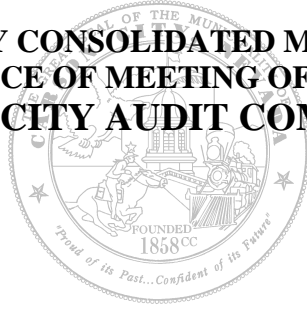


**CARSON CITY CONSOLIDATED MUNICIPALITY  
NOTICE OF MEETING OF THE  
CARSON CITY AUDIT COMMITTEE**



**Day:** Tuesday  
**Date:** October 8, 2013  
**Time:** Beginning at 9:30 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: Approval of Minutes - June 18, 2013 and July 02, 2013**
5. **For Possible Action: Adoption of Agenda**
6. Discussion and Presentation of status updates by Moss Adams of the Fraud Waste and Abuse (FWA) Program, Fleet Utilization Study, and Performance Metrics Development Study.

Staff Summary: Members of Moss Adams will be discussing and providing updates on the status of internal audits that they are currently working on.
7. For Possible Action: Discussion and possible action to discuss staff progress on action being taken on past recommendations and possible recommendations to the BOS regarding such progress and possible acceptance of the Internal Audit Findings Response Tracking Report that will be used to track all internal audits.

Staff Summary: Representatives from Moss Adams and City staff have combined to establish an Internal Audit Findings Response Tracking Report to be used to track the status of internal audits.
8. Presentation and discussion regarding required communications under AU-C Section 260 regarding the annual audit of Carson City, Nevada for the year ended June 30, 2013.

Staff Summary: Kafoury Armstrong has been appointed by the Board of Supervisors to provide external audit services to Carson City as required by NRS 354.624. Representatives from Kafoury Armstrong will be presenting their required communications under AU-C Section 260 regarding the

annual audit of Carson City, Nevada for the year ended June 30, 2013.

- 9. For Possible Action: To appoint one member of the audit committee to act as a liaison to communicate with the external auditor.

Staff Summary: CCMC Chapter 2.14 requires the audit committee have an “open line of communication” with the external auditor. The appointed audit committee member can report back to the chair and/or the audit committee any communications they would have with the external auditor and if they have concerns, they could talk to the chair and if warranted, have a future agenda item to discuss their concerns with the audit committee and make any necessary recommendations to the Board of Supervisors.

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

- 11. **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.

**12. 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](http://www.bactv.org).*  
.....

*To request a copy of the supporting materials for this meeting contact  
Rachael Porcari at [rporcari@carson.org](mailto:rporcari@carson.org) or call (775) 887-2100.*  
.....

*This agenda and backup information are available on the City’s website at [www.carson.org](http://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: October 2, 2013

**CARSON CITY AUDIT COMMITTEE**

**Minutes of the June 18, 2013 Meeting**

**Page 1**

**DRAFT**

A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, June 18, 2013 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Michael Bertrand  
Vice Chairperson William Prowse  
Member Ken Brown  
Member John Bullis

**STAFF:** Nick Providenti, Finance Department Director  
Andrew Burnham, Public Works Department Director  
Randal Munn, Chief Deputy District Attorney  
Tamar Warren, Deputy Clerk / Recording Secretary

**NOTE:** A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary, 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** - Chairperson Bertrand called the meeting to order at 3:00 p.m. Roll was called; a quorum was present. Member McKenna was absent.

**3. PUBLIC COMMENTS AND DISCUSSION** - Chairperson Bertrand entertained public comment; however, none was forthcoming.

**4. POSSIBLE ACTION ON APPROVAL OF MINUTES - February 12, 2013** - A motion was made, seconded, and carried to approve the minutes, as presented.

**5. POSSIBLE ACTION TO ADOPT THE AGENDA (3:01:11)** - Chairperson Bertrand entertained modifications to the agenda and, when none were forthcoming, a motion to adopt the agenda. **Vice Chairperson Prowse moved to adopt the agenda. Member Brown seconded the motion. Motion carried 4-0.**

**6. PRESENTATION, DISCUSSION, AND POSSIBLE ACTION ON OPTIONS FOR THE DRAFT FRAUD, WASTE, AND ABUSE ("FWA") PROGRAM DEVELOPMENT AND POSSIBLE ACTION TO FORWARD RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (3:01:24)**

- Chairperson Bertrand introduced and provided background information on this item. Moss-Adams, LLP Planning and Policy Director Mark Steranka provided an overview of the presentation relative to the subject and following agenda items, and a brief discussion ensued. Mr. Steranka introduced Moss-Adams, LLP Senior Manager Nancy Young and provided a brief overview of her qualifications.

Ms. Young narrated a PowerPoint presentation of the draft Fraud, Waste, and Abuse Program which was also included in the agenda materials, and responded to corresponding questions of clarification. In response to a question, Mr. Munn provided direction with regard to the most efficient method by which to take action on this item. Mr. Steranka clarified the purpose of the subject item. "This is an interim step where, by definition in our work plan, we wanted to bring certain elements to the Audit Committee, be able to get your feedback, and then further develop the program before we bring it back to you in total to, hopefully, adopt and recommend to the Board [of Supervisors]." Mr. Steranka requested the committee's feedback on the draft program materials.

## CARSON CITY AUDIT COMMITTEE

### Minutes of the June 18, 2013 Meeting

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**DRAFT**

Chairperson Bertrand entertained general questions or comments of the committee members. Member Bullis commended the draft program, and suggested “it could be very effective for the State.” Vice Chairperson Prowse expressed the opinion that the Ethics portion of the program is “particularly important.” Mr. Munn advised that the Charter Review Committee had recommended to the Board of Supervisors review of the City’s Ethics Code. The Board subsequently directed the City Manager to convene a citizens committee to review the City’s Ethics Code relative to the State’s ethics statutes. Mr. Munn advised that “this Code is in total flux ...; it could completely change within the next year.”

Member Bullis suggested placing more emphasis on the City employees’ responsibility for reporting suspected fraud, waste, and abuse. With regard to the District Attorney’s roles and responsibilities, under the Implementation section, Mr. Munn suggested that criminal investigations should be referred to the Sheriff’s Office. He explained that the District Attorney’s Criminal Division does not conduct their own investigations. “They take referrals from the Sheriff and decide whether to prosecute.” Mr. Munn further clarified that civil investigations would be conducted by the Human Resources Department under advice from the District Attorney’s Office.

