

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

Day: Tuesday
Date: May 9, 2017
Time: Beginning at 2:00 pm
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 - February 14, 2017

5. For Possible Action: Adoption of Agenda

6. Meeting Items

6.A For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

6.B For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

6.C For Possible Action: Presentation by Moss Adams on the review of the Public Guardian asset liquidation process for the Audit Committee's consideration, discussion, and possible recommendation to the Board of Supervisors. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Audit Committee approved the review of the Public Guardian asset liquidation process at their February 14, 2017 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

6.D For Possible Action: Discussion and possible direction to staff to initiate the Request for Proposal (RFP) process for internal audit services to be recommended to the Board of Supervisors for Fiscal Year 2018. (Nancy Paulson, npaulson@carson.org)

Staff Summary: At the June 7, 2016 Audit Committee meeting, the Committee discussed sending out an RFP for FY 2018 internal audit services. An RFP has not been done since Moss Adams was selected in FY 2012

7. 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.

8. 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.

To request a copy of the supporting materials for this meeting contact Rachael Porcari at rporcari@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, Carson City, Nevada (775) 887-2100.

This notice has been posted at the following locations:
Community Center 851 East William Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Community Development Permit Center 108 Proctor Street
<http://notice.nv.gov>
Posted May 3, 2017

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A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, February 14, 2017 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Catherine Byrne
Member Stephen Ferguson
Member Ernie Mayhorn

STAFF: Nancy Paulson, Chief Financial Officer
Adriana Fralick, Chief Deputy District Attorney
Kathleen King, Chief Deputy Clerk

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the Clerk, during the meeting, are part of the public record. These materials are available for review, in the Recording Secretaries Division of the Carson City Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (3:00:52) - Chairperson Bertrand called the meeting to order at 3:00 p.m. Ms. King called the roll; a quorum was present. At Chairperson Bertrand's request, Member Mayhorn provided background information on his education and experience. Member Ferguson arrived at 3:02 p.m. (3:02:49) Ms. King administered the Oath of Office to Member Ferguson. (3:04:08) At Chairperson Bertrand's request, Member Ferguson provided an overview of his background and experience.

3. PUBLIC COMMENTS AND DISCUSSION (3:02:09) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - November 16, 2016 (3:04:42) - Chairperson Bertrand introduced this item, and entertained a motion. **Member Bagwell moved to approve the minutes, as submitted. Member Byrne seconded the motion. Motion carried 3-0-2, Members Ferguson and Mayhorn abstaining.**

5. POSSIBLE ACTION ON ADOPTION OF AGENDA (3:05:10) - Chairperson Bertrand introduced this item, and entertained a motion. **Member Byrne moved to adopt the agenda. The motion was seconded and carried unanimously.**

6. MEETING ITEMS:

6(A) DISCUSSION REGARDING AUDIT FINDINGS FROM THE JUNE 30, 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT (3:05:21) - Chairperson Bertrand introduced this item and Ms. Paulson advised that the Eide Bailly representative would be delayed. At Ms. Paulson's request, Chairperson Bertrand deferred this item until the arrival of the Eide Bailly representative.

(3:13:28) Upon the arrival of Eide Bailly Engagement Shareholder Dan Carter, Chairperson Bertrand reopened this item. Mr. Carter reviewed the agenda materials. Mr. Carter and Ms. Paulson responded to questions of clarification. Chairperson Bertrand entertained additional questions or comments and, when none were forthcoming, thanked Mr. Carter for his presentation.

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6(B) DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (3:05:59) - Chairperson Bertrand introduced this item. Moss-Adams LLP Partner Mark Steranka provided background information, reviewed the agenda materials, and responded to questions of clarification. Chairperson Bertrand entertained additional questions; however, none were forthcoming.

6(C) DISCUSSION REGARDING THE MONITORING, REVIEW AND CLOSURE OF INTERNAL AUDIT FINDINGS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT, AND POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS FOR CLOSURE OF COMPLETED PROJECTS (3:20:52) - Chairperson Bertrand introduced and provided an overview of this item. Moss-Adams LLP Partner Mark Steranka reviewed the agenda materials. In reference to Item No. 7, under the Community Facility Cost Recovery Study portion of the Tracking Report, Member Bagwell advised that the 1/8 cent project scheduled for 2017 is inaccurate. She explained that a Community Center Improvement Project was approved as part of the 1/8 cent sales tax “as a potential project but it will be the last project funded.” Member Bagwell requested that the description in the Remediation Plan section be corrected. She concurred that “there are times, even though an audit recommendation is something that should be looked at, it also has to be reasonable for implementation.” She suggested that consideration should be given to administratively closing “those that we just have no hope of achieving.”

Mr. Steranka responded to questions of clarification, and discussion ensued. Consensus of the committee was to remove the BOS Direction to Implement column from the tracking report. Moss-Adams LLP Manager Colleen Rozillis and Ms. Paulson responded to additional questions of clarification regarding the Employee Efficiency Study, and discussion ensued. Mr. Steranka responded to questions of clarification regarding the Internal Controls Review. Discussion took place to explain the validation process and regarding cash handling processes. Member Bagwell suggested providing the City Treasurer the opportunity to test procedures prior to closing the Internal Controls items.

Chairperson Bertrand entertained a motion to close the Community Facility Cost Recovery Study and the Employee Efficiency Study. **Member Mayhorn so moved with the revision to the verbiage, as recommended by Member Bagwell. Member Bagwell seconded the motion. Motion carried 5-0.**

Member Bagwell requested to forward item 41, in the Internal Controls Review section, to the Board of Supervisors with the IT Strategic Plan. Ms. Paulson and Ms. Rozillis responded to questions regarding the Policy and Procedures Review relative to the City’s elected officials.

Following discussion, Mr. Steranka suggested that Item No. 5, under the Employee Efficiency Study; Item No. 41, under the Internal Controls Review; and Item Nos. 22, 23, 24, 25, 27, and 28, under the Internal Controls Review, be validated relative to the policy. Chairperson Bertrand entertained a motion. **Member Byrne moved to validate the items listed in the Internal Control Review and the Employee Efficiency Study. Member Ferguson seconded the motion. Motion carried 5-0.** Chairperson Bertrand entertained public comment; however, none was forthcoming.

6(D) POSSIBLE ACTION TO APPROVE THE USE OF FY 17 INTERNAL AUDIT WORK PROGRAM CONTINGENCY FUNDS TO ENGAGE MOSS-ADAMS LLP TO PERFORM A REVIEW OF THE PUBLIC GUARDIAN ASSET LIQUIDATION PROCESS (3:56:34) - Chairperson Bertrand introduced this item. Moss-Adams LLP Partner Mark Steranka reviewed the agenda materials, and responded to questions of clarification. Chairperson Bertrand entertained additional questions or

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comments and, when none were forthcoming, a motion. **Member Mayhorn moved to approve the use of FY 17 Internal Audit Work Program contingency funds to engage Moss-Adams to perform a review of the Public Guardian asset liquidation process. Member Bagwell seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.** Chairperson Bertrand entertained public comment; however, none was forthcoming.

6(E) PRESENTATION BY MOSS-ADAMS LLP ON THE SMALL WORKS PROJECTS REVIEW FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (4:03:19) - Chairperson Bertrand introduced this item, and Moss-Adams LLP Manager Colleen Rozillis reviewed the agenda materials. In response to a question, Public Works Department Director Darren Schulz advised that the Cartegraph replacement is budgeted. Mr. Schulz and Ms. Rozillis responded to additional questions of clarification, and discussion ensued.

Chairperson Bertrand entertained additional questions or comments and, when none were forthcoming, public comments. When no public comments were forthcoming, Moss-Adams LLP Partner Mark Steranka discussed the benefits of PolicyTech. Chairperson Bertrand entertained a motion. **Member Bagwell moved to approve the audit presented on Small Works Projects. Member Byrne seconded the motion. Motion carried 5-0.**

7. PUBLIC COMMENT (4:18:18) - Chairperson Bertrand entertained public comment; however, none was forthcoming. Following a brief discussion, consensus of the committee was to schedule the next meeting for 2:00 p.m. on Tuesday, May 9th.

8. ACTION TO ADJOURN (4:22:38) - Chairperson Bertrand entertained a motion to adjourn. **Member Bagwell so moved. The motion was seconded and carried unanimously.**

The Minutes of the February 14, 2017 Carson City Audit Committee are so approved this _____ day of May, 2017.

MICHAEL BERTRAND, Chair



STAFF REPORT

Report To: Audit Committee

Meeting Date: 5/09/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



Date: May 9, 2017
To: Carson City Audit Committee
From: Mark Steranka
Subject: Internal Audit Status Report February 1, 2017 through April 30, 2017

Schedule Status:

- Basic Internal Auditor Services: Ongoing.
- Small Works Projects Review: Project initiation September 2016 and completion February 2017.
- Public Guardian Review: Project initiation March 2017 and completion April 2017.
- Procurement Testing: Project initiation March 2017 and completion May 2017.
- IT Controls Testing: Project initiation May 2017 and completion June 2017.
- FWA Program Coordination: Ongoing.

