

Carson City

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ASSET MANAGEMENT REVIEW

Submitted By:

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Executive Summary

Eide Bailly LLP performed a review of Carson City's ("City") Asset Management practices to evaluate the effectiveness of current processes across the full life cycle of city-owned capital assets, including acquisition, utilization, maintenance, disposal, and encompassing capital assets. The objectives of this engagement were to assess the accuracy, completeness, and reliability of capital asset inventory records and identify risks associated with manual tracking methods.

This engagement was included in the annual audit plan approved by the Carson City Audit Committee as part of the Internal Audit services for fiscal year 2026 (FY26). The review focused on determining whether the City's asset management program effectively supports accurate recordkeeping and lifecycle management. The assessment included an evaluation of policies and procedures, inventory reconciliation processes, documentation of asset changes, and system capabilities within Tyler Munis. We also reviewed supporting documentation such as asset listings, disposal records, and internal control practices related to acquisition and retirement of assets. This engagement identified one (1) finding and one (1) observation, which will provide opportunities for improvement to enhance oversight, strengthen internal controls, and boost efficiency in asset management practices.

We extend our sincere gratitude to the Chief Financial Officer, Accounting Managers, and their team for their invaluable contributions to this engagement. Their insights enhanced our understanding of the City's asset management practices, which enabled us to provide meaningful recommendations for process improvements and control enhancements.

Background Information

Carson City is responsible for managing a variety of capital assets that support governmental operations and public services across the City. These assets include land, buildings, infrastructure, vehicles, equipment, and improvements, all of which require accurate tracking, safeguarding, and reporting to ensure accountability and compliance with applicable financial reporting standards. Effective capital asset management is foundational to operational continuity, long-term planning, and fiscal stewardship.

Carson City maintains a significant capital asset base totaling approximately \$726 million in net capital assets within the Primary Government fund excluding the component units of Airport Authority and Culture and Tourism Authority. The Primary Government fund includes \$493 million related to governmental activities and \$233 million related to business-type activities. Annual depreciation within the Primary Government Fund recorded for FY 2025 totaled \$12.3 million for governmental activities and \$9.9 million for business-type activities.¹

The capital asset lifecycle begins with acquisition and initial recognition, where new assets are identified, coded, tagged when appropriate, and recorded in the City's financial system in accordance with established thresholds and capitalization policies. Departments initiate purchases, while Finance performs key oversight activities such as reviewing supporting documentation, confirming appropriate categorization, and assigning asset identifiers. Throughout an asset's useful life, City departments are responsible for maintaining asset conditions, reporting changes, and notifying Finance of transfers, impairments, or retirements. These updates are monitored for accuracy and completeness to ensure the capital asset ledger remains current.

Disposals represent a critical stage in the lifecycle and require removal from inventories, and accurate financial reporting of gains, losses, or write-offs. Carson City's processes include coordination between operational

¹ 2025 Annual Comprehensive Financial Report – Year Ended June 30, 2025

departments and Finance to verify that assets approved for disposal are properly supported, authorized, and excluded from future inventories. Annual physical inventories and periodic reconciliations serve as key controls to validate the existence and condition of assets, identify discrepancies, and confirm that system records align with physical counts.

Carson City's capital asset management process is a high-impact operational and financial function that requires precision, coordination, and strong governance. Based on our assessment, the core processes and controls that support asset tracking, reporting, and oversight are well-established and operating as intended.

Objective & Scope

Objective: Evaluated the effectiveness of internal controls over the capital asset management process.

Additionally, we:

- Evaluated the effectiveness of current asset management practices across the full life cycle of city-owned assets, including acquisition, utilization, maintenance, and disposal, and encompassing capital assets.
- Assessed the accuracy, completeness, and reliability of asset inventory records and identified risks associated with manual tracking methods.
- Identified opportunities to strengthen internal controls.

Scope: This review focused on capital asset management operations and related controls from July 1, 2024 – June 30, 2025.

Methodology

The following procedures were performed to evaluate the effectiveness of internal controls over the capital asset management process:

1. Conducted walkthroughs and interviews of management to understand processes for acquiring, tagging, updating, inventorying, and disposing of capital assets.
2. Analyzed the Capital Assets Policy to assess clarity, completeness, and alignment with accounting requirements including capitalization thresholds, treatment of capital assets, and useful lives.
3. Analyzed supporting documents in Tyler Munis, including asset listings, code tables, inquiry screens, and historical change logs.
4. Analyzed departmental asset inventory listings and certifications to evaluate annual verification processes and sign-off requirements.
5. Analyzed capital asset data in Tyler Munis to identify missing fields, outdated entries, inconsistencies, and duplicate records across systems and departments.
6. Performed data analytics to stratify assets by type, department, useful life, acquisition date, and risk indicators to inform sample selection.
7. Tested a sample of asset additions, verifying supporting invoices, approval documentation, accurate categorization, application of capitalization thresholds, and timely entry into Tyler Munis.
8. Tested a sample of asset disposals, evaluating documentation, departmental approval, communication to Finance, and whether items were presented to the Board as required by policy.
9. Analyzed Capital Asset Inventory Status Change Forms for transfers, losses, and other updates to ensure consistent use and proper authorization.
10. Conducted physical verification for a sample of selected assets, confirming existence, tag accuracy, condition, and location information.

