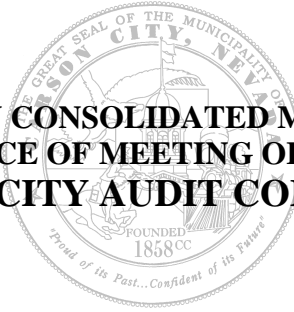


**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
CARSON CITY AUDIT COMMITTEE**



Day: Tuesday
Date: July 2, 2013
Time: Beginning at 11:00 a.m.
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

Agenda

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: Adoption of Agenda

5. For Possible Action: Discussion and possible action regarding the presentation, discussion and possible recommendations to the Board of Supervisors on the Fraud Waste and Abuse (FWA) Program Development as provided by Moss Adams.

Summary: The Board of Supervisors approved the FWA Program Development at their March 7, 2013 Board meeting and the Audit Committee gave direction regarding the Program at their June 18, 2013 meeting. Moss Adams will present a draft of the completed study to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

6. For Possible Action: Discussion and possible action to recommend to the Board of Supervisors that they extend the contract of Moss Adams to provide internal audit services for Carson City through the period ending June 30, 2014.

Summary: Moss Adams has requested that their contract to provide internal audit services for Carson City be extended through the period ending June 30, 2014.

7. For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on additional projects to be performed by the Internal Auditor for the period ending June 30, 2014.

Summary: Moss Adams will provide recommendations for future internal audits for the period ending June 30, 2014.

8. For Possible Action: Discussion and possible action clarifying the role of the audit committee and the internal auditor.

Summary: Moss Adams and the Audit Committee would like to discuss and clarify the role of the audit committee and the internal auditor.

9. For Possible Action: To schedule the next meeting of the Carson City Audit Committee.

10. **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.

11. **For Possible Action: To Adjourn**

.....
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 responsible agency or the City Manager's Office. 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 City Manager's Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775) 887-2100 at least 24 hours in advance.
.....

This meeting can be viewed on Channel 226. For specific dates and times - www.bactv.org.
.....

To request a copy of the supporting materials for this meeting contact Janet Busse at jbusse@carson.org or call (775) 887-2100.
.....

This agenda and backup information are available on the City's website at www.carson.org, and at the City Manager's Office - City Hall, 201 N. Carson Street, Ste 2, (775) 887-2100.
.....

This notice has been posted at the following locations:
Community Center 851 East William Street
Public Safety Complex 885 East Musser Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Business Resource & Innovation Center (BRIC) 108 East Proctor Street

Date: June 26, 2013

**Carson City Audit Committee
Agenda Report**

Date Submitted: June 24, 2013

Agenda Date Requested: July 2, 2013

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action regarding the presentation, discussion and possible recommendations to the Board of Supervisors on the Fraud Waste and Abuse (FWA) Program Development as provided by Moss Adams.

Summary: The Board of Supervisors approved the FWA Program Development at their March 7, 2013 Board meeting and the Audit Committee gave direction regarding the Program at their June 18, 2013 meeting. Moss Adams will present a draft of the completed study to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Will depend on discussion and possible recommendations.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: N/A.

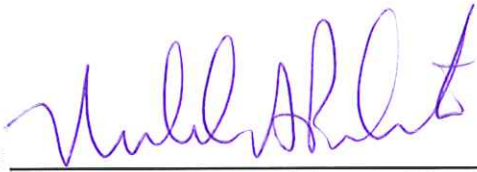
Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Draft Fraud Waste and Abuse policies and procedures provided by Moss Adams

Prepared By: Michael Bertrand

Reviewed By: 
(Finance Director)

Date: 6/25/13

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)



Carson City
Fraud, Waste, and Abuse Program

June 25, 2013

Prepared by:

Moss Adams LLP

805 SW Broadway, Suite 1200

Portland, OR 97205

(503) 478-2289

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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I. EXECUTIVE SUMMARY

All City employees share the common purpose of serving the public and ensuring public funds are spent wisely. The work of the City should be conducted fairly, equitably, ethically, and transparently. Proactive steps must be taken to ensure community commitments and management objectives are met. It is important for employees and the public to be provided a mechanism to voice concerns when they see or feel something is not right.

As a result, Carson City has established a Fraud, Waste, and Abuse Program that is available to all City employees and the public. The program operates 24 hours a day, 7 days a week. Reports of suspected inappropriate activity can be made using the City's toll-free number, mail, phone, or in person. All reports submitted are treated confidentially.

