.

Objective & Scope

The objective of the audit was to determine whether risks related to cash handling are being managed appropriately, that internal controls are in place to reduce the risk of misappropriation, and all cash receipts are promptly, accurately and completely reported. Internal controls include; safeguarding assets, segregation of duties, accountability, reconciliations, and monitoring.

Cash Handling in this context is the receipting of money for City services. This includes, checks, money orders, credit cards, and cash.

The scope of the audit was for Fiscal Year 2019 through October 2019 (audit date). The four departments identified in scope for this audit included: Library, Clerk-Recorder, Community Development, and the Treasurer's Office.

Methodology

Procedures performed during this internal audit included the following:

- Selected locations to conduct cash handling test based on risk. The City departments identified in scope for this audit are those with high risk scores over Cash Risks from the Citywide Risk Assessment performed for FY 2018/19.
- We obtained the internal audit report for Carson City on Cash Handling Improvement dated May 10, 2016 and confirmed the recommendations noted in the report have been implemented.

- We obtained and reviewed department specific and citywide Cash Handling policies and procedures.
- Observed cash handling processes (including recording where possible) to identify key controls, opportunities for improvement and areas of exposure/risks.
- Judgmentally selected a sample of cash receipts representative of the location's activity for a given date.
- Interviewed department heads and staff to gain an understanding of the department's cash handling process. The primary personnel we interviewed were as follows:

Library

- Diane Baker (Department Business Manager)
- Tod Colegrove (Library Director)

Clerk-Recorder

- Aubrey Rowlatt (Clerk-Recorder)
- Linda Durkee (Deputy Recorder)
- Miguel Camacho (Chief Deputy Clerk)

Community Development

- Lee Plemel (Director)
- Hope Sullivan (Planning Manager)
- Shelby Damron (Senior Office Specialist)

Treasurer's Office

- Gayle Robertson (City Treasurer)
- Beth Huck (Chief Deputy Treasurer)

Audit Results

REVIEW OF DOCUMENTATION

Eide Bailly reviewed citywide and individual department Cash Handling policies and procedures, cash handling training materials, and conducted transactional testing to address the following areas:

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

A. Review of Policies & Procedures

Eide Bailly reviewed the citywide Cash Handling policy and procedures, individual department policies and procedures, policy modifications, and Treasury's approval of the modifications. Two departments, the Library and the Clerk & Recorder office have individual department policies (see Appendix A for Library & Appendix C for Clerk & Recorder Cash Handling department policies) that we compared to the citywide Cash Handling policy and did not note any policy violations or misalignment with the policy. Lastly, we reviewed the Library's policy modification and confirmed it was properly approved by the Treasurer's Office, allowing multiple employees access to the cash drawers through a unique sign-on ID (see Appendix B for Library policy exception).

B. Review of Training & Training Materials

When the citywide Cash Handling policy was rolled out, the Treasurer's Department provided employees handling cash and their department managers or supervisors with initial training. Going forward it is the responsibility of the City departments to ensure that each person handling cash receives training within the first quarter of their assigned duties and a refresher session every two years thereafter. Additionally, the Treasurer posts cash handling training online for all departments to access and utilize in their training efforts.¹

Eide Bailly requested and obtained confirmation from the individual departments that training is being conducted in accordance with the citywide Cash Handling Policy, however, the individual departments

¹ <https://www.carson.org/government/departments-g-z/treasurer/cash-handling-training>

have not been going through a refresher training session every two years (see Internal Control Findings & Recommendations section below).

C. Interviews & Observations

Eide Bailly held initial interviews with the four city departments in scope for this internal audit. Additionally, we observed the cash handling processes including recording, where applicable prior to actual testing being performed. Based on our observations we assessed improvements are needed over the following:

- Cash is not always controlled in accordance with policies and procedures.
- Cash controls consider segregation of duties or risk mitigation procedures where segregation is not possible, however, this is not always possible due to current staffing and incompatible duties.
- Cash is not always physically secured until bank deposits are made.
- Controls are not always in effect when cash is removed/secured prior to depositing amounts to reduce loss and misappropriation risk.
- Management has designed and implemented controls to monitor cash control and policy adherence, however, improvements are recommended.

EXAMINATION OF SEGREGATION OF DUTIES

Based on Eide Bailly's examination of internal controls over cash handling and detailed transactional testing, Eide Bailly overall identified a lack of proper segregation of duties in all four departments resulting in weakened cash handling controls.

Eide Bailly reviewed the primary Job responsibilities for recommendations that could be made to improve the segregation of duties as a control against fraud. When one person controls multiple phases of accounting transactions, the opportunity for fraud in the workplace significantly increases. By involving at least one other person in the transaction, the risk of fraud can be greatly reduced. Even with duties being segregated, employees could still work together to override the current controls in place to commit fraud. Fraud research indicates that nearly two-thirds of all frauds are committed by one perpetrator acting alone, whereas only one-third involve collusion by two or more parties.

The risk of misappropriated assets increases when cash is independently accessible by an individual at any point in time and the individual performs multiple functions. Cash-handling duties such as receiving cash, reconciling cash, depositing cash, and posting transactions should be segregated among different individuals to reduce the possibility of errors, theft, and cash mishandling. The practice of single custody is not an internal control and may increase the risk of inaccurate account records and misappropriation of cash, leading to inaccurate deposits. Separating cash-handling duties among two or more individuals (e.g., dual custody) should be provided for and enforced to ensure that a single employee does not have sole access to large sums of cash and does not perform incompatible tasks.

Employees whose responsibilities encompass two or more phases of a transaction may have the opportunity to divert City assets for personal gain, which increases the level of fraud risk.

Some examples of incompatible duties are: Authorizing a transaction, receiving, and maintaining custody of the asset that resulted from the transaction; receiving funds (checks or cash) and approving write-off of receivables; reconciling bank statements / accounts and booking entries to the general ledger; depositing cash and reconciling bank statements.

INTERNAL CONTROL FINDINGS & RECOMMENDATIONS

In addition to segregation of duties issues, Eide Bailly identified security controls that need improvement, training on cash handling procedures, and annual surprise cash counts that need to resume. Below we have broken out the findings and recommendations by department and provide five (5) findings and recommendations for the City Library, four (4) for the Clerk & Recorder, five (5) for Community Development, and six (6) for Treasurer.

LIBRARY

Finding 1:

Incompatible duties were noted with cash handling and preparation of bank deposits.

Recommendation 1:

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.

Department Response:

Although the Library has limited full and part-time staff available, the Library Director and Business Manager will work to assign another staff person each day (the same staff member will not be available for this duty every day) and this will be implemented by the last week of November.

Finding 2:

Daily balancing of the cash transactions lacks sign-off by the Finance Clerk as evidence that the activity was performed.

Recommendation 2:

The Finance Clerk should sign off on the cash transaction reconciliation as evidence that the activity was performed.

Department Response:

The Finance Clerk will add signing the cash transaction sheet each day it is prepared and add this step to the cash transaction 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.

Finding 3:

Controls are not in place to prevent or detect misappropriation of assets.

Recommendation 3:

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 performed. Alternatively, the Library department 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.

Department Response:

The Library does not have sufficient budget resources in this fiscal year to add cameras to the current system. This can become a Capital Improvement Project (CIP) request for FY2021. The Library will work with the IT department on this budget request. The Library would favor the camera solution for this finding since it has limited full and part-time staff. The Library Director and Business Manager 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 and assignments will vary from week to week. As noted above the camera solution is favored by the library as the long-term solution in order to reduce the need to take staff away from other duties. I expect we should have this process in place in early December.

Finding 4:

Although there is a biweekly inventory performed the bus passes require additional safekeeping.

Recommendation 4:

We recommend adding additional controls to secure the bus passes.

Department Response:

The Library will work with Public Works to address the finding.

Finding 5:

Checks are endorsed the following day by the Finance Clerk which is not in compliance with the City's Cash Handling Policy. (Section VI. Payments B. Checks – page 4).

Recommendation 5:

Individuals processing the payment should endorse checks immediately upon receipt.

Department Response:

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.

CLERK & RECORDER

Finding 1:

Cash handling is not in compliance with the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3).

Recommendation 1:

We recommend adding additional controls to secure cash. To note, the locked cash drawers in the Clerk & Recorder's office are both behind locked doors, with security cameras. The office is also inside the Courthouse which is secured at all entrances. At a minimum, the department should request a policy modification from the City's Cash Handling Policy (Section IV. Policy Modification – page 2).

Department Response:

Clerk-Recorder will address the additional controls to secure cash. Expected date of completion is January 2020.

Finding 2:

Safekeeping of the keys to the cash drawers require additional modification to be in compliance with the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3).

Recommendation 2:

Clerk Department employees should mirror the practice being done in the Recorder side and keep the key to the cash drawer in their custody at all times. Additionally, we recommend the department request a policy modification for the Clerk side as the department has done for the Recorder side of Clerk & Recording practices to remain in compliance with the City's Cash Handling Policy (Section IV. Policy Modification – page 2).

Department Response:

Chief Deputy Clerk will provide each staff member their individual cash drawer key that they will maintain possession of. Expected date of completion is January 2020.

Finding 3:

Multiple individuals have access to perform transactions from the same cash drawer, which is not in compliance with the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3) making it difficult or impossible to trace cash overage and shortages to the responsible cashier. Each user has their own log-in code which they need to input before a transaction can be processed, however, this is not addressed in detail in the department-specific policy and procedure.

Recommendation 3:

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.

Department Response:

Clerk-Recorder will update the cash drawer procedures within its' department-specific policy and procedure. Expected date of completion is January 2020.

Finding 4:

Cash Handling training sessions are not conducted every two years, which is not in compliance with the City's Cash Handling Policy (Section II. Compliance and Training– page 1).

Recommendation 4:

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.

Department Response:

Clerk-Recorder will request each staff member within its' departments to 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. The facilitation of the meetings will be done by the Chief Deputy of the Recorder's office and the Chief Deputy for the Clerk's office. This will commence in January of 2020 and continue every two years.

COMMUNITY DEVELOPMENT

Finding 1:

Controls are not in place to prevent or detect misappropriation of assets. It is imperative that there are adequate safeguards to ensure that cash is accurately collected and recorded.

Recommendation 1:

The department should analyze the security needs of each cash collection point and strengthen security controls whenever necessary.

Department Response:

Community Development has current fiscal year budget to address the security needs by June 2020.

Finding 2:

Security controls are weak and are not in compliance with the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3).

Recommendation 2:

We recommend implementing tighter security controls in compliance with the City's policy.

Note: The department has requested to implement tighter security measures from the Treasurer's Office, however due to the installation of a new finance system city-wide, they were advised that they should wait until after the launch of the new system to decide what would work best for the department.

Department Response:

The Department is currently working with the Treasurer's Office and expects to have recommended controls in place by the end of December.

Finding 3:

Multiple individuals have access to perform transactions from the same cash drawer, which is not in compliance with the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3) making it difficult or impossible to trace cash overage and shortages to the responsible cashier.

Recommendation 3:

We recommend that the department use cash registers or POS systems that require each user to input a unique log-in code before a transaction can be processed. This way any shortages or overages, or misappropriation of cash, can be properly investigated and resolved. If the cash registers do not have the functionality to allow multiple users with unique ID codes, then we recommend individual cash drawers for each user.

