

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

**Day:** Tuesday  
**Date:** September 7, 2021  
**Time:** Beginning at 1:30 pm  
**Location:** Community Center, Robert "Bob" Crowell Board Room  
851 East William Street  
Carson City, Nevada

**AGENDA**

**NOTICE TO THE PUBLIC:**

**The State of Nevada and Carson City are currently in a declared State of Emergency in response to the global pandemic caused by the coronavirus (COVID-19) infectious disease outbreak. In accordance with the applicable Directives issued under authority of the Governor’s Declaration of Emergency, including Directive 045 and 047, and subject to any potential changes in state or federal mandates or guidelines, face coverings are required to be worn when attending this meeting in person.**

Members of the public who wish only to view the meeting but do NOT plan to make public comment may watch the livestream of the Audit Committee meeting at [www.carson.org/granicus](http://www.carson.org/granicus) and by clicking on “In progress” next to the meeting date, or by tuning in to cable channel 191. Livestream of the meeting is provided solely as a courtesy and convenience to the public. Carson City does not give any assurance or guarantee that the livestream or cable channel access will be reliable. Although all reasonable efforts will be made to provide livestream, unanticipated technical difficulties beyond the control of City staff may delay, interrupt, or render unavailable continuous livestream capability.

The public may provide public comment in advance of a meeting by written submission to the following email address: [publiccomment@carson.org](mailto:publiccomment@carson.org). For inclusion or reference in the minutes of the meeting, your public comment must include your full name and be submitted via email by not later than 3:00 p.m. the day before the meeting.

Members of the public who wish to provide live public comment via telephonic appearance in lieu of physical attendance may do so during the designated public comment periods indicated on the agenda by dialing the numbers listed below. Please do NOT join by phone if you do not wish to make public comment.

Join by phone:  
Phone Number: +1-408-418-9388  
Meeting Number: 2494 685 4357

- 1. Call to Order**
- 2. Roll Call**

### **3. Public Comments and Discussion:**

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

### **4. For Possible Action: Approval of Minutes - June 22, 2021**

### **5. For Possible Action: Adoption of Agenda**

### **6. Meeting Items**

6.A For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

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

6.B For Possible Action: Discussion and possible action regarding the review of agreed upon procedures suggested by Eide Bailly regarding the Carson City Building Division and any other procedures that were approved as part of the Fiscal Year ("FY") 2022 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Carson City Building Division agreed upon procedures. City Information Technology ("IT") personnel as well as members of the Eide Bailly IT audit team will be available for discussion regarding their procedures over IT End-User or IT Vulnerability Follow-up.

6.C For Presentation Only: Discussion regarding Fiscal Year ("FY") 2022 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 22 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

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

### **7. Public Comment:**

The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

### **8. For Possible Action: To Adjourn**

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Agenda Management Notice - Items on the agenda may be taken out of order, the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the Finance Department at (775) 887-2133. You are encouraged to attend this meeting and participate by commenting on any agenda item.

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the Finance Department in writing at 201 North Carson Street, Carson City, NV 89701, or by calling (775) 887-2133 at least 24 hours in advance.

To request a copy of the supporting materials for this meeting contact Maria Diaz at [mdiaz@carson.org](mailto:mdiaz@carson.org) or call (775) 877-2133.

PLEASE NOTE: Posting on Carson City's website of supporting materials for its public meetings, other than such postings pertinent to the Audit Committee meetings, is not required. The posting of supporting materials on the City's website is a courtesy and no rights are thereby bestowed. Late materials or materials distributed during the public meeting will be incorporated into the public record and can be made available upon request.

This agenda and backup information are available on the City's website at [www.carson.org/agendas](http://www.carson.org/agendas) and at the Finance Department - 201 N. Carson Street, Ste 3, Carson City, Nevada (775) 887-2133.