11. On a sample basis, we traced physical assets to Tyler Munis records to validate completeness and accuracy of system information.
12. Analyzed annual inventory and reconciliation processes, assessing timeliness, documentation of discrepancies, departmental follow-up, and Finance oversight.

Our engagement service was performed under the *Statements on Standards for Consulting Services* issued by the American Institute of Certified Public Accountants (AICPA). This engagement did not include an audit, review, compilation, or financial statement preparation services to any historical or prospective financial information or provide any attestation services under the AICPA Statements on Standards for Attestation Engagements, and no responsibility is assumed for any such information outside the scope of this assessment.

Results of the Asset Management Review

The assessment of Carson City's asset management process confirmed that the City has established a well-structured control environment. The systems and procedures in place are designed to ensure the accuracy, completeness, and safeguarding of capital asset records, and they are operating as intended. The controls over asset additions, disposals, depreciation calculations, reconciliations, financial recording, and reporting were found to be appropriately implemented.

One (1) finding and one (1) observation were identified during the assessment. While these do not indicate a widespread control failure, they highlight opportunities for improvement in specific areas of the process.

Overall, the assessment provides assurance that Carson City's asset management operations are supported by sound governance and internal control practices. The City's commitment to maintaining accurate and reliable asset records reflects its dedication to transparency, accountability, and effective stewardship of public resources.

As part of this review, we have categorized issues identified into Findings and Observations to differentiate between matters requiring corrective action and those representing opportunities for improvement.

Findings

Findings are issues that represent a deviation from established policies, procedures, regulatory requirements, or best practices. These issues may pose risks to the City, such as noncompliance, financial inaccuracies, security vulnerabilities, or operational inefficiencies. Findings require management's attention and corrective action to mitigate potential impacts. Each finding includes a description of the issue, the criteria or standard that was not met, the root cause, the potential effect or risk, and a recommendation for resolution.

Observations

Observations are not necessarily violations of policies or regulations but represent areas where processes or controls could be enhanced to improve efficiency, effectiveness, or risk management. While observations do not require immediate corrective action, addressing them may lead to operational improvements, cost savings, or risk reduction. Observations are provided for management's awareness and consideration, with recommendations for potential enhancements where applicable.

FINDING #1 – Presenting Disposals

Section 7 of Carson City's Capital Asset Policy requires that all asset disposals be presented to the Board of Supervisors annually for formal removal and acknowledgment. This step is intended to provide transparency

and ensure governing oversight of asset management activities. However, during the most recent board meeting, this presentation did not occur. As a result, disposals processed during the year were not formally reviewed by the Board, creating a gap in compliance with established policy.

Recommendation

Management should implement procedures to ensure compliance with the Capital Asset Policy by presenting all disposals to the Board of Supervisors on an annual basis. This may include establishing a recurring agenda item for asset disposals, assigning responsibility for preparing the disposal report, and performing a review prior to each board meeting in which disposals are being presented to confirm inclusion. Doing so will strengthen governance, maintain policy adherence, and enhance accountability and transparency for asset stewardship.

Management Response

Finance typically brings disposals to the Board of Supervisors during the Fiscal Audit presentation; however, there is no approval, it is just informational, and the two topics don't really make sense together. Finance still intends to bring disposals for FY 2025 to the Board's attention for informational purposes, just at a different meeting, where the information can aid in the discussion. They will go before the board as a stand alone item at the 2nd meeting in April, at the same time our Capital Improvement Plan Discussion happens with the Board of Supervisors for the upcoming fiscal year's Budget. This seems to make the most sense, as the Board can review what was disposed of, totaled or auctioned off in FY 2025, while reviewing the upcoming needs for FY 2027.

OBSERVATION #1 – Policy Dates

The current Capital Asset Policy does not display an effective or reviewed date on the physical document. While version and approval dates are stored in PolicyTech, those dates are not readily accessible, and not all employees have access to this system. The gap in accessibility issue for complete information can create a risk that employees follow incomplete, inaccurate, or outdated guidance resulting in potential errors or non-compliance.

Recommendation

Management should update the accessibility of the Capital Asset Policy including the visibility of the effective and review dates, to ensure employees are able to clearly determine the current policy in effect. If Management determines that PolicyTech access needs to be restricted, then accessibility should be provided to all in an efficient manner to ensure employees are provided complete and up to date policies to foster compliance with the policy and regulations. We noted that the policy has not been reviewed since 2023, as a leading industry practice we recommend that the policy should be reviewed on at least an annual basis to maintain compliance and reflect any changes in regulations or internal practices. This enhancement promotes transparency, strengthens governance, proper change management, and reduces the risk of reliance on outdated guidance.

Management Response

The Capital Asset Policy is uploaded to PolicyTech, and finance will review who has access to the Policy to ensure the appropriate staff have access. The System allows us to include a required to review/read by listed Employees of the policy annually. The System requires that Finance, the person who created the Policy review annually as well to ensure any changes to our practices are captured in a timely manner.