Department Response:

The Department plans to install locked cash drawers for each individual user and expects to have them in place by the end of December.

Finding 4:

During the evening count and reconciliation of the drawers the cash handler did not generate all required reports causing the end of day total amounts to not balance when there should not have been an issue.

Recommendation 4:

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. Note: Management expectation is that employees' hand in all necessary reports to the reconciler.

Department Response:

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.

Finding 5:

Refresher Cash Handling training sessions are not being done every two years, which is not in compliance with the City's Cash Handling Policy (Section II. Compliance and Training– page 1).

Recommendation 5:

Conduct cash handling refresher training every two years to ensure employees handling cash are adhering to the City's Cash Handling Policy.

Department Response:

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. Once the new permitting software is fully functional this year, we will review cash handling procedures and policies with all staff involved in the process. The City is currently discussing Citywide cash handling procedures for the new Munis software, as well, so the timing is good for refresher training. As of today, all employees have had the cash handling training within the last year.

TREASURER'S OFFICE

Finding 1:

Incompatible duties were noted with cash handling, recording, and preparation of bank deposits.

Recommendation 1:

Proper segregation of duties between cash handling, recording of the transaction, and preparation of the bank deposits should be put in practice to prevent individuals from handling unrecorded cash and preparing the bank deposit.

Department Response:

We have a limited number of staff in our department 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.

Finding 2:

Controls are not in place to prevent or detect misappropriation of assets. It is imperative that there are adequate safeguards to ensure that cash is accurately collected and recorded.

Recommendation 2:

The department should analyze the security needs of each cash collection point and strengthen security controls whenever necessary.

Department Response:

The City's Information Technology department is working on getting cameras for City Hall which will capture our front counter and safe. The cost of this project was included in their FYE063020 budget and they will have the project completed prior to this fiscal year end.

Finding 3:

Cash handlers are subject to unannounced audits by the Treasurer's Office on an annual basis in those departments or 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 (Section V. Key Internal Controls Regarding Cash – page 3). This Cash Handling internal audit addresses some of this risk. The internal audit focused on the highest risk areas still leaving the remaining departments handling cash to have unannounced audits.

Recommendation 3:

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.

Department Response:

Our department 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.

Finding 4:

Daily cash reconciliation and end-of-shift process are not in compliance with both the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3) and the City's Cash Handling training video.

Recommendation 4:

We recommend that 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.

Department Response:

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.

Finding 5:

Daily cash counts were performed where it is visible from a customer's perspective, which is not in compliance with the City's Cash Handling Policy (Section V. Key Internal Controls Regarding Cash – page 3).

Recommendation 5:

We recommend starting a few minutes earlier to allow time for the morning count before the department opens to the public. Alternatively, employees can take their cash drawers to a more secure location and perform their count there, away from the view of the public.

Department Response:

The Treasurer's Office will have the cashiers perform the cash counts in a secure location away from public view beginning December 1.

Finding 6: Policy Violation

Refresher Cash Handling training sessions are not formally documented evidencing training performed every two years, which is not in compliance with the City's Cash Handling Policy (Section II. Compliance and Training– page 1).

Recommendation 6:

Conduct cash handling refresher training every two years to ensure employees handling cash are adhering to the City's Cash Handling Policy. If the refresher training is already being done informally, we recommend adding a formal documentation that training has been carried out. Additionally, we recommend submitting a request for Policy Tech to send an annual notification with website link for other departments to access the Cash Handling training video.

Department Response:

Our policy states that the various City departments are responsible for their employees receiving training. Each May our office sends an email to each department to remind them to have all employees in their department re-visit 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. In our office, we are constantly discussing cash handling policy and procedures, but we will document this going forward. We will also have our staff in the Treasurer Office watch our video again by the end of January 2020 and again every two years.

We requested that the training video be made available to employees through Policy Tech but we were told that this was not possible. Thus, we put the video on our department web page for easy access.

Appendix A: Library Cash Handling Policy

CASH HANDLING POLICY AND PROCEDURES FOR THE CARSON CITY LIBRARY

I. PURPOSE

The Cash handling Policy and Procedures is an administrative Policy of the Carson City Library. It is the responsibility of the Library Director to ensure this policy is regularly reviewed and kept current as business needs evolve.

1. The purpose of the policy is to:
 - a. Provide approved Cash Handling information needed for the establishment and management of cash registers, printer machines and the change machine.
 - b. Clarify employee responsibility for securing, controlling, handling and reporting cash in cash registers, printer machines and change machine.

II. POLICY

2. SCOPE

- a. The policy and procedures are applicable to all cash registers, printer machines and change machines within the Carson City Library.

3. GENERAL

- a. The Library has established cash registers, printer machines and change machines within the Carson City Library for the purpose of maintaining cash available to make change to customers paying for JAC tickets, lost books and/or purchasing merchandise and to receive monetary donations for the Carson City Library.

4. POLICY INTENT

The Intent of this policy is to standardize the establishment of cash handling and management of cash registers, printer machines and change machines within the Carson City Library.

III. CASH REGISTERS

The Department Business Manager after conferring with the Director of the Carson City Library shall authorize cash registers, to be established to make change to customers paying for JAC tickets, lost books and/or purchasing merchandise, printing services and to receive monetary donations for the Library.

5. The Department Business Manager shall be responsible for maintaining the cash registers within the Carson City Library. The Department Business Manager may delegate

CASH HANDLING POLICY AND PROCEDURES

maintenance of the cash registers to specific Library staff. The Director of the Carson City Library shall periodically verify that the Library staff is in compliance with this policy.

6. Cash registers are found at the Information Desk on the first of the Carson City Library. The starting amount in each cash register is \$ 97.50.
7. Library staff working at the Information Desk is responsible for the adequate security and control of their assigned cash register.

IV. PRINTER MACHINES

The Department Business Manager after conferring with the Director of the Carson City Library shall authorize amounts to be maintained within Printer Machines to make change to customers paying for print jobs.

8. The Department Business Manager shall be responsible for maintaining the Printer Machines within the Carson City Library. The Department Business Manager may delegate maintenance of the Printer Machines to specific Library staff.
9. Printer Machines will be designated in areas of the Carson City Library which will provide adequate security and control by Library staff.
 - a. Printer Machine #1 - 1st Floor Information Desk- \$25
 - b. Printer Machine #1 – 2nd Floor – @Two Help Desk - \$25
10. Library staff working in the areas of the Printer Machines is responsible for the adequate security and control of the Printer Machines.

V. CHANGE MACHINE

The Department Business Manager after conferring with the Director of the Carson City Library shall authorize amounts to be maintained within Change machines to make change to customers paying for print jobs and library services.

11. The Department Business Manager shall be responsible for maintaining the Change machines within the Carson City Library. The Department Business Manager may delegate maintenance of the Change machines to specific Library staff.
12. The change machine will be designated in areas of the Carson City Library which will provide adequate security and control by Library staff.

- a. Change Machine - 2nd floor @ Two Help Desk - \$50
13. Library staff working in the area of the Change machine is responsible for the adequate security and control of the of the Change machines.
14. **SAFES** – The Library will provide a safe with a drop slot of adequate dimension to allow for cash bags to be stored within.
- a. **The safe** should be secured to the physical surroundings to eliminate movement. Safes should remain locked when not being used. Whenever locking a safe, the dial should be returned to zero. If the safe cannot be opened or is not operating correctly, it should be reported immediately to the Department Business Manager who will notify the Safe Company directly in order to reestablish entry access.
 - b. **Safe combinations** should only be known by those employees who have a need to know. Safe combinations should be changed whenever an employee who knows the combination leaves the library permanently and at least annually.
15. **Checks** - Cash register will not be used to cash personal checks or to honor IOU's for personal funds. The Library does not accept traveler's checks and does not cash checks for customers or employees, including personal checks, Library payroll checks, petty cash checks, travel reimbursement or other Library issued checks,. The Library will accept personal checks, cashier's checks and company checks if the payee is paying for JAC tickets, lost books and/or purchasing merchandise and/or making a monetary donation to the Carson City Library. The check must be for the amount of the transaction – all money must be applied to the transaction and/or received as a donation. No cash may be given back for a check transaction. No checks drawn on foreign currency shall be accepted. Third party checks will not be accepted. The Library shall not accept any checks already endorsed to someone other than the Library.
16. **Identification** - Library staff shall require a library card or identification from customers who pay the Library with a check. It is common practice to require a valid government issued ID (such as a valid driver's license, green card or passport) from customers who pay the Library with a check. A library card can serve as identification since identification was required to obtain the library card. If a person buys merchandise or pays fees for services with a check that is later returned by the bank, every effort will be made to recover the amount. If the check is uncollectible the Department Business Manager will notify the Access Services Manager to put a hold on the individual's library card. The individual will not be able to use library services until payment is recovered.
17. **Cash register Opening Activity**
Access Services Manager or assigned Information Desk staff is responsible for setting up the cash registers daily for use during business hours by assigned Library staff.

- a. Assigned Information Desk staff will sign into the online systems with their unique login information and unlock cash drawer.
- b. Assigned Information Desk staff will verify the dollar amount of the beginning cash balance in the cash drawer which is determined by authorized amount:
 - i. Cash Registers – ^{1st} Floor Information Desk - \$ 97.50 per drawer

E. During operating hours the following issues should be considered:

- a. Never leave the cash register drawer open after a transaction.
- b. If assigned Information Desk Library staff determine there is insufficient change within the cash register, the Library staff person will notify the Access Services Manager or Department Business manager and change for use for library business transactions will be exchanged with paper money.
 - i. If notification to the Access Services Manager or Department Business manager is unsuccessful, the staff person will notify another library staff person to take a specific amount of money to the change machine on the second floor to obtain change.

18. Cash register Closing Activity

- A. Access Services Manager or assigned Information Desk staff is responsible for closing the cash drawer daily.
 - a. Assigned Information Desk staff person should remove from the Information Desk cash drawer all of the money located in the cash register.
 - b. Assigned Information Desk staff person will count out the authorized amount of money to remain in the drawer (\$97.50).
 - c. All other money is removed from the cash drawer and put into that days bank bag which is labeled for each day. Example (Monday, Tuesday, Wednesday).
 - d. Assigned Information Desk staff is responsible for logging out of the cash register at the end of their shift or the end of the day.
 - e. The assigned Information Desk staff person is responsible for inserting the cash drawer bag into to drop box portion of the safe securing the funds.

