

CARSON CITY AUDIT COMMITTEE (AC)

Minutes of the March 8, 2022 Meeting

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A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, March 8, 2022 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Member Lisa Schuette
Member James Wells

STAFF: Sheri Russell, Chief Financial Officer
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

(1:33:22) – Chairperson Ferguson called the meeting to order at 1:33 p.m. Roll was called, and a quorum was present. Members Mayhorn and Duke were absent during this meeting.

3. PUBLIC COMMENT:

(1:33:43) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – DECEMBER 7, 2021

(1:34:19) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion. Member Wells identified a correction under item #4 on page #1 to indicate that Member Wells seconded the motion as well as a correction under item #6 on page #2 to indicate that Member Wells made the motion.

(1:34:58) – MOTION: Member Wells moved to approve the December 7, 2021 meeting minutes as corrected. Member Schuette seconded the motion. The motion carried 3-0-0.

5. FOR POSSIBLE ACTION: ADOPTION OF AGENDA

(1:35:17) – Ms. Russell noted that there were no changes to the 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.

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(1:35:36) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the Audit Findings Tracking Report, both of which are incorporated into the record. When no questions or comments were forthcoming, Chairperson Ferguson entertained a motion.

(1:39:21) – MOTION: Member Wells moved to recommend to the Board of Supervisors closing Fleet Management Audit Item #1 and Payroll Items #1 and #3. Member Schuette seconded the motion. The motion carried 3-0-0.

6.B FOR PRESENTATION ONLY: DISCUSSION REGARDING FISCAL YEAR (“FY”) 2022 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(1:39:49) – Chairperson Ferguson introduced the item. Eide Bailly LLP Senior Manager Audrey Donovan reported on the following updates on the Annual Audit Plan for fiscal year (FY) 2021-2022:

- The first engagement that was completed was a Citywide Payroll Process, and the next engagement to be completed was the topic of Insourcing versus Outsourcing of Building Division Activities, approximately 60 percent of which was completed and intended to be delivered no later than June 2022. Eide Bailly LLP had been working on its benchmarking activities and identified “a little over a dozen local and across different states municipalities” that have similar criteria for a benchmark as it relates to Carson City, and that criteria included cities with a similar population to the City’s of around 30,000 and the fact that those cities that Eide Bailly LLP was benchmarking were not contract cities. Eide Bailly LLP had been doing some benchmarking [of] approximately 14 different questions to identify what type of activities were being outsourced, what organization was outsourced, and what the organization was outsourced to.
- The next two engagements identified by Ms. Donovan were the Information Technology (IT) Vulnerability Follow Up and the End-User and Wireless Vulnerability Assessment, which were ready for the IT team to conduct the follow up in April 2022. Ms. Donovan added that the conclusions could be presented at the next AC meeting.
- The topic of the American Rescue Plan Act (ARPA) was approved and finalized, and funds were set aside by the City for subject matter expertise to discuss and respond to questions related to ARPA “basically on an as-needed basis.” Ms. Donovan indicated that “this is billed on the time and materials based on FY 2021-2022 utilizing those services on a few occasions, and we’ve expensed roughly … less than \$1,000.”
- Eide Bailly LLP and the City had been “doing fantastic in terms of following up on the efforts to confirm that the risks identified from prior internal audit engagements have been remediated,” and they were at an approximately 98-percent implementation success rate, with the industry average for implementation rate being approximately 75 percent. Ms. Donovan acknowledged the City, the divisions, and Ms. Russell for “staying on top of that and [Ms. Russell’s] collaboration with them,” and she recognized Eide Bailly LLP as “a big contributor” to the 98-percent implementation success rate “because when we issue our recommendations, we’re really making them actionable, they’re very well-defined, and we collaborate with the departments to make sure that those can be implemented along with the set target dates so we know when we can get back in there and do the follow-up remediation work.”
- Approximately 25 percent had been expended of the allotted budget, or roughly five of the 20 hours, for follow up, which the Committee would be updated on during the next AC meeting.

