

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

Day: Tuesday
Date: December 7, 2021
Time: Beginning at 1:30 pm
Location: Community Center, Robert "Bob" Crowell Board Room
851 East William Street
Carson City, Nevada

AGENDA

NOTICE TO THE PUBLIC:

- **The State of Nevada and Carson City are currently in a declared State of Emergency in response to the global pandemic caused by the coronavirus (COVID-19) infectious disease outbreak. In accordance with the applicable Directives issued under authority of the Governor’s Declaration of Emergency, including Directive 045 and 047, and subject to any potential changes in state or federal mandates or guidelines, face coverings are required to be worn when attending this meeting in person.**

- **Members of the public who wish only to view the meeting but do NOT plan to make public comment may watch the livestream of the Audit Committee meeting at www.carson.org/granicus and by clicking on “In progress” next to the meeting date, or by tuning in to cable channel 191. Livestream of the meeting is provided solely as a courtesy and convenience to the public. Carson City does not give any assurance or guarantee that the livestream or cable channel access will be reliable. Although all reasonable efforts will be made to provide livestream, unanticipated technical difficulties beyond the control of City staff may delay, interrupt or render unavailable continuous livestream capability.**

- **The public may provide public comment in advance of a meeting by written submission to the following email address: publiccomment@carson.org. For inclusion or reference in the minutes of the meeting, your public comment must include your full name and be submitted via email by not later than 3:00 p.m. the day before the meeting.**

- **Members of the public who wish to provide live public comment via telephonic appearance in lieu of physical attendance may do so during the designated public comment periods indicated on the agenda by dialing the numbers listed below. Public comment will be limited to three minutes per person. Please do NOT join by phone if you do not wish to make public comment.**

Join by phone:

**Phone Number: +1-408-418-9388
Meeting Number: 2494 245 7300**

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 - September 7, 2021

5. For Possible Action: Adoption of Agenda

6. Meeting Items

6.A For Possible Action: Discussion and possible action regarding the Citywide Payroll Process internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Citywide Payroll Process internal audit from the Fiscal Year 2022 Audit Work Program. Briefing will address internal audit findings, recommendations, and staff response(s).

6.B For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: Staff will discuss the monitoring, review and closure of the previous internal auditor findings and/or recommendations included in the Audit Findings Tracking Report.

6.C For Presentation Only: Discussion regarding Fiscal Year ("FY") 2022 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 2022 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

6.D For Discussion Only: Discussion regarding dates for the next meeting of the Audit Committee.

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 Finance Department. 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 Finance Department in writing at 201 North Carson Street Ste 3, Carson City, NV, 89701, or by calling (775) 887-2133 at least 24 hours in advance.

To request a copy of the supporting materials for this meeting contact Amanda Fencil at afencil@carson.org or call (775) 887-2133.

This agenda and backup information are available on the City's website at www.carson.org, and at the Finance Office - City Hall, 201 N. Carson Street, Ste 3, Carson City, Nevada (775) 887-2133.

In accordance with NRS 241.020, this notice has been posted before 9:00 a.m. three working days before the day of the meeting at the following locations:

Carson City Library 900 North Roop Street
City Hall 201 North Carson Street
Community Center 851 East William Street
Community Development Permit Center 108 East Proctor Street
<https://notice.nv.gov>
www.carson.org/agendas

Audit Committee Agenda Item Report

Meeting Date: December 7, 2021

Submitted by: Amanda Fencil

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

September 7, 2021

Suggested Action:

I move to approve the minutes of September 7, 2021

Attachments:

[9-7-21 DRAFT minutes .pdf](#)

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the September 7, 2021 Meeting
Page 1

A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, September 7, 2021 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Pro Tem Lori Bagwell
Member Margaret Molina
Member James Wells

STAFF: Sheri Russell, Chief Financial Officer
Stephanie Hicks, Deputy City Manager (via WebEx)
Mihaela Neagos, Deputy District Attorney
Danielle Howard, Public Meetings Clerk

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

1 - 2. CALL TO ORDER AND ROLL CALL

(1:34:27) – Chairperson Pro Tem Bagwell called the meeting to order at 1:34 p.m. Roll was called, and a quorum was present. Chairperson Ferguson and Member Mayhorn were absent for this meeting.

3. PUBLIC COMMENT:

(1:34:43) – Chairperson Pro Tem Bagwell entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – JUNE 22, 2021

(1:35:00) – Chairperson Pro Tem Bagwell introduced the item and entertained comments, questions, and a motion.

(1:35:14) – MOTION: Member Wells moved to approve the June 22, 2021 meeting minutes as presented. Member Molina seconded the motion. The motion carried 3-0-0.

5. FOR POSSIBLE ACTION: ADOPTION OF AGENDA

(1:35:31) – Ms. Russell noted that there were no changes to the agenda.