19. Daily Cash Reconciliation Policy – The Department Business Manager or designated staff are responsible for completing the daily cash count. Daily cash counts must be reconciled and deposited no less than once a week. Daily duties are as follows:

- a. Using the safe combination the Individual will go to the safe, open the safe and retrieve the cash bag from inside ensuring that the safe is closed and secured by turning the combination wheel back to zero.
- b. From the Information Desk register, the Individual will print the transaction report and cash reports for each register by day for the number of daily bank bags found in the safe and by category:
 - i. Lost Books
 - ii. Replacement Card
 - iii. JAC – 10 ride - Adult, Youth Senior, Disabled,
JAC – Monthly – Adult, Youth, Senior, Disabled
 - iv. Donations

- v. Misc Purchases
 - c. Using the safe combination the Individual will go to the safe, open the safe and retrieve the cash bag from inside ensuring that the safe is closed and secured by turning the combination wheel back to zero.
 - d. Individual will go to each Printer Machine and complete the following:
 - i. Take coin in overflow box within the printer machine and refill change tubes.
 - ii. Remove any coin that is over and above the coin needed to fill tubes
 - iii. Complete steps I thru ii above for the other Printer Machine.
 - iv. Printing
 - v. JAC – 10 ride - Adult, Youth Senior, Disabled,
JAC – Monthly – Adult, Youth, Senior, Disabled
 - vi. Donations
 - vii. Misc Purchases
 - e. The cash drawer is counted down including any checks.
 - i. \$97.50 is to remain in the cash register.
 - ii. The remaining funds are counted and broken down and recorded into the account categories and balanced.
 - 1. Loss and Paid – The amounts shown as “Lost Book”.
 - 2. Gift Fund – The amounts shown as “Replacement Card”.
 - 3. JAC tickets
 - 4. Donations
 - 5. Print – Printed copies paid for by Library patrons.
20. **DEPOSITS** – Deposits are completed on a daily basis immediately after cash registers are counted down.
- a. Deposit forms are received from the City Treasurer’s Office. The Deposit forms are two sheets and a duplicate must be completed.
 - b. Pre-numbered bank bags having two sections that must be used for deposits are received from the City Treasurer’s Office.
 - c. Bank Deposits - Deposits are prepared by the Department Business Manager using the deposit forms and Pre-numbered bank bags.
 - i. Deposits are prepared using the City provided deposit forms.
 - ii. After balancing according to the Cash Reconciliation Policy, the money and the original deposit form are placed into the pre-numbered bank bag, keeping the upper pre-numbered tear-off section separate.
 - iii. Attach the upper pre-numbered tear-off section to the Library’s carbon copy.
 - iv. When deposits are completed the Bank bag numbers are listed on the Courier sign-off sheet along with the date and amount of deposit. The sign-off sheet and bank bags are placed in a specific location for Courier pick-up by the City courier by 10:30 am.
 - d. If funding does not balance, the Department Manager must talk with staff to see if a proper reconciliation can be determined. The facts of why it did not balance must be documented and retained with the deposit.

Appendix B: Library Policy Exception

10/7/2019

RE: Cash Handling exception

RE: Cash Handling exception

Beth Huck

Sent: Friday, August 18, 2017 8:14 AM

To: Diane Baker

Cc: Gayle Robertson; Sena Loyd

Diane.

Gayle has reviewed and approved your Cash Handling exception report.

Thank you!

Beth

X7433

From: Diane Baker

Sent: Friday, June 30, 2017 5:12 PM

To: Beth Huck

Subject: Cash Handling exception

Hi Beth,

I wanted to run this by you to see if I am close to what is we need to submit for an exception:

Background: The Carson City Library has one station for all cash handling with the public. The Information Desk at the public entry to the library has an electronic cash register. The cash register system requires a unique login for each staff member. The cash register records the date, time, amount of sale, type of payment (cash/check) and the staff person handling the payment for each transaction.

Exception requested for:

V. Key Internal Controls Regarding Cash

“Each employee receiving payments must have their own cash drawer and change fund.”

To:

Carson City Library staff receiving payments must use their unique login credentials assigned to them to sign onto the cash register during their shift on the public Information Desk. The only staff member handling payments during that shift will be the staff member logged into the cash register. The assigned staff member must also sign off of the cash register at the end of their shift.

Diane Baker, MLS
Department Business Manager
Carson City Library
900 N. Roop Street
Carson City, NV 89701
(775) 887-2244

Appendix C: Clerk & Recorder Cash Handling Policy

CARSON CITY CLERK-RECORDER OFFICE

| | | |
|---------------------------|------------------------|---|
| Subject: Cash handling | | |
| Effective Date: 3/1/17 | Review Date: 3/1/18 | Approved by: Susan Merriwether Carson City Clerk-Recorder |

POLICY STATEMENT

Establishing internal controls for cash collection and petty cash handling is necessary to ensure accountability of all monetary transactions within the department.

PURPOSE

To safeguard against loss and protect employees from incorrect charges of mishandling funds by defining his/her role in the cash handling process.

PROCEDURES CASH DRAWER

- Prior to opening the office each day, one employee is to count the cash drawer. A set amount per department is to remain in cash drawer at all times. Appropriate denominations are to be maintained to accommodate change for large denominations paid by customers.
- Cash drawer is to remain locked during business hours. Each Deputy Clerk within the departments is authorized to handle monetary transactions with customers.
- Cash in the cash drawer is only to be used for making change or issuing refunds for the customer.
- Any voids, refunds discounts or adjustments are to be authorized by the department's supervisor. Refunds should be returned to the customer using the same payment method as original payment.
- Cash overages and shortages must be recorded and/or corrected daily.
- A different Deputy Clerk (to the extent possible) should count the cash drawer at the beginning of the business day from the Deputy Clerk who counts and balances the cash drawer at the close of the business day.
- Deposits must be made no less than one time per week, regardless of the deposit amount. Deposits of \$300 or more must be deposited the next business day.

- Deposits for all departments within the courthouse are collected daily at the Clerk's office and transported to the Treasurer's office by an Alternative Sentencing officer.
- Avoid counting and balancing the cash drawer and ledger in view of the public.
- After the cash drawer recount, ledger balance and prepared deposit (if any), the cash drawer is to be locked for the evening.

PETTY CASH

- A record must be kept regarding all removals and additions to the fund.
- Petty cash expenditures must be documented including a receipt and the signature of the employee requesting the reimbursement and the employee authorizing the reimbursement.
- The petty cash fund should always balance – total petty cash and receipts should equal the original amount of the petty cash fund.
- The petty cash fund should be reconciled monthly by the custodian.
- Petty cash **may not** be used for:
 - Cashing checks for customers, vendors or employees.
 - Making personal loans or advances to employees (including travel funds).
 - Making change for personal use.
 - Covering any shortages in a change fund.
 - Any other non-City transaction.

CULTURE

THE FOUNDATION OF SUCCESS

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!



What inspires you, inspires us.
eidebailly.com

Social Media
Internal Audit Report
November 25, 2019
Carson City, Nevada

Submitted By

Eide Bailly LLP

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Executive Summary

Eide Bailly LLP performed a citywide social media internal audit of Carson City's social media policies and procedures through the audit completion date of November 25, 2019. The internal audit focused on determining if adequate controls over social media are in place to address risks of noncompliance with policy, laws and security risks introduced by social media.

The use of social media has inherent risks that could negatively impact the City's network security. The City has taken steps to consider the risks of using social media as both a business tool and a communication point with customers and constituents.

During our review, we identified three (3) findings and thirteen (13) recommendations that would improve Carson City's management of social media.

Background

Social media is technology that involves the creation and dissemination of content through social networks using the Internet, such as, Facebook and Twitter. Social media are defined by the level of interaction and interactivity available to the consumer. For example, social media sites allow consumers to comment, discuss and even distribute content. Unlike traditional or non-social media, such as a television broadcast, a viewer can watch but has no interactive feedback mechanisms.

As social media continues to become an increasingly popular medium of communication and the number of the City's social media accounts continues to increase across departments, there is a growing number of threats related to security, reputation, and legal noncompliance. Due to the City's social media being considered a limited public forum, the City cannot moderate social media user comments based upon viewpoints, but rather, they must have a reasonable reason for removal. This also necessitates additional recordkeeping to comply with various laws such as the Freedom of Information Act.¹

Objective & Scope

To determine if adequate controls over using social media as a communication tool are in place. Additionally, to evaluate the City's guidance, policies, strategy, business objectives, monitoring, governance structure, and administration of social media throughout the City as a way of communicating with the media and public. Furthermore, to ensure the City can adequately address security risks introduced by social media.

The scope of the audit included the Information Technology Department, as well as very other city department that utilizes a public social media account. The timeframe was from January 1, 2019 through the audit completion date of November 25, 2019.

Methodology

Procedures performed during this internal audit included the following:

- Obtained City's Social Media Policy and reviewed to determine if there were noted gaps or deficiencies in addressing the following areas:
 - Employee personal use of social media in the workplace

¹ Freedom of Information Act ensures any person has the right to request access to federal agency records or information except to the extent the records are protected from disclosure by any of the nine exemptions contained in the law or by one of the three special law enforcement record exclusions.

- Employee personal use of social media outside the workplace
 - Employee use of social media for business purposes using personally owned devices
- Reviewed individual department Social Media Policy & Procedures:
 - Carson City Health & Human Services (CCHHS), Nicki Aaker, Director CCHS
 - Carson City Library, Diane Baker, Department Business Manager
 - Fire Department, Sean Slamon, Fire Chief
- Developed an understanding of the review of social media content and evaluated the process behind archiving deleted user comments due to policy violations.
- Reviewed the City's acceptable use policy to determine if it encompasses social media and whether the employee must agree to the policy.
- Determined whether social media training was included as part of the onboarding process.
- Examined a listing of social media pages currently in use as well as a blank copy of the required social media asset approval form which is required to be used by departments to request a social media page.
- Discussed Information Technology (IT) procedures for oversight of social media and the tracking of policy violations.
- Inquired with relevant personnel noted below to obtain an understanding of the City's social media password and security policies.
- Requested the City's Information Security Response Plan to determine whether social media risks are included.
- Acquired the organization's communication goals to analyze if social media was included as part of the communication goals.
- Researched social media best practices.
- Interviewed Carson City personnel and officials to obtain an understanding of their roles as they relate to social media. Numerous interviews were conducted to obtain an understanding of the processes, key controls, key risks, and opportunities for improvement. The personnel we interviewed were as follows:
 - Rachel Schneider: Digital Media Coordinator
 - Todd Reese: Deputy District Attorney
 - Pierron Tackes: Deputy District Attorney
 - Eric Von Schimmelmann: Chief Information Officer

Audit Results

We evaluated the adequacy of controls and processes related to the usage and management of social media as well as related operational efficiencies and effectiveness in place. While the procedures performed indicate that the City has some good social media policies, we noted three (3) findings and thirteen (13) recommendations, which are presented below, to assist management and the City in strengthening controls over social media.

SOCIAL MEDIA POLICY & APPROVAL

We obtained the citywide “Social Media Policy” and researched best practices relating to social media risks and strategies. We analyzed the City’s social media policy and noted that it incorporates many best practices, such as the following:

- The District Attorney’s Office is responsible for review of legal terms in the creation of a social media account.
- There is a required social media asset form to be filled out before the creation of a social media account. This includes the login information of the social media account which is linked to ArchiveSocial for archiving purposes and monitoring.
- The policy specifies that all content posted on the City’s social media pages should not violate copyright laws.
- The policy discusses types of content including comments that should be removed or deleted while also noting that comments should not be removed based on expressed viewpoints.
- The policy clearly states that the department directors will be responsible for ensuring their staff follows the social media policy while IT will be responsible for oversight of all departments’ social media.