In reference to advice from the District Attorney’s Office, Vice Chairperson Prowse advised that the FWA Program Coordinator will likely not provide information to the Audit Committee or the Board of Supervisors. He suggested this “makes the program coordinator even more important.” He recommended that the contract internal auditor function as the FWA Program Coordinator. Discussion followed and, in response to a question, Mr. Steranka discussed the program coordinator role of Moss-Adams, LLP in the City of Stockton’s FWA Program. Vice Chairperson Prowse discussed the importance of the FWA Program being “independent from City management, the City employees. It also should be looked at as unbiased.” Member Bullis reiterated support for the idea of Moss-Adams, LLP serving as the FWA Program Coordinator, but requested to “hold off.” Chairperson Bertrand requested Ms. Young to “go ahead ... with the report ... and just keep that as an open item.” Chairperson Bertrand further requested additional information on the costs associated with Moss-Adams, LLP serving as the FWA Program Coordinator.

In consideration of the Audit Committee’s role, Vice Chairperson Prowse suggested that “it stay ... as it has been ... as providing recommendations to the Board of Supervisors, but not get directly involved in the hotline complaint or the investigative process ...” Discussion took place regarding possible methods for reporting FWA statistics to the Audit Committee. With regard to the Human Resources Department roles and responsibilities, under the Implementation section, Mr. Munn suggested adding the requirement to work with management and labor representatives to take appropriate action. In response to a question, Chairperson Bertrand advised that, with the previously discussed revisions, the committee was in agreement with the roles and responsibilities under that paragraph of the Implementation section.

Chairperson Bertrand requested each of the committee members to comment on the Fraud Hotline paragraph of the Implementation section. Member Bullis expressed agreement “that independence and confidentiality and experience would be very important here.” He expressed the opinion that “an outside receiver of the calls would be acceptable.” Vice Chairperson Prowse expressed the opinion that “depending on the cost,” an outside vendor would be “the most efficient and effective way to do this.” Member Brown expressed a preference for an external vendor. Chairperson Bertrand agreed, “depending upon the cost ...” Ms. Young advised that she would coordinate, with Vice Chairperson Prowse, the opportunity for the committee to participate in a demonstration from external vendors, “and for them to be putting together a cost package ... so that you can further make a decision ...” In response to a question, Ms. Young advised that an external vendor would manage the hotline as well as maintain evidence submitted through each call.

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With regard to the Methods for Capturing Complaints paragraph, Ms. Young recommended establishing an intranet link. Following a brief discussion, the committee members concurred. Mr. Munn responded to questions regarding the applicability of the Nevada Open Meeting law relative to FWA reporting. Discussion took place regarding the Communication Plan and Reacting to Complaints paragraphs of the Implementation section. In response to a question, Mr. Providenti expressed agreement with the FWA policy and advised that “we’ll ... do what the Board tells us to do.” With regard to the Training section, Chairperson Bertrand suggested implementing a “train the trainer” program to ensure continuity.

Following a brief discussion, Ms. Young reviewed the revisions to be made to the draft FWA Program materials. Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to direct the internal auditors to proceed in development of the Fraud, Waste, and Abuse Program pursuant to the guidance provided at this meeting. Member Brown seconded the motion. Motion carried 4-0.** Chairperson Bertrand commended the internal auditors on their presentation and Vice Chairperson Prowse on his “persistence and work ...” In response to a question, Mr. Steranka advised that the revised draft will be presented to the committee prior to agendizing a recommendation to the Board of Supervisors.

**7. DISCUSSION AND POSSIBLE ACTION REGARDING THE PRESENTATION, DISCUSSION, AND POSSIBLE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON THE FLEET MANAGEMENT EFFICIENCY STUDY, AS PROVIDED BY MOSS-ADAMS, LLC (4:14:35)** - Chairperson Bertrand introduced this item, and Mr. Steranka introduced Greg Fassler, of Municipal Fleet Consultants, a “subject matter expert.” Mr. Steranka provided background information on development of the final report, which was included in the agenda materials.

(4:16:53) Ms. Fassler commended the Public Works Department and Fleet Services staff on their level of cooperation. He reviewed the City’s investment in its fleet, noting the importance of maintenance, and reviewed the final report. Mr. Steranka reviewed the recommendations included at page 2 of the report.

Chairperson Bertrand advised of having initially wondered about outsourcing the fleet management function. Mr. Steranka acknowledged that outsourcing is “a common topic in studies of this nature ...” He advised of the expectation that the City will develop an implementation plan in response to the recommendations of the study. He suggested that the study indicates “a great opportunity to improve efficiency and effectiveness and, in reality, one of the things we didn’t mention is the service ..., from all comments, is good and, in fact, maybe the service is too good, it’s too flexible, it’s too nice. We’re doing anything that we’re asked ... versus doing those things that would make us an efficient fleet operation as opposed to a wonderful steward to the needs of the various departments throughout the City.” Mr. Steranka discussed potential savings, as listed in the Appendix B recommendations. Mr. Fassler discussed a recommendation to consider leasing or financing “some of your bigger pieces of equipment. You cannot let fire engines and heavy equipment, big dollar-type items, go on and on because what you, in essence, will be doing will be putting a lot of liability issues on the line. You can extend the replacement interval on a sedan or a pickup truck pretty easily, but when you start to talk about emergency-type equipment, you have to take that a little bit more seriously.”

In consideration of the recommendation to hire three additional mechanics, Mr. Fassler advised that “you’re sending a lot of work out right now and ... the money that you’re spending for outsourcing work could be ... compensated for by hiring additional staff.” He noted the additional possibility of “putting on an overlapping or second shift because that was one of the major concerns coming from your fleet customers.”

## CARSON CITY AUDIT COMMITTEE

### Minutes of the June 18, 2013 Meeting

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He cautioned that “you’ve got a serious situation ... and it’s only going to get worse.” Chairperson Bertrand expressed concern over “throwing good money after bad. ... if they’re not competitive now and we start to increase ... positions, ... it’ll just compound the problem.”