Carson City employees are entrusted with public funds and have a duty to use those funds economically, efficiently, effectively, and ethically. When City employees do not honor that obligation, it is imperative to identify and correct those actions. The City is committed to reviewing all complaints and investigating all legitimate concerns.

Purpose of a Fraud, Waste, and Abuse Program

A Fraud, Waste, and Abuse (FWA) Program is a mechanism for employees or members of the public to report activities perceived to be misconduct, violations of City policy or ethics, theft, waste, or misuse of City assets. The objective of a FWA program is to identify and stop loss of City resources and act as a deterrent to fraud, waste, and abuse.

In order to facilitate reports of fraud, waste, or abuse, a FWA hotline is administered by [the City Auditor], complaint reports are received by [TBD], and all reports are viewable by the District Attorney. Please do not use this program to report [grievable labor issues], which should be reported to the Human Resources Department. Matters of threat to a person should be reported to the Sheriff's Office by calling 911.

Benefits of a Fraud, Waste, and Abuse Program

There are numerous benefits to a Fraud, Waste, and Abuse Program. It is important for not only identifying and quantifying losses to the City, but also preventing future losses. Specific benefits include:

- Identification and termination of occurrences of fraud, waste, and abuse.
- Recovery of funds as a result of investigations.
- Deterrence of inappropriate behavior by increasing awareness of these actions
- A safe mechanism for employees and the public to voice concerns and report suspected inappropriate activity.
- Commitment to the City's core values through the promotion of the program.
- Improvement in the City's internal control processes.
- Enforcement of an ethical work environment.

II. FRAUD, WASTE, AND ABUSE DEFINITIONS

A. FRAUD DEFINITION

Fraud is defined as a dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which City employees or an official committing the action would not normally be entitled. Fraud also encompasses intentional misleading or deceitful conduct that deprives the City of its resources or rights. There are three categories of fraud. They include 1) financial statement fraud, 2) misappropriation of assets, and 3) corruption. Examples of fraud include but are not limited to:

- Falsifying financial records to cover up theft.
- Theft or misuse of city money, equipment, supplies, and/or other materials.
- Intentionally misrepresenting the costs of goods or services provided.
- Falsifying payroll information.
- Use of city equipment or property for personal use/gain, non-business reasons.
- Submitting false vouchers for reimbursements.
- Soliciting or accepting a bribe or kickback.
- Intentional use of false weight or measures.

B. WASTE DEFINITION

Waste is defined as the needless, careless, or extravagant expenditure of City funds, incurring of unnecessary expenses, or mismanagement of City resources or property. Waste does not necessarily involve private use or personal gain, but almost always signifies poor management decisions, practices, or controls. Examples of waste include but are not limited to:

- Purchase of unneeded supplies or equipment.
- Purchase of goods at inflated prices.
- Failure to reuse or recycle major resources or reduce waste generation.

C. ABUSE DEFINITION

Abuse is defined as the intentional, wrongful, or improper use or destruction of City resources, or seriously improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee or an official's position in a manner other than its rightful or legal use. Examples of abuse include but are not limited to:

- Failure to report damage to city equipment or property.
- Using one's position in one city department to gain an advantage over another city resident when conducting personal business in another city department.

- Serious abuse of city time such as significant unauthorized time away from work or significant use of city time for personal business.
- Abusing the system of travel reimbursement.
- Receiving favors for awarding contracts to certain vendors.
- Using city property, information or position for personal gain.
- Appropriating or diverting any business opportunity or idea in which the city might have an interest.
- Competing with the City in any way.
- Failure to disclose a conflict of interest.
- Participating in decision making where a conflict of interest resides.
- Improper use of supervisory authority in response to an employee taking action or refusing to take action.

III. FRAUD CATEGORIES

A. FINANCIAL STATEMENT FRAUD

Financial statement fraud includes intentional misstatements, omissions, or disclosures in financial statements designed to deceive financial statement users. Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively. Common occurrences include overstating revenues and understating liabilities or expenses. Examples include:

- Manipulation, falsification, or alteration of accounting records or supporting documents from which financial statements are prepared.
- Misrepresentation in or an intentional omission from the financial statements of events, transactions, or other significant information.
- Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.