Budget Status through April 30, 2017:

- Basic Internal Auditor Services: Expended \$11,025.00 of \$20,000 budget.
- Small Works Project Review: Expended \$29,995.00 of \$30,000 budget.
- Public Guardian Review: Expended \$14,500.00 of \$15,000 budget.
- Procurement Testing: Expended \$10,850.00 of \$15,000 budget.
- IT Controls Testing: Expended \$0.00 of \$15,000 budget.
- FWA Program Coordination: Expended \$4,200.00 of \$5,000 budget.

Activities for this Reporting Period:

- Basic Internal Auditor Services: Continued to maintain Audit Findings Summary Report, prepared Audit Committee meeting materials, and attended Audit Committee meetings.
- Public Guardian Review: Completed review.
- Procurement Testing: Completed sampling and testing. Awaiting some remaining documentation before preparing report.
- FWA Program Coordination: There were no new reports received.



Activities for the Next Reporting Period:

- Basic Internal Auditor Services: Continue to attend meetings, maintain Audit Findings Summary Report, and perform findings validation as requested.
- Procurement Testing: Prepare report.
- IT Controls Testing: Kickoff project.
- FWA Program Coordination: Continue to monitor the hotline and respond to reports as appropriate.

Issues:

- none



STAFF REPORT

Report To: Audit Committee

Meeting Date: 5/09/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on the discussion.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

Carson City - Audit Findings Tracking Summary Report (revised 05-02-17)

Report Name	Report Submittal	BOS Report Approval	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
Employee Efficiency Study	11/25/2014	12/4/2014	Internal Auditor	27	27			1 finding validated
Internal Controls Review	3/31/2015	6/4/2015	Internal Auditor	42	40			2 findings completed, 6 findings validated
Policy and Procedures Review	3/22/2016		Internal Auditor	5	4			
Total				146	137			

Legend:

Report Submittal = date report submitted to City

BOS Report Approval = date report adopted by BOS

Reporting Entity = organization that prepared the report

Report Findings = number of findings in the report

Completed Findings = number of findings completed by management

AC Approval = Audit Committee approval of completed findings

BOS Approval = Board of Supervisors approval of completed findings

Notes = notes about findings

Carson City
Employee Efficiency Study

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
5	12/4/2014	Yes, specify direction	5	The City does not fully leverage technology to optimize customer service efficiency and effectiveness.	Develop an IT Strategic Plan with a focus on how to leverage technology to develop more efficient workflows, provide more cost-effective customer service, and more efficiently utilize the IFC Technology Governance Committee.	Citywide	City Manager	The IT Director has been tasked with proposing a Strategic Planning framework to the Technology Governance Committee for its review and guidance regarding next steps.			Y	12/31/2016	12/19/2016	IT Strategic Plan is complete and was presented to the Board of Supervisors on April 6, 2017. Reviewed plan prepared by Next Level.

Carson City
Internal Controls Review

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
22	6/4/2015	Yes, specify direction	D2	Cash controls at remote collection sites are not periodically monitored and tested to ensure they are in place, properly designed, and operating in accordance with management objectives.	Periodically test cash controls at those sites within the City that collect cash to ensure that employees are adhering to City policies and procedures.	Treasurer / Finance	Treasurer / Chief Financial Officer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			P	9/30/2017		The Treasurer's Office has developed a cash handling training video and will be holding mandatory training sessions May 8th and 16th, 2017. After the training sessions have been completed the Treasurer's Office will begin to periodically test cash controls.
23	6/4/2015	Yes, specify direction	D3	Money is not transported safely between City locations.	Consider a contract with an armored vehicle company for both daily City deposits and Parks and Recreation cash transport or implement additional safety controls.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	The final Cash Handling Policy has been added to PolicyTech. In addition, the City is now using armed alternative sentencing employees to transport deposits. Employee assigned duty and verified through correspondence and reporting.
24	6/4/2015	Yes, specify direction	D4	Multiple employees share one cash till in certain locations.	Whenever possible, implement separate cash tills for each employee.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy and covered by training in May 2017.
25	6/4/2015	Yes, specify direction	D5	Within some departments, cash is held on-site and not deposited in a timely manner, despite the daily pick-up of deposits by a courier.	Implement processes to deposit cash daily.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy and covered by training in May 2017.

Carson City
Internal Controls Review

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
26	6/4/2015	Yes, specify direction	D6	Employees that are involved in the handling of cash, preparation of deposits, entry of deposit information, and the supervision of employees that perform these duties do not receive periodic cash handling training.	Determine which positions (employees) should receive cash handling training based on their job duties or supervisory responsibilities, and provide training.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	6/30/2017	May 2017	The Treasurer's Office has developed a cash handling training video and will be holding mandatory training sessions May 8th and 16th, 2017.
27	6/4/2015	Yes, specify direction	D7	Cash is not stored securely at certain locations, which results in the risk of misappropriation	In conjunction with the recommendations associated with the Revenue and Cash Collections 2 through 5 control objectives, securely store cash.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy and covered by training in May 2017.
28	6/4/2015	Yes, specify direction	D8	Within Parks and Recreation, the employee responsible for preparing the deposit can also make adjustments within the ActiveNet system.	Segregate the deposit preparation duties across two employees, so that one employee prepares the deposit and another employee makes entries into ActiveNet.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy and covered by training in May 2017.
30	6/4/2015	Yes, specify direction	D10	The City's Cash Handling Policy is out of date and is not well known by employees that handle cash throughout the City.	Update the City's Cash Handling Policy and train departments on the updated policy.	Treasurer	Treasurer	The Treasurers Office is in the process of updating the City's cash handling policy. Also, Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	6/30/2017	May 2017	The Treasurer's Office has developed a cash handling training video and will be holding mandatory training sessions May 8th and 16th, 2017.
32	6/4/2015	Yes, specify direction	E2	The City lacks documented comprehensive and up-to-date processes and procedures.	Document key processes and procedures and make timely updates for changes.	City-wide	City-wide	Moss Adams is currently performing an inventory of all City policies / procedures as part of the policies / procedures update portion of the FY 15-16 Internal Audit Plan.			P	12/31/2017		City Departments are in the process of updating existing and/or developing new policies and procedures to aid in the development of a citywide

Carson City
Internal Controls Review

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
41	6/4/2015	Yes, specify direction	F9	The IT Department does not currently have an intrusion detection system.	Garner support from IT Governance Committee to advocate funding of system. Select and implement an intrusion detection system as soon as funding is available.	IT	IT	IT is working on purchasing and installing security appliance and software to accomplish these goals.	\$ 23,000		Y	12/31/2016	12/31/2016	Implementation complete. Reviewed report from appliance.

Carson City
Policy and Procedures Review

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
5					Consider revising the City's Municipal Code to shift some elements to policies.			The City has had discussions on this topic. Will work with the DA's Office on possible revisions to the municipal code.			P	Ongoing		City Staff are currently reviewing elements of the Municipal Code that can be shifted to City Policies.



STAFF REPORT

Report To: Audit Committee

Meeting Date: 5/09/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Presentation by Moss Adams on the review of the Public Guardian asset liquidation process for the Audit Committee's consideration, discussion, and possible recommendation to the Board of Supervisors. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Audit Committee approved the review of the Public Guardian asset liquidation process at their February 14, 2017 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

Agenda Action: Formal Action/Motion

Time Requested: 15 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)



FINAL REPORT FOR
CARSON CITY
PUBLIC GUARDIAN REVIEW

May 1, 2017

Prepared by:

Moss Adams LLP

999 Third Avenue
Suite 2800
Seattle, WA 98104
(206) 302-6500

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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I. EXECUTIVE SUMMARY

A. BACKGROUND

Carson City’s Public Guardian provides guardianship services for vulnerable elderly citizens (aged 60 and over) with no in-state, willing, or able next of kin to manage their medical, financial, and other affairs. Some wards placed into the Public Guardian’s care still reside in their home and maintain several assets, such as vehicles and other personal property. As funds are required, the Public Guardian liquidates the ward’s assets, including their residence, furniture, household goods, and vehicle(s) to ensure they receive an appropriate level of care. Nevada Revised Statute (NRS) Chapter 159 defines requirements related to the sale of the ward’s real and personal property. These requirements include inventorying assets, public notification of sale, appraisal of asset’s value, and method of sale.

B. SCOPE AND APPROACH

The purpose of this review is to assess documentation, administration, and internal controls for the Public Guardian’s asset disposition process. The project was conducted between March and April 2017.

C. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Administration	
Finding 1	There is minimal oversight of Public Guardian Activities.
Recommendation	Establish regular reporting by the Public Guardian to the Board of Supervisors.
Finding 2	The Public Guardian could more efficiently utilize human and technological resources.
Recommendation	Increase the efficiency of the Department through distributing responsibilities and ensuring essential software is up-to-date.
Finding 3	The Public Guardian uses both electronic and paper files resulting in inefficiencies and potential difficulty locating important documents.
Recommendation	Develop an electronic document storage framework and process, and obtain adequate storage for paper files.
Finding 4	Public Guardian policies and procedures do not provide comprehensive guidance for asset liquidation.
Recommendation	Develop policies and procedures describing the asset liquidation process and ensure proper internal controls are in place.