In accordance with NRS 241.020, this notice has been posted before 9:00 a.m. three working days before the day of the meeting at the following locations:

Carson City Library 900 North Roop Street  
City Hall 201 North Carson Street  
Community Center 851 East William Street  
Community Development Permit Center 108 East Proctor Street  
<https://notice.nv.gov>  
[www.carson.org/agendas](http://www.carson.org/agendas)

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the June 22, 2021 Meeting**  
**Page 1**

A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, June 22, 2021 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Stephen Ferguson  
Member Lori Bagwell  
Member Ernie Mayhorn  
Member James Wells

**STAFF:** Sheri Russell, Chief Financial Officer  
Stephanie Hicks, Deputy City Manager  
Mihaela Neagos, Deputy District Attorney  
Danielle Howard, Public Meetings Clerk

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

**1 - 2. CALL TO ORDER AND ROLL CALL**

(1:33:07) – Chairperson Ferguson called the meeting to order at 1:33 p.m. Roll was called, and a quorum was present. Member Molina was absent for this meeting.

**3. PUBLIC COMMENT:**

(1:33:31) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

**4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES**

**4.A MARCH 9, 2021**

(1:33:46) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion. Member Bagwell noted that she had submitted a correction to the March 9, 2021 meeting minutes, and the minutes had been revised to reflect that Member Bagwell had abstained from voting during Item 5.B.

**(1:33:20) – MOTION: Member Bagwell moved to approve the March 9, 2021 meeting minutes as corrected. Member Mayhorn seconded the motion. The motion carried 4-0-0.**

**4.B MARCH 30, 2021**

**(1:34:36) – MOTION: Member Bagwell moved to approve the March 30, 2021 meeting minutes as presented. Member Mayhorn seconded the motion. The motion carried 4-0-0.**

**5. AGENDA ITEMS**

**5.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE**

**CARSON CITY AUDIT COMMITTEE (AC)**  
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**REVENUE AND ACCOUNTS RECEIVABLE INTERNAL AUDIT AND RECOMMENDATIONS.**

(1:34:58) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report, which is incorporated into the record. Eide Bailly Senior Manager Audrey Donovan introduced Eide Bailly Manager Nick Sidikovich, both appearing via WebEx, and he presented the report, which is also incorporated into the record. He and Ms. Russell also responded to clarifying questions.

(1:50:12) – Member Bagwell did not believe “Note 1” on page #2 of the report was sufficient, and Mr. Sidikovich confirmed that the Note can be updated for clarity.

**(2:00:00) – MOTION: Member Bagwell moved to approve the Revenue and Accounts Receivable internal audit report with a correction to “Note 1” that Staff and the auditor can work out and direct Staff to work on the recommendations as discussed. Member Mayhorn seconded the motion. The motion carried 4-0-0.**

**5.B FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW AND CLOSURE OF INTERNAL AUDIT FINDINGS AND/OR RECOMMENDATIONS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT AND PROVIDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND/OR RECOMMENDATIONS.**

(2:00:33) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the report, both of which are incorporated into the record, and responded to clarifying questions.

**(2:08:18) – MOTION: Member Wells moved to close Social Media Items #5 and #6, Fleet Management Audit Items #6, and Revenue & Receivable Audit Items #2 and #3. Member Mayhorn seconded the motion. The motion carried 4-0-0.**

**5.C FOR PRESENTATION ONLY: DISCUSSION REGARDING FY 21 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.**

(2:08:46) – Chairperson Ferguson introduced the item. Ms. Donovan reported on the internal audits that had been delivered to date for fiscal year 2021, including the Citywide Revenue and Accounts Receivable audit, the Vehicle Fleet audit, and the Information Technology (IT) Vulnerability audit. She mentioned having conducted the 2021 Risk Assessment for the fiscal year 2021-2022 Annual Audit Plan and having performed some follow-up work. Ms. Donovan noted that Eide Bailly was \$6,000 shy of the budget of approximately \$110,000. She also informed the Committee that there were fraudulent unemployment claims, fraudulent credit card and debit card activity, credit hitting people’s credit card reports that were not done by the users, rent payments that were not being accepted by the tenants’ landlords or various locations, and a bank account fraud claim that all came through the Fraud, Waste, and Abuse Hotline, and none of the activity was related to Carson City. She responded to clarifying questions.