B. ASSET MISAPPROPRIATION

Asset misappropriation is theft of an entity's assets that causes the financial statements not to be presented in conformity with GAAP. False or misleading records or documents, possibly created by circumventing controls, may accompany misappropriation of assets. Examples include:

- Embezzling receipts
- Stealing assets
- Causing the City to pay for goods and services that have not been received
- Skimming revenues
- Payroll fraud

C. CORRUPTION

The Report to the Nation defines corruption as fraudsters who wrongfully use their influence in a business transaction in order to procure some benefit for themselves or another person, contrary to their duty to their employer or the rights of another. Examples include:

- Accepting kickbacks
- Engaging in conflicts of interest
- Bid rigging
- Economic extortion
- Illegal gratuities

IV. ETHICS

Carson City Code of Ethics

The City has a documented 'Code of Ethics for Elected and Appointed Officials' which is documented in Chapter 2.34, Sections 010 – 100. The purpose of the ethics code is summarized as follows:

- Providing assurances of the utmost in integrity, honesty and fairness in business dealings
- Assuring conflict of interest between the public trust and private gain; and
- A belief that those entrusted with offices of the City has nothing to fear from full public disclosure of their business holdings.

The Code defines specific words and phrases, describes duties, disclosure statement content, specific examples of ethical violations for elected officials, committees, commissions, and appointed employees. The code also describes penalties for violation of the code for any official or employee who willfully and knowingly violated the provisions of the code.

Business Ethics

Business ethics apply to right and wrong behavior in the business world and take on different meanings in different cultures, making it challenging to truly define business ethics. However, there are a number of areas where unethical practices may occur more frequently, including human resources and accounting.

Human Resources Ethics

Interactions between managers and employees create opportunities for breaches of ethics. Discrimination based on ethnicity, gender, age or other factors is an issue. Managers who discriminate against minority groups in hiring practices, compensation decisions, and terms of employment can face legal and social consequences. Dishonesty and manipulation are also examples of unethical workplace behavior.

Accounting Ethics

Financial accounting is a major ethical issue in business, and no amount of industry or government regulation seems able to prevent dishonest businesspeople from reporting financial information in unethical ways. Certain unethical accounting practices are illegal, such as misrepresenting income or expenses in financial statements through unjustifiable shifting of expenses to inappropriate periods to influence current financial results, obtain a better debt rate, or to maintain debt covenant requirements.

The District Attorney has assembled a committee to review the City's Ethics Code in relation to the State Ethics code. This element of the City's program will be updated based on the results of the review process.

V. IMPLEMENTATION

A. PLANNING

Roles and Responsibilities

The Fraud, Waste, and Abuse Program will be administered and managed by the following City positions:

- City Manager and Board of Supervisors – set the tone for the program and provide a message on the City’s intranet page promoting ethical behavior with appropriate links for reporting.
- District Attorney – reviews reports to determine if there are civil matters to be addressed and takes appropriate actions.
- Sherriff – review reports to determine if there are criminal matters to be addressed and takes appropriate actions.
- Human Resources – receives complaints and works with management and union labor representatives to take appropriate action as a result of substantiated complaints.
- Risk Management – for substantiated complaints, works with management to determine if financial loss can be recovered through insurance coverage.
- City employees – responsible for reporting suspected inappropriate activity.
- FWA Program Coordinator – the City’s Internal Auditor will be responsible for coordinating the FWA Program, monitoring, triaging complaints, and conducting investigations.
- Audit Committee – provides recommendations to the Board of Supervisors but does not participate in conducting investigations.

Tracking and Monitoring of Complaints

The City has established a case management process to capture, track, and report the following elements:

- A. Complaints received by category and sub-categories, as desired.
 - Fraud: expense reimbursements, cash, and skimming
 - Waste
 - Abuse
 - Ethics
 - Threats – city, people, property
- B. Complaint triage / action taken
 - Information insufficient for investigation

- Non-program complaint
- Referred to other department
- Flagged for investigation

C. Final disposition or conclusion – reported based on GAGAS requirements

- Condition – what really happened
- Criteria – what we expected to happen including identification of laws, rules, regulations, statutes, and generally accepted accounting principles
- Effect – financial impact to the City
- Cause – why the condition happened, including weaknesses in internal controls or override of internal controls
- Recommendations – addresses changes to internal control structure, assignment of duties and responsibilities, training, disciplinary action, or referral to the District Attorney for civil or criminal action