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. We reviewed the citywide Social Media policy on PolicyTech 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 if for approval by the City Manager.” However, this policy was not followed, resulting in City run social media sites created without the approval of the City Manager or the knowledge of the IT department. This increases the risk to the City, as the social media site may not be administered or monitored in accordance with the citywide policy.

Additionally, we reviewed all City policies that would apply to social media and noted that risks of employee’s access to social media sites while on the City’s network and personal mobile devices has not been addressed in either the Social Media, Unacceptable Behavior or Computer Resources Usage policies. Best practice is to address in policy the risks related to employee’s use of social media in the workplace for personal use while using a city device and employee use of social media for business purposes while using a personally owned device, such as mobile phone or home computer. Additionally, best practice has social media included as part of an employee’s agreement to abide with the rules of the organization, such as the City’s Unacceptable Behavior policy.

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.

Next, we requested and reviewed individual department policies available at the time of the audit and compared them to the Social Media policy on PolicyTech and the draft version being updated. The individual department policies included Carson City Health & Human Services Department with inquiry of the Library's policy that is in process and noted the following:

- 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.
- The Library is working on a social media policy, which will be taken to the Library Board of Trustees for approval. Under Nevada Revised Statutes (NRS) Chapter 39, library board for public libraries are governing boards and are charged with setting policies. Once the social media policy is approved by the Library Board, the department plans to submit it to the City Manager.

Finding 1:

City run social media sites created without the approval of the City Manager or the knowledge of the IT department.

Recommendation 1:

The City Manager with support of the IT Department should request all departments provide a listing of all active social media accounts and implement an annual department certification for completeness and accuracy of all City social media assets.

Department Response:

City Manager or Deputy City Manager will request via email that all departments provide to CIO and Digital Media Coordinator a listing of all active social media accounts. This will be completed by March 2020. CIO and Digital Media Coordinator will establish a new annual department certification process to be included in update to Social Media policy. Policy shall be provided to City Manager and Deputy City Manager by June 2020. City Manager will approve and implement by September 2020.

Finding 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.

Recommendation 2:

The City Manager with support of the IT Department should obtain the Social Media Asset forms for all existing social media sites identified in Finding 1 and implement enforcement of this activity going forward.

Department Response:

Based on responses for Recommendation 1, CIO and Digital Media Coordinator shall obtain all Social Media Asset forms for all existing social media sites by March 2020.

Finding 3:

We reviewed the citywide Social Media policy on PolicyTech 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 if for approval by the City Manager.” However, this policy was not enforced, which increases the risk to the City, as the social media site may not be administered or monitored in accordance with the citywide policy.

Recommendation 3:

The City Manager with support of the IT Department should evaluate its enforcement practices related to noncompliance with the City’s social media policy and document the approach. We suggest the City use, and modify to address social media, the existing “Unacceptable Behavior” Policy (v.3) section 5.0 – Procedure, which addresses enforcement practices.

Department Response:

CIO and Digital Media Coordinator will evaluate enforcement practice and either use/modify the “Unacceptable Behavior” policy or create a new policy and provide to City Manager and Deputy City Manager for review by June 2020. City Manager will review and implement by September 2020.

Finding 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.

Recommendation 4:

The City Manager with support of the IT Department and the City Attorney’s office, should formalize the social media request and approval process for departments to obtain approval from the City Manager prior to creating a social media site, we recommend that the City use the Social Media Asset Form and include in the updated policy.

Department Response:

CIO, Digital Media Coordinator, and District Attorney’s Office will update Social Media Policy to include Recommendation 4 and provide for City Manager and Deputy City Manager Review by June 2020. City Manager will review and implement by September 2020.

Finding 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.

Recommendation 5:

The HR Department should update the City’s Unacceptable Behavior policy to address social media.

Department Response:

Policy was updated and is in “Review” for District Attorney. Following DA review it will move to “Approval” for City Manager. See attached in Appendix B.

Finding 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.

Recommendation 6:

The IT Department should update City's Computer Resources Usage policy. Specifically, the Computer Resources Usage policy should include the following items:

- Employee's personal use of social media using city devices – whether this is allowed, noted restrictions if allowed, identification or type of social media websites, activities, and content that are inappropriate or prohibited.
- Employee's use of social media for business purposes using personally owned devices (personal mobile or home devices) – whether this is allowed, any restrictions if it is allowed, and approval process of accessing social media on a personal device, if any.

Department Response:

CIO and Digital Media Coordinator shall review each department social media policy by December 2020 and forward recommendations to Department Director, City Manager and Deputy City Manager. The process for this review will be included in the citywide Social Media policy which will be updated by CIO, Digital Media Coordinator, and District Attorney's Office and provided for City Manager and Deputy City Manager Review by June 2020. City Manager will review and implement by September 2020

The DA's Office has reviewed both the Unacceptable Behavior and Computer Resources policies and will work with HR on adding language to the Unacceptable Behavior Policy to address employee's personal use of social media using city devices.

Regarding employees' First Amendment Rights, the U.S. Supreme Court has found that citizens do not surrender their first amendment rights by accepting public employment. However an employer can impose certain restraints so long as 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."

A statement should also be added regarding the personal social media pages of public officials. Depending on use, they can effectively become government social media accounts (and thus, public forums).

Finding 7:

Individual city departments have their own social media policy that does not align with the city's Social Media policy.

Recommendation 7:

Where individual departments have their own social media policy, the City Manager with support of the IT Department, should review the departments individual social media policy for alignment with the citywide policy and ensure department policy states that it will comply with all aspects of the citywide Social Media Policy. This process should be included in the citywide Social Media Policy. In the event that there are modifications to the citywide policy then the department should formally request a policy modification from the City Manager. Additionally, policy modification process should be added to the citywide Social Media Policy.

Department Response:

CIO and Digital Media Coordinator shall review the Fire Department social media policy, specifically, the policy should address archiving or retention of deleted social media content and that the department will

comply with all aspects of the citywide Social Media Policy and forward recommendations to Department Director, City Manager and Deputy City Manager by December 2020. The process for this review will be included in the citywide Social Media policy as referenced in the above recommendations.

Finding 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.

Recommendation 8:

The City Manager with support of the IT Department should work with CCHHS Department to update their social media policy to address social media controls such as monitoring, archiving, and removal of sites. Additionally, the department policy should state that it will comply with all aspects of the citywide Social Media Policy.

Department Response:

CIO and Digital Media Coordinator shall review the CCHHS Department social media policy, specifically, update their social media policy to address social media controls such as monitoring, archiving, and removal of sites. Additionally, the department policy should state that it will comply with all aspects of the citywide Social Media Policy and forward recommendations to Department Director, City Manager and Deputy City Manager by December 2020. The process for this review will be included in the citywide Social Media policy as referenced in the above recommendations.

Finding 9:

Online access to request new social media account(s) or marketing campaign would help to streamline the request and approval process.

Recommendation 9:

For efficiency of service, tracking and timely approval process the IT Department should provide online access to request a new social media account and/or social media marketing campaign. Example shown below.

Social Media Account Requests

Please fill out and submit the form below and we'll respond to your request within five business days.

[Request an Account »](#)

Request Our Services

Need help with your social media account, paid social campaign, or just increasing the reach of your marketing campaign with social media?

[Project Request Form »](#)

Department Response:

New social media requests/Forms can be handled through current IT help Desk e-mail process.

SOCIAL MEDIA MONITORING, GOALS & ARCHIVING

In an effort to achieve an impactful social media brand for the city, the IT department through the activities of the Digital Media Coordinator is charged with overseeing and monitoring content for department social media sites to ensure adherence to the Social Media Policy for appropriate use and that message and branding are consistent with the goals of the Consolidated Municipality of Carson City.

Social media monitoring deals with tracking key performance indicators, such as, number of likes, weekly reach, and followers of the City's various pages. Included with monitoring is reviewing the sites for compliance with policy, such as, update of information and comments, removal of prohibited content, and archiving content for legal purposes.

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.

Social Media Monitoring

We obtained a listing of all the City's social media pages that the Digital Media Coordinator actively monitors for compliance with policy (see table below). Additionally, we visited the social media pages and confirmed that they appear to consistently reference back to the Carson City website and that they are generally updated in accordance with the social media policy of updating the content at least once per week.

Departments with active social media sites at the time of the audit

| Facebook | Twitter | Next Door | You Tube | Instagram | Pinterest |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Carson City Government | Carson City Government | Carson City Government | Carson City Government | Carson City Government | Carson City Government |
| Fire Department | Fire Department | | Carson TV | Carson Proud | Carson Proud |
| Sheriff | Sheriff | | Carson City | | |
| Parks & Recreation | | | | | |
| Public Works | | | | | |
| VALE – Victim Advocate Law Enforcement | | | | | |
| Carson Proud | | | | | |
| Canine Unit | | | | | |
| Senior Center | | | | | |
| West NV Safe Routes to Schools | | | | | |

Source: Rachel Schneider – Digital Media Coordinator

On a monthly basis, the Digital Media Coordinator performs a search for newly created department social media pages and reaches out to those departments, time permitting, to monitor, track and archive the social media activity for compliance with policy. Currently, IT has identified the following pages to which it does not have access and oversight for:

- Carson City Juvenile Services;
- Carson City Motor Unit;
- Carson City Special Enforcement Team;

- Carson City Sheriff's Office School Resource Officers;
- Carson City District Attorney;
- Carson City Health and Human Services;
- Carson City Community Center; @CCPRDept.

We visited a few of these social media pages and observed that information provided on the page did not appear consistent with the pages monitored by the Digital Media Coordinator in terms of disclaimers and notices. Furthermore, the social media policy requires that social media websites be updated at least once per week. Some of the pages visited have not been updated in over six months while others have potentially one post every other month. Lastly, from discussions with the organization, these pages may be created and supervised by volunteers or various individuals, who are not necessarily granted permission by department directors.

Social Media Communication Goals

One of the primary activities of the Digital Media Coordinator is to help departments reach their stated communication goals by assisting departments in developing appropriate uses for social media, assisting in selecting appropriate social media outlets and helping departments define a strategy for engagement using social media and technology. Most of the public information content and activities are being conducted by the Digital Media Coordinator, which has one staff member who splits their time doing other IT activities.

Currently, the communications function is handled primarily by the Digital Media Coordinator. 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.

We obtained the social media performance monitoring data along with the Facebook performance of a few departments to enhance our understanding on how the organization assesses or analyzes these factors. Refer to Appendix A for the examples obtained. The Digital Media Coordinator is only able to measure the success or weakness of communications by independently reviewing individual pages with a quick glance on a regular basis due to the lack of time and staff support.

Social Media Archiving

The City uses ArchiveSocial to store all public page posts, comments, tags, and deleted items. In order to obtain optimal preservation and maintain compliance with Public Records Act and Freedom of Information Act departments are encouraged to enroll in the service. If a comment violates the City's content policies due to being off-topic, obscene, pornographic, supportive of a particular political campaign, or etc., the comment will be deleted. If the page is actively monitored by the Digital Media Coordinator, this will directly feed into the City's software – ArchiveSocial. This is not an automated process and currently, all user comments are manually monitored by the Digital Media Coordinator. If IT does not have access, the deleted comments are likely not being archived which puts the city at risk of noncompliance with laws such as Freedom of Information Act and Nevada's Public Records Law².