6. AGENDA ITEMS

6.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW AND CLOSURE OF INTERNAL AUDIT FINDINGS AND/OR RECOMMENDATIONS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT AND PROVIDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND/OR RECOMMENDATIONS.

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the September 7, 2021 Meeting
Page 2

(1:35:39) – Chairperson Pro Tem Bagwell introduced the item. Ms. Russell referenced the Staff Report and the accompanying documents, all of which are incorporated into the record, and responded to clarifying questions.

(1:37:33) – In response to Chairperson Pro Tem Bagwell’s question, Ms. Russell indicated that the department heads would be tasked with determining if the low usage vehicles were needed or if the department heads could possibly share with another department. Chairperson Pro Tem Bagwell was concerned about allowing a report to “languish somewhere,” and she wished to have the final report presented to the Board of Supervisors (BOS) for an “executive look” along with the Capital Improvement Plan (CIP), which Ms. Russell was in favor of. Member Wells agreed that some justification for maintaining the low utilization vehicle was warranted and should have some higher-level review.

(1:42:23) – Chairperson Pro Tem Bagwell entertained a motion to close Item #3 of the Fleet Management audit with the changes on the record, including the addition of an annual review of the report by the BOS.

(1:42:37) – MOTION: Member Wells so moved. Member Molina seconded the motion. The motion carried 3-0-0.

6.B FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE REVIEW OF AGREED UPON PROCEDURES SUGGESTED BY EIDE BAILLY REGARDING THE CARSON CITY BUILDING DIVISION AND ANY OTHER PROCEDURES THAT WERE APPROVED AS PART OF THE FISCAL YEAR (“FY”) 2022 AUDIT WORK PROGRAM.

(1:42:58) – Chairperson Pro Tem Bagwell introduced the item. Per NRS 281A.420, she read into the record a prepared disclosure statement, advised of no disqualifying conflict of interest, and noted that she would be voting on this item. Eide Bailly LLP Senior Manager Audrey Donovan presented the document titled *Insourcing vs. Outsourcing of Building Division Activities Audit Program*, which is incorporated into the record. She also entertained Member discussion on the matter and responded to clarifying questions.

(1:54:29) – Member Wells commented about the problems he has had over the past two years, as someone who has a business license, due to receiving bills late and not being notified of payments that were due. Chairperson Pro Tem Bagwell acknowledged how the City was missing out on revenue and identification of businesses while the business community was experiencing frustration over wanting to do the right thing.

(1:57:04) – Eide Bailly LLP Manager of Cybersecurity Business Development Alex Brown informed the Committee about the follow-up activity that will occur from the Internal and External Vulnerability Assessment, which was executed during the previous year. He explained that, through the End-User Vulnerability Assessment, Eide Bailly LLP would be testing the controls on the machines and ensuring that the procedures and technical controls in place on the end-user machines are adequate in maintaining network security relating to such concerns as malicious software and accessing users’ accounts. Mr. Brown and Nathan Kramer from Eide Bailly LLP responded to clarifying questions. In response to Carson City Chief Information Officer Frank Abella’s question, Mr. Brown confirmed that the End-User Vulnerability Assessment would be strictly internal.

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the September 7, 2021 Meeting
Page 3

(2:03:43) – MOTION: Member Wells moved to direct Eide Bailly LLP and Staff to perform the agreed-upon procedures as discussed. Member Molina seconded the motion. The motion carried 3-0-0.

6.C FOR PRESENTATION ONLY: DISCUSSION REGARDING FISCAL YEAR (“FY”) 2022 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(2:04:08) – Chairperson Pro Tem Bagwell introduced the item. Ms. Donovan reported that, based on the Citywide Payroll process that was executed from the last AC meeting, Eide Bailly LLP had been working closely with the Finance and Accounting Department to acquire system access so several of the activities could be done remotely and prevent “so much disruption and touch points with [Ms. Russell’s] team and the activities that go on.” She stated that, with that system access, Eide Bailly LLP was able to do approximately 80 to 90 percent of the work through the system, and Eide Bailly LLP was “more than halfway through the fieldwork.” She anticipated finishing with the process by September 15, 2021, after which Eide Bailly LLP will begin drafting the findings and writing the report, and Ms. Donovan expected the Building Division engagement to launch during the October/November timeframe. She also indicated that an incident was reported to the Fraud, Waste, and Abuse Hotline regarding an individual that was renting business space that was not obtaining the necessary permits and information needed to build out the space the way that the individual would need to run the business, and Ms. Donovan added that she would work directly with the Building Division on this matter.

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

(2:07:38) – Chairperson Pro Tem Bagwell introduced the item, and based on the meeting dates suggested by Ms. Russell, the consensus among the Members was to tentatively schedule the next AC meeting for December 7, 2021 at 1:30 a.m.