D. Reporting

- Report type
 - Formal report
 - Management letter
 - Personnel letter of disciplinary action
- Report recipients, as appropriate
 - Audit Committee
 - City Board of Supervisors
 - District Attorney
 - Human Resources
 - Risk Management
 - Employee(s) involved in the situation
 - Press
- Reporting forum
 - Executive session discussion – nondisclosure to public
 - Public disclosure

B. FRAUD HOTLINE

Providing individuals a means to report suspicious activity is a critical part of an anti-fraud program. Fraud reporting mechanisms, such as hotlines, should be set up to receive tips from both internal and external sources and support anonymity and confidentiality. Management should actively encourage employees to report suspicious activity, as well as enact and emphasize an anti-retaliation policy. According to the Association of Certified Fraud Examiners, the number one source for the initial

detection of fraud is through a tip, with over 50% of tips coming from an employee. The City has several options to consider.

Internal Hotline

The City could elect to manage the hotline within the City's current resources. One benefit of managing the hotline internally is cost. By managing internally, the City should incur little to no additional costs.

However, managing an internal hotline has some challenges that can significantly affect the success of the program. Those challenges include the following:

- Impact to current work assignments.
- Responsibility for receiving calls.
- Ensuring the hotline is staffed 24 hours a day and 7 days a week.
- Training individuals on how to capture the necessary information to adequately understand the 'who, what, where, when of a complaint.

Internal options for managing the hotline mechanism include the following:

Sheriff's Office

The Sheriff's Office currently receives 911 and non-emergency calls. The Sheriff's Office is well equipped to receive calls related to known fraud, as well as other civil and criminal activities beyond fraud, waste, and abuse.

However, not all calls that are of interest to the City may result in either a criminal or civil case, and those calls are not currently being forwarded to the appropriate department managers for follow-up and corrective action. Consideration would need to be given to which officers would be responsible for receiving calls to provide adequate coverage. In addition, the City should consider whether the Sheriff's Office has the capacity to staff a hotline 24/7. During emergency situations, designated officers may be needed for public safety, leaving the hotline unattended.

Human Resources Department

The City's Human Resources Department performs recruitment for all part-time, seasonal, intermittent, and full-time positions. All new hires are processed by the Human Resources Department and placed into the payroll system. The Human Resources Department provides a variety of training programs, including new hire orientation, which includes an introduction to benefits, policies and procedures, workplace harassment, EEO training, a City-wide training program, and additional training at the request of Departments.

In addition, the Human Resources Department updates and maintains all City employee policies and procedures, participates in labor negotiations, manages the grievance processes outlined in the bargaining agreements, updates the City's intranet site, and publishes a monthly City-wide newsletter.

Human Resources also provides for the benefits of employees and retirees, which includes obtaining the services of benefit providers and the negotiation of contracts. Human Resources works closely with benefit providers to maintain the benefits and provide benefit education to the employees. All benefit changes are processed through the Department. Human Resources manages the Family Medical Leave Act program, oversees Fitness for Duty Certification requests, provides legal guidance on ADA issues, and maintains compliance with all state and federal laws relating to employment.

Careful consideration should be made before assigning the hotline responsibility to the Human Resources Department given the other responsibilities of this department. Of concern is the availability of the HR Director to answer the hotline and drop other tasks to attend to the call.

Finance/Risk Management Department

The Finance Department is responsible for maintaining a fiscally sound organization by maintaining accurate and timely financial and accounting records, establishing internal controls to protect and preserve City assets, and providing short- and long-term financial planning. Services provided by the Finance Department include accounting and financial reporting, budget management and compliance, debt management and capital financing, financial analysis and planning, payroll, and risk management. The Risk Management function is responsible for ADA information, the Safety Committee, and training classes (SHARPS and CPR/AED).

Careful consideration should also be made before assigning the hotline responsibility to the Risk Management Department similar to the HR Department.