² Nevada's Public Records Law applies to all public books and public records of a government entity, the contents of which are not otherwise declared by law to be confidential.

Finding 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.

Recommendation 10:

The City Manager with support from the IT Department should work with the individual departments to ensure that all deleted comments are being properly archived within ArchiveSocial. This will require the department providing the log in information specific to the site. In the event the department chooses to take on the oversight themselves, the department should formally request this from the City Manager and IT Department and include the departments approach to archiving.

Department Response:

CIO, Digital Media Coordinator, and District Attorney's Office will update Social Media Policy to include Recommendation 10 and provide for City Manager and Deputy City Manager Review by June 2020. City Manager will review and implement by September 2020.

Finding 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.

Recommendation 11:

To assist with the additional monitoring performed by the Digital Media Coordinator, we propose that 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 violations of City policy, which should reduce the amount of time on front-end monitoring but would still require an organizational response.

Department Response:

CIO will provide cost estimate for risk management and analytics suite of the current ArchiveSocial software for budgeting in FY20/21 budget cycle.

Finding 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.

Recommendation 12:

The City should create more skill sets internally among existing staff that require experience and knowledge in digital communications, websites, and social media, in order to effectively ensure the City's message and branding is consistent with the goals of the Consolidated Municipality of Carson City and in compliance with policy. To accomplish this, we recommend the City evaluate the possibility of partially shifting content creation down to the department level which could allow for more timely content, responses, and relevant information. In addition, we recommend that department directors become responsible for the detailed oversight and monitoring of the department's social media accounts while IT and the Digital Media Coordinator are responsible for ensuring that department directors are appropriately reviewing and reporting noncompliance to relevant individuals for enforcement.

Department Response:

City Manager or Deputy City Manager 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, department directors' responsibility for the detailed oversight and monitoring of the department's social media accounts will be incorporated into Social Media Policy within the timeframes stated above.

SYSTEM SECURITY

The use of social media presents an additional entry point for technology risks such as malware and viruses, these risks are increased when employees access social media sites on personal mobile or home devices that unintentionally cause security issues for the City's network.

Currently, the City does not have an Information Security Response Plan that documents the City's approach to addressing and managing the effects of a security breach or cyberattack in a way that minimizes the damage and reduces recovery time and costs. An incident that is not effectively contained can lead to a data breach with catastrophic consequences. Incident response provides this first line of defense against security incidents, and in the long term, helps establish a set of best practices to prevent breaches before they happen.

Finding 13:

The City does not have an Information Security Response Plan.

Recommendation 13:

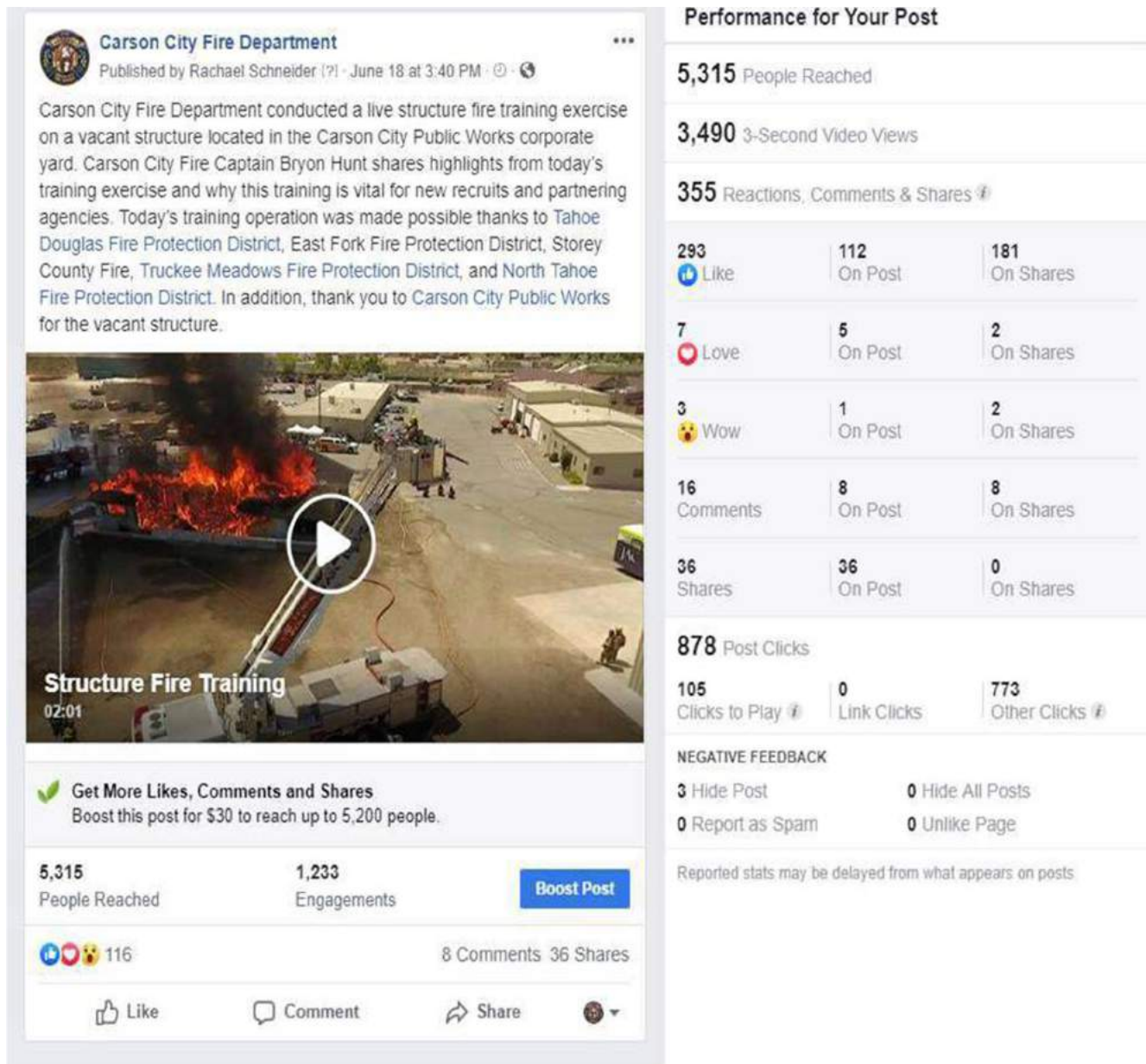
The IT department should create an Information Security Response Plan to rapidly detect incidents, minimize loss and destruction, mitigate weaknesses that were exploited, and restore computing services. Since the threat landscape for social media represents a cyber security risk for the organization, we recommend that the response plan be updated to include social media. The response plan should include at a minimum the following items:


- Procedures for responding to security incidents and evaluating the effectiveness of those policies and procedures on a periodic basis.
- Communication protocol for detected security events and review process by the individuals responsible for the management of the security program and required actions to be taken.
- Procedures to analyze security incidents and determine system impact.

Department Response:

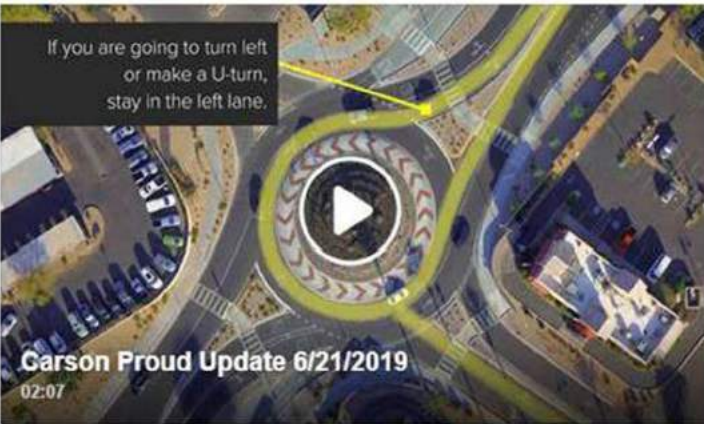
CIO will create an Information Security Response Plan by June 2021.

Appendix A – Example of Performance Monitoring of Facebook





Carson Proud
Published by Rachael Schneider [?] · June 21 at 11:07 AM ·

Through a coordinated effort, City staff have been able to place the most current available information relating to the South Carson Complete Streets Project into a centralized source known as Carson Proud. Beyond facilitating information flow and addressing inquiries, the project team have been moving forward with the project design through public participation, stakeholder meetings and televised presentations on the government station. Gathering feedback has been integral part of the design process. Many stressed the importance of a multi-lane roundabout instructional video. The following video displays a roundabout located in Scottsdale Arizona, which has similar features to the current roundabout design for the Stewart Street and South Carson Street intersection. This video will detail the proper use of a multi-lane roundabout.






Carson Proud Update 6/21/2019
02:07


Get More Likes, Comments and Shares
Boost this post for \$20 to reach up to 2,700 people.

1,925
People Reached

364
Engagements

Boost Post





15

5 Comments 15 Shares

Like

Comment

Share



Performance for Your Post

1,925 People Reached

1,079 3-Second Video Views

63 Reactions, Comments & Shares

| | | |
|----------------|---------------|----------------|
| 21 Like | 12 On Post | 9 On Shares |
| 3 Love | 3 On Post | 0 On Shares |
| 1 Sad | 1 On Post | 0 On Shares |
| 22 Comments | 14 On Post | 8 On Shares |
| 16 Shares | 15 On Post | 1 On Shares |

301 Post Clicks

| | | |
|----------------------|------------------|---------------------|
| 36 Clicks to Play | 0 Link Clicks | 265 Other Clicks |
|----------------------|------------------|---------------------|

NEGATIVE FEEDBACK

| | |
|------------------|------------------|
| 1 Hide Post | 1 Hide All Posts |
| 0 Report as Spam | 0 Unlike Page |

Reported stats may be delayed from what appears on posts

Appendix B – Updated Unacceptable Behavior Policy



POLICY AND PROCEDURE

Subject: Unacceptable Behavior

1.0 Purpose

Employees will conduct themselves in an honest, trustworthy, and professional manner while at work. All employees will abide by all Federal, state and local laws and by the City's Policies and Procedures. Employees will endeavor to meet the standards set for their position and meet performance goals. Employees will treat others with courtesy and respect. Employees will work safely.

2.0 Employees Affected

All City employees and volunteers

3.0 Policy

Carson City reserves the right to discipline, including discharge, employees who do not abide by Federal, State and/or local laws, the City's policies and procedures, a Department/Office's policies and procedures, general orders and/or standard operating procedures. Should an employee be covered by a collective bargaining agreement which contains a procedure for disciplinary action and/or discharge, the procedure therein shall be applied.

Each Appointing Authority may determine additional activities that are considered inconsistent, incompatible or in conflict with their duties as an employee. Departments/Offices are responsible for disseminating the information to their employees and making sure the policies, procedures, general orders and/or standard operating procedures, are understood.

Violation of policies, procedures, general orders, and/or standard operating procedures is not limited to the following lists providing examples of incompatible activities, prohibited behaviors, and prohibited political activities.