7. PUBLIC COMMENT

(2:08:51) – Chairperson Pro Tem Bagwell entertained public comments; however, none were forthcoming.

8. FOR POSSIBLE ACTION: TO ADJOURN

(2:09:14) – Chairperson Pro Tem Bagwell adjourned the meeting at 2:09 p.m.

The Minutes of the September 7, 2021 Carson City Audit Committee meeting are so approved this day 7th of December 2021.

Audit Committee Agenda Item Report

Meeting Date: December 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action regarding the Citywide Payroll Process internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Citywide Payroll Process internal audit from the Fiscal Year 2022 Audit Work Program. Briefing will address internal audit findings, recommendations, and staff response(s).

Suggested Action:

I move to approve the Citywide Payroll Process internal audit report and direct staff to work on the recommendations as discussed.

Attachments:

[SR - Payroll Internal Audit Report.docx](#)

[Carson City Payroll IA Report 2021- 11.22.2021 - Final.pdf](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: December 7, 2021

Staff Contact: Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: For Possible Action: Discussion and possible action regarding the Citywide Payroll Process internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Citywide Payroll Process internal audit from the Fiscal Year 2022 Audit Work Program. Briefing will address internal audit findings, recommendations, and staff response(s).

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

I move to approve the Citywide Payroll Process internal audit report and direct staff to work on the recommendations as discussed.

Board's Strategic Goal

Efficient Government

Previous Action

Fiscal Year 2022 internal audit program was approved by the Audit Committee on June 22, 2021.

Background/Issues & Analysis

According to Carson City Municipal Code 2.14.040 the 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.

Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Article 3 Section 3.075, CCMC 2.14.040

Financial Information

Is there a fiscal impact? Yes No

Is it currently budgeted? Yes No

Alternatives

Do not approve or provide alternative direction to internal auditors or staff.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Citywide Payroll Process

Internal Audit Report

November 22, 2021

Carson City, Nevada

Submitted By

Eide Bailly LLP

TABLE OF CONTENTS

Executive Summary..... 1

Background Information 1

Objective & Scope..... 1

Methodology 1

Testing Results..... 3

Conclusion 3

Findings & Recommendations..... 3

Finding #1: Annual Assessment of Regulatory Changes in Payroll 4

Finding #2: Munis User Role Monitoring Citywide 4

Finding #3: Munis User Role Evaluation for HR and Payroll..... 4

Appendix A – Internal Controls and Related Control Activities..... 6



Executive Summary

Eide Bailly LLP (“We”, or “Our”) performed an independent citywide assessment of Carson City’s (“City”) payroll process to ensure that payroll is processed accurately, completely, and timely. Additionally, this review evaluated the adequacy of the related internal controls, the functionality of the current payroll system, and related IT controls. During the assessment, we identified three (3) findings and present recommendations to improve existing processes and minimize risks associated with payroll.

Background Information

The City’s payroll is managed by the Finance Department by both the Payroll Administrator and Payroll Accounting Manager. New hires, terminations, and employee changes such as salaries, benefits, and deductions are entered by the Human Resources (HR) Department into Munis ERP (the financial system of record) and reviewed and posted in the system by the Payroll Administrator. Utilizing system workflow approvals in Munis, employee changes go through appropriate channels of review and approval from appropriate HR and Finance personnel.

The City uses three timekeeping systems including *ExecuTime* for the majority of City employees, *TeleStaff* for Sherriff’s Office and Fire Department, and *WendelWorks* for employees in Parks & Recreation Department. The individual department supervisors review and approve time entries each pay cycle which are validated by the Payroll Administrator. All calculations including any changes to the payroll are reviewed in detail by the Payroll Accounting Manager before finalizing each payroll period. The Payroll Administrator processes payroll for approximately 770+ employees during each payroll cycle; there are 26 pay periods in a calendar year. Please refer to **Appendix A** for the detailed list of internal controls and primary control activities.

Objective & Scope

The objective of this project was to evaluate: 1) Whether internal controls and policies and procedures governing the City’s payroll processes provide reasonable assurance that payroll is processed accurately, timely and in the proper period; 2) Assess the adequacy and functionality of the current payroll system and related IT controls; 3) Identify opportunities for improving payroll controls, including recommendations for addressing control gaps and ineffective control design or operation; 4) Determine cause or contributing factors, as well as impact, for any identified deficiencies, where applicable; and 5) Determine whether improvements already planned by management are sufficient to address issues.

The scope of this audit was to review and evaluate the citywide payroll process and internal controls for fiscal year 2021 ending on June 30, 2021.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our work was limited to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

Methodology

We performed the following procedures to complete this audit. Our procedures were organized in the following five (5) categories and comprised of specific and detailed audit procedures described below.

1. General Procedures:

- Gained an understanding of and evaluated the general payroll process through process walkthroughs, documentation review, data and information gathering, including discussions with Payroll Administrator and Payroll Accounting Manager, and Business Systems Analyst as needed.