External Hotline Answering Company

The City could elect to contract with a third party vendor to administer the offsite reporting system. Incident reports can be submitted in a number of ways and allows employees to call and speak to an operator at a designated phone number staffed by the vendor. There are distinct benefits to managing the hotline in this manner. Examples include:

- The hotline is available 24 hours a day/7 days a week/365 days a year.
- The persons receiving the calls are hotline professionals, trained in how to obtain the information necessary for the City to determine an appropriate course of action.
- Hotline companies have the ability to receive documents (Word, Excel, and PDF) and forward them to the City as evidence for the complaint, while maintaining the privacy of the caller.
- Hotline companies allow for the ability to communicate back and forth with the caller without revealing the identity of the caller.
- Hotline companies provide notification to a designated City employee for issues that are time sensitive, credible, and warrants immediate attention.
- Hotline companies provide case management of calls received, including archiving and data retention.

- Reports are provided summarizing or detailing the calls received, including call type, disposition (open or closed), etc.

The City would incur a cost to have the hotline answered by a professional hotline company. The costs are dependent on the level of service requested. Costs could total less than \$10,000 per year, depending on the services requested by the City and the number of calls received per month and per year.

Examples of hotline answering companies include, but are not limited to, the following:

- Global Compliance, Inc./Ethics Point: Provides employee hotlines and advanced incident reporting methods. All reports, whether via anonymous hotline/helpline, custom web portal or manager open-door report form, are captured in a central repository to support investigation, remediation, reporting and trend analysis.
- Lighthouse: Provides worldwide, anonymous reporting that helps companies identify improper behavior. They are committed to protecting the confidentiality and anonymity of employees who use our system. Their system and staff is committed to ensure that no report ever betray the confidential nature of their service.

Both companies offer a web-based demo. Together, they serve thousands of clients, including cities, counties, and special purpose districts, as well as a wide range of businesses from local to global. Costs can be anticipated to range from approximately \$2,000 to \$4,000 per year and may include one-time setup fees of up to \$2,500.

C. METHODS FOR CAPTURING COMPLAINTS

The City should provide employees and members of the public a variety of methods for reporting suspected inappropriate activity and behavior. These methods could include:

- Hotline (anonymous reporting mechanism, internal vs. external)
- Phone call
- Face-to-face
- Mail

Regardless of the method, the City/Internal Auditor should ensure individuals receiving complaints have received appropriate training and are equipped to obtain and document all relevant information, including supporting documents and items listed under Program Review.

D. PROGRAM REVIEW

The Board of Supervisors should implement a periodic (annual or more frequent) review of the program to validate that the Fraud, Waste, and Abuse Program is meeting the Board's and management's objectives and providing useful information. The review should include confirmation of individual roles and responsibilities, policies and procedures, and the results of investigations conducted. Statistical information should also be reported, including consideration for the following:

- Number of complaints received
 - Referred – non-city, information requests, etc.
 - Under investigation
 - Open – pending additional information
 - Closed
- Sources of complaints
 - Hotline
 - On-line
 - Phone
 - Face-to-face
 - Mail
 - Other
- Types of complaints
 - Employee misconduct
 - Contractor misconduct
 - Fraud – misappropriation of assets, false reporting
 - Wasteful spending
 - Abuse of position
 - Ethics
 - Other
- Cases closed and reason for closing
 - Investigated – substantiated
 - Investigated – not-substantiated
 - Referred
 - Insufficient information – no action taken
- Case Highlights – Investigations conducted – loss substantiated
 - Identified loss and impact to the City
 - GAGAS finding elements – condition, criteria, effect, cause
 - Recommendations in internal controls

E. COMMUNICATION PLAN

The City should launch the Fraud, Waste, and Abuse Program that incorporates the City's Code of Ethics by setting an appropriate tone at the top. Consideration should be given to the following:

- Message from the Board of Supervisors and City Manager kicking-off the program
- Intranet page link to reporting options
- Whistleblower protection
- Plan for on-going support and communication about the program
- Message on payroll stubs

- Posters
- News letters
- New hire training
- Annual training
- Presentations (oral or written) to various entities
 - Board of Supervisors
 - Public meetings
 - Conferences
 - Press

F. RESPONDING TO COMPLAINTS

Regardless of the mechanism the City selects for receiving the initial complaint, procedures need to be established for triaging complaints, investigating the complaints, and communicating the investigation results.

Triage Escalation

The City should establish escalation for complaints as follows:

- Immediate response – call indicates misappropriation of the City’s assets, false reporting, misuse of City assets, etc.
- Referral – based on the circumstances of the complaint, reports may be referred to other departments or outside the City. In such instances, the caller should be notified of the referral. The call can be closed upon referral but should be reported as such, or it may remain open until the final resolution is communicated to the City.
- Annual audit plan – call indicates the need for a process redesign or modification to internal controls but no financial loss to the City.
- Follow-up – call requires additional information before appropriate action can be determined.