MOSS ADAMS LLP

Asset Processing	
Finding 5	The Public Guardian does not maintain sufficient documentation to support asset disposition.
Recommendation	Document the decision to forfeit, demolish, donate, or sell ward assets using photographs and narrative accounts.
Finding 6	The Public Guardian does not compile a complete inventory of ward assets, as required by State law.
Recommendation	Ensure that itemized inventories are compiled for all ward assets within 60 days of guardianship appointment, and implement an Inventory Tracking Form to track assets from the time of collection to the time sale proceeds are deposited into the ward’s guardianship account.
Finding 7	In accordance with Court orders for guardianship, appraisals were waived for all wards in the review period.
Recommendation	For wards under full administration, ensure sellable assets are appraised to determine their anticipated value.
Finding 8	With the exception of small items, the Public Guardian does not have a secure location to store assets pending sale.
Recommendation	Obtain a secure location to store ward assets pending sale, and ensure proper dual control entry requirements.

Asset Liquidation	
Finding 9	Assets were advertised to the public in accordance with Court orders.
Recommendation	Provide public notice for the sale of ward assets in accordance with Court orders and/or State law.
Finding 10	Liquidators are typically engaged on an ad-hoc basis, without written agreements defining commission percentages and sales processes.
Recommendation	Develop formal written agreements for the use of liquidators.

Asset Liquidation	
Finding 11	Fair market value may not be consistent. The Public Guardian does not always ensure market value is received for the sale of ward assets, vehicles, and personal property.
Recommendation	Use appraisals or estimated values to support sale prices and ensure fair negotiations with potential buyers.
Finding 12	Receipts for sale of personal property are not issued or maintained.
Recommendation	Issue and retain receipts for all items sold, including the itemized asset number.
Finding 13	Deposits of sale proceeds are not always appropriately documented.
Recommendation	Ensure the timely deposit of sale proceeds into the guardianship account for each ward and record the item number in the deposit comment.

II. BACKGROUND, SCOPE AND APPROACH

A. BACKGROUND

Carson City's Public Guardian ("the Department") provides guardianship services for adults who are legally incapable of making their own decisions. The Public Guardian arranges for medical and hospice care, manages finances, and attends to other needs of Court-appointed wards. The Department currently has three FTEs, including the Public Guardian and Deputy Public Guardian, who are both social workers; an account clerk; and one social work intern. The Department reports that the number of wards has increased substantially over the last five years from 37 in 2011 to 85 in 2017. As baby boomers age in the coming years, the Public Guardian's caseload is anticipated to increase further.

Public Guardian activities are primarily driven by Nevada state law (NRS Chapters 159 and 253). The current legislative session is considering revisions to these statutes. Guardianship referrals originate from a variety of sources, including hospitals, residential care facilities, the Sheriff's Office, and adult protective services. After receiving the referral, the Public Guardian's lawyer conducts research to determine if the individual has willing and able next of kin to fulfill guardianship services, what assets they possess, their family and medical history, and any other relevant information. If necessary, the Department's attorney will file a petition for guardianship with the Court. The petition may be denied, granted with temporary guardianship, or granted with full guardianship. After receiving letters of guardianship from the Court, the Public Guardian takes possession of the ward's assets, begins regularly visiting the ward, arranges for their medical and personal care, and manages other personal affairs on the ward's behalf.

Many wards come into the Public Guardian's care after they have moved into a residential care setting. It is unlikely that these individuals have assets, such as a home or car. The Public Guardian typically liquidates assets for wards that need to vacate their residence and move to a residential care facility that offers the appropriate level of care for that particular individual. The Department moves the ward to a suitable facility, and begins the asset disposition process. Over the past three years, the Department has liquidated assets for eight wards; five under full administration with assets valued at or over \$10,000, and three under summary administration with assets valued at less than \$5,000.

B. SCOPE AND APPROACH

The purpose of this review is to assess documentation, administration, and internal controls for the Public Guardian's asset disposition process. This assessment was conducted in March and April 2017 and consisted of four phases: 1) startup and management, 2) fact finding, 3) analysis, and 4) reporting. We interviewed Public Guardian staff and reviewed documents, including policies, vendor lists, and asset documentation. We reviewed the files of four wards that had assets disposed by the Public Guardian between CY2014 and CY2016. We reviewed a draft report with the Department and City management to validate facts and confirm the practicality of recommendations.

III. COMMENDATIONS

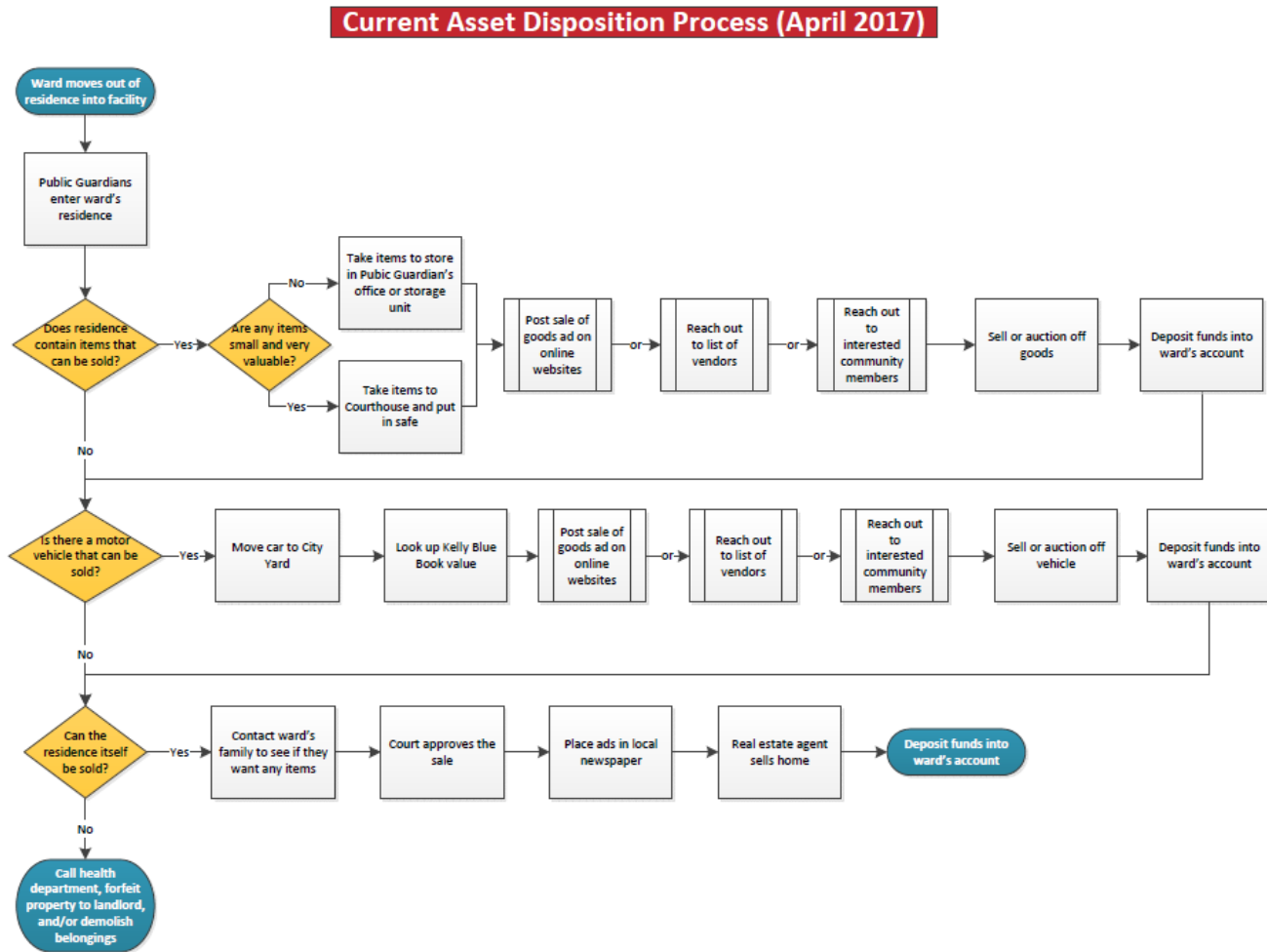
Although the focus of the Public Guardian Review is to identify areas where improvement can be made, it is important to note the areas of strength that can be leveraged and utilized for achieving improvements within the Department. The Public Guardian should be commended for the following accomplishments:

- **Documentation of policies and procedures:** The Public Guardian has established policies and procedures that provide staff guidance and establish care norms. Policies and procedures include client-focused decision-making and administrative, tasks such as writing checks.
- **Work ethic:** Public Guardian staff are available to assist wards around the clock, not just during business hours. Department staff have a heart for the work and desire to act in the best interests of each ward, regardless of their situation. In interviews and during the file review, it was noted that staff are fully committed to the care and well-being of the ward.

We would like to commend Public Guardian staff for their willingness to assist us in this review process.