**5.D FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO IDENTIFY,**

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the June 22, 2021 Meeting**  
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**DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2022.**

(2:13:57) – Chairperson Ferguson introduced the item. Ms. Donovan presented the Citywide Risk Assessment & Annual Audit Plan for Fiscal Year 2021-2022, which is incorporated into the record, and she, Ms. Russell, Ms. Hicks, and Eide Bailly Director of Cybersecurity Services Michael Nougier responded to clarifying questions throughout the presentation.

(2:19:41) – Member Bagwell inquired about the contract with a vendor regarding the Insourcing Versus Outsourcing Building Division Activities proposed internal audit, as she wanted to know for sure what the contract term was to make a decision on whether to continue to use the contract services. Ms. Hicks informed Member Bagwell that the contract is valid until September 2021, and a new contract with the vendor, Charles Abbott Associates (CAA), could be brought forward at that point. Member Bagwell emphasized having a safe and systemic review of the business license process.

(2:57:34) – Ms. Hicks clarified that Carson City Community Development Director Hope Sullivan’s plan was to enter into a two-year agreement with CAA and to bring that proposal to the Carson City Board of Supervisors (BOS) in August 2021, which would enable the opportunity to evaluate the outcome of the Insourcing Versus Outsourcing Building Division Activities audit and determine the next steps for the City with some extra time.

(2:59:17) – The consensus among the Members was that Eide Bailly would not be doing the Fire Prevention and Inspections proposed internal audit and the IT Vulnerability Audit, Phase 2, and the Grants program would be adjusted to a time and material (T&M) procedure to fit the budget process. The Members also agreed with looking into adding a business license component to the Insourcing Versus Outsourcing Building Division Activities audit. Chairperson Ferguson entertained a motion.

**(2:59:55) – MOTION: Member Mayhorn moved to accept the Annual Audit Plan for Fiscal Year 2021-2022 with the exception of the Fire Prevention and Inspections and the IT Vulnerability Audit, Phase 2, adjusting Grants to a T&M procedure to bring the department into budget at \$116,000 with a \$6,000 rollover and that the Building Division 1 includes a business license overview. Member Bagwell seconded the motion. The motion carried 4-0-0.**

**5.E FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE REVIEW OF AGREED UPON PROCEDURES SUGGESTED BY EIDE BAILLY REGARDING PAYROLL, IF SELECTED AS PART OF THE FY 2022 AUDIT WORK PROGRAM.**

(3:00:39) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the Citywide Payroll Internal Audit Program, both of which are incorporated into the record, and entertained discussion with the Members.

**(3:06:20) – MOTION: Member Wells moved to direct Eide Bailly and Staff to proceed with the Payroll**

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the June 22, 2021 Meeting**  
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agreed-upon procedures as discussed with the addition of the comparison of the employee list vendor file. Member Mayhorn seconded the motion. The motion carried 4-0-0.

**6. FOR INFORMATION ONLY: FUTURE MEETING DATE**

(3:06:46) – Chairperson Ferguson introduced the item. Ms. Russell recommended obtaining Ms. Donovan’s input on the Payroll and how long that would take, and the Committee could base its next meeting on and assemble the agreed-upon procedures for those selected items. The Committee agreed with the tentative date of Tuesday, September 7, 2021 at 1:30 p.m. for the next AC meeting.

**7. PUBLIC COMMENT**

(3:08:45) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

**8. FOR POSSIBLE ACTION: TO ADJOURN**

(3:09:41) – Chairperson Ferguson adjourned the meeting at 3:09 p.m.

The Minutes of the June 22, 2021 Carson City Audit Committee meeting are so approved this day 7<sup>th</sup> of September, 2021.