In response to a question, Mr. Providenti advised that Fleet Services staffing has not been reduced. “The problem is ... we just don’t have the money to replace the fleet vehicles. ... we’ve basically ... told that to the Board [of Supervisors] for two or three years that we need money to replace fleet vehicles and ... it’s been a Board decision to basically make do with what we have.” Vice Chairperson Prowse commended the report, and noted the many “opportunities to improve” the fleet management operation. In consideration of operations, he further noted the importance of the fleet manager position. He expressed a preference for the City to “have an opportunity to show what they can do with enacting some of the recommendations ... before we take the jump for ... contracting the work out.” In response to a question, Mr. Fassler reviewed the key recommendations listed at page two of the final report. He suggested that a “turnaround” could be expected in “nine months to a year ...” He clarified the need to collect data in order to analyze it, and discussion followed.

Mr. Burnham expressed appreciation that the Fleet Services Division had been selected for audit “simply because we’ve been struggling for a long time and this is pretty good evidence of that.” He provided background information on the Public Works Department assimilation of the Fleet Services Division, and advised that “it’s a secondary operation for us. It hasn’t been something we’ve focused on at all and that’s, again, reflected in this. ... this is a good opportunity ... to do some things that really can help the City.” Mr. Burnham suggested that the key to the action plan “is try to do some actions that create some revenue or monies in order to keep the thing going. ... what they’ve come up with is an excellent start for us. Doing the utilization study potentially creates some money for us so that we can go hire the fleet manager and getting a full-time fleet manager is the one part that is going to get us over the hump to get us successful ... to be able to achieve all the things that are pointed out in the study.” Mr. Burnham expressed the opinion that “the fleet manager is the most important element, but creating some money in this tight market that we have within the City finances lets us get down that path ...” Mr. Burnham expressed the further opinion that the utilization study will be “eye-opening because ... some of the departments, probably ours included, are going to be, ‘Wow, we can’t live without that,’ but the reality is you need to go through that and ... we all recognize that that’s a step that needs to be done and ... we’re kind of looking forward to going through this to see if we can make this thing work better because it clearly can.”

Discussion followed to clarify the direction. Chairperson Bertrand entertained additional committee member questions or comments. In response to a series of questions, Mr. Burnham reviewed the levels of management over the Fleet Division. Member Bullis expressed an interest in discussing the final report recommendations with the head mechanic at the Fleet Services Division. Vice Chairperson Prowse commended the final report, and reiterated the opinion “to give the Public Works Fleet Division at least a year, maybe a little bit more to show what they can do.” Mr. Steranka acknowledged the recommendation to conduct a fleet utilization study. In response to a further question, he reviewed the focus of the same and discussion followed.

Chairperson Bertrand entertained a motion. Following a brief discussion, **Vice Chairperson Prowse moved to recommend the Moss-Adams report on fleet studies to the Board of Supervisors for their consideration. The motion was seconded and carried 4-0.** Chairperson Bertrand entertained a motion to recommend to the Board of Supervisors that Moss-Adams, LLP be engaged to perform a utilization study. Vice Chairperson Prowse expressed a preference to first review a proposal. Mr. Steranka advised of the intent to incorporate a utilization study as part of the recommended FY 2013 / 2014 audit plan.

**CARSON CITY AUDIT COMMITTEE**

**Minutes of the June 18, 2013 Meeting**

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Consensus indicated no need for additional formal action; however, Chairperson Bertrand suggested scheduling another committee meeting in July. Vice Chairperson Prowse expressed a preference for the City to provide the committee a written plan relative to implementing the recommendations listed in the final report.

**8. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE (5:06:19)** - Following discussion, consensus was that Moss-Adams, LLP would send a list of date options for the next meeting in July.

**9. PUBLIC COMMENT (5:08:24)** - Chairperson Bertrand entertained public comment. Mr. Munn noted, for the record, that public comment was not previously entertained on any of the action items because no other citizens were present in the meeting room during the entire course of the meeting.

**10. ACTION TO ADJOURN (5:08:51)** - Vice Chairperson Prowse moved to adjourn the meeting at 5:08 p.m. The motion was seconded and carried 4-0.

The Minutes of the June 12, 2013 Carson City Audit Committee meeting are so approved this \_\_\_\_\_ day of October, 2013.

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MICHAEL BERTRAND, Chair

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the July 2, 2013 Meeting**  
**Page 1**

**DRAFT**

A meeting of the Carson City Audit Committee was scheduled for 11:00 a.m. on Tuesday, July 2, 2013, in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Michael Bertrand  
Vice Chairperson William Prowse  
Member Kenneth Brown  
Member John Bullis  
Member John McKenna

**STAFF:** Nancy Paulson, Deputy Finance Director  
Randal Munn, Chief Deputy District Attorney  
Kathleen King, Deputy Clerk / Recording Secretary

**NOTE:** A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary, 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 (11:00:25)** - Chairperson Bertrand called the meeting to order at 11:00 a.m. Roll was called; a quorum was present.

**3. PUBLIC COMMENTS AND DISCUSSION (11:00:43)** - Chairperson Bertrand entertained public comment; however, none was forthcoming.

**4. POSSIBLE ACTION ON ADOPTION OF AGENDA (11:01:16)** - Chairperson Bertrand entertained modifications to the agenda and, when none were forthcoming, a motion to adopt it, as published. **Vice Chairperson Prowse so moved. The motion was seconded and carried 5-0.**

**5. 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, LLP (11:01:42)** - Chairperson Bertrand introduced and provided background information on this item. Member McKenna introduced Supervisor Bonkowski. Moss Adams, LLP Planning and Policy Director Mark Steranka provided additional background information on this item, and introduced Senior Manager Nancy Young, who reviewed the revised draft program document included in the agenda materials. Ms. Young responded to questions of clarification relative to the fraud hotline vendor costs and information and the training and policies and procedures sections of the draft program document. In response to a question, Mr. Munn advised that the Board of Supervisors would have the option of characterizing the FWA program document as a policy.