IV. CURRENT ASSET DISPOSITION PROCESS

After moving the ward into a residential care facility, a minimum of two Public Guardian staff enter the ward’s residence to determine which, if any, assets can be donated or sold. This process is documented in the diagram below:



If the assets are in poor condition, then the Public Guardian takes appropriate action to dispose of the assets. For example, staff reported that sometimes the condition of the residence is so poor that the decision to forfeit the property is in the best interests of the ward, due to the cost of containment and clean-up.

However, if the ward has assets that can be reused, staff begin the process to sort personal assets into three categories: trash, donate, and sell. This task is typically performed by the two Public Guardian caseworkers; the Department occasionally engages contract resources to assist in sorting and removing ward belongings. Staff determine the disposition of assets based on personal judgment. The Public

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Guardian maintains a list of secondhand stores in the local area, including what types of items the stores are interested in receiving and whether or not they will come to the residence to pick up assets. Department staff use this list to donate ward assets.

The Department works with a real estate agent to sell the ward's residence, similar to the sales process for other homes. Homes are sold as-is and the Department's attorney ensures that the sale is advertised in a local newspaper. If there are multiple offers, a judge overseeing the ward's guardianship case will direct the home selling process and act as an auctioneer, accepting the highest price for the property.

The Public Guardian handles vehicle sales differently than sales of other personal property. The ward's vehicle is moved to the City Yard for storage pending sale. Department staff estimate the vehicle's value using Kelley Blue Book estimates and report that they will accept a price within \$5,000 of the valuation. Staff also noted that there are members in the community who are aware that cars are sold from the Department and may inquire about cars. The Department will contact these individuals if a car is available for sale. The Department also sells cars online and by auction.

Other personal items that can be sold include furniture, decorations, collectible items, and kitchenware. These items are stored in various locations. For example, small items of high value have historically been stored in a safe located at the Courthouse. Department staff also reported that items are sometimes stored in the storage unit of an existing ward or in the Public Guardian's office. Depending on the nature of the items, staff may sell items online, in an auction, through private sales, and by reaching out to community members with niche interests (e.g. cuckoo clocks). If items are sold in an auction, Department staff report that a receipt listing the item and sales price is retained. This review provides recommendations to improve the asset disposition process. The proposed revised process is included in Appendix A.

V. ADMINISTRATION

A. OVERSIGHT OF PUBLIC GUARDIAN OFFICE

Finding 1: There is minimal oversight of Public Guardian activities.

The Board of Supervisors appoints and supervises the Public Guardian. State law permits the Board to establish Public Guardian reporting requirements and initiate investigations, if needed (NRS 253.245). The Board of Supervisors does not require any reporting from the Public Guardian, and the Board is not involved in Department operations.

The Court provides oversight on an annual basis of individual ward cases. Currently, the Public Guardian files an annual report to the Court for each ward, which includes information on the ward's current assets, status, and use of funds. Although individual reports are filed, the Department is not required to compile a summary of its efforts for its collective caseload. Even as the recipient of the report, the Court does not have authority over the Public Guardian and cannot compel the Department to alter its operations outside of its legal duty to ensure adequate guardianship services are provided to wards.

Recommendation: Establish regular reporting by the Public Guardian to the Board of Supervisors.

The Board of Supervisors should require the Public Guardian to submit a quarterly or biannual report of Department activities to ensure appropriate oversight. The Department should also consider using performance measures to track activities collectively across all wards and monitor staff workloads. The following information should be included in the report:

- Number and type of guardianships appointed
- Type of administration (full or summary)
- Average caseload per deputy
- Fees charged versus fees collected
- Current general condition of wards
- List of wards with assets to liquidate
- Applicable exemptions from NRS requirements
- List of assets sold and sales price

This report will provide the Board of Supervisors with information on the role, successes, and challenges of the Public Guardian in protecting the best interests of wards. Presenting this report will enable the Public Guardian to regularly communicate the purpose and goals of the Department, thereby improving Board and public understanding of Public Guardian operations.

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B. OPERATIONAL EFFICIENCY

Finding 2: The Public Guardian could more efficiently utilize human and technological resources.

The two Public Guardian caseworkers report that guardianship activities such as meeting a new client and attending care conferences are completed together. The Department may realize efficiency gains in its operations by dividing some tasks between staff members and ensuring a clear division of labor. The Department is exploring the potential for volunteers to assist with administrative tasks.

Additionally, the Public Guardian accounting system, QuickBooks, has not been updated since 2014. As such, it is somewhat outdated and limits Department operations in terms of both efficiency and functionality.

Recommendation: Increase the efficiency of the Department through distributing responsibilities and ensuring essential software is up-to-date.

To capitalize on opportunities to increase Departmental efficiency, the Public Guardian should evaluate the role of the Public Guardian, Deputy Public Guardian, Account Clerk, and interns with an emphasis on appropriately dividing some tasks, while still ensuring all staff members are knowledgeable on ward conditions and activities. To assist with communication after implementing the division of labor, the Department should establish weekly or bimonthly staff meetings to report on progress, address concerns, and ensure consistency of approach across personnel. This will reduce the burden on each individual staff member and allow additional time to focus on a particular set of wards or a particular function of guardianship services.

The Department also requires updated software and filing systems to maximize its operations. These software systems will help improve documentation and ideally ease the administrative burden placed on staff. Efficiency gains are particularly important to the Department as the caseload is expected to increase with the upcoming wave of baby boomers that may require guardianship services.

C. FILE MAINTENANCE

Finding 3: The Public Guardian uses both electronic and paper files resulting in inefficiencies and potential difficulty locating important documents.

The Public Guardian maintains both electronic and paper files containing important ward information, including social security cards, financial and insurance information, medical history, site visit notes, and all other documentation related to a ward's guardianship. Electronic files do not contain complete information and are stored on the City's H: drive.

The Department's new office has limited space, and there is not sufficient storage for paper files. Staff reported that some files requested for this review were retrieved from file cabinets located in the Department's prior office space in the Courthouse. Keeping files in multiple locations presents a risk that important documents may be misplaced or lost. Due to the existing case workload, the Public Guardian does not have the administrative capacity or technological resources to fully transition to electronic file keeping. The Department is considering utilizing skilled volunteers from Nevada RSVP, a non-profit

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organization that matches retirees and seniors with service opportunities, to assist in administrative tasks.

Additionally, the Department's paper files are not organized to maximize efficiency or easy retrieval of certain types of documents. During the file review, it was noted that some documents have designated locations within the file. For example, Court documents, site visit notes, and final accountings each had a designated location in each ward's guardianship file. However, other records, such as documentation regarding assets, medical records, and residential care agreements, were kept together in no apparent order. The lack of designation and filing system results in difficulty locating important information regarding the activities of the Public Guardian, particularly with respect to asset disposition.

Recommendation: Develop an electronic document storage framework and process, and obtain adequate storage for paper files.

The Public Guardian should develop and implement an electronic document storage system. In order to support this effort, the Department requires the use of a scanner to scan documents into an electronic filing system. Understandably, this transition will take significant staff time and effort. The City may consider appointing an administrative intern to assist the Department with this transition. In the meantime, the Department should obtain enough storage space and file cabinets to store important ward files in their current office space.

Whether paper or electronic, the Public Guardian should develop and implement a filing system that ensures each type of record has a designated location and is maintained in chronological order to ease activity tracking. Ward files should contain discrete sections for Court documents, site visit notes, final accounting, medical records, housing records, and distributions from the guardianship account. Depending on the nature of the guardianship, other file sections could also include asset inventory and disposition, death certificate, and other case-dependent categories. Improved file organization will help assure that the Public Guardian has sufficient documentation to support the care of the ward and demonstrate fiduciary responsibility, thereby protecting the ward and the City from potential litigation.

D. POLICIES AND PROCEDURES

Finding 4: Public Guardian policies and procedures do not provide comprehensive guidance for asset liquidation.

The Public Guardian has developed a policy and procedure manual that provides guidance on guardianship activities such as processing payments, making medical decisions, and communicating with the ward, facility, and medical staff. These activities have a significant impact on the quality of care received by the ward, and they are the focus of the Department. These policies and procedures emphasize routine activities the Public Guardian completes to care for the ward. However, the policies and procedures do not adequately address asset disposition or guidance on inventory and liquidation processes.



Recommendation: Develop policies and procedures describing the asset liquidation process and ensure proper internal controls are in place.

The Public Guardian should revise the policy and procedure manual to incorporate additional policies related to the asset disposition process. These policies and procedures should:

- Describe the tracking requirements throughout the process, including the use of an item number in the inventory compilation, receipt issuance, and deposit in the guardianship account (Finding # 6)
- Establish agreements with experts in valuation to provide appraisal services (Finding # 7)
- Specify dollar value threshold of items that family members can take without purchase
- Establish where the Public Notice of Sale will occur and what information it should include (Finding # 9)
- Establish agreements with liquidators to include a standard commission percentage, sales process, and proper documentation of sale (Finding # 10)
- Standardize the percent difference between the sales price and the appraised or estimated value of an asset (Finding # 11)
- Determine how long to retain an asset before donation (i.e. if the item cannot sell)

VI. ASSET PROCESSING

A. DOCUMENTATION OF ASSET EXISTENCE AND CONDITION

Finding 5: The Public Guardian does not maintain sufficient documentation to support asset disposition.