Investigating Complaints

Depending on the complaint, the issue(s) needs to be assigned to the appropriate auditor(s) for investigation. The auditor (internal auditor or contractor) assigned to investigate the complaint should:

- Read the initial hotline report.
- Obtain any supporting documents provided by the caller.
- Identify additional evidence needed to resolve the issue.
- Identify those who will be contacted during the investigation (suspect, victim, witnesses, those within the internal control process but who may not have knowledge of the specific issue, and others as determined necessary).

- Communicate to the caller appropriate information regarding the City’s whistleblower policy.
- Perform investigative procedures to determine the validity of the complaint and documenting:
 - Steps taken
 - Evidence gathered – chain of custody
 - Conclusions reached
 - Quantification of financial loss to the City, if any
 - GAGAS – criteria, condition, cause, effect, and recommendations
- Keep the appropriate parties informed of the progress of the investigation.
- Communicate the final results of the investigation.
- Manage information on a need-to-know basis.
- Maintain case files for an appropriate period. This may be driven by whether or not the case results in civil or criminal charges.

Communication

Within the escalation structure, the City should create a reporting structure that includes reporting to the following:

- District Attorney’s office – potential civil activity
- Sheriff – potential criminal activity
- Human Resources Department – employee disciplinary action
- Audit Committee – consideration of audits performed, status of investigations
- Board of Supervisors – periodic reporting of activity

VI. POLICIES AND PROCEDURES

The City should formalize its intentions in written policies and procedures. Of particular importance is whistleblower protection.

The risk and fear of retribution can deter many people from reporting allegations of wrongdoing against a colleague, manager, Board member, or a City vendor. The City's Fraud Policy includes "Whistle-Blower Protection" and prohibits retribution against any employee who may have made a report of suspected inappropriate activity. The City will take each call seriously and conduct an investigation as the issue warrants and evidence is available.

The City is committed to protecting those who report wrongdoing. This protection is supported by the establishment of an anonymous reporting mechanism.

VII. TRAINING

The City should provide initial and ongoing training to all City employees on the Fraud, Waste, and Abuse Program.

Initial Training

Initial training should include discussion of the following:

- Program purpose and benefits
- Roles and responsibilities
- Employee responsibilities for reporting suspected inappropriate activity
- How to make a report using all various methods (hotline, web, or face-to-face)
- Investigation considerations
- Reporting of investigation results – public vs. private information.

On-going Training

On-going training is important to reinforce management's commitment to reducing loss of resources to the City. The training can be part of the City's annual training program or specific to a Department.

Fraud Awareness Training & Train the Trainer

In order for City employees to understand when and what to report, employees need to receive fraud awareness training. Consideration should be given to which employees should receive training (directors, managers, supervisors, line employees, etc.). This training could include the following topics:

- Definition of fraud, waste, and abuse with examples of each
- Fraud triangle – fraud environment – answering why fraud happens
- Opportunity points for fraud to occur
- Internal controls intended to prevent and detect fraud
- The importance of corrective controls and the message it sends to employees
- Fraud schemes – what does fraud look like, how to identify and understand various schemes
- Characteristics and red flags of perpetrators

**Carson City Audit Committee
Agenda Report**

Date Submitted: June 24, 2013

Agenda Date Requested: July 2, 2013

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action to recommend to the Board of Supervisors that they extend the contract of Moss Adams to provide internal audit services for Carson City through the period ending June 30, 2014.

Summary: Moss Adams has requested that their contract to provide internal audit services for Carson City be extended through the period ending June 30, 2014.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Will depend on discussion and possible recommendations.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: Will depend on the motion.