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- Several activities had been reported to the Fraud, Waste and Abuse (FWA) Hotline concerning the Carson City Library and were all handled internally with the City Manager, Nancy Paulson. Additionally, 75 percent of the FWA efforts involved looking at activities, identifying the items submitted, and coordinating with Ms. Russell and anyone else within the City that need to know what those activities are.
- Eide Bailly LLP had been directed to perform the FY 2022-2023 Citywide Risk Assessment and Annual Audit Plan, which was 95 percent complete while the remaining percentage to be completed would be related to making any modifications or additions to finalize the delivery for the next AC meeting.
- Approximately 65 percent of the internal audit budget had been expended, and Eide Bailly LLP anticipated expending all of the budget, so any funds rolling over to the following year would likely not be significant.

Ms. Donovan also responded to clarifying questions.

(1:46:15) – Chairperson Ferguson acknowledged and complimented everyone involved with the Audit Work Program.

6.C FOR DISCUSSION ONLY: DISCUSSION REGARDING THE DRAFT ANNUAL RISK ASSESSMENT AND INTERNAL AUDIT PLAN FOR FISCAL YEAR (“FY”) 2023.

(1:51:21) – Ms. Donovan presented on the draft Citywide Risk Assessment and Annual Audit Plan for FY 2022-2023, which is incorporated into the record.

(1:58:58) – Chairperson Ferguson entertained Member questions and comments, and Ms. Donovan and Ms. Russell responded to clarifying questions. Member Wells commented that he was leaning toward doing more of a full review of the Utility Billing, and, referencing the proposed internal audit for Sheriff Mobile and Body Worn Video Recording Equipment, he wished to “keep it [at] a high level on the body camera” and “see if we could scale that one back.” He preferred spending resources on the FWA policy update, the business license improvements, the cost benefit analysis for the Jump Around Carson (JAC) transit system, the parking ticket system, “splitting out” the Clerk-Recorder/Public Administrator duties, the Cyber Security Response Plan, the facility and condition assessment reporting, and capital projects reporting, all of which were items referenced in the City’s FY 2022-2026 Strategic Plan that Member Wells believed the internal audit “could play a role in determining … how those move forward.” Ms. Russell indicated that the parking ticket system involved a small dollar amount and would likely be a small project if the Committee wished to consider the system. She added that the upgraded parking ticket system had not been implemented yet, and she explained that she tries to implement a system for a full year before the Internal Auditor evaluates it. She noted that City staff were working with Douglas County regarding “splitting out” the Clerk-Recorder/Public Administrator duties, and she stated that a capital project review had been completed in 2018, so another review would likely be considered in the next couple of years.

(2:19:41) – Chairperson Ferguson suggested reviewing and following up on the audit findings from the Cash Handling audit. He also pointed out that the internal audit budget had never been increased during his time on the Committee and that “it’s almost like we’re getting less bang for our buck” if the average hourly rate has increased. Ms. Russell stated that she would submit a supplemental to the Carson City Board of Supervisors

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(BOS) to increase the internal audit budget by \$20,000 for \$130,000 per year. She also informed the Members that she had released a statement of qualifications for an Internal Auditor for the City, as the City has worked with Eide Bailly LLP for four years and wishes “to just see what the market bears.” Ms. Russell stated that she would present a contract at the next AC meeting for recommendation for future years.

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

(2:29:39) – Chairperson Ferguson introduced the item, and the consensus among the Members was to tentatively schedule the next AC meeting for June 7, 2022 at 1:30 a.m.

7. PUBLIC COMMENT

(2:31:12) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

8. FOR POSSIBLE ACTION: TO ADJOURN

(2:31:22) – Chairperson Ferguson adjourned the meeting at 2:31 p.m.

The Minutes of the March 8, 2022 Carson City Audit Committee meeting are so approved this day 12th of July 2022.