When determining if ward assets can be donated or sold, Department staff assess asset condition and proceeds accordingly. However, staff do not document the state of assets to support their decision. Staff report that frequently the condition of the residence is poor, contaminated, or a health hazard, and therefore they opt to return the residence to the landlord, if applicable, or choose to do nothing with the property. While this may be a reasonable decision to make, proper supporting documentation should be available to substantiate the decision.

Recommendation: Document decisions to forfeit, demolish, donate, or sell ward assets using photographs and narrative accounts.

The Public Guardian should document the state of the ward assets to support the action taken on each item. Photographs or other accounts from third parties, such as the landlord or health department, provide evidence that supports staff decisions, regardless of whether the property is forfeited, donated, or sold. For example, if the ward's home had a rodent infestation, pictures from windows and doors would provide evidence of the infestation, and health department documentation would provide support for forfeiting the property. Documenting the state of ward assets lowers the risk for the City because it provides evidence in support of a staff decision. In the event that a ward's family member or other interested party doubts the decision made by the Public Guardian, the City has evidence supporting its actions.

B. INVENTORY OF SELLABLE ITEMS

Finding 6: The Public Guardian does not compile a complete inventory of ward assets, as required by State law.

State law requires the Public Guardian to file a verified inventory of ward assets within 60 days of appointment (NRS 159.085). In the event that property is not included on the original inventory, the Public Guardian is required to prepare and file a supplemental inventory within 30 days of knowledge of the asset.

The Public Guardian typically accounts for bank accounts, homes, vehicles, and the presence of personal property at the time the petition for guardianship is filed with the Court. For example, the inventory included on the petition resembles the following example list:

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Bank and Investment Accounts	
<i>Checking Account</i>	<i>\$5,000</i>
Real Property	
<i>Residence located at 123 Meadow Lane</i>	<i>\$75,000</i>
Personal Property	
1998 Buick	\$3,000
<i>Tangible personal property (clothing, furniture, etc.)</i>	<i>\$500</i>

Although all property should be recorded on the initial inventory, the Public Guardian may not be fully aware of all the ward's assets at the time the petition is filed. In the file review, it was noted that two original petitions did not include vehicles that were later liquidated by the Department. While the Public Guardian was likely unaware of the existence of the vehicles at the time original petitions were filed, the Department did not file a supplemental inventory with the Court as required by law.

Beyond the inventory included in the petition for guardianship, the Public Guardian does not compile or maintain an inventory of ward assets. As noted above, the category of personal property does not contain specific information and includes a rough estimate of its cumulative value. A limited description of personal property may satisfy the Court requirement at the time of petition, but it may not support sufficient asset tracking, valuation, and sale processes. Without an itemized inventory of personal assets, the Public Guardian is unable to demonstrably track the sale of personal assets, such as furniture, household items, décor, and collections. The inability to track assets liquidated by the Public Guardian poses elevated risk of loss and theft of ward assets.

Recommendation: Ensure that itemized inventories are compiled for all ward assets within 60 days of guardianship appointment, and implement an Inventory Tracking Form to track assets from the time of collection to the time sale proceeds are deposited into the ward's guardianship account.

The Public Guardian should develop an inventory of all relevant ward assets, including residences, vehicles, furniture, collections, and other sellable household items. Compiling an inventory provides a basis for asset tracking, and decreases the risk of loss and theft. The Department should implement an Inventory Tracking Form to track all actions related to ward assets. The Inventory Tracking Form should encompass the information required to ensure the sale of assets complies with the requirements laid out in State law. Appendix B includes a sample Inventory Tracking Form template.

To maximize asset tracking, ward assets should be inventoried. Assets that are donated should be listed with a short description for record-keeping and tax purposes. Additionally, the Public Guardian should itemize sellable assets by affixing pre-numbered paper receipts to the asset and recording the item number in the Inventory Tracking Form. For the collection phase of the asset disposition process, the Public Guardian should record the asset's item number, description, and photograph.

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Use of this document for asset disposition helps ensure the security of assets, while supporting fair selling practices and decisions. To maximize the use of this tool, files should be well-organized and maintain sufficient supporting documentation, including any third party appraisals.

C. ASSET APPRAISAL

Finding 7: In accordance with Court orders for guardianship, appraisals were waived for all wards in the review period.

State law requires an appraisal or valuation of any asset within the guardianship estate to be conducted by a disinterested appraiser, certified public accountant, or expert in valuation (NRS 159.086). The Court may waive this requirement as part of the original guardianship order if total assets are valued at less than \$10,000. This waiver places the ward's assets under "summary administration," with Court orders typically stating:

IT IS FURTHER ORDERED that annual accountings and all other proceedings shall be dispensed with pursuant to NRS 159.076, and that the guardianship shall proceed under summary administration.

...

IT IS FURTHER ORDERED that the Guardian is hereby authorized to sell by private or public sale, donate, distribute to family members, or, in the event the property is in poor condition or unusable, abandon or destroy any tangible personal property of the Ward without notice or Court confirmation, and that no appraisal of said tangible personal property shall be required.

For wards under full administration where the Court has not waived appraisals, appraisals should be filed with the Court as part of guardianship proceedings. State law does provide exceptions for bank deposits and insurance policies that have a cash equivalent value, personal property with a combined value of less than \$5,000, and real property if an assessment issued from the county assessor is available. The Public Guardian appraises the value of vehicles and homes, but the Department does not typically appraise personal items. A local appraisal and estate sale company has been used to appraise and liquidate more valuable assets in the past; however, all of the eight wards with assets sold in the last three years had appraisal waived by Court order. Department staff reported that most wards under its care have assets of minimal value, which may not require an appraisal, but this cannot be verified due to the limited documentation included in ward guardianship files.

Recommendation: For wards under full administration, ensure sellable assets are appraised to determine their anticipated value.

The Public Guardian should ensure all assets that can be sold are appraised in accordance with individual Court orders and/or State law. The appraised value should be noted in the Inventory Tracking Form, and the Public Guardian should maintain documentation of the agreement with the appraiser in the ward's file. If the ward's personal assets do not exceed the \$5,000 threshold for

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summary administration or the \$10,000 threshold for full administration, then the Public Guardian should maintain documentation of that determination. The Inventory Tracking Form may be used to demonstrate that the ward's personal assets do not exceed this threshold. The Public Guardian should also ensure vehicle and home appraisals are maintained in ward files.

Appraisal of assets provides protection for the Department in demonstrating its efforts to secure an appropriate and reasonable price for assets to the benefit of wards in Public Guardian care.

D. ASSET STORAGE

Finding 8: With the exception of small items, the Public Guardian does not have a secure location to store assets pending sale.

The Public Guardian does not have a storage unit or other dedicated, secure location to store ward assets pending sale. If goods have significant value and are sufficiently small, the Public Guardian stores them in a safe at the Courthouse. The safe requires three codes to gain entry, although all three codes are known by various City employees, including the Public Guardian and the Deputy Public Guardian. Therefore, the safe lacks proper dual entry controls that provide protection to the assets kept inside. Because the Public Guardian's office is no longer at the Courthouse, staff may only access the safe during Court business hours.

Ward assets that require storage are kept in the Public Guardian's office or in a ward's storage unit. However, since the storage unit is paid for out of one ward's estate, it should only be used for purposes relating to the care of that individual ward.

Overall, security over ward assets is insufficient and poses undue risk of loss or theft. Furthermore, the lack of a dually-controlled storage space for ward assets may result in allegations of staff mismanagement of assets. Due to the lack of an asset inventory, as mentioned in Finding #6, property could go missing without staff knowledge. Without a centralized storage area, the Department cannot be sure that it knows where client property is located after collection.

Recommendation: Obtain a secure location to store ward assets pending sale, and ensure proper dual control entry requirements.

The Public Guardian requires a safe and secure place to store ward assets pending sale. The storage facility should include dual control entry through the use of either two codes or two keys. This requires two or more staff members to be present to enter the storage space, thereby providing additional protection both to the assets and personnel against potential allegations of mismanagement of assets.

VII. ASSET LIQUIDATION

A. ADVERTISEMENT OF SALE

Finding 9: Assets were advertised to the public in accordance with Court orders.

State law allows a Public Guardian to sell real and personal property after notice of sale is published in a local newspaper or other newspaper ordered by the Court (NRS 159.1425; NRS 159.1535). Whether the sale takes place by public auction or private sale, the notice of sale must be published at least three times over a period of 14 days and 7 days apart. The law allows the Court to make an exception, although it maintains that public notice must be provided at least 8 days prior to the sale.

The Public Guardian reports that it places ads for the sale of homes, but not for any other goods. The Public Guardian's attorney reports that some advertisements are made via the attorney's office, which pays for the advertisements. Staff noted that ads typically cost \$400 to \$500, which may exceed the sales price for assets. Court orders for the eight wards that had assets liquidated by the Public Guardian included an exemption from Public Notice of Sale requirements. The Department does not have a policy in place establishing requirements for public notice of sale of assets.

Recommendation: Provide public notice for the sale for all ward assets in accordance with Court orders and/or State law.