Explanation of Impact: Will depend on the motion

Funding Source: Internal Audit budget

Alternatives: N/A

Supporting Material: Memo from Moss-Adams

Prepared By: Michael Bertrand



Carson City

Audit Committee Meeting
July 2, 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

AGENDA

- I. Introduction
- II. FWA Program
- III. FY 12-13 Audit Program Review
- IV. FY 13-14 Audit Plan

I. INTRODUCTION

- The City retained Moss Adams LLP in January 2012 to serve as the designated City Auditor and conduct projects focusing on:
 - Efficiency and effectiveness
 - Management reviews
 - Best practices
 - Compliance
- Work is being completed under the standards from the Institute of Internal Auditors (IIA) and the AICPA's consultancy standards

II. FWA PROGRAM

- Review updated program description, which reflects Audit Committee direction from 06-18-13
- Revisit hotline options
- Discuss estimated program costs

III. FY 12-13 AUDIT PROGRAM REVIEW

Project	Professional Fees	Potential Savings	Potential ROI	Actual Savings	Actual ROI
Risk Assessment/ Meetings	\$40,000	\$0	n/a		
Public Defender Study	\$20,000	\$95,000 - \$369,000	5/1 to 18/1		
Eagle Valley Golf Study	\$20,000	\$50,000 - \$100,000	3/1 to 5/1		
Community Facilities Study	\$15,000	\$30,000 - \$60,000	2/1 to 4/1		
Fleet Efficiency Study	\$55,000	\$174,000 - \$381,000	3/1 to 7/1		
Total	\$150,000	\$349,000 - \$910,000	2/1 to 6/1		

IV. FY 13-14 AUDIT PLAN - OVERVIEW



IV. FY 13-14 AUDIT PLAN - COMPONENTS

- Basic Internal Auditor Services \$10,000
- FWA Program Coordination \$20,000
- Fleet Utilization Study \$30,000
- Performance Metrics Development \$30,000
- Utility Billing Study \$25,000
- Wastewater Capital Program Study \$30,000
- Affordable Care Act Risk Assessment \$25,000

IV. FY 13-14 AUDIT PLAN - COMPONENTS

- Basic Internal Auditor Services: Attend Audit Committee and Board of Supervisors (BOS) meetings; perform implementation performance monitoring and review (52 weeks, \$10,000, plus expenses)
- Fraud, Waste, and Abuse (FWA) Program Coordination: Perform program coordination duties such as reviewing calls to the hotline and other sources, overseeing the distribution of response activities, coordinating with staff, and reporting FWA activities to the Audit Committee and BOS (52 weeks, \$20,000, plus expenses)
- Fleet Utilization Study: Evaluate the composition of the City's light and heavy-duty fleet inventory and associated policies to identify opportunities to reduce overall fleet operations and inventory expenses (10-12 weeks, \$30,000, plus expenses)
- Performance Metrics Development: Work with Department Heads to develop key performance metrics that align with GASB Concept Statement #5 (10-12 weeks, \$30,000, plus expenses)

IV. FY 13-14 AUDIT PLAN - COMPONENTS

- Utility Billing Study: Assess opportunities for enhancing operational efficiency, service effectiveness, and internal controls (10-12 weeks, \$25,000, plus expenses)
- Wastewater Capital Program Study: Review the City's wastewater capital program related to project procurement, contract management, and future maintenance and operations (12-16 weeks, \$30,000, plus expenses)
- Affordable Care Act Risk Assessment: Assess the privacy and security elements affected by the 2013 Omnibus update to the HITECH Act, including identification of gaps between the requirements of HITECH and current policies, procedures, and training (10-12 weeks, \$25,000, plus expenses)

Reviewed By: Julie Smith
(Finance Director)

Date: 6/25/13

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

**Carson City Audit Committee
Agenda Report**

Date Submitted: June 24, 2013

Agenda Date Requested: July 2, 2013

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on additional projects to be performed by the Internal Auditor for the period ending June 30, 2014.

Summary: Moss Adams will provide recommendations for future internal audits for the period ending June 30, 2014.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Will depend on discussion and possible recommendations.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: Will depend on the motion.

Explanation of Impact: Will depend on the motion

Funding Source: Internal Audit budget

Alternatives: N/A

Supporting Material:

Prepared By: Michael Bertrand

Reviewed By: Michael Smith
(Finance Director)

Date: 6/25/13

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

**Carson City Audit Committee
Agenda Report**

Date Submitted: June 24, 2013

Agenda Date Requested: July 2, 2013

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action clarifying the role of the audit committee and the internal auditor.

Summary: Moss Adams and the Audit Committee would like to discuss and clarify the role of the audit committee and the internal auditor.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Will depend on discussion and possible recommendations.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

2.14.020 - Purpose of the Carson City audit committee.