Examples of incompatible activities:

1. Engaging in any employment, activity or enterprise which has been determined to be inconsistent, incompatible, or in conflict with the duties of a City employee, or with the duties, functions or responsibilities of the Department/Office by which he serves.
2. A violation of public trust as outlined in Nevada Revised Statutes 281A, Nevada's Code of Ethical Standards. (See *NRS 281A.400-281A.660*)
<http://ethics.nv.gov/uploadedFiles/ethicsnv.gov/content/Resources/EthicsManual2014.pdf>
3. Using his position in government to secure or grant unwarranted privileges, preferences, exemptions or advantages for himself or any member of his household, or any business entity with which he is a member.
4. An elected officer or employee acquiring, through his public duties or relationships, any information which by law or practice is not at the time available to people generally, and using the information to further the economic interests of himself or any other person or business entity.
5. Suppressing any governmental report or other document because it might tend to affect unfavorably his private financial interest.
6. Using for private gain or advantage the City's time, facilities, equipment, money, materials or the prestige and influence of his position.
7. Accepting or receiving any consideration or compensation for an act which would be required or expected to be performed as a part of the duties of employment.

**Questions regarding ethics should be addressed to the Carson City District Attorney's Office or the Nevada Commission on Ethics (775) 687-5469 or www.ethics.nv.gov*

Examples of prohibited behavior:

1. Unsatisfactory work performance, incompetence, or failure to meet reasonable standards of efficiency including gross neglect of duty.
2. Failure to obtain or maintain professional or operating license(s) that are a condition of employment.
3. Failure to enforce or comply with law(s) and/or Carson City policies and procedures, Department/Office policies and procedures, standard operating procedures and/or general orders.
4. Unequal treatment of an employee as outlined in the [Equal Employment Opportunity](#) policy.
5. Insubordination or failure to carry out any reasonable order by management or a management representative, including, but not limited to, refusal to meet with a supervisor/manager or refusal to work on jobs assigned by the supervisor. Insubordination does not occur when an employee requests to postpone a meeting in order for a union representative to be present.
6. Disruptive or disorderly conduct, threatening, attempting, or causing harm or damage to others.

7. Failure of an employee to accept or respond to corrective or disciplinary action where such action is needed.
8. Misconduct of an employee because of prejudice, anger, or other unjustifiable reason.
9. Failure to maintain customary or required records.
10. Willfully or negligently concealing information regarding the job from official records or from supervisors or other persons having authorization or necessity for said information.
11. Failing to be truthful and cooperative with investigators or supervisors who are conducting investigations of matters pertaining to Carson City business.
12. Endangering self or others through careless, willful, or negligent violation of the City's policies, procedures, regulations, Federal, state or local laws, or failure to abide by the safety procedures set forth in a safety manual.
13. Unreasonable failure to cooperate with fellow employees, supervisors, or managers.
14. Failure to properly account for Carson City funds or property where it is a requirement for the position.
15. Willful or negligent destruction of, damage to, waste, or loss of Carson City material, property, equipment, or records.
16. Idleness on the job, wasting time, and/or failure to put in a full day's work.
17. Failure to notify the employee's supervisor as instructed when unable to report for work, or failure to report to work at specified times and in a prescribed manner.
18. Operating any Carson City vehicle or equipment in a negligent manner resulting in damage to persons, the equipment, or property, or operating any piece of equipment without proper authorization, training, or credentials.
19. Unauthorized possession at the workplace of a firearm or other implement construed to be a dangerous weapon.
20. Sleeping on duty.
21. Conducting, having, or maintaining a close or intimate relationship with any subordinate.
22. Failure of employee to maintain work or personal appearance standards.
23. Retaliation of any person who, in good faith, has reported an unsafe working condition, possible violation of Carson City policy, a Department/Office policy, procedure, standard operating procedure and/or general order, a harassment/discrimination complaint, or other lawful reporting of any situation.
24. Verbal, physical, or visual forms of sexual harassment.
25. Unsatisfactory attendance, including excessive or continual tardiness or absences.
26. Willful absence from duty without approved leave after having been denied permission to take such leave.
27. Failure to record work time accurately and promptly.
28. Using sick leave under false pretenses.
29. Carrying on personal business during working hours.

30. Theft or dishonesty including, but not limited to, falsification of time records, entering data on another employee's time record, or furnishing false or incomplete information on work-related documents.
31. Embezzlement or misappropriation of Carson City funds or property.
32. Reporting for work or inability to properly perform duties while under the influence of liquor, narcotics, drugs, or other controlled substances or use of such while on duty or in Carson City vehicles. Inability to report for an assigned shift due to intoxication or drug abuse. (See also [Drug & Alcohol Policy](#))
33. Conviction of operating a City vehicle or private vehicle while on City business, while under the influence or while impaired by alcohol or controlled substances or prescriptions not used in the manner or amount prescribed.
34. Failure to submit to a lawful request for a drug test or to pass a lawful test for the presence of alcohol or a controlled substance.
35. Failure to work safely, including following safety rules, wearing personal protective equipment, reporting hazardous conditions or other safety concerns immediately to a supervisor.
36. Any act which endangers the safety, health, or well-being of another person or which is of sufficient magnitude that the consequences cause disruption of work.
37. Disgraceful personal conduct which impairs job performance or causes discredit to the Department/Office.
38. Discourteous or abusive (physical or verbal) treatment of a member(s) of the public or a co-worker(s).
39. Fraud in securing appointment to the position.
40. Failure to comply with a mandatory referral to the Employee Assistance Program.
41. Misrepresentation of official capacity or authority.
42. Using social media while on work time or on City equipment, unless it is work-related as authorized by your supervisor or consistent with the City's Computer Usage policy, Computer Resources Usage Policy Social Media Policy Formatted: Indent: Left: 0.5", Hanging: 0.5"
43. Using City email addresses to register on social networks, blogs or other online tools utilized for personal use.
44.
42. Posting comments on social media about co-workers, managers, clients or customers that can be viewed as: Formatted: Indent: Left: 0", First line: 0"
 - Hate speech
 - Harassment
 - Intolerant
 - Threatening or bullying
 - Sexually explicit or pornographic
 - Knowing or recklessly false
45. Abusive conduct by an employee in the workplace that reasonable person would find hostile and/or offensive and unrelated to an employer's Formatted: Indent: Left: 1.5", No bullets or numbering

legitimate business interests. This is a form of bullying and can include a person's tone, words, silent treatment or body language.

Examples of prohibited political activity:

1. Solicitation or receipt of any monetary or non-monetary contribution for a political purpose from an employee within the same Department/Office or from an employee subordinate to the solicitor during working hours.
2. Engaging in political activity during working hours for the purpose of improving the chances of a political party or individual seeking office, or at any time engaging in political activity for the purpose of securing preference for promotion, transfer, or salary advancement.
3. While off duty, engaging in political activity to an extent that it impairs attendance or efficiency as an employee.
4. Wearing political buttons, hat, shirts, or displaying bumper stickers etc. in the office or place of employment. This policy does not address displaying bumper stickers on personally owned vehicles.
5. Engaging City staff or equipment; i.e. copier, fax, etc. for use of political activity.

5.0 Procedure

1. A Department Director/Elected Official, or his designee, shall document a discipline or termination. The City requires the use of progressive discipline, except for those employees who are at-will. The corrective action must be given to the affected employee immediately upon its issuance. All corrective action forms that provide for discipline that is more than a verbal warning must be sent to Human Resources, where it will be placed in the employee's personnel file. Before an employee is terminated, the employee handling the termination must notify the Human Resources Director and the assigned Deputy District Attorney. Please review the Termination Checklist prior to termination. A copy of the checklist may be obtained from Human Resources.
2. The Human Resources Department will adhere to appropriate State and collective bargaining provisions concerning the custody, use and preservation of the corrective communications. It is the responsibility of an employee to contact Human Resources when a document retention period expires and a document needs to be removed from the employee's personnel file. Only a Human Resources employee may remove a document from a personnel file. Upon removal of the document, the document will be given to the employee, or placed in a confidential disposal bin if the employee requests. Copies of the document will not be maintained by the Human Resources Department.
3. Every employee is allowed to view his personnel file. A Department Director/Elected Official, or his designee, or an auditor conducting City business, may view an employee's personnel file if the employee works for the Department Director/Elected Official. If an employee applies for another City position, the Department Director/Elected Official may review the employee's personnel file prior to considering an offer of employment. Any other requests by individuals to view a personnel file will only be allowed upon written request by the employee whose file is to be viewed.

END OF SECTION

CULTURE

THE FOUNDATION OF SUCCESS

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!



What inspires you, inspires us.
eidebailly.com

HR Administration – Eligible Employee Group Insurance
Internal Audit Report
December 3, 2019

Carson City, Nevada

Submitted By

Eide Bailly LLP

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Executive Summary

Eide Bailly LLP performed an internal audit over Carson City's (the "City") Human Resources (HR) health benefits administration for the period of January 1, 2019 through the audit date November 22, 2019. The internal audit focused on HR's administrative practices, the key features and costs of the City's medical benefit plans, HR's process for determining employee enrollment and eligibility, and HR's payments to providers.

During the internal audit, it was noted that the Human Resources Director 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 administration of health benefits.

Background

As it pertains to the administration of group health benefits, all classified, unclassified, and elected City employees shall have the benefit to participate in the City group health insurance program. The City has a fully-insured health plan¹, procured through the City's insurance broker, LP Insurance Services.

Plan providers are as follows:

- Hometown Health – group health insurance provider and prescription drug coverage
- Anthem Blue Cross Blue Shield – dental and life coverage
- EyeMed – vision coverage
- Aetna – employee assistance program
- HR Simplified – COBRA

The City has recently changed their health benefits provider for fiscal year 2020. This was a result of the City's previous plan provider increasing rates by 5%. The City's insurance broker solicited quotes from the health insurance market. The City agreed that Hometown Health would be the best carrier to achieve their financial goals and provide the best experience for the employees. The City approved this agreement in April of 2019.² The City has since seen a decrease in policy premiums at the beginning of Fiscal Year 2020 when they switched over to Hometown Health as their new provider (see Appendix A for a month over month comparison of their Medical & Pharmacy Performance).

City employees are eligible to participate in the plans listed above on the first of the month after sixty (60) days of continuous full-time employment (i.e. for an employee hired on October 5, 2019, his or her benefit coverage would be effective as of January 1, 2020). Status changes can be requested during open enrollment or special

¹ The City has decided to purchase a fully-insured health plan based on cost benefit analysis. It was determined that fully-insured costs less than what the City would pay to operate their own self-funded plan based on the current claim loss ratio of approximately 90%. Additionally, self-funding comes with considerable additional risks.

² Dental and life coverage were not marketed because the Board approved an agreement with Anthem in the previous fiscal year that gave the City a two-year rate guarantee. Vision coverage was not marketed because the Board approved an agreement with EyeMed in 2017 that gave the City a four-year rate guarantee.

enrollment period.³ City employees who elect to waive health coverage are entitled to a one-time incentive payment of \$1,200 less applicable withholdings.

Eligibility to participate in health benefits is identified by Human Resources. Once enrolled, health benefits and claim management are 100% handled by the plan provider.