- Gained an understanding of federal and state payroll-related laws as they apply to minimum wages, overtime laws, and payroll recordkeeping policies to identify key compliance risks or known issues, if any.
- Identified and evaluated if adequate internal controls were in place to ensure proper review and approval of timesheets in timekeeping systems and proper segregation of duties in calculating bi-weekly payroll.
- Identified internal controls and primary control activities performed by management including HR, Finance, and IT.
- Inspected internal documentation for general payroll process including a summary of the payroll process, payroll processing checklist, payroll processing schedule, and examples of payroll reports.
- Designed and built a payroll process flowchart to identify internal controls and control activities and confirmed the accuracy of those controls with the Payroll Administration. Note: a copy of the flowchart was shared with the Payroll Administration. See **Appendix A** for a complete list of internal controls.

2. Timesheet Testing:

- Reviewed a sample of payroll weeks / dates from fiscal year 2021 (FY21) to verify that payroll was processed accurately to account for regular pay, overtime pay, sick leave, taxes, and deductions (pre-tax and post-tax).
- Inspected the roster of employees in the payroll module of Munis to ensure completeness and accuracy of employee records against the records maintained by HR.
- Verified accuracy and completeness of hours worked for a sample of employees that were included in payroll process for the dates selected; 11/13/20, 03/05/21 and 05/28/21. We reviewed 12 employees from each of the 3 pay periods selected for a total of 36.
- Verified labor hours entered in Munis matched timesheets from the various time reporting systems, where applicable.
- Inspected employee timesheets for appropriate supervisor approvals in the applicable time keeping systems.
- Verified the completeness and accuracy of payroll uploads to Munis by reconciling Time Entry summary reports (timesheets) to Hours Proof Report from Munis.

3. Federal Income Tax (FIT) Withholding Testing:

- Evaluated internal processes and procedures for reviewing and updating federal income tax rate tables and updating the procedures for any changes in tax laws.
- Verified accuracy of the federal income tax withholdings for payroll dates selected for. We utilized IRS tax calculators with appropriate data parameters in the validation process.

4. Payroll Discharges Testing ('Terminations'):

- Sample tested 3 out of 12 employees discharged in FY21 and performed a detailed review of supporting documentation to ensure completeness and appropriateness as follows:
 - Verified Personnel Action Forms (PAF) were submitted and approved timely and appropriately. Support included, but was not limited to, HR emails, Munis approval workflows, and Employment Termination Forms.
 - Verified system access for the discharged employees were inactivated in Munis and that the associated user ID was inactivated in the City's Active Directory (Office 365-Outlook) in a timely manner.

- Verified termination paperwork and calculations were prepared, and final checks were issued accurately and timely for each discharge.
- Verified that discharged employees were properly excluded from subsequent payroll.

5. Munis User Roles and Permissions Testing ('System User Role Testing'):

- Evaluated system user access within Munis for both HR and Payroll Administration staff for proper segregation of duties based on user roles and permissions established in the system.
- Reviewed user access for former employees to ensure their access was properly inactivated in Munis.
- Identified and reviewed eleven (11) user roles and permissions within HR and Payroll Departments that were assigned payroll (PR) modules and verified proper segregation of duties within the City's payroll process system as follows:
 - Reviewed the User Role Access Reports and verified user access levels for HR and Payroll employees were assigned permissions that ensured proper segregation of duties based on their respective roles and responsibilities.
 - Reviewed Staff Directory for employee title and department to verify that user roles and PR modules were assigned appropriately based on roles and responsibilities.

Testing Results

This section of the report provides a high-level description of the testing results and specific observations. The three findings and the associated recommendations are described in detail in the *'Findings and Recommendations'* section of the report and provide the city with opportunities for process improvement.

Finding #1. The City lacks a formalized process and mechanism for tracking and reviewing Citywide payroll related changes related to Federal and State regulatory updates.

Finding #2. The City lacks a citywide internal control to monitor user roles and permissions.

Finding #3. HR and Payroll user roles need to be re-evaluated to ensure proper segregation of duties based on functional responsibilities of each department.

Conclusion

Carson City's Payroll Administration appears to have internal controls and policies and procedures governing the City's payroll processes to ensure that payroll is processed accurately, timely and in the proper period. No incorrect payments were noted during our procedures. The City could enhance its system to include better documentation of Federal and State regulatory changes and monitoring system user access to ensure proper access and segregation of duties. As such, we provided three recommendations for improving payroll controls that address the findings noted. We believe that evaluating and implementing these recommendations will strengthen the City's overall control environment and mitigate the risks associated with payroll. Risk ratings are all deemed low as there are internal controls in place to mitigate the risks.