The role of the Carson City audit committee is to maintain oversight of the auditing function, both internal and external resulting in increased integrity and efficiency of the audit processes for the city and the city's system of internal controls and financial reporting. The committee has three primary characteristics for it to successfully fill its obligations:

1. Independence. The Carson City audit committee will be independent both in fact and in appearance and requires processes to be in place to ensure such independence is maintained at all times.

2. Communication. The Carson City audit committee will maintain an open line of communication with the board of supervisors, city management, internal and external auditors; providing direction for the city's audit function and a framework of accountability.

3. Accountability. The Carson City audit committee contributes to the integrity of the financial reporting process and reinforces the culture of a strong system of internal controls throughout the city.

The Carson City audit committee shall provide oversight to the city's internal controls by assuring that the system of internal controls established by management are reviewed on a regular and systematic basis for functionality and effectiveness. The Carson City audit committee's duties shall include, but are not limited to, development of the risk assessment and annual work plan, review of all individual audit reports, review of the annual report of audits completed, review the status of corrective actions, the annual budget, and the performance of the internal auditor. Upon completion of these reviews, the Carson City audit committee will make appropriate recommendations to the board of supervisors.

(Ord. 2008-10 § 4, 2008)

2.14.040 - Responsibilities of the Carson City audit committee.

1. The Carson City audit committee will review and make recommendations to the board of supervisors regarding the annual financial audit, performance, compliance and efficiency audits, including specific issues of concern providing a higher level of accountability over the use of public funds and the adequacy of any city department or office performance measure for internal audit purposes. Reviews and recommendations by the internal auditor will be guided by the internal auditing standards. As appropriate, background documents related to specific audit issues will be sent to the committee during the course of each year.

2. The Carson City audit committee will:

- a. Provide input into the annual risk assessment plan developed by the city auditor to identify areas of risk or exposure facing the city's organization; review and assess the steps necessary to minimize such risks in the future and improve operating efficiencies; oversee the internal auditor's creation and implementation of processes to identify potential fraud, waste and abuse of city resources and property and a findings reporting protocol;
 - b. Identify with key directors significant risks or exposures facing their organizations/operations to develop a "risk plan" and "audit work plan" to prioritize the city auditor's work load and assess the need for professional services;
 - c. Annually review the audit scope and work plan of the city auditor in conjunction with the external auditors plan to address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts and effective use of audit resources;
 - d. Discuss the fiscal health of the city in relation to the adopted budget with the city manager and the director of finance;
 - e. Consider matters related to the systems of internal controls, including overseeing compliance by management with applicable policies and procedures;
 - f. Review and make recommendations to the board of supervisors regarding audit findings including the status and implementation of recommendations for both internal and external audits;
 - g. Review and make recommendations to the board of supervisors pertaining to the internal audit budget for operating expenses and capital expenditures;
 - h. Oversee the appointment of the independent auditors to be engaged by the board of supervisors for external reporting and recommend to the board of supervisors the related audit fees;
 - i. Recommend to the board of supervisors to engage outside professional services when deemed appropriate for audit issues;
 - j. Review the internal audit charter and make recommendations to the board of supervisors when changes are deemed necessary;
 - k. Review and make recommendations to the board of supervisors for special requests for audit projects and have the authority to perform other duties as may be delegated to it by the board of supervisors;
3. Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards require an independent auditor to evaluate the city's internal controls in connection with determining the extent of their audit procedures. The external auditors are required to alert the Carson City audit committee and the governing body regarding material matters. The Carson City audit committee will:

- a. Review and make recommendations to the board of supervisors pertaining to the external auditors annual audit plan and inquire into external audit matters as deemed appropriate;
- b. Oversee the appointment of the independent auditors to be engaged by the board of supervisors for external reporting and establish the related audit fees; review and evaluate the performance of the independent auditors and establish a regular schedule for periodically re-bidding the annual audit;
- c. Review and make recommendations to the board of supervisors regarding all significant written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

(Ord. 2008-10 § 6, 2008)

(Ord. No. 2012-11, § 1, 8-2-2012)

Fiscal Impact: Will depend on the motion.

Explanation of Impact: Will depend on the motion

Funding Source: N/A

Alternatives: N/A

Supporting Material:

Prepared By: Michael Bertrand

Reviewed By:  **Date:** 6/25/13
(Finance Director)

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)