The Public Guardian should provide public notice of sale in the local newspaper in accordance with Court orders and/or State law. Each public notice of sale date should be noted in the Inventory Tracking Form by item. Public notice State law requirements include:

- Notice of sale must be published at least three times over a period of 14 days and 7 days apart
- For the sale of personal assets sold by public auction, notices must include:
 - A description of the property
 - The date, time, and location of the sale
- For the sale of personal assets sold by private sale, notices must include:
 - A description of the property
 - The date, time, and location that offers will be accepted
- For the sale of personal assets sold on an online auction website:
 - A description of the property
 - The date the personal property will be listed
 - The internet address of the website where the sale will be posted.

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As referenced in Finding #4, the Department should also develop a policy establishing the newspaper, timing, and content of public notices of sale. In order to reduce costs, the Department should evaluate the advertisement rates for local newspapers and inquire for government rates. Ensuring sufficient public notices of sale may yield higher prices on ward assets by creating competition between buyers.

B. USE OF LIQUIDATORS

Finding 10: Liquidators are typically engaged on an ad-hoc basis, without written agreements defining commission percentages and sales processes.

The Public Guardian does not use the procurement process to select asset liquidators. Instead, liquidator services, such as those provided by real estate and auctioneer agents, are procured via community connections and historical use. Although local liquidators conveniently support the Public Guardian, without a proper procurement process, the Department cannot be sure that the commission percentage requested is reasonable and competitive.

Additionally, the Public Guardian does not have written agreements establishing commission percentages and sales processes for most liquidators. Due to the minimal value of most goods, the Public Guardian did not have any active agreements with liquidators at the time of review. The file review revealed that two of four ward vehicles were liquidated with the use of an auctioneer, who was paid a 20% commission. This agreement was noted by staff on the record of sale, although there was no other contract or documentation to support this commission percentage. The liquidator was used once more without a written commission agreement, and the commission paid was unable to be determined due to the nature of the sale.

Recommendation: Develop formal written agreements for the use of liquidators.

The Public Guardian should work with the City Attorney to develop formal, written agreements for the use of liquidators. Agreements should include the commission percentage, define the sales process, and require proper documentation to support the sale is maintained. Because services may be used infrequently, liquidator contracts could include on-call clauses for a pre-defined number of years. The Department should work with the City's Finance Department to conduct procurement for on-call liquidator services. Following standard City procurement practices would ensure that liquidators carry sufficient insurance and protect against conflicts of interest.

Liquidator services should be recorded on the Inventory Tracking Form. The name of the brokerage service, agreed-upon commission percentage, and dollar value of the commission value paid should be recorded accordingly.

C. ENSURE MAXIMUM VALUE FOR ASSET

Finding 11: Fair market value may not be consistent. The Public Guardian does not always ensure market value is received for the sale of ward assets, vehicles, and personal property.

With the exception of residences, the Public Guardian determines the accepted sales price for ward assets, such as vehicles and household items. As mentioned previously, the Department uses Kelley Blue

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Book valuations to determine the value of a vehicle. The Department reported that it will accept any prices within \$5,000 of the valuation for a ward's vehicle, although this is not documented in policy. Four vehicles were sold in the files reviewed, none of which had a value exceeding \$5,000. As a result, it appears that \$5,000 deviates too far from the vehicle's estimated value.

Because the Public Guardian does not maintain an inventory of estimated value for personal assets, there is no way to determine if sale prices approximate the market value for goods. Sale proceeds support the ward's care and are potentially disbursed to family or another designated source; therefore it is in the best interest of the wards and their estates to ensure the maximum value for goods is received.

Recommendation: Use appraisals or estimated values to support sale prices and ensure fair negotiations with potential buyers.

The Public Guardian should use appraisals or other estimated values to support and encourage favorable sales prices through negotiation with potential buyers. Maximizing the sales prices to a reasonable and fair degree ultimately helps support the ward and their care.

As mentioned in Finding #4, the Public Guardian should develop a policy establishing a percent difference between the appraised or estimated value and the sales price that the Department will accept for ward assets. The policy may also contain provisions decreasing the sales price for assets that have not sold within 3 months, 6 months, and 9 months to ensure an item's valuation does not prevent its sale.

D. MAINTENANCE OF RECEIPTS

Finding 12: Receipts for sale of personal property are not issued or maintained.

The Public Guardian does not issue receipts for the sale of personal property. The Public Guardian reported that if liquidators are used, receipts that record the sale are issued. This practice could not be validated through the file review, as no personal assets of the sampled wards were sold through the use of a liquidator.

Without an inventory or receipts for items sold, it is impossible to determine what assets sold for what price and tie the funds to corresponding deposits in the guardianship account. The combination of these two missing items presents elevated risk of loss and theft of funds, particularly because the Department's preferred method of payment is cash or check. Missing receipts also expose Public Guardian employees to potential allegations of wrongful conduct, with no evidence to support their fiduciary actions.

Recommendation: Issue and retain receipts for all items sold, including the itemized asset number.

To protect staff and the interests of the ward, the Department should issue and retain itemized receipts for all items sold. The receipt should contain the method of payment, dollar amount, item number, date

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of sale, and signature of the buyer. Receipts should be retained for seven years after the end of guardianship in accordance with State law. Department staff should also record the sale on the Inventory Tracking Form.

E. DEPOSIT OF SALE PROCEEDS

Finding 13: Deposits of sale proceeds are not always appropriately documented.

Deposits often do not list the item(s) sold in the description, further hindering the Department's ability to track ward assets. Instead, deposit descriptions reflect a description such as "sale of household item," which does not provide sufficient information to track the sale of assets and presents a risk to the City. Because a number of cash deposits of this nature can be made, outside parties are not able to track deposit of funds back to the items themselves.

For two vehicles, a record of sale was filed without corresponding deposit into each ward's guardianship accounts:

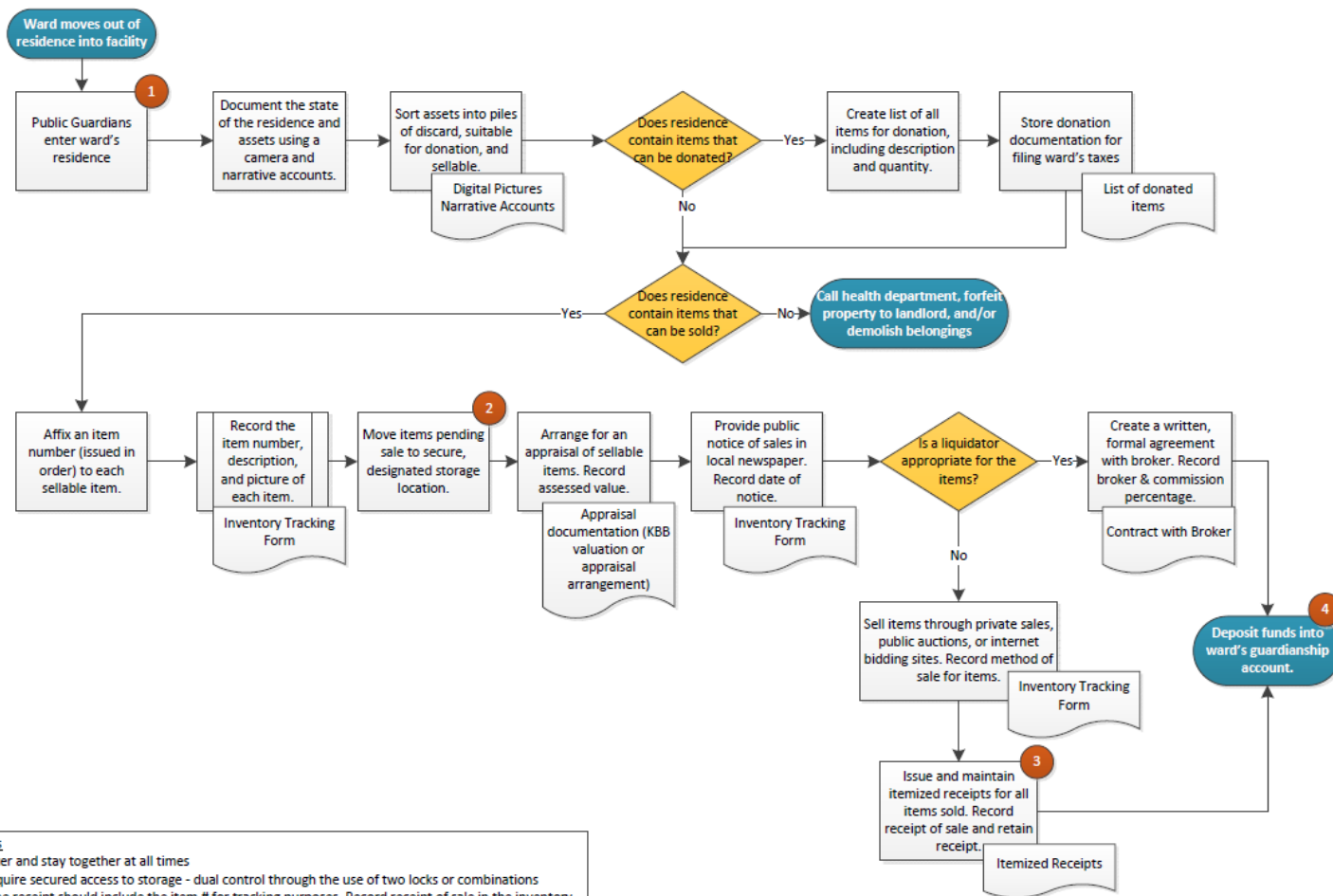
- One guardianship file contained a record indicating that the vehicle was sold in 2014 for the price of \$1,400. However, the ward's final accounting did not include a corresponding deposit in the guardianship account that would demonstrate receipt of the sale proceeds. After conducting additional research, Department staff located the funds in the Public Guardian account. Staff report that this account is used to deposit checks when a ward does not have a bank account. According to the Department, the proceeds for the sale of the vehicle were deposited into this account to prevent the ward from appearing over-resourced in order to qualify for Medicaid. However, the funds were never subsequently re-deposited into the guardianship account when it was below the fund limit for Medicaid eligibility.
- Another guardianship file contained a record indicating that, in 2016, a ward's vehicle was sold for \$2,000 to the liquidator used to sell the asset. However, there is no correlating deposit into the ward's guardianship account. When asked about these funds, the Public Guardian reported that the liquidator took the car in exchange for a set of table and chairs that the ward's son wanted. Beyond the receipt listing a sale of \$2,000 for the vehicle, there is no documentation to support this transaction.