In response to a question, Mr. Steranka advised that the City of Stockton has a fraud hotline but that he had no statistical information to present at this meeting. Vice Chairperson Prowse advised that the Washoe County School District has a successful fraud hotline. He offered to provide the Washoe County Internal Auditor's contact information to Member Bullis. Vice Chairperson Prowse responded to questions of clarification relative to the success of the Washoe County School District's fraud hotline. Pursuant to a previous request, Ms. Young offered to provide a list of fraud hotline third-party vendors. Mr. Steranka clarified that the two vendors listed in the draft program document have "literally thousands of clients, both public and private sectors." Discussion followed.



## CARSON CITY AUDIT COMMITTEE

### Minutes of the July 2, 2013 Meeting

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In response to a question, Ms. Young advised that she is prepared to provide the FWA Program training as soon as the program is approved by the Board of Supervisors. She acknowledged that the program could be easily implemented within a thirty-day period. She clarified “it would be dependent upon the City ... scheduling it and assigning employees to attend the training. ... But the training itself and the content and the material, it’s all developed.” Mr. Steranka suggested planning on implementing the program within a 30- to 60-day period in consideration of City processes. Vice Chairperson Prowse discussed a recent *Nevada Appeal* article relative to embezzlement, and expressed a preference to implement the program as soon as possible. Member Bullis advised of having reviewed the article and clarified the incident was not directly related to the City. He expressed the opinion that the embezzler was employed in the private sector by an employer “who may well have [had] a less-than-adequate records system and other safeguards in place.” Member Bullis expressed agreement with implementing the FWA Program as soon as possible. In reference to a previous comment, Ms. Young advised of the intent to revise the Training section of the draft document to include an ethics provision. Vice Chairperson Prowse reviewed a list of suggested revisions to the draft program document. Ms. Young responded to corresponding questions of clarification and recapped the revisions to be made to the draft program document. [Member McKenna left the meeting at 11:29 a.m. A quorum of the committee was still present.]

In response to a question, Mr. Steranka explained costs associated with the fraud hotline and the role of the FWA Program Coordinator. He and Ms. Young responded to follow-up questions of clarification. Chairperson Bertrand entertained additional committee member questions or comments and public comments. When no comments were forthcoming, he entertained a motion. Following discussion, **Vice Chairperson Prowse moved to accept the report by Moss Adams on the Fraud, Waste, and Abuse Program Development, and recommend to the Board of Supervisors approval and initiation of the program as soon as possible. Member Brown seconded the motion.** Chairperson Bertrand suggested scheduling review of the program in one year. He entertained additional discussion and, when none was forthcoming, called for a vote on the pending motion. **Motion carried 4-0.**

**6. DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS THAT THEY EXTEND THE CONTRACT OF MOSS - ADAMS, LLP, TO PROVIDE INTERNAL AUDIT SERVICES FOR CARSON CITY THROUGH THE PERIOD ENDING JUNE 30, 2014** (11:39:02) - Chairperson Bertrand introduced this item and reviewed the agenda report. Mr. Steranka narrated the PowerPoint presentation included in the agenda materials. (11:42:37) Supervisor Bonkowski discussed the significance of “what the Board [of Supervisors] does with the information ...”, particularly in reference to the Eagle Valley Golf Course. He expressed appreciation for the information provided by the internal auditor, but noted the importance of the Board of Supervisors “do[ing] something with it ...” Mr. Steranka noted that the Board took action relative to the golf course, and advised that the Carson City Municipal Golf Corporation has taken action on some of the internal auditor’s recommendations. He suggested the benefit of getting feedback to the Audit Committee “so we can start to truly report back on actuals.”

Vice Chairperson Prowse expressed appreciation for the table, at page 5, of the PowerPoint presentation and requested to include a “status of implementation” column. Chairperson Bertrand expressed appreciation for Moss-Adams, LLP’s work over the past year, and entertained additional comments or questions. Mr. Steranka suggested also including the name of the City staff person responsible for implementation, and the committee members concurred.

Chairperson Bertrand entertained a motion. He acknowledged that approving the contract does not necessarily approve the FY 2013 / 2014 audit plan. Extensive discussion took place regarding the contract

**CARSON CITY AUDIT COMMITTEE**

**Minutes of the July 2, 2013 Meeting**

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amount, and whether said amount would include the fraud hotline vendor. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors extension of the Moss Adams contract for one year, with the decisions relative to funding and to amount of the contract to be left to the Board of Supervisors. Member Brown seconded the motion. Motion carried 4-0.** Chairperson Bertrand entertained public comment; however, none was forthcoming.

**7. 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** (11:55:16) - Chairperson Bertrand introduced this item, and Mr. Steranka reviewed that portion of the PowerPoint presentation relative to the subject item. He responded to questions of clarification, and discussion took place to clarify the committee's role and the audit plan.

Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors to consider having the internal auditor undertake the following audit components: to provide the basic internal auditor services, to provide Fraud, Waste, and Abuse Program coordination, to undertake and fund the fleet utilization study, and to perform the performance metrics development; and to hold off on the utility billing and wastewater capital components until progress has been made on the first four. Member Brown seconded the motion.** Chairperson Bertrand entertained public comment and, when none was forthcoming, called for a vote on the pending motion. **Motion carried 4-0.**

**8. DISCUSSION AND POSSIBLE ACTION TO CLARIFY THE ROLE OF THE AUDIT COMMITTEE AND THE INTERNAL AUDITOR** (12:30:20) - Chairperson Bertrand introduced this item. He discussed the importance of recommending projects relevant to the performance metrics, the internal control audits or special projects, and the monitoring and review elements as outlined in the FY 13 / 14 audit plan. Member Bullis expressed an interest in a report from the "financial auditor on their management report and their observations and suggestions." Discussion followed and, in reference to the Audit Committee ordinance, Vice Chairperson Prowse expressed the opinion that "our purview is ... quite extensive and there's a lot of room for us to undertake stuff just as we spoke about with the external auditors. So, although I see this as, perhaps, the primary function of the Audit Committee, there are a number of other functions that I believe we can and should, in the future, get into as opportunity comes up." Chairperson Bertrand noted the importance of focus and "as things move forward and we're getting some of these systems in line, we'll probably broaden out a little bit more."