## Audit Committee Agenda Item Report

Meeting Date: September 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

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### **Subject:**

For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

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

### **Suggested Action:**

Action will depend on the discussion. I move to [continue the monitoring and review of the items as discussed or] recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report.

### **Attachments:**

[SR - Internal Audit Findings Tracking Report.docx](#)

[Audit Findings Summary 9-7-2021.pdf](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: September 7, 2021

Staff Contact: Sheri Russell, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

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

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

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## Proposed Motion

Action will depend on the discussion. I move to [continue the monitoring and review of the items as discussed or] recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report.

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

Staff is recommending Fleet Item #3 – Utilization Review to the Audit Committee for closure or validation, then closure.

## Applicable Statute, Code, Policy, Rule or Regulation

N/A

## Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact:

## Alternatives

N/A

**Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

2) \_\_\_\_\_

Aye/Nay

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

Carson City  
Internal Audit Summary  
Updated - 6/22/21

**Carson City - Audit Findings Tracking Summary Report (revised 6-22-21)**

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 Golf Course	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	8/20/2020	Internal Auditor	8	8	6/15/2020	8/20/2020	
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	4	5/10/2018	8/20/2020	
FY 2018 CAFR and Single Audit	12/6/2018	12/6/2019	External Auditor	3	3	6/15/2020	8/20/2020	
Temporary Staffing Audit	5/9/2019	5/6/2019	Internal Auditor	5	5	6/22/2021	10/3/2019	
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	8/20/2020	
Cash Handling 2019	12/3/2019	1/6/2020	Internal Auditor	20	20	6/22/2021	8/20/2020	
Social Media Study	11/25/2019	1/6/2020	Internal Auditor	13	12	6/22/2021	7/1/2020	All except Item #13 are closed
HR Administration - Eligible EE Group Ins.	12/3/2019	1/6/2020	Internal Auditor	4	4	6/15/2020	8/20/2020	
AP and P-Card Audit Program	4/1/2020	3/4/2021	Internal Auditor	4	4	8/4/2020	3/4/2021	
IT Volatility Audit	10/30/2020	12/8/2020	Internal Auditor	10				
Fleet Audit	3/30/2021	3/30/2021	Internal Auditor	6	4	6/22/2021	7/1/2020	All except Item #1 and #3 are closed
Revenue and Receivables Audit	5/25/2021	6/22/2021	Internal Auditor	3	2	6/22/2021	7/1/2020	All except Item #1 are closed.
<b>Total (including archived reports)</b>				262	254			

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  
 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
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.	P	12/31/2021			CIO will create an Information Security response Plan. <b>UPDATE:</b> Plan is in review process.

Carson City  
External Internal IT Vulnerability Audit  
October 30, 2020

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
		<b>NOTE: 12 Findings - External</b>						
1		Update all systems that are currently running on outdated software: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's perimeter network.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	P	12/1/2021			Staff is making progress on resolving issues; however we have a new CIO who is getting up to speed on findings. All dates have been extended.
2		System hardening processes should be in place across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	P	1/1/2022			Staff has continued to make progress on system hardening and change management including the use of automated deployment tools and templates. Work is being conducted to update patch deployment systems.
3		Web development processes: Ensure coding of website and web applications follow OWASP standards. The OWASP Top 10 is a standard awareness document for developers and web application security. Carson City should adopt this document and start the process of ensuring that their web applications minimize these risks.	External findings that would fall under OWASP guidelines are Commercial Off The Shelf (COTS) applications under which the City has little control over development. The City can add OWASP as a procurement requirement for COTS applications, however this may limit the scope and range of options for the City as a whole when considering vendors of specialized software, such as the software from which this item stems. Staff will review this recommendation and consider how to implement it.	N	6/1/2022			Staff does not have the recommendation yet, but has begun to approach new vendors with this requirement.
4		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Carson City systems are regularly scanned and most by MS-ISAC / CIS as part of a federal program intended to harden local government systems. Most issues identified by the external audit were also identified by the MS-ISAC / CISC scanning effort and were known/expected. Staff will either remediate or document exceptions to all findings.	P	11/1/2021			In the December 2020 Audit Committee meeting, it was decided to re-test in August 2021. This was pushed to the last quarter of FY22, as we have a new CIO.
		<b>NOTE: 103 - Internal</b>						
1		Update all systems that are currently running on unsupported operating systems: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain security vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's infrastructure and data.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	P	12/1/2021			The work to mitigate the 103 internal vulnerabilities has turned out to be much more than originally thought. Staff expects to be able to demonstrate significant progress at the time of the re-test.

