

CARSON CITY AUDIT COMMITTEE (AC)

Minutes of the June 22, 2021 Meeting

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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

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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,

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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

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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 7th of September, 2021.