Recommendation: Ensure the timely deposit of sale proceeds into the guardianship account for each ward and record the item number in the deposit comment.

The Public Guardian should include the asset item number in the deposit of funds to allow for easy tracking of funds. Additionally, the date of deposit should be recorded on the Inventory Tracking Form so any interested party can easily verify that the deposit was made and tied back to the sale of the item in the final accounting records.

APPENDIX A: RECOMMENDED ASSET LIQUIDATION PROCESS

Recommended Asset Disposition Process

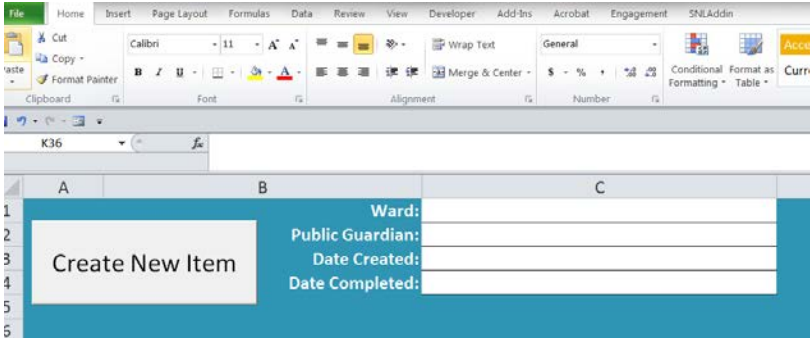


Notes
 1. Enter and stay together at all times
 2. Require secured access to storage - dual control through the use of two locks or combinations
 3. The receipt should include the item # for tracking purposes. Record receipt of sale in the inventory tracking sheet and retain the receipt for 7 years, as required by NRS.
 4. If funds are deposited into another account for any reason, reconcile the account prior to the ward's final accounting. The deposit note should include the item #. The deposit date and amount should be included in the inventory tracking sheet.

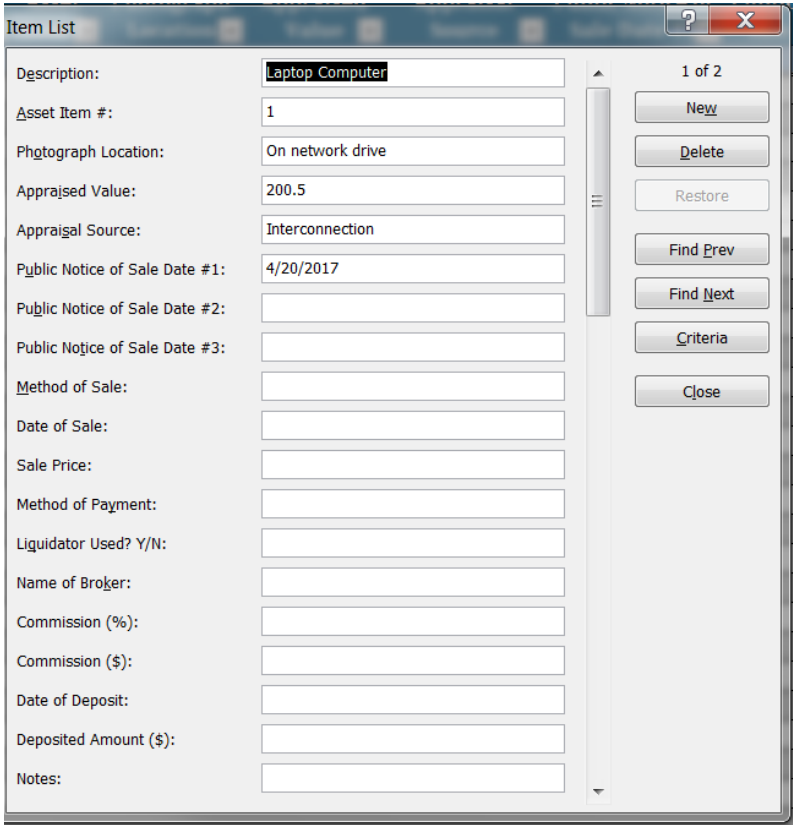
APPENDIX B: SAMPLE INVENTORY TRACKING FORM

Open a new copy of the Inventory Tracking Sheet for each ward.

Click on the “Create New Item” after filling in the relevant information on the “New Item” tab.



This will run a macro that opens the data entry form “Item List” as seen below. The existing items can be updated from this form, as well as new items created.



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The form will create a new line item that Public Guardians can use to track the sale/disposal of the ward's assets.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	
	Description	Asset Item	Photograph Location	Appraised Value	Appraisal Source	Public Notice of Sale Date # 1	Public Notice of Sale Date # 2	Public Notice of Sale Date # 3	Method of Sale	Date of Sale	Sale Price	Method of Payment	Liquidator Used? Y/N	Name of Broker	Commission (%)	Commission (\$)	Date of Deposit	Deposited Amount (\$)	Notes	
1																				
2	Laptop Computer	1	On network driv	\$200.50	Interconnection	04/20/17														
3	Clothing	2	On network driv	\$50.00	Charity Shop	04/20/17														
4																				
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APPENDIX C: STATE LAW REFERENCES

NRS CHAPTER 159

NRS 159.1425 Notice of sale of real property of ward: When required; manner of providing; waiver; content.

1. Except as otherwise provided in this section and except for a sale pursuant to NRS 159.123 or 159.142, a guardian may sell the real property of a ward only after notice of the sale is published in:
 - a. A newspaper that is published in the county in which the property, or some portion of the property, is located; or
 - b. If a newspaper is not published in that county:
 - i. In a newspaper of general circulation in the county; or
 - ii. In such other newspaper as the Court orders.
2. Except as otherwise provided in this section and except for a sale of real property pursuant to NRS 159.123 or 159.142:
 - a. The notice of a public auction for the sale of real property must be published not less than three times before the date of the sale, over a period of 14 days and 7 days apart.
 - b. The notice of a private sale must be published not less than three times before the date on which offers will be accepted, over a period of 14 days and 7 days apart.
3. For good cause shown, the Court may order fewer publications and shorten the time of notice, but must not shorten the time of notice to less than 8 days.
4. The Court may waive the requirement of publication pursuant to this section if:
 - a. The guardian is the sole devisee or heir of the estate; or
 - b. All devisees or heirs of the estate consent to the waiver in writing.
5. Publication for the sale of real property is not required pursuant to this section if the property to be sold is reasonably believed to have a value of \$10,000 or less. In lieu of publication, the guardian shall post notice of the sale in three of the most public places in the county in which the property, or some portion of the property, is located for at least 14 days before:
 - a. The date of the sale at public auction; or
 - b. The date on which offers will be accepted for a private sale.

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6. Any notice published or posted pursuant to this section must include, without limitation:
 - a. For a public auction:
 - i. A description of the real property which reasonably identifies the property to be sold; and
 - ii. The date, time and location of the auction.
 - b. For a private sale:
 - i. A description of the real property which reasonably identifies the property to be sold; and
 - ii. The date, time and location that offers will be accepted.

NRS 159.1535 Notice of sale of personal property of ward: When required; manner of providing content.

1. Except as otherwise provided in NRS 159.1515 and 159.152, a guardian may sell the personal property of the ward only after notice of the sale is published in:
 - a. A newspaper that is published in the county in which the property, or some portion of the property, is located; or
 - b. If a newspaper is not published in that county:
 - i. In a newspaper of general circulation in the county; or
 - ii. In such other newspaper as the Court orders.
2. Except as otherwise provided in this section:
 - a. The notice of a public sale must be published not less than three times before the date of the sale, over a period of 14 days and 7 days apart.
 - b. The notice of a private sale must be published not less than three times before the date on which offers will be accepted, over a period of 14 days and 7 days apart.
3. For good cause shown, the Court may order fewer publications and shorten the time of notice, but must not shorten the time of notice to less than 8 days.
4. The notice must include, without limitation:
 - a. For a public sale:
 - i. A description of the personal property to be sold; and
 - ii. The date, time and location of the sale.