Chairperson Bertrand entertained additional committee member questions or comments and public comments. None were forthcoming, and consensus indicated that no formal action was necessary.

**9. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE** (12:35:07) - Chairperson Bertrand suggested meeting every other month and, in response to a question, Mr. Steranka requested that an Audit Committee member be available to present the committee's recommendations to the Board of Supervisors at their July 18<sup>th</sup> meeting. Mr. Steranka suggested scheduling the next Audit Committee meeting for September or October. Consensus of the committee was to tentatively schedule the next committee meeting for Tuesday, October 8<sup>th</sup>.

**10. PUBLIC COMMENT** (12:38:45) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

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**11. ACTION TO ADJOURN** (12:38:58) - Member Brown moved to adjourn the meeting at 12:38 p.m. Vice Chairperson Prowse seconded the motion. Motion carried 4-0.

The Minutes of the July 2, 2013 Carson City Audit Committee meeting are so approved this \_\_\_\_\_ day of October, 2013.

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MICHAEL BERTRAND, Chair

**Carson City Audit Committee  
Agenda Report**

**Date Submitted:** 10/02/2013

**Agenda Date Requested:** 10/08/2013

**To:** Chair and Members

**From:** Michael Bertrand, Chairman

**Subject Title:** Discussion and Presentation of status updates by Moss Adams of the Fraud Waste and Abuse (FWA) Program, Fleet Utilization Study, and Performance Metrics Development Study.

**Summary:** Members of Moss Adams will be discussing and providing updates on the status of internal audits that they are currently working on.

**Type of Action Requested:** (check one)

(    ) Resolution

(    ) Ordinance

( X ) Formal Action/Motion

(    ) Other (Discussion Only)

**Does This Action Require A Business Impact Statement:** (    ) Yes ( X ) No

**Recommended Committee Action:** Discussion Only – no action will be taken

**Explanation for Recommended Committee Action:** See Staff Summary

**Applicable Statute, Code, Policy, Rule or Regulation:** CCMC Chapter 2.14

**Fiscal Impact:** N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Information to be provided by Moss Adams

Prepared By: Nick Providenti, Finance Director

Reviewed By: Unlil Almbata  
(Finance Director)

Date: 10/1/13

Board Action Taken:

Motion:

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Member

Aye/Nay

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

4) \_\_\_\_\_

5) \_\_\_\_\_

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(Vote Recorded By)

# MOSS ADAMS<sub>LLP</sub>

Date: October 8, 2013  
To: Carson City Audit Committee  
From: Mark Steranka  
Subject: Internal Audit Status Report

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## Schedule Status:

- FWA Program Coordination: On schedule.
- Fleet Utilization Study: On schedule.
- Performance Metrics Development: On schedule.

## Budget Status:

- FWA Program Coordination: Fees within budget of \$25,000.
- Fleet Utilization Study: Fees within budget of \$30,000.
- Performance Metrics Development: Fees within budget of \$30,000.

## Activities for this Reporting Period:

- FWA Program Coordination: Developed training curriculum; delivered to senior management, BOS, and Audit Committee members in attendance; and worked with City and hotline vendor to set up preliminary reporting/monitoring system.
- Fleet Utilization Study: Collected and analyzed fleet data from City, conducted department work sessions, and prepared draft findings and recommendations.
- Performance Metrics Development: Prepared performance measurement framework, conducted work sessions with City management, and conducted work sessions with departmental leadership.

## Activities for the Next Reporting Period:

- FWA Program Coordination: Develop content for all employee webinar, and complete reporting and monitoring program set up.
- Fleet Utilization Study: Deliver draft and final reports.
- Performance Metrics Development: Prepare draft performance metrics for review by Senior Leadership team.

# MOSS ADAMS<sub>LLP</sub>

## Issues:

- FWA Program Coordination: none
- Fleet Utilization Study: none
- Performance Metrics Development: none



Carson City Audit Committee

Agenda Report

Date Submitted: 10/02/2013

Agenda Date Requested: 10/08/2013

To: Chair and Members

From: Michael Bertrand, Chairman

**Subject Title:** For Possible Action: Discussion and possible action to discuss staff progress on action being taken on past recommendations and possible recommendations to the BOS regarding such progress and possible acceptance of the Internal Audit Findings Response Tracking Report that will be used to track all internal audits.

**Summary:** Representatives from Moss Adams and City staff have combined to establish an Internal Audit Findings Response Tracking Report to be used to track the status of internal audits.

**Type of Action Requested:** (check one)

( ) Resolution

( ) Ordinance

( X ) Formal Action/Motion

( ) Other (Discussion Only)

**Does This Action Require A Business Impact Statement:** ( ) Yes ( X) No

**Recommended Committee Action:** I move to accept the Internal Audit Findings Response Tracking Report that will be used to track all internal audits.

There might be additional Committee Action depending on the discussion.

**Explanation for Recommended Committee Action:** See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: N/A


Explanation of Impact: N/A

Funding Source: N/A

Alternatives: Recommend a different form to track internal audits.

Supporting Material: Internal Audit Findings Response Tracking Report

Prepared By: Nick Providenti, Finance Director

Reviewed By:   
(Finance Director)

Date: 10/1/13

Board Action Taken:

Motion:

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

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(Vote Recorded By)