Objective & Scope

The objective of the audit was to determine whether Human Resources has adequate controls over health benefits administration to ensure that health benefit premiums are calculated and paid accurately for eligible active employees in accordance with policies and procedures, and the City follows healthcare provider agreements.

Specifically, we evaluated:

- 1) HR's administrative practices
- 2) The key features and costs of the City's medical benefit plans
- 3) HR's process for determining employee eligibility and enrollment
- 4) HR's payments to providers

Claims Management was scoped out of the audit as HR does not have any involvement with claims management; all claims are handled by the provider.

The scope of the audit was from January 1, 2019 through November 22, 2019.

Methodology

Procedures performed during this internal audit included the following:

- Interviewed selected Human Resource and Finance Department staff to obtain an understanding of the employee health benefits administration process. The following personnel were interviewed:
 - Melanie Bruketta – Human Resources Director
 - Jacque Cassinelli – Human Resources Generalist
 - Jamie Stevenson – Accounting Manager (Finance and Payroll)
- Reviewed all operational policies, procedures, manuals, and handbooks for administering employee medical benefits.
- Obtained and evaluated group health plans and associated contracts.
- Examined whether health care plan vendor contracts are routinely reviewed for performance, customer service, and cost-benefit analysis.
- Determined whether the City has stop loss insurance and premium stabilization reserve.
- Verified that supporting documentation for employees enrolled in the City's health benefit plans are maintained.
- Verified that supporting documentation for dependent eligibility are maintained.

³ Special enrollment period is a thirty (30) day period immediately following a qualifying life event during which an eligible individual may enroll in a plan. A qualifying life event are those events that occur during an individual's life that would allow them to enroll in a plan outside of the open enrollment period.

- Obtained and evaluated whether all new hires have been added to the City’s payroll system and enrolled in medical benefits, including life insurance, timely, completely, and accurately.
- Obtained and evaluated whether all eligible changes impacting employee benefits have been added to the City’s payroll system and updated in medical benefits, including life insurance, timely, completely, and accurately.
- Obtained and evaluated whether all terminations, separations, and leave of absences impacting benefits have been added to the City’s payroll system and medical benefits updated, including life insurance, timely, completely, and accurately.
- Conducted an analysis on employees and their dependents to determine whether any City employees are simultaneously receiving benefits as an employee and a dependent of a city employee resulting in city-provided redundant coverage.
- Reviewed Human Resources and Payroll duties and responsibilities to ensure that there is proper segregation of duties.
- Inquired about plan management relating to the existence and frequency of participant complaints.

Audit Results

Eide Bailly evaluated the adequacy of HR's administrative practices related to employee benefits and its process for determining employee enrollment and eligibility by performing the following procedures:

- **Compliance**
Eide Bailly obtained and reviewed applicable regulations, policies, and procedures pertaining to employee benefits. No instances of non-compliance were noted. Additionally, we performed an analysis on enrolled employees and their dependents and determined that there were no existing redundancies in coverage.
- **Segregation of Duties**
Eide Bailly reviewed Human Resources and Payroll duties and responsibilities and noted that appropriate segregation of duties are in place. Controls are in place for processing new enrollments, benefit status changes, and termination / separation of benefits.
- **Contract Monitoring**
Eide Bailly evaluated the City's group health plans and identified that their contracts are routinely reviewed for performance and cost-benefit analysis by the insurance broker to ensure quality of service and competitive premium rates. The broker also solicits proposal from various insurance carriers in the market and reviews them to determine which carriers will best meet the needs of the City's employees and financial goals. These plans are fully insured and as such, the broker works within the confines of the fully insured regulatory landscape.
- **Record Retention**
Eide Bailly verified that the City maintains all new hires, eligible changes, terminations, separations and leave of absence records. New hire, status changes, termination and separation documentations are filed with the respective employee records which are maintained in individual file folders stored in an unlocked, revolving file cabinet within the Finance Department (see Finding #1 below). Leave records are stored in a locked filing cabinet inside the Human Resources office. Lastly, dependent eligibility documents are stored in a locked room, separate from where the leave records are stored inside the Human Resources office.

Findings & Recommendations

While the procedures performed indicate that controls are operating as designed, we noted four (4) findings and recommendations to assist Human Resources and the City in strengthening internal controls related to the administration of employee health benefits.

Finding #1: (Finance Department)

Employee and benefit documents are entirely paper based with sensitive and personally identifiable information accessible by any employee in the Finance department. Keeping physical documentation poses risks of inefficiency, increased costs, and are more prone to being misfiled, misplaced, or damaged.

Recommendation #1:

The City should adopt an online-based data management system for employee and benefit documents. Moving to this type of system would improve efficiencies by providing more flexible, secure document retention, reducing costs, is environmentally sustainable and would streamline the enrollment process especially during the busy open-enrollment period.

In the interim, the employee files should be kept in a locked and secure location that is limited to those individuals whose job responsibilities require access.

NOTE: The Finance Department is scheduled to have a new ERP system (MUNIS) launched in early 2020. The functionality of the system has not yet been fully identified during the audit.

Department Response:

Currently the Finance Department keeps copies of status change forms, W-4 forms and other payroll related information. These files do contain limited protected information. For the 1st pay period in January we are implementing a new ERP System, each employee will have an on-line file. Forms that Finance needs will be created in electronic format, approved in electronic format and saved/stored in the electronic employee file. We are definitely considering scanning in current employee data now in the files so that all the employee data is in the new system. This will very likely take six months to a year to accomplish. The files are stored past the finance reception desk; therefore, if someone did walk in and start poking around, we would certainly notice and stop them immediately. We do keep the cabinet closed most of the time, but not locked. We have a key to the cabinet and will lock it when we are not accessing this information; until such time as we no longer need the cabinet.

Finding #2: (HR)

HR benefits administration process is manual and documentation is entirely paper based. Keeping physical documentation poses risks of inefficiency, increased costs, and are more prone to being misfiled, misplaced, or damaged.

Recommendation #2:

The City should consider adopting an online-based data management system for employee and benefit documents. Moving to this type of system would improve efficiencies by providing more flexible, secure document retention, reducing costs, is environmentally sustainable and would streamline the enrollment process especially during the busy open-enrollment period. If this is not immediately possible, an email-based process should be implemented.

NOTE: The HR Department is scheduled to have a new ERP system (MUNIS) launched in early 2020. The functionality of the system has not yet been fully identified during the audit.

Department Response:

As noted in the finding, 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. The auditors did not find any errors regarding misplaced, misfiled, or damaged enrollment forms. Employees have not complained about the process currently in place. Again, HR staff will evaluate electronic programs and decide best when to proceed. The ERP module will be evaluated in the spring of 2020.

Finding #3: (HR)

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.

Recommendation #3:

The City should establish a process and written procedure allowing benefit participants a self-service approach for relevant HR benefit related forms to include new enrollment, enrollment changes, eligibility documents, etc.

Department Response:

The auditors suggested adding language to the current Benefit Policy that states that employees have thirty (30) days to notify Human Resources of a qualifying event. That language has been added to the policy. This update has been submitted to the City Manager's office and should be approved by the end of the month. Relevant enrollment forms will be added to PolicyTech as well.

Finding #4: (HR)

There is no clear policy regarding employees simultaneously receiving City-provided benefits as an employee and a dependent of a City employee or retiree.

Recommendation #4:

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.

Department Response:

Suggested statement has been added to the HR Policy. This update has been submitted to the City Manager's office and should be approved by the end of the month.

Appendix A: Medical & Pharmacy Performance

| Rolling 12 Months - Current | | | | | | | | | |
|-----------------------------|--------------|---------------|--------------------|-------------------------------------|--------------------|--------------------|--------------------|------------------------------------|--------------------|
| Month/ Year | Subscribers | Members | Policy Premium | Subscribers Composite Premium | Medical Claims | Rx Claims | Total Claims | Subscriber Composite Claims* | Paid Loss Ratio |
| Nov-18 | 711 | 1,413 | \$648,201 | \$912 | \$352,230 | \$167,289 | \$519,519 | \$731 | 80% |
| Dec-18 | 717 | 1,422 | \$650,996 | \$908 | \$447,300 | \$144,304 | \$591,604 | \$825 | 91% |
| Jan-19 | 720 | 1,434 | \$653,639 | \$908 | \$447,701 | \$135,840 | \$583,541 | \$810 | 89% |
| Feb-19 | 719 | 1,429 | \$650,024 | \$904 | \$676,098 | \$152,483 | \$828,581 | \$1,152 | 127% |
| Mar-19 | 718 | 1,432 | \$649,450 | \$905 | \$383,050 | \$159,722 | \$542,772 | \$756 | 84% |
| Apr-19 | 717 | 1,429 | \$648,732 | \$905 | \$667,376 | \$136,473 | \$803,849 | \$1,121 | 124% |
| May-19 | 720 | 1,437 | \$652,385 | \$906 | \$493,594 | \$146,492 | \$640,086 | \$889 | 98% |
| Jun-19 | 719 | 1,438 | \$652,371 | \$907 | \$415,840 | \$133,166 | \$549,006 | \$764 | 84% |
| Jul-19 | 717 | 1,431 | \$616,149 | \$859 | \$44,617 | \$40,430 | \$85,047 | \$119 | 14% |
| Aug-19 | 718 | 1,435 | \$623,641 | \$869 | \$182,772 | \$101,390 | \$284,162 | \$396 | 46% |
| Sep-19 | 721 | 1,452 | \$617,286 | \$856 | \$277,976 | \$94,484 | \$372,460 | \$517 | 60% |
| Oct-19 | 721 | 1,457 | \$627,764 | \$871 | \$363,892 | \$91,343 | \$455,235 | \$631 | 73% |
| Total | 8,618 | 17,209 | \$7,690,638 | - | \$4,752,446 | \$1,503,415 | \$6,255,861 | - | 81% |
| Average | 718 | 1,434 | \$640,886 | \$892 | \$396,037 | \$125,285 | \$521,322 | \$726 | 81% |

| Rolling 12 Months - Prior | | | | | | | | | |
|---------------------------|--------------|---------------|--------------------|-------------------------------------|--------------------|--------------------|--------------------|------------------------------------|--------------------|
| Month/ Year | Subscribers | Members | Policy Premium | Subscribers Composite Premium | Medical Claims | Rx Claims | Total Claims | Subscriber Composite Claims* | Paid Loss Ratio |
| Nov-17 | 705 | 1,409 | \$644,498 | \$914 | \$529,742 | \$122,458 | \$652,200 | \$925 | 101% |
| Dec-17 | 709 | 1,417 | \$647,944 | \$914 | \$493,119 | \$138,767 | \$631,886 | \$891 | 98% |
| Jan-18 | 712 | 1,426 | \$652,018 | \$916 | \$342,813 | \$128,008 | \$470,821 | \$661 | 72% |
| Feb-18 | 712 | 1,421 | \$648,843 | \$911 | \$304,172 | \$137,279 | \$441,451 | \$620 | 68% |
| Mar-18 | 718 | 1,424 | \$650,987 | \$907 | \$429,477 | \$155,606 | \$585,083 | \$815 | 90% |
| Apr-18 | 721 | 1,435 | \$654,867 | \$908 | \$377,501 | \$94,492 | \$471,993 | \$655 | 72% |
| May-18 | 717 | 1,439 | \$656,698 | \$916 | \$342,868 | \$151,410 | \$494,278 | \$689 | 75% |
| Jun-18 | 716 | 1,432 | \$655,688 | \$916 | \$723,757 | \$170,547 | \$894,304 | \$1,249 | 136% |
| Jul-18 | 713 | 1,426 | \$650,258 | \$912 | \$330,432 | \$125,789 | \$456,221 | \$640 | 70% |
| Aug-18 | 713 | 1,435 | \$652,509 | \$915 | \$491,882 | \$162,541 | \$654,423 | \$918 | 100% |
| Sep-18 | 710 | 1,424 | \$648,328 | \$913 | \$301,221 | \$142,642 | \$443,863 | \$625 | 68% |
| Oct-18 | 709 | 1,409 | \$646,013 | \$911 | \$323,122 | \$176,295 | \$499,417 | \$704 | 77% |
| Total | 8,555 | 17,097 | \$7,808,651 | - | \$4,990,106 | \$1,705,834 | \$6,695,940 | - | 86% |
| Average | 713 | 1,425 | \$650,721 | \$913 | \$415,842 | \$142,153 | \$557,995 | \$783 | 86% |