Findings & Recommendations

Finding #1: Annual Assessment of Regulatory Changes in Payroll

Risk Rating: Low

There is a continuous internal communication between Finance and Human Resources Departments regarding implementing regulatory updates and changes related to payroll. However, there is not a formalized tracking mechanism and / or a formalized process for a periodic review and assessment of payroll related statutory changes (e.g., tax rates, minimum wage, overtime pay).

Recommendation #1:

We recommend that the Payroll Administration implement a tracking mechanism and an annual internal control with appropriate formal documentation on discussion and assessment of payroll related regulatory changes (e.g., an annual memo prepared by an Accounting Manager and reviewed and approved by CFO and Human Resources Director).

Management Response:

Annually, the Accounting Manager will review and assess Federal and State regulatory changes necessary to the payroll system. A formal internal memo indicating the necessary changes and detailing the updates made to the payroll system will be created. The memo will be reviewed and approved by the Human Resources Director and Chief Financial Officer. The approved memo will be retained for seven years. This process will be implemented in December 2021 and performed each December thereafter.

Finding #2: User Access Update in Munis

Risk Rating: Low

Our audit identified two former employees who still appeared with system access in Munis. After further review, we confirmed that the risk was mitigated with proper inactivation in the City's Active Directory (Office365-Outlook). Munis user access reports were inconsistent with the City's Active Directory.

Recommendation #2:

We recommend that the City's IT Department establish an entity level internal control to ensure all former employees are "Disabled" in Munis as soon as User IDs are disabled in Active Directory to ensure Munis roles are assigned only to existing employees and ensure the accuracy and completeness of Munis User Access Reports for reliability.

Management Response:

IT leadership has provided updated instructions involving the termination process for City employees. The new process will include auditing disabled Active Directory accounts for Munis access and ensuring the appropriate actions are taken to disable the account within Munis. For any approver role within Munis, the workflow queue will be passed to a primary and secondary Munis account within each Department. This process will occur on the same day that the IT Department receives the termination notice.

Finding #3: User Access Roles & Permissions in Munis

Risk Rating: Low

During the review of Munis user role and permission system reports, we noted that HR employees in user key roles "J_HR_APPROVAL_MGR" and "J_HR_STAFF" have full access to payroll related functions in Munis including the role permissions in 'Pay Type Maintenance' and 'Projection run number Maintenance Access' functions. The permissions in these user roles are primarily related to Payroll Administration rather than Human Resources as defined below.

- 'Pay Type Maintenance' function is used by Payroll to create pay codes.
- 'Projection run number Maintenance Access' function is used by Payroll to create payroll budget.

Recommendation #3:

We recommend that the City’s IT Department perform further review and modifications, where needed of Munis system functionality pertaining to user role and permissions granted to HR and Finance employees to ensure proper segregation of duties.

Management Response:

The IT Application Team will work with the Finance and Human Resource Departments to test permission updates for existing HR roles in the Munis test environment. The roles will be tested against operational and Department responsibilities. The roles will be updated to comply with the principle of least privilege. The testing will begin immediately and should be completed no later than December 3rd, 2021. Once testing and verification is complete, the roles will be updated in the production Munis environment.

Appendix A – Internal Controls and Related Control Activities

We identified the following internal controls (IC) and/or management control activities as they relate to the City’s payroll process:

- IC1.** HR Director reviews and approves all employee changes to salary, benefits, deductions, new hires, and terminations.
- IC2.** Finance Department verifies the accuracy of HR personnel changes with secondary review by CFO and the final review by the Payroll Administrator including changes to salary, benefits, deductions, new hires, and terminations.
- IC3.** Department Supervisors review and approve time entries. The City uses three timekeeping systems including *ExecuTime* (City Employees), *TeleStaff* (Sherriff’s Office and Fire Department), and *WendelWorks* (Parks & Recreation Department).
- IC4.** Payroll Administrator prints Time Entry Proof Report from Munis (still in open payroll) and verifies all timesheets are accurate, complete, and approved before importing time entries to Munis. Timesheets without approval are not uploaded into the system until approval is received and documented. If errors are detected, the Payroll Administrator works with supervisors and department business managers to complete the corrections saving the documentation in the “Book” *. Such corrections are processed in the “open/unposted payroll” before payroll is closed for the period. In addition, all employee’s time for the month is reviewed and verified when preparing the monthly PERS (Retirement Report).