Carson City  
External Internal IT Vulnerability Audit  
October 30, 2020

2		Implement and enforce implementation of change control across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	P	6/1/2022			Staff is continuing to make progress on system hardening and change management including the use of automated deployment tools and templates. Work is being conducted to update patch deployment systems.
3		Implement a patch management program: Operating a consistent patch management program per the guidelines outlined in NIST SP 800-40 is an important component in maintaining good security posture. This will help to limit the attack surface that results from running unpatched internal services.	Staff has deployed tools such as inventory, deployment, and recently endpoint management software (EMS) to assist with this effort. Inventory and deployment systems allow staff to track and update software. EMS allows staff to scan endpoints for known security issues that require a patch and force the patch to be installed as part of network policy. Staff is continually working towards further automating and integrating these tools into our workflow. At last count our inventory of applications has more than 6251 software packages and components, which makes this an evergreen maintenance item for staff, requiring much in the way of time and resources.	P	12/1/2021			Staff expects to be able to demonstrate significant progress at the time of the re-test.
4		Change default credentials upon installation: To reduce the risk of security breaches through default credentials which have been left configured on network devices, it's best to implement a process to change the passwords, and if possible, account names, when new equipment is installed.	Staff will change the identified systems with default credentials where possible. Some examples identified by the audit do not support credentials for their regular operation. For these devices, staff is working towards isolating in a similar fashion to devices that cannot be reasonably patched as a compensating control.	P	10/1/2021			Staff expects to be able to demonstrate significant progress at the time of the re-test.
5		Conduct regular vulnerability assessments: As part of an effective organizational risk management strategy, vulnerability assessments should be conducted on a regular basis. Doing so will allow the organization to determine if the installed security controls are installed properly, operating as intended, and producing the desired outcome. Consult NIST 800-30 for guidelines on operating an effective risk management program	Staff believes that regular third party auditing of IT systems is valuable and will contribute to increased security of Carson City systems and data. Performing audits such as this one regularly would likely require additional resources to obtain the audit and then act upon the results of the audit in a timely fashion.	P	10/1/2021			Staff expects to be able to demonstrate significant progress at the time of the re-test.
6		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Some issues identified in this report require a small effort to remediate and staff will remediate them in a timely fashion. Others are systemic issues that have already been identified by staff and require large-scale efforts to address in the long term. Additional resources would contribute towards addressing all of the identified issues in a more timely fashion.	P	1/1/2022			Staff expects to be able to demonstrate progress at the time of the re-test. A recent critical Windows Domain vulnerability was resolved within 10 hours of it being announced. Many of the critical and high vulnerabilities that were identified in the audit have to do with legacy systems that are still running and can't be updated. IT will need to work with the business users to address these, which will take significant time. The preferred way to address these would be to migrate the needed data off of the unsupported systems to supported systems.

**Note:** In this audit staff gave maximum access to the auditors to simulate an attacker gaining access to a sensitive area of the network. Many of the identified issues were discovered because we bypassed our usual security controls to allow the penetration tester greater access. The findings are valuable, but do not necessarily represent vulnerabilities that could be exploited from any part of the City network.