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Golf	1/17/2013*	No	V.A.1	The City does not have voting representation on CCMGC's Board.	The City should hold a voting seat on CCMGC's Board.					
Golf	1/17/2013*	No	V.A.2	The City does not provide input to CCGMC's budget.	CCMGC should develop an operating budget against which the City can evaluate operations.					
Golf	1/17/2013*	No	V.A.3	CCMGC and the City marketing and operations are not highly coordinated.	Where beneficial, City Parks and Recreation and Eagle Valley should collaborate on marketing, maintenance, and operations.					
Golf	1/17/2013*	No	V.A.4	CCMGC is unable to meet the terms of the facility lease.	The City should enforce lease terms, renegotiate the terms of the lease, or re-bid the Eagle Valley lease					
Golf	1/17/2013*	No	V.B.1	Eagle Valley's rates are generally consistent with local competition, but opportunities exist to generate additional revenue.	CCMGC should continue to set rates at a competitive level and pursue opportunities to generate additional revenue.					
Golf	1/17/2013*	No	V.B.2	Nine percent (9%) of total rounds played at Eagle Valley in 2011 were complimentary.	CCMGC should recover some costs from complimentary rounds.					
Golf	1/17/2013*	No	V.B.3	Operating expenses decreased 12% between 2009 and 2011.	CCMGC should continue to pursue efficiencies in operations.					
Golf	1/17/2013*	No	V.B.4	The Eagle Valley marketing plan is not fully developed.	CCMGC should fully develop and implement the Eagle Valley marketing plan.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Golf	1/17/2013*	No	V.C.1	It is in the City's best interest for the Eagle Valley courses to remain operational to absorb wastewater effluent.	The City should develop alternative areas as contingency for additional wastewater effluent.					
Golf	1/17/2013*	No	V.C.2	There are alternative uses for the Eagle Valley East Course land.	The City should evaluate alternative land use scenarios for the Eagle Valley East Course.					
PD	1/17/2013*	No	VI.A	As other counties have left the NSPD, economies of scale have diminished and the City is paying a larger portion of the costs of indigent defense services provided by NSPD.	Work with the NSPD to determine how to obtain more cost effective services or pursue an all-contract attorney indigent defense model.					
PD	1/17/2013*	No	VI.B	Carson City should require conflict/contract attorneys to provide the same type of annual reports as required by State law (NRS 260.070).	Collect comprehensive case data from conflict/contract attorneys.					
PD	1/17/2013*	No	VI.C	The City's current contracting process does not necessarily guarantee a certain standard of performance on the part of conflict attorneys.	Include performance standards in attorney contracts.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
PD	1/17/2013*	No	VI.D	There are costs of indigent defense to the City paid directly by the Courts that are not reflected in the City's budget for indigent defense services.	Gain greater visibility by City administration of indigent defense costs paid directly by the Courts.					
CF	1/17/2013	Yes, specify direction	IV.A.1	The Carson City School District is a major user of many community facilities at no cost.	Evaluate the cost-effectiveness of School District and other Joint Use Agreements.					
CF	1/17/2013	Yes, specify direction	IV.A.2	School District reservations take precedence over paying customers.	Consider reprioritizing reservations and bookings at the Community Center and Theater to better accommodate paying customers.					
CF	1/17/2013	Yes, specify direction	IV.A.3	Program and facility cost recovery and discounts vary widely between Parks and Recreation activities, largely driven by Board of Supervisors resolutions.	Conduct a cost recovery and activity prioritization process with the input of the Board of Supervisors to develop an updated cost recovery model and mission for the Parks and Recreation Department.					
CF	1/17/2013	Yes, specify direction	IV.B.1	Most programs and activities housed at the Community Center achieve 100% or greater cost recovery.	Continue to support programs with the highest amount of cost recovery.					
CF	1/17/2013	Yes, specify direction	IV.B.2	The Community Center receives a 56% General Fund subsidy.	Pursue opportunities to increase revenues, particularly for the Theater.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
CF	1/17/2013	Yes, specify direction	IV.B.3	Theater operations, budgeting, and planning are integrated with the Community Center.	Itemize Community Center revenues and expenditures to determine the sources and uses of funds and enable more precise budgeting.					
CF	1/17/2013	Yes, specify direction	IV.B.4	Question 18 funds would be available to support Theater operations if planned capital improvements were made.	Determine how to leverage Question 18 funds to make capital improvements and unlock operations funding.					
CF	1/17/2013	Yes, specify direction	IV.B.5	The Theater does not have dedicated marketing or booking support.	Investigate the feasibility of employing a dedicated marketing and booking staff member to manage and promote Theater reservations.					
CF	1/17/2013	Yes, specify direction	IV.B.6	There are currently no fundraising, sponsorship, or advertising initiatives for the Theater.	Explore opportunities for sponsorships, fundraising, and advertising for the Theater.					
CF	1/17/2013	Yes, specify direction	IV.B.7	Marketing, coordination, fundraising, maintenance, and management of the Theater are limited by City budget constraints.	Evaluate the opportunity for outsourcing management and operations of the Theater to a non-profit.					
CF	1/17/2013	Yes, specify direction	IV.C.1	The Aquatic Facility receives a 50% General Fund subsidy.	Consider raising admissions fees.					
CF	1/17/2013	Yes, specify direction	IV.C.2	Recreational leisure use of the Aquatic Facility is limited.	Market the outdoor pool for recreational use during the summer.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
CF	1/17/2013	Yes, specify direction	IV.C.3	The Aquatic Facility is not promoted on the Convention and Visitors Bureau website.	Collaborate with the Convention and Visitors Bureau to market the Aquatic Facility to residents and visitors.					
CF	1/17/2013	Yes, specify direction	IV.D.1	Ice Rink advertising revenues fell 47.6% from FY 10-11 to FY 11-12.	Continue to pursue advertising and sponsorship opportunities.					
CF	1/17/2013	Yes, specify direction	IV.D.2	The Ice Rink is not available to rent for private events.	Explore revenue generating opportunities for renting the Ice Rink for events.					
Fleet	7/18/2013	Yes, specify direction	III.A.1	The Fleet Services facility could be organized more efficiently.	Redesign the main shop to support better workflow, provide supervision oversight, and restrict customer access to work areas.					
Fleet	7/18/2013	Yes, specify direction	III.B.2	Fleet Services' preventive maintenance program is underdeveloped.	Schedule the preventive maintenance workload for the entire year.					
Fleet	7/18/2013	Yes, specify direction	III.B.3	The preventive maintenance checklists used by Fleet Services are too general.	Redesign preventive maintenance checklists to reflect appropriate (manufacturer) inspections that are applicable to various classes of vehicles and equipment, as well as a progressive inspection process.					
Fleet	7/18/2013	Yes, specify direction	III.B.4	Most scheduled service intervals are too frequent.	Base service intervals according to vehicle manufacturer recommendations.					



Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Fleet	7/18/2013	Yes, specify direction	III.B.5	The current service request form is inadequate.	Develop a dedicated service request form that states time reported, estimated time to repair, and actual completed time.					
Fleet	7/18/2013	Yes, specify direction	III.B.6	Fleet Services does not have a parts person to support the needs of mechanics.	Hire a full-time Storekeeper to perform all parts-related duties.					
Fleet	7/18/2013	Yes, specify direction	III.B.7	Parts are procured through ongoing purchase orders with several local vendors, and expenditures are expected to exceed budget by 22% this year.	Issue a request for proposals and award contracts with vendors to provide fleet parts with set prices and delivery criteria.					
Fleet	7/18/2013	Yes, specify direction	III.B.8	Parts tracking and inventory are manual processes.	Include parts tracking and inventory in the requirements for the planned enhanced fleet management system.					
Fleet	7/18/2013	Yes, specify direction	III.B.9	Repair services are procured on a case-by-case basis with local vendors, and expenditures are expected to exceed the budget by 66% this year.	Issue an RFP and award a contract to provide fleet repair services with local vendors with set prices, delivery criteria, and warranties.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Fleet	7/18/2013	Yes, specify direction	III.B.10	Not all fuel data is being captured.	Integrate fuel data from CFN reports into the planned enhanced fleet management system in order to compute average fuel consumption (mpg) by vehicle and by class, fuel cost per mile, and <del>average total fuel cost by</del>					
Fleet	7/18/2013	Yes, specify direction	III.C.11	Mechanic staffing levels are not sufficient to support the number and type of vehicles that Fleet Services maintains.	Hire three additional mechanics, track and monitor non-wrenching hours, and establish a 70% performance productivity goal for mechanics.					
Fleet	7/18/2013	Yes, specify direction	III.C.12	Fleet Services operates only one shift per day.	Add a swing shift or overlapping shift to better accommodate the schedules of fleet customers.					
Fleet	7/18/2013	Yes, specify direction	III.C.13	The fleet management function is currently performed on a part-time basis.	Create a full-time Fleet Manager position.					
Fleet	7/18/2013	Yes, specify direction	III.D.14	The Fleet CIP may understate the need for vehicle replacement.	Incorporate more realistic replacement intervals, as well as salvage values, auction fees, and make-ready costs, into the City's long-range replacement plan.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Fleet	7/18/2013	Yes, specify direction	III.D.15	Vehicle replacement intervals are not optimized.	Adopt a methodology to support the replacement of vehicles and equipment based on the "optimum economic life point" of a unit.					
Fleet	7/18/2013	Yes, specify direction	III.D.16	The decision to retain a fleet unit beyond its optimal replacement point has historically been a City department decision, not the decision of Fleet Services.	Establish a vehicle/equipment replacement fund to which customers contribute to the replacement cost of their units over time.					
Fleet	7/18/2013	Yes, specify direction	III.D.17	The City's fleet may be too large and underutilized.	Conduct a basic utilization review of the entire fleet, requiring departments to justify the need for each assignment, whether it be individually assigned or assigned as a sub-pool vehicle to the department.					
Fleet	7/18/2013	Yes, specify direction	III.E.18	The City uses two separate accounts to budget for fleet maintenance and repair and does not use a chargeback system.	Develop a comprehensive and accountable chargeback system that incorporates fleet replacement, overhead, and all operational costs					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Fleet	7/18/2013	Yes, specify direction	III.E.19	Fleet Services' hourly rate is low, and no markups are applied to parts, fuel, or commercial repair work.	Develop shop labor rates and markups/charges by appropriately allocating labor and overhead costs, including the functions of administration/asset management, maintenance/repair, fuel, parts, and commercial repair work.					
Fleet	7/18/2013	Yes, specify direction	III.E.20	Fleet Services performs some non-fleet work for other City departments.	Discontinue the practice of performing non-fleet work for City departments.					
Fleet	7/18/2013	Yes, specify direction	III.F.21	Comprehensive fleet management policies are not in place.	Establish a Vehicle and Equipment Committee to develop and oversee implementation of comprehensive administrative policies for vehicles and equipment.					
Fleet	7/18/2013	Yes, specify direction	III.F.22	Regular customer feedback is solicited; however, service level agreements with customers are not in place.	Develop service level agreements between Fleet Services and each of its City department customers.					

Carson City  
Internal Audit Findings Response Tracking

Report	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Responsible Department	Department Owner	Remediation Plan (Course of Action & Expected Benefits)	Estimated Cost	Estimated Savings
Fleet	7/18/2013	Yes, specify direction	III.F.23	Fleet Services performance metrics are not currently in place.	Establish performance measures and monitor them with the goal of measuring performance against industry and shop standards.					
Fleet	7/18/2013	Yes, specify direction	III.F.24	Fleet Services does not generate any reports to management or its fleet customers.	Develop monthly management reports for Public Works Department, the City Manager, and all fleet customer departments.					

**Reports:**

- Golf Carson City Community Facility Cost Recovery Study Eagle Valley Golf Course Final Report
- PD Carson City Public Defender Cost and Utilization Study Final Report
- CF Carson City Community Facility Cost Recovery Study Final Report
- Fleet Carson City Fleet Management Efficiency Study Final Report

**Carson City Audit Committee  
Agenda Report**

**Date Submitted:** 10/02/2013

**Agenda Date Requested:** 10/08/2013

**To:** Chair and Members

**From:** Michael Bertrand, Chairman

**Subject Title:** Presentation and discussion regarding required communications under AU-C Section 260 regarding the annual audit of Carson City, Nevada for the year ended June 30, 2013.

**Summary:** Kafoury Armstrong has been appointed by the Board of Supervisors to provide external audit services to Carson City as required by NRS 354.624. Representatives from Kafoury Armstrong will be presenting their required communications under AU-C Section 260 regarding the annual audit of Carson City, Nevada for the year ended June 30, 2013.

**Type of Action Requested:** (check one)

- Resolution                       Ordinance  
 Formal Action/Motion               Other (Discussion Only)

**Does This Action Require A Business Impact Statement:**  Yes  No

**Recommended Committee Action:** No action required – discussion only

**Explanation for Recommended Committee Action:** See Staff Summary

**Applicable Statute, Code, Policy, Rule or Regulation:** NRS 354, CCMC Chapter 2.14

Fiscal Impact: N/A


Explanation of Impact: N/A

Funding Source: N/A

Alternatives: None

Supporting Material: Will be provided by Kafoury Armstrong and Co.