* “The Book” is a physical binder prepared by the Payroll Administrator consisting of different tabs that contain all the reports and calculation spreadsheets used in processing payroll. The Accounting Manager reviews each item in “the Book” and signs off on her review. “The Book” is stored in the Payroll Administrator’s drawer.
- IC5.** IT Controls in timekeeping systems. Timesheets in *Executime* cannot be edited after supervisor approval and after the time entry data has been imported to Munis. Any correction to time entered are re-entered and re-approved in the system. Executive also has a “lock pay period” function that is performed by the Payroll Administrator that prevents any changes. Telestaff system has automated scheduling and communication tools used by Sherriff’s Office and timesheet accuracy relies on Sheriff’s review and sign-off. *WendelWorks* is a clock-in and out system where only a supervisor could make a manual entry if an employee forgot to clock in and out for the day.
- IC6.** Payroll Administrator generates an “Error Report” from Munis that warns the user if an error occurred in the payroll and needed to be fixed. She reviews all employee changes and ensures all calculations are accurate. Munis system would not move on to the next step in the process until all errors are fixed.
- IC7.** Accounting Manager reviews and signs off on all calculations and payroll entries prepared by the Payroll Administrator. The Payroll Administrator generates the Final Proof Report after which changes can no longer be made in the system (Munis).
- IC8.** Direct Deposit and Positive Pay file are reviewed by the Treasurer before uploading to the bank. The Treasurer issues the printer key to the Payroll Administrator to print the signed checks. The checks will only print with signatures (Treasurer and CFO) if the key is inserted in the printer. The Payroll Administrator inputs the number of checks and amount that were printed to the Treasury log and the Treasurer confirms the information to the Final Proof Report.
- IC9.** Payroll Administrator calls bank to confirm direct deposit file upload as part of a two-step process from

the bank to confirm the upload.

- IC10.** Accounting Manager reviews and approves wire transfers prepared by the Payroll Administrator.
- IC11.** Deputy CFO reviews and approves wire transfers prepared by the Payroll Administrator.
- IC12.** Changes to staff listing used in payroll including terminations are processed through a “Personnel Action” that is reviewed and approved by HR Director, CFO, and payroll administrator, as documented in Munis workflow system. After a final check is processed, the payroll administrator posts the termination Personnel Action. This process removes the employee from the timekeeping and payroll systems. HR sends out a list to payroll and IT Department listing of all the terminations each pay period. Payroll Department confirms they have processed the final payments for all terminations listed and posted the Personnel Action. IT Department ensures that they have inactivated the respective employees from all other City system access including Active Directory (Office365-Outlook).
- IC13.** Annually, Payroll Administrator updates the tax rate tables as needed according to the most recent IRS Publication 15-T for the first paycheck in January. The tax table updates, if any, are reviewed and approved by the Payroll Accounting Manager.



Caring for our external and internal clients with a passion to go the extra mile.

Respecting our peers and their individual contributions.

Conducting ourselves with the highest level of integrity at all times.

Trusting and supporting one another.

Being accountable for the overall success of the Firm,
not just individual or office success.

Stretching ourselves to be innovative and creative, while managing the related risks.

Recognizing the importance of maintaining a balance between work and home life.

Promoting positive working relationships.

And, most of all, enjoying our jobs ... and having fun!



What inspires you, inspires us.

eidebailly.com

Audit Committee Agenda Item Report

Meeting Date: December 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

Subject:

For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: Staff will discuss the monitoring, review and closure of the previous internal auditor findings and/or recommendations included in the Audit Findings Tracking Report.

Suggested Action:

Action will depend on the discussion. I move to [continue the monitoring and review of the items as discussed or] recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report.

Attachments:

[SR - Internal Audit Findings Tracking Report.docx](#)

[Audit Findings Summary 12-7-2021.pdf](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: December 7, 2021

Staff Contact: Sheri Russell, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings and/or recommendations included in the Audit Findings Tracking Report and providing a recommendation to the Board of Supervisors to close completed findings and/or recommendations. (Sheri Russell, SRussell@carson.org)

Staff Summary: Staff will discuss the monitoring, review and closure of the previous internal auditor findings and/or recommendations included in the Audit Findings Tracking Report.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Action will depend on the discussion. I move to [continue the monitoring and review of the items as discussed or] recommend to the Board of Supervisors closing the items discussed based on the correction of findings and recommendations included in the Audit Findings Tracking Report.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Staff's recommendation is to close Receivables Item #1 Annual Closing Journal Entries Check list and Payroll Item #2 – two former employees were disabled in Munis and procedures were put in place immediately. If Payroll item #3 is completed by December 3rd, a few days prior to the meeting, we will recommend closure on that item as well.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

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
Internal Audit Summary
Updated - 6/22/21

Carson City - Audit Findings Tracking Summary Report (revised 11-24-21)