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- b. For a private sale:
 - i. A description of the personal property to be sold; and
 - ii. The date, time and location that offers will be accepted.
- c. For a sale on an appropriate auction website on the Internet:
 - i. A description of the personal property to be sold;
 - ii. The date the personal property will be listed; and
 - iii. The Internet address of the website on which the sale will be posted.

NRS 159.085 Inventory, supplemental inventory and appraisal of property of ward.

1. Not later than 60 days after the date of the appointment of a general or special guardian of the estate or, if necessary, such further time as the Court may allow, the guardian shall make and file in the guardianship proceeding a verified inventory of all of the property of the ward which comes to the possession or knowledge of the guardian.
2. A temporary guardian of the estate who is not appointed as the general or special guardian shall file an inventory with the Court by not later than the date on which the temporary guardian files a final accounting as required pursuant to NRS 159.177.
3. The guardian shall take and subscribe an oath, which must be endorsed or attached to the inventory, before any person authorized to administer oaths, that the inventory contains a true statement of:
 - a. All of the estate of the ward which has come into the possession of the guardian;
 - b. All of the money that belongs to the ward; and
 - c. All of the just claims of the ward against the guardian.
4. Whenever any property of the ward not mentioned in the inventory comes to the possession or knowledge of a guardian of the estate, the guardian shall:
 - a. Make and file in the proceeding a verified supplemental inventory not later than 30 days after the date the property comes to the possession or knowledge of the guardian; or
 - b. Include the property in the next accounting.
5. The Court may order which of the two methods described in subsection 4 the guardian shall follow.
6. The Court may order all or any part of the property of the ward appraised as provided in NRS 159.0865 and 159.305.

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7. If the guardian neglects or refuses to file the inventory within the time required pursuant to subsection 1, the Court may, for good cause shown and upon such notice as the Court deems appropriate:
 - a. Revoke the letters of guardianship and the guardian shall be liable on the bond for any loss or injury to the estate caused by the neglect of the guardian; or
 - b. Enter a judgment for any loss or injury to the estate caused by the neglect of the guardian.

NRS 159.086 Guardian of estate to cause appraisal or valuation of assets of guardianship estate; record or statement in lieu of appraisal.

1. Except as otherwise provided in subsection 2, the guardian of an estate shall cause an appraisal or valuation of any asset of a guardianship estate to be conducted by a disinterested appraiser, certified public accountant or expert in valuation and file the appraisal or valuation with the Court.
2. In lieu of an appraisal, the guardian may file:
 - a. A verified record of value of an asset where the value of the asset can be determined with reasonable certainty, including, without limitation:
 - i. Money, deposits in banks, bonds, policies of life insurance or securities for money, when equal in value to cash; and
 - ii. Personal property, including, without limitation, household goods, if the combined value of the personal property does not exceed \$5,000.
 - b. A statement of the assessed value of real property as determined by the county assessor for tax purposes, except that if the real property is to be sold, the guardian must file an appraisal.

NRS 159.076 Summary administration.

1. The Court may grant a summary administration if, at any time, it appears to the Court that after payment of all claims and expenses of the guardianship the value of the ward's property does not exceed \$10,000.
2. If the Court grants a summary administration, the Court may:
 - a. Authorize the guardian of the estate or special guardian who is authorized to manage the ward's property to convert the property to cash and sell any of the property, with or without notice, as the Court may direct. After the payment of all claims and the expenses of the guardianship, the guardian shall deposit the money in savings accounts or invest the money as provided in NRS 159.117, and hold the investment and all interest, issues,

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dividends and profits for the benefit of the ward. The Court may dispense with annual accountings and all other proceedings required by this chapter.

- b. If the ward is a minor, terminate the guardianship of the estate and direct the guardian to deliver the ward's property to the custodial parent or parents, guardian or custodian of the minor to hold, invest or use as the Court may order.
3. Whether the Court grants a summary administration at the time the guardianship is established or at any other time, the guardian shall file an inventory and record of value with the Court.
4. If, at any time, the net value of the estate of the ward exceeds \$10,000:
 - a. The guardian shall file an amended inventory and accounting with the Court;
 - b. The guardian shall file annual accountings; and
 - c. The Court may require the guardian to post a bond.

NRS CHAPTER 253

NRS 253.150 Establishment of office by county commissioners; appointment, designation or contract; compensation.

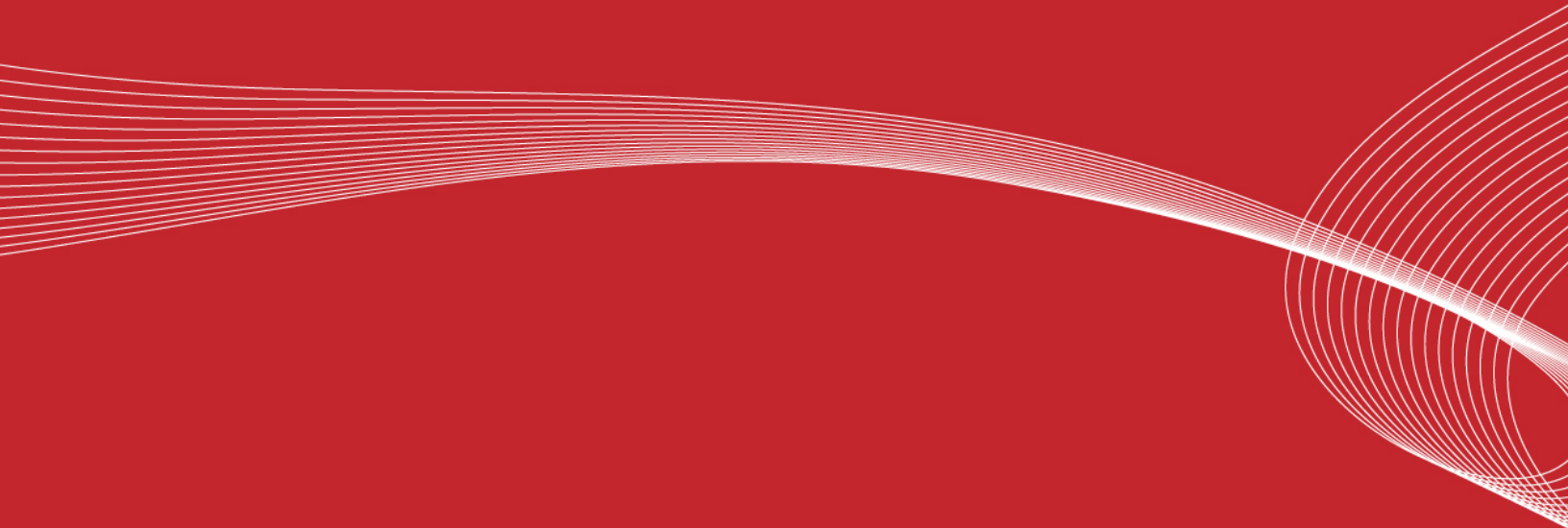
1. The board of county commissioners of each county shall establish the office of public guardian.
2. The board of county commissioners shall:
 - a. Appoint a public guardian, who serves at the pleasure of the board, for a term of 4 years from the day of appointment;
 - b. Designate an elected or appointed county officer as ex officio public guardian;
 - c. Pursuant to the mechanism set forth in NRS 244.1507, designate another county officer to execute the powers and duties of the public guardian;
 - d. Except in a county whose population is 100,000 or more, contract with a private professional guardian to act as public guardian; or
 - e. Contract with the board of county commissioners of a neighboring county in the same judicial district to designate as public guardian the public guardian of the neighboring county.
3. The compensation of a public guardian appointed or designated pursuant to subsection 2 must be fixed by the board of county commissioners and paid out of the county general fund.
4. As used in this section, "private professional guardian" has the meaning ascribed to it in NRS 159.024, except that the term does not include:

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- a. A banking corporation, as defined in NRS 657.016, or an organization permitted to act as a fiduciary pursuant to NRS 662.245 if it is appointed as guardian of an estate only.
- b. A trust company, as defined in NRS 669.070.
- c. A Court-appointed attorney licensed to practice law in this State.
- d. A trustee under a deed of trust.
- e. A fiduciary under a Court trust.

NRS 253.190 Records. A public guardian shall:

1. Keep financial and other appropriate records concerning all cases in which he or she is appointed as an individual guardian; and
2. Retain:
 - a. All such financial records for each case for at least 7 years after the date of the transaction that is recorded in the record; and
 - b. All other records for each case for at least 7 years after the termination of the guardianship pursuant to chapter 159 of NRS.



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STAFF REPORT

Report To: Audit Committee

Meeting Date: 5/09/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion and possible direction to staff to initiate the Request for Proposal (RFP) process for internal audit services to be recommended to the Board of Supervisors for Fiscal Year 2018. (Nancy Paulson, npaulson@carson.org)

Staff Summary: At the June 7, 2016 Audit Committee meeting, the Committee discussed sending out an RFP for FY 2018 internal audit services. An RFP has not been done since Moss Adams was selected in FY 2012.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)