

CARSON CITY AUDIT COMMITTEE (AC)
Minutes of the April 25, 2023 Meeting
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A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, April 25, 2023 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Vice Chair Lisa Schuette
Member Bonnie Duke

STAFF: Sheri Russell-Benabou, Chief Financial Officer
Darren Schulz, Public Works Director
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. CALL TO ORDER

(1:30:12) – Chairperson Ferguson called the meeting to order at 1:30 p.m.

2. ROLL CALL

(1:30:20) – Roll was called, and a quorum was present. Member Chavez was absent during the meeting.

3. PUBLIC COMMENT AND DISCUSSION:

(1:30:32) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – JANUARY 24, 2023

(1:30:43) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion.

(1:31:10) – MOTION: Vice Chairperson Schuette moved to approve the January 24, 2023 meeting minutes as presented. Member Duke seconded the motion. The motion carried 3-0-0.

5. MEETING ITEMS

5.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 AUDIT COMMITTEE PAGE 2 APRIL 25, 2023 TRACKING REPORT AND PROVIDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND/OR RECOMMENDATIONS.

(1:31:21) – Chairperson Ferguson introduced the item. Ms. Russell-Benabou referenced the Staff Report and the Audit Findings Tracking Report, both of which are incorporated into the record. She and Mr. Schulz also

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responded to clarifying questions.

(1:38:12) – MOTION: Member Duke moved to recommend to the Board of Supervisors closing the items discussed, Items #3 and #5 of the Utility Billing Internal Audit, based on the correction of findings and recommendations included in the Audit Findings Tracking Report. Vice Chairperson Schuette seconded the motion. The motion carried 3-0-0.

5.B FOR DISCUSSION ONLY: DISCUSSION REGARDING THE DRAFT ANNUAL RISK ASSESSMENT AND INTERNAL AUDIT PLAN FOR FISCAL YEAR (“FY”) 2024.

(1:38:53) – Chairperson Ferguson introduced the item. Eide Bailly Senior Manager Audrey Donovan referenced the draft Citywide Risk Assessment and Annual Audit Plan for fiscal year (FY) 2023/2024, which is incorporated into the record. Ms. Russell-Benabou added that she attempted to submit a supplemental to increase the Internal Audits Budget by \$30,000 for FY 2023/2024; however, there was not enough money for the current year, so the Internal Audits Budget was still \$110,000.

(1:44:04) – Chairperson Ferguson entertained Member comments and questions, and Ms. Russell-Benabou, Ms. Donovan, and Eide Bailly Partner Kimberley Higgins responded to clarifying questions. Chairperson Ferguson noted that there were a lot of findings related to the 2019 Cash Handling Audit that the Committee may wish to follow up on. He pointed out that there was a concern with the previous Payroll Audit, as the Committee was unsure about whether the sample size was statistically valid. He noted additional concerns with Accounts Payable (AP) and items relating to Purchasing Cards (P-Cards). Ms. Russell-Benabou clarified that the City had switched to the new Enterprise Resource Planning (ERP) system in July 2019, and AP and P-Cards had been audited. Chairperson Ferguson suggested adding a random sample, since it had been three years since AP and P-Cards were reviewed.

(1:54:56) – Vice Chairperson Schuette believed that it was “critical” to ensure that the DEVNET System was working correctly and to ensure the data integrity. In response to Vice Chairperson Schuette’s question, Ms. Russell-Benabou stated that a Purchasing and Contracts Management Audit had not been performed before, and the Purchasing and Contracts policy was highly regulated by Nevada Revised Statute (NRS). Additionally, the Carson City District Attorney’s (DA’s) Office assisted in writing some of the contracts as templates, and the federal government provided the language to Staff when federal money was involved, so Ms. Russell-Benabou was uncertain about there being a major risk with Purchasing and Contracts Management. During discussion, Vice Chairperson Schuette proposed delaying the Fire Department Overtime Audit in order to prioritize other proposed internal audits. Chairperson Ferguson was in favor of performing the internal audits for Cash Handling, the DEVNET System for the Assessor’s Office, and the Information Technology (IT) Department addressing potential security weaknesses in Supervisory Control and Data Acquisition (SCADA) and City election systems, though he noted that performing those three audits would result in being overbudgeted. He noted that contract management was important. Ms. Donovan indicated that the proposed audits could fit within the Internal Audits Budget as much smaller engagements.

(2:12:05) – Chairperson Ferguson proposed following up on the 20 findings for the Cash Handling Audit to assess

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the potential issues with the areas of the 20 findings and retest based on the internal audit program. Ms. Donovan stated that Eide Bailly had completed several follow ups concerning Cash Handling, and she believed that the issues within the Carson City Library had been remediated after the Library obtained new leadership. She added that Eide Bailly would review the entire population of the City and the Cash Handling efforts while taking into consideration the work that was completed in the past, what items had been remediated, and what items still needed to be addressed. Ms. Russell-Benabou noted that Ms. Donovan could review the departments that the Treasurer's Office had not reviewed in a while. Ms. Donovan indicated that the Cash Handling Internal Audit could incorporate the budget referenced by Chairperson Ferguson if estimated fees needed to be reduced to \$20,000. Chairperson Ferguson requested that Eide Bailly investigate what the scope would be for the portion of the Information Technology Audit concerning the City election systems, and he recommended postponing the portion of the audit related to the Public Works Department and SCADA. He suggested that Eide Bailly review a random sample of AP and P-Card transactions with the remaining \$10,000 of the Internal Audits Budget, and he noted that the Purchasing and Contract Management Audit would be postponed for another year based on his input.

(2:22:41) – Discussion ensued, and Ms. Russell-Benabou indicated that the Committee could make sure that Ms. Donovan has an audit program to present during the next meeting for the Members' review and approval. Chairperson Ferguson suggested allocating roughly \$30,000 towards the City's election systems portion of the Information Technology Audit, \$25,000 towards the Cash Handling Internal Audit, and \$35,000 for the DEVNET System Audit.

5.C FOR DISCUSSION ONLY: DISCUSSION REGARDING FISCAL YEAR (“FY”) 2023 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(2:28:25) – Chairperson Ferguson introduced the item. Ms. Donovan reported the following updates:

- The FY 2022/2023 internal audits consisted of the Risk Assessment with \$12,000 of estimated fees the exception of \$500.
- The Utility Billing Audit completed, which included water, sewer, and stormwater.
- The high-level risk assessment of the Sheriff's Mobile and Body Worn Camera Program equipment was completed, with several recommendations that were being implemented by the Sheriff's Office.
- Eide Bailly was currently assessing grants within City departments, which Ms. Donovan indicated was a “decentralized process,” and Eide Bailly staff had spoken with departments engaged with grants and funding. Additionally, Eide Bailly was reviewing the grant pre- and post-award process through testing, and approximately 75 percent of the engagement was completed. Ms. Russell-Benabou's team had assumed much of the workload concerning grants monitor weeding. Ms. Donovan expected to have a completed report on the engagement to present at the next AC meeting.
- Approximately 90 percent of the Internal Audits Budget had been expended.

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

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(2:33:21) – Chairperson Ferguson introduced the item. Based on the dates suggested by Ms. Russell-Benabou, the Members agreed to tentatively schedule the next meeting for June 13, 2023 at 1:30 p.m.

6. PUBLIC COMMENT

(2:35:37) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

7. FOR POSSIBLE ACTION: TO ADJOURN

(2:35:47) – Chairperson Ferguson adjourned the meeting at 2:35 p.m.

The Minutes of the April 25, 2023 Carson City Audit Committee meeting are so approved this day 16th of June 2023.