Report Name	Report Submittal	AC/BOS Report Approval	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
Community Facility Cost Recovery Study	11/28/2012	1/17/2013	Internal Auditor	15	15			
Community Facility Cost Recovery Eagle Valley Golf Course	10/3/2012	5/16/2013	Internal Auditor	4	4			
Fleet Management Efficiency Study	6/22/2013	7/18/2013	Internal Auditor	24	24			
Fleet Utilization Study	1/30/2014	4/3/2014	Internal Auditor	12	12			
Employee Efficiency Study	11/25/2014	12/4/2014	Internal Auditor	27	27			
Internal Controls Review	3/31/2015	6/4/2015	Internal Auditor	42	42	4/21/2015	11/15/2018	
Policy and Procedures Review	3/22/2016		Internal Auditor	5	5		12/21/2017	
Payroll Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	2	8/8/2016	11/15/2018	
P-card Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	2	8/8/2016	11/15/2018	
Small Works Projects Review	2/17/2017	12/21/2017	Internal Auditor	4	4	2/14/2017	12/21/2017	
Public Guardian Review	5/1/2017	12/21/2017	Internal Auditor	13	13	5/9/2017	11/15/2018	
Purchasing and AP Internal Controls Testing	7/6/2017	12/21/2017	Internal Auditor	12	12	7/12/2017	11/15/2018	
HTE Access Controls Testing	9/26/2017	12/21/2017	Internal Auditor	7	7	10/3/2017	12/21/2017	
FY 2014 CAFR	12/18/2014	12/18/2014	External Auditor	5	5	3/22/2016	12/18/2014	
FY 2015 CAFR	12/17/2015	12/17/2015	External Auditor	5	5	3/22/2016	12/17/2015	
Capital Projects Process Review	5/3/2018	8/20/2020	Internal Auditor	8	8	6/15/2020	8/20/2020	
Public Guardian Follow Up Review	5/3/2018	3/7/2019	Internal Auditor	8	8	5/10/2018	3/7/2019	
FY 2017 CAFR and Single Audit	11/30/2017	12/21/2017	External Auditor	4	4	5/10/2018	8/20/2020	
FY 2018 CAFR and Single Audit	12/6/2018	12/6/2019	External Auditor	3	3	6/15/2020	8/20/2020	
Temporary Staffing Audit	5/9/2019	5/6/2019	Internal Auditor	5	5	6/22/2021	10/3/2019	
Fire Department Overtime Audit	5/9/2019	10/3/2019	Internal Auditor	2	2	5/9/2019	10/3/2019	
FY2019 CAFR and Single Audit	12/5/2019	12/5/2019	External Auditor	1	1	6/15/2020	8/20/2020	
Cash Handling 2019	12/3/2019	1/6/2020	Internal Auditor	20	20	6/22/2021	8/20/2020	
Social Media Study	11/25/2019	1/6/2020	Internal Auditor	13	12	6/22/2021	7/1/2020	All except Item #13 are closed
HR Administration - Eligible EE Group Ins.	12/3/2019	1/6/2020	Internal Auditor	4	4	6/15/2020	8/20/2020	
AP and P-Card Audit Program	4/1/2020	3/4/2021	Internal Auditor	4	4	8/4/2020	3/4/2021	
IT Volatility Audit	10/30/2020	12/8/2020	Internal Auditor	10				
Fleet Audit	3/30/2021	3/30/2021	Internal Auditor	6	4	6/22/2021	7/1/2020	All except Item #1 and #3 are closed
Revenue and Receivables Audit	5/25/2021	6/22/2021	Internal Auditor	3	2	6/22/2021	7/1/2020	All except Item #1 are closed.
Payroll Internal Controls Testing	11/22/2021		Internal Auditor	3				
Total (including archived reports)				262	254			

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

Finding Corrected?

Y	Findings Addressed - project closed
P	Partially Addressed items
N	Not yet addressed
Y	For Discussion today

Carson City
Social Media Study
November 25, 2019

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
13		The City does not have an Information Security Response Plan	Create a Information Security Response Plan to include procedures for responding to security incidents, communication protocol and determine system impact.	P	12/31/2021			CIO will create an Information Security response Plan. UPDATE: Plan is in review process.

Carson City
External Internal IT Vulnerability Audit
October 30, 2020

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
		NOTE: 12 Findings - External						
1		Update all systems that are currently running on outdated software: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's perimeter network.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	P	3/31/2022			Staff is making progress on resolving issues. IT has been updating systems on a continuous basis. Some systems will require funding to stay current, extended support has been purchased for endpoint security to protect legacy systems. Maintenance will be performed with approval from the affected department(s).
2		System hardening processes should be in place across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	P	3/31/2022			Staff has continued to make progress on system hardening, changing default accounts and passwords and change management including the use of automated deployment tools and templates. Work is being conducted to update patch deployment systems.
3		Web development processes: Ensure coding of website and web applications follow OWASP standards. The OWASP Top 10 is a standard awareness document for developers and web application security. Carson City should adopt this document and start the process of ensuring that their web applications minimize these risks.	External findings that would fall under OWASP guidelines are Commercial Off The Shelf (COTS) applications under which the City has little control over development. The City can add OWASP as a procurement requirement for COTS applications, however this may limit the scope and range of options for the City as a whole when considering vendors of specialized software, such as the software from which this item stems. Staff will review this recommendation and consider how to implement it.	P	6/1/2022			Staff does not have the recommendation yet, but has begun to approach new vendors with this requirement. Update: Staff will work with external vendors to ensure that these standards are being followed for the Carson City websites they host.
4		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Carson City systems are regularly scanned and most by MS-ISAC / CIS as part of a federal program intended to harden local government systems. Most issues identified by the external audit were also identified by the MS-ISAC / CISC scanning effort and were known/expected. Staff will either remediate or document exceptions to all findings.	P	3/31/2022			In the December 2020 Audit Committee meeting, it was decided to re-test in August 2021. This was pushed to the last quarter of FY22, as we have a new CIO.
		NOTE: 103 - Internal						
1		Update all systems that are currently running on unsupported operating systems: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain security vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's infrastructure and data.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	P	3/31/2022			Staff is making progress on resolving issues; Current Status 11.24.2021: IT has been updating systems on a continuous basis. Some systems will require funding to stay current, extended support has been purchased for endpoint security to protect legacy systems. Maintenance downtime will be performed with the approval from the affected department(s).