Prepared By: Nick Providenti, Finance Director

Reviewed By:   
(Finance Director)

Date: 10/2/13

Board Action Taken:

Motion:

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Member

Aye/Nay

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_
- 3) \_\_\_\_\_
- 4) \_\_\_\_\_
- 5) \_\_\_\_\_

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(Vote Recorded By)



Carson City Audit Committee

Agenda Report

Date Submitted: 10/02/2013

Agenda Date Requested: 10/08/2013

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Action to appoint 1 member of the audit committee to act as a liaison to communicate with the external auditor.

Summary: CCMC Chapter 2.14 requires the audit committee have an "open line of communication" with the external auditor. The appointed audit committee member can report back to the chair and/or the audit committee any communications they would have with the external auditor and if they have concerns, they could talk to the chair and if warranted, have a future agenda item to discuss their concerns with the audit committee and make any necessary recommendations to the Board of Supervisors.

Type of Action Requested: (check one)

( ) Resolution

( ) Ordinance

( X ) Formal Action/Motion

( ) Other (Discussion Only)

Does This Action Require A Business Impact Statement: ( ) Yes ( X ) No

Recommended Committee Action: I move to appoint \_\_\_\_\_ to act as a liaison to communicate with the external auditor.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation: CCMC Chapter 2.14

Fiscal Impact: N/A


Explanation of Impact: N/A

Funding Source: N/A

Alternatives: Do not appoint a liaison.

Supporting Material: CCMC Chapter 2.14

Prepared By: Nick Providenti, Finance Director

Reviewed By:   
(Finance Director)

Date: 10/1/13

Board Action Taken:

Motion:

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Member

Aye/Nay

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

4) \_\_\_\_\_

5) \_\_\_\_\_

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(Vote Recorded By)

Carson City, Nevada, Code of Ordinances >> Title 2 - ADMINISTRATION AND PERSONNEL\* >> **Chapter 2.14 - CARSON CITY AUDIT COMMITTEE >>**

**Chapter 2.14 - CARSON CITY AUDIT COMMITTEE**

**Sections:**

- 2.14.010 - Introduction.
- 2.14.020 - Purpose of the Carson City audit committee.
- 2.14.030 - Composition of the Carson City audit committee.
- 2.14.040 - Responsibilities of the Carson City audit committee.
- 2.14.050 - Meetings of the Carson City audit committee.
- 2.14.060 - Organizational chart.

**2.14.010 - Introduction.**

As the demand for enhanced accountability and the increased examination of an adequate system of internal controls occurs in the public sector due to the Sarbanes-Oxley Act, so does the significance and importance of an audit committee.

The independence and objectivity between the Carson City audit committee and the city's management team ensures that internal controls are a key management objective of the city's operation. The Government Finance Officers Association and the Institute of Internal Auditors encourage the effective use of an audit committee in the public sector and considers this committee an integral element of public accountability and governance. The Carson City audit committee plays a key role with respect to integrity of the city's financial information; its systems of internal controls, the legal and ethical conduct of management and employees, and is an invaluable tool for ensuring that those responsible for financial management (management, auditors, and governing boards) meet the respective responsibilities for internal control compliance and financial reporting. Additionally, the Carson City audit committee provides a vehicle for open communications between the board of supervisors, the city management team, internal audit, and the independent external auditors.

*(Ord. 2008-10 § 3, 2008)*

**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)*

#### **2.14.030 - Composition of the Carson City audit committee.**

1. The Carson City audit committee will be independent and objective in its collective mindset individually and as a group. The committee will reflect the following attributes:
  - a. Excellent communication skills with each other and with others;
  - b. A willingness to fully participate in complex and sensitive matters that require resolution;
  - c. Public accounting, governmental accounting and auditing experience.
2. The Carson City audit committee shall be comprised of five (5) members; one (1) member from the board of supervisors and four (4) members from the public at-large.
  - a. One (1) member of the Carson City audit committee will be selected from the board of supervisors. The board member shall be selected each January when the board of supervisors addresses board and commission assignments.
  - b. The four (4) members at-large of the Carson City audit committee will be interviewed and selected by the board of supervisors. These members should have experience in financial services, public accounting, and/or governmental auditing, and current knowledge of public laws and regulations governing an audit committee. The terms shall be for staggered two (2) years; expiring on each alternate year.
  - c. The members at-large shall not accept any consulting, advisory, or other compensatory fees from the city and may not be an affiliated person with the city or any subsidiary thereof.
3. Should a vacancy occur in any position on the Carson City audit committee, the board of supervisors must follow the procedure set forth above to select a new member for the committee. The selection must occur within one (1) month of the vacancy occurring.
4. When deemed necessary, the Carson City audit committee may request that the city manager and other management employees attend a Carson City audit committee meeting in an advisory capacity. This individual may be requested to provide necessary information relative to internal controls, data, and analysis related to the specific objectives of the Carson City audit committee.

*(Ord. 2008-10 § 5, 2008)*

*(Ord. No. 2009-24, § 1, 10-1-2009)*

**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 )

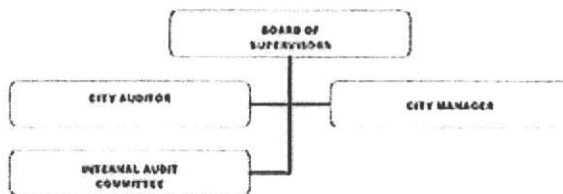
#### 2.14.050 - Meetings of the Carson City audit committee.

1. The Carson City audit committee will meet quarterly. All members are expected to attend on a regular basis.
2. The Carson City audit committee may ask members of management or others to attend meetings and to provide pertinent information when necessary.
3. Meetings are scheduled in accordance with the state's open meeting laws. The city auditor shall establish the agenda for meetings and will provide to members in advance, all appropriate briefing material.

(Ord. 2008-10 § 7, 2008)

(Ord. No. 2009-24, § 11, 10-1-2009 )

#### 2.14.060 - Organizational chart.



(Ord. 2008-10 § 8, 2008)