Carson City  
Fleet Management Audit  
March 10, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - Inventory Security and Tracking: RECOMMENDATION: Short-term solution - restrict access to Inventory to Fleet Services personnel by installing facility locks if feasible. Long-term solution - incorporate a tracking mechanism by implementing parts tracking sheet where Fleet personnel can sign, date, and identify the parts used and removed from inventory. Consider bar code technology or one designated Fleet Technician responsible for tracking fleet.	This was a recommendation in the last Internal Audit as well. The Fleet Facility is secured within the Public Works Corporate Yard and restricted to badge-only access. To date, there is no known instance of inventory loss; however, management agrees that there are opportunities to reduce risk and improve security over inventory. Management will submit a supplemental budget request for the position with the FY22 budget requests for consideration by the Board of Supervisors.	P	1/31/2022	7/1/2021		Tracking sheet has been implemented. Facilities Division is installing additional restrictions on inventory access concurrent with hiring of Fleet Warehouse Coordinator (new FY22 position). Anticipated to be completed August 2021. <b>STATUS:</b> Requested Internal Audit Validation once position is up and running (5-6 Months).
3		FINDING 3 - Asset Utilizations Reviews RECOMMENDATION: We recommend that the Fleet Department review the Low Usage Asset Report at least annually prior to fiscal year end to identify opportunities for asset re-assignments on an annual basis.	Management agrees with this recommendation. This review will be conducted annually moving forward. Fleet utilization reports will be generated at the end of each fiscal year, as close to June 30 as it is practical.	*Y*	9/7/2021			This has been scheduled. Annual utilization will be pulled on June 30, 2021 for review of low usage vehicles. <b>STATUS:</b> The fleet division performed the review of the Low Usage Assets for FY21. E-Mails were sent to Department heads, notifying them of any assets that were categorized as low usage and asking them to consider where appropriate repurposing or reassigning them.

Carson City  
 Revenue Accounts Receivable  
 May 25, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected ? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - A - During our review of the Tyler Cashiering receipts for Landfill Services, we noted that a year-end adjustment in July 2020 billing for June 2020 services, in the amount of \$422,116.11 was not recorded as a receivable and a revenue in FY 2020.	We recommend that the Finance Department develop and implement a methodology to ensure completeness and accuracy of accounts receivable and revenue recorded at year end. - Management will create a year-end Journal Entry checklist, to ensure that all year end adjustments are completed.	P	10/30/2020			Staff will create a checklist during the current year closing procedures.

## **Audit Committee Agenda Item Report**

Meeting Date: September 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

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### **Subject:**

For Possible Action: Discussion and possible action regarding the review of agreed upon procedures suggested by Eide Bailly regarding Building Division and any other procedures that were approved as part of the Fiscal Year ("FY") 2022 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Carson City Building Division agreed upon procedures. City Information Technology ("IT") personnel as well as members of the Eide Bailly IT audit team will be available for discussion regarding their procedures over IT End-User or IT Vulnerability Follow-up.

### **Suggested Action:**

I move to direct Eide Bailly and staff to perform agreed upon procedures as discussed.

### **Attachments:**

[SR - Agreed Upon Procedures -Building Division.docx](#)

[Building Division\\_Internal Audit Program.docx](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: September 7, 2021

Staff Contact: Sheri Russell, Chief Financial Officer & Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: For Possible Action: Discussion and possible action regarding the review of agreed upon procedures suggested by Eide Bailly regarding Building Division and any other procedures that were approved as part of the Fiscal Year ("FY") 2022 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Carson City Building Division agreed upon procedures. City Information Technology ("IT") personnel as well as members of the Eide Bailly IT audit team will be available for discussion regarding their procedures over IT End-User or IT Vulnerability Follow-up.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

## Proposed Motion

I move to direct Eide Bailly and staff to perform agreed upon procedures as discussed.

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

The Audit Committee discussed various annual projects for Eide Bailly and requested that agreed upon procedures be brought back for discussion before work began. Eide Bailly will present suggested agreed upon procedures for the Building Division. IT personnel from the City and Eide Bailly will be there to discuss any specific procedures or direction from the audit committee. Procedures in the IT area are considered proprietary by Eide Bailly, so specific procedures list is not provided.