95%

| Current / Prior | Subscribers | Members | Policy Premium | Subscribers Composite Premium | Medical Claims | Rx Claims | Total Claims | Subscriber Composite Claims* | Paid Loss Ratio |
|--------------------|-------------|--------------|-------------------|-------------------------------------|-------------------|------------------|------------------|------------------------------------|--------------------|
| Average | 718 | 1,434 | \$640,886 | \$892 | \$396,037 | \$125,285 | \$521,322 | \$726 | 81% |
| Average | 713 | 1,425 | \$650,721 | \$913 | \$415,842 | \$142,153 | \$557,995 | \$783 | 86% |
| Changes: | 0.7% | 0.7% | -1.5% | -2.2% | -4.8% | -11.9% | -6.6% | -7.3% | -5.1% |

Underwriting Loss Ratio, Including Capitated Claims Est., Starting Point before Large claim Exceptions

84%

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INTERNAL MEMORANDUM

TO: Sheri Russell, Chief Financial Officer
FROM: Todd Reese, Deputy District Attorney
DATE: March 23, 2020

RE: Audit Committee Procurement Finding
Conflicting State and Federal Procurement Law

This memorandum addresses a concern raised by Carson City's internal auditors that Carson City may not be properly following federal or state procurement law. The concern is that NRS 625.530, the Nevada statute requiring a professional engineer, professional land surveyor, or registered architect to supervise the professional engineering or land surveying in a public work over \$35,000, conflicts with federal law.

State law requires, for "any public work where the expenditure for the complete project" exceeds \$35,000, that Carson City "shall not engage in any public work requiring the practice of professional engineering or land surveying, unless the maps, plans, specifications, reports and estimates have been prepared by, and the work executed under the supervision of, a professional engineer, professional land surveyor or registered architect." NRS 625.530(1) and (2)(a). Carson City must select a professional engineer, professional land surveyor, or registered architect based on their competence and qualifications. NRS 625.530(3). This requires Carson City to request the engineer's, surveyor's, or architect's qualifications, choose a qualified engineer, surveyor, or architect, and then negotiate a "fair and reasonable fee" with the engineer, surveyor, or architect. The threshold for using these procedures do not sync with the state public works and non-public works acquisition thresholds because the \$35,000 threshold applies to the expenditure for the complete project, rather than only the engineer, surveyor, or architect component.

Federal law contains a myriad of methods of contracting with architects and engineers, generally using qualification-based approaches under the Brooks Act. 40 USC 1101 et seq.; *see also* 49 USC 5325(b) (FTA); 23 CFR Part 172 (FHA); Federal Acquisition Regulations (FAR) Part 36.6. The broad procedures annual statements of qualifications architectural and engineering firms, solicitations or RFQs for specific architectural and engineering services, evaluation of qualifications, ranking of the three most qualified firms, and negotiation of a price with the top ranked firms. 23 CFR 172.7(1)(a); FAR 36.6. The federal procedures also permit a short selection process for contracts that do not exceed the simplified acquisition threshold (\$250,000), FAR 36.602-5, and reference/incorporate state procedures under that threshold, 23 CFR 172.7(a)(2).

There is not any federal regulatory command to implement federal law at the expense of state law. Instead, Carson City must comply with both the federal requirements and the NRS, as applicable, when implementing a federally-financed or non-federally-financed project.

In general, the currently applicable federal guidelines are:

\$0-\$9,999 – Micro-purchase threshold, no quotes, distribute among qualified suppliers.
\$10,000-\$249,999 – Simplified acquisition threshold-consider 3 qualified architects or engineers.
\$250,000 and up – Competitive bidding required, except for allowable exclusions.

The currently applicable state guidelines for public works are:

Public Works

\$0-\$35,000 – May solicit from any licensed engineer, surveyor, or architect. NRS 338.13862(1)(b); NRS 625.530
\$35,001 – \$100,000 – Must consider qualifications and negotiate with the most qualified engineer, surveyor, or architect. NRS 338.13862(1)(a); NRS 625.530.
\$100,001 and up – Must advertise for competitive qualifications, except where state exclusions apply, and must negotiate with the most highly qualified engineer, surveyor, or architect. NRS 338.1385(1); NRS 625.530.

Combined the public works requirements for engineers, surveyors, or architects are:

A) Maintain lists of qualified engineers, surveyors, or architects based upon annual qualifications submissions. To encourage competition and provide a transparent process:

- qualifications submissions should be open to newcomers at any time;
- the process to submit qualifications and be qualified should be developed and posted to the website;
- criteria for determining whether an engineer, surveyor, or architect is qualified should be developed and posted;
- criteria for removing an engineer, surveyor, or architect from the qualified should be developed and posted;
- and the selection of a qualified engineer, surveyor, or architect for informal negotiations should be done on a rotating basis.

B) Based on the acquisition and purchase thresholds, the following criteria should apply (dollar amounts refer to the cost of the overall project):

\$0-\$9,999 – Micro-purchases, no quotes, rotate through list negotiating a price with 1 qualified engineer, surveyor, or architect.
\$10,000-\$100,000 – Review the next three qualified engineers, surveyors, or architects on the list, chose and negotiate with the most qualified.
\$100,001-\$249,999 – Must follow State RFQ requirements and must negotiate on a price with the most qualified engineer, surveyor, or architect. However, if there is an applicable

State exclusion on a federally-financed project, the next three qualified engineers, surveyors, or architects on the list must be reviewed and the most qualified must be selected and negotiated with.

\$250,000 and up – Must follow competitive RFQ requirements, except where allowable state or federal exclusions apply, depending on funding source, and must negotiate on a price with the most qualified engineer, surveyor, or architect.

Development of a comprehensive policy is beyond the scope of this memorandum or the legal advice provided herein.

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INTERNAL MEMORANDUM

TO: Sheri Russell, Chief Financial Officer
FROM: Todd Reese, Deputy District Attorney
DATE: September 25, 2019

RE: Audit Committee Procurement Finding
Conflicting State and Federal Procurement Law

This memorandum addresses a concern raised by Carson City's internal auditors that Carson City may not be properly following federal procurement law. The concern is that the Uniform Administrative Requirements in 2 CFR Part 200 allegedly require that Carson City follow federal procedures for federal grants, and under 2 CFR § 200.403(c) Carson City is not permitted to have different procedures for non-federally-financed projects than those set forth in the Uniform Requirements for federally-financed projects. This would effectively supersede the Nevada Revised Statutes ("NRS") provisions for local government procurement. I disagree with this interpretation.

2 CFR § 200.403(c) provides that:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

....

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

....

(Emphasis added.)

While, in isolation, 2 CFR § 200.403(c) could possibly be interpreted to suggest that Carson City policy for federal and state procurement law must be identical, this interpretation ignores the lead-in clause to 2 CFR § 200.403, which provides that costs must meet the specified general criteria, "**[e]xcept where otherwise authorized by statute.**" The NRS are "statutes" that authorize procedures that are not uniform with federal law. Therefore, 2 CFR § 200.403

does not expressly create a conflict between state and federal procurement law, and Carson City must comply with both federal law, where applicable, and state law, where applicable.

This interpretation is bolstered by 2 CFR § 200.401(a)(5), which provides overarching guidelines for applying the cost principles in 2 CFR Part 200, Subpart E (including 2 CFR § 200.403), and which provides:

(a) General. These principles must be used in determining the allowable costs of work performed by the non-Federal entity under Federal awards. . . . ***The principles do not apply to:***

....

(5) Other awards under which the non-Federal entity is not required to account to the Federal Government for actual costs incurred.

(Emphasis added.) The express provisions of this section do not require Carson City to comply with the 2 CFR Part 200, Subpart E cost provisions (including 2 CFR § 200.403(c)) when Carson City is implementing a non-federally-financed project. *See also* 2 CFR § 200.318(a) (“The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.”).

Accordingly, there is not any federal regulatory command to implement federal law at the expense of state law. Instead, Carson City must comply with both the federal requirements and the NRS, as applicable, when implementing a federally-financed or non-federally-financed project.

In general, the currently applicable federal guidelines are:

\$0-\$9,999 – Micro-purchase threshold, no quotes, distribute purchases among qualified suppliers.
\$10,000-\$249,999 – Simplified acquisition threshold, 3 informal quotes required (to promote competition to the maximum extent possible).
\$250,000 and up – Competitive bidding required, except for allowable exclusions.

The currently applicable state guidelines (including 2019 Legislative changes) are:

Non-Public Works

\$0-\$50,000 – No requirements.

\$50,001-\$100,000 – Must solicit two or more bids, but may advertise for competitive bids after soliciting the bids. NRS 332.063; AB 86 (2019), Sec. 5.

\$100,001 and up – Must advertise for competitive bids, except where state exclusions apply. NRS 332.065(1); AB 86 (2019), Sec. 11.

Public Works

\$0-\$25,000 – May solicit from one licensed contractor. NRS 338.13862(1)(b).

\$25,001-\$100,000 – Must solicit 3 informal bids. NRS 338.13862(1)(a).

\$100,001 and up – Must advertise for competitive bids, except where state exclusions apply.
NRS 338.1385(1).

Combined, these State and Federal requirements are:

\$0-\$9,999 – Micro-purchases, no quotes, distribute purchases among qualified suppliers. Public Works solicit a bid from 1 licensed contractor.

\$10,000-\$100,000 – Must solicit 3 informal quotes.

\$100,001-\$249,999 – Must follow State bidding/exclusions. However, if there is an applicable State exclusion on a federally-financed project, 3 informal quotes must be solicited unless there is an applicable federal exclusion.

\$250,000 and up – Must follow competitive bidding requirements, except where allowable state or federal exclusions apply, depending on funding source.

As a final caveat, NRS 625.350 requires that a professional engineer, professional land surveyor, or registered architect supervise the professional engineering or land surveying in a public work over \$35,000. The statute further requires that Carson City utilize a statement of qualifications process when retaining these professionals. The question of how to incorporate the requirements of NRS 625.350 into the above process is beyond the scope of this memorandum, but is currently being reviewed.