Carson City
External Internal IT Vulnerability Audit
October 30, 2020

2		Implement and enforce implementation of change control across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	P	3/31/2022			Staff is continuing to make progress on system hardening and change management including the use of automated deployment tools and templates. Update: A new application is being setup to track all changes and approvals within the environment.
3		Implement a patch management program: Operating a consistent patch management program per the guidelines outlined in NIST SP 800-40 is an important component in maintaining good security posture. This will help to limit the attack surface that results from running unpatched internal services.	Staff has deployed tools such as inventory, deployment, and recently endpoint management software (EMS) to assist with this effort. Inventory and deployment systems allow staff to track and update software. EMS allows staff to scan endpoints for known security issues that require a patch and force the patch to be installed as part of network policy. Staff is continually working towards further automating and integrating these tools into our workflow. At last count our inventory of applications has more than 6251 software packages and components, which makes this an evergreen maintenance item for staff, requiring much in the way of time and resources.	P	3/31/2022			A new application is being setup to track all managed systems within the environment. These managed systems will have regular patching cycles based on the manufacturer's recommendations. Staff expects to be able to demonstrate significant progress at the time of the audit follow-up.
4		Change default credentials upon installation: To reduce the risk of security breaches through default credentials which have been left configured on network devices, it's best to implement a process to change the passwords, and if possible, account names, when new equipment is installed.	Staff will change the identified systems with default credentials where possible. Some examples identified by the audit do not support credentials for their regular operation. For these devices, staff is working towards isolating in a similar fashion to devices that cannot be reasonably patched as a compensating control.	P	3/31/2022			An existing application is being utilized to ensure default credentials are changed on all managed systems. Staff expects to be able to demonstrate significant progress at the time of the audit follow-up.
5		Conduct regular vulnerability assessments: As part of an effective organizational risk management strategy, vulnerability assessments should be conducted on a regular basis. Doing so will allow the organization to determine if the installed security controls are installed properly, operating as intended, and producing the desired outcome. Consult NIST 800-30 for guidelines on operating an effective risk management program	Staff believes that regular third party auditing of IT systems is valuable and will contribute to increased security of Carson City systems and data. Performing audits such as this one regularly would likely require additional resources to obtain the audit and then act upon the results of the audit in a timely fashion.	P	3/31/2022			A new application is being utilized to conduct vulnerability assessments on an established cadence. Staff expects to be able to demonstrate significant progress at the time of the audit follow-up.
6		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Some issues identified in this report require a small effort to remediate and staff will remediate them in a timely fashion. Others are systemic issues that have already been identified by staff and require large-scale efforts to address in the long term. Additional resources would contribute towards addressing all of the identified issues in a more timely fashion.	P	3/31/2022			Staff expects to be able to demonstrate progress at the time of the re-test. Update: Using the results from the new vulnerability scanning application, critical and high vulnerabilities will be able to be addressed. Legacy systems are still planned for a migration to more modern operating systems with the permission of each department.

Note: In this audit staff gave maximum access to the auditors to simulate an attacker gaining access to a sensitive area of the network. Many of the identified issues were discovered because we bypassed our usual security controls to allow the penetration tester greater access. The findings are valuable, but do not necessarily represent vulnerabilities that could be exploited from any part of the City network.

Carson City
Fleet Management Audit
March 10, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - Inventory Security and Tracking: RECOMMENDATION: Short-term solution - restrict access to Inventory to Fleet Services personnel by installing facility locks if feasible. Long-term solution - incorporate a tracking mechanism by implementing parts tracking sheet where Fleet personnel can sign, date, and identify the parts used and removed from inventory. Consider bar code technology or one designated Fleet Technician responsible for tracking fleet.	This was a recommendation in the last Internal Audit as well. The Fleet Facility is secured within