## Applicable Statute, Code, Policy, Rule or Regulation

N/A

## Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: N/A

## Alternatives

N/A

**Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

2) \_\_\_\_\_

Aye/Nay

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

## INSOURCING VS. OUTSOURCING OF BUILDING DIVISION ACTIVITIES AUDIT PROGRAM

### OBJECTIVES

To assess the Building Division's staffing, structure, and service levels to help inform the decision-making process of outsourcing (privatization) versus bringing activities in-house (insourcing) with supplemental outsourcing of building permits and inspections. Additionally, to compare qualitative and quantitative data points with peer cities and benchmarks to inform the decision-making process, identify new ideas, and opportunities. Lastly, to evaluate whether the City's control environment provide a reasonable degree of assurance to ensure the effective and efficient assessment and collection of business licensing fees.

### AREAS TO CONSIDER:

- To assess the privatization practices across the City's Building Division to help inform the decision-making process of outsourcing (privatization) versus bringing activities in-house (insourcing) with supplemental outsourcing of building permits and inspections.
- To compare qualitative and quantitative data points with peer cities and benchmarks to inform the decision-making process, identify new ideas, and opportunities.
- Obtain, review, and analyze contracts, monitoring (service and contract), performance measures, service levels, service delivery, and cost of services associated with privatization.
- To assess whether businesses were obtaining licenses as required, bills for license fees were issued timely, completely and accurately, and collection enforcement efforts were effective.
- To determine whether revenue reconciliations were conducted thoroughly and accurately.

### METHODOLOGY

#### Assessment of Building Division

- Gain an understanding through research, Committee & Board meeting minutes, interviews, discussions, and document review to understand the history and relationship of the outsourced functions to Charles Abbott.
- Obtain and review policies and procedures (P&Ps), workflows, finances, and reports related to the Building Division's staffing, structure, and operations from both City & third-party vendor (Charles Abbott).
- Obtain, review, and analyze contracts, monitoring of service and contract, performance measures, service levels, service delivery, and cost of services associated with privatization.
- Perform walkthroughs and conduct interviews of employees to assess impacts on efficiency and effectiveness of current staffing, structure, processes, service levels, and cost.

#### Benchmarking - TBD

- Define benchmark criteria and entities to benchmark against and perform benchmarking to determine whether bringing activities in-house would be more efficient and profitable for the City.

#### Assessment of Business Licensing

- Obtain and review policies and procedures (P&Ps), workflows, finances, and reports related to business licensing.
- Conduct process walkthroughs, interviews and document review to gain understanding related to the reduction in business licensing fees and whether the reduction is related to completeness and accuracy of billing, collections, penalty assessments, etc.
- Obtain a listing of current businesses year over year in Carson City and perform a trend analysis of records maintained by the City to determine completeness in billing.
- Obtain list of current businesses from the State of Nevada who are in Carson City and compare to list of Carson City business year over year to determine completeness in billing.
- Review the City's revenue reconciliations to determine whether revenues from business licensing are properly recorded.

## **Audit Committee Agenda Item Report**

Meeting Date: September 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

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### **Subject:**

For Presentation Only: Discussion regarding Fiscal Year ("FY") 2022 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 22 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

### **Suggested Action:**

N/A

### **Attachments:**

[SR - Internal Auditor work program update.docx](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: September 7, 2021

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

Agenda Title: For Presentation Only: Discussion regarding Fiscal Year (“FY”) 2022 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 22 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

## Proposed Motion

N/A

## Board’s Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

Standing item for discussion and update.

## Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Chapter 3.075, CCMC 2.14.040

## Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: N/A

## Alternatives

N/A

## **Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

Aye/Nay

2) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

## **Audit Committee Agenda Item Report**

Meeting Date: September 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

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### **Subject:**

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

### **Suggested Action:**

Discussion only.

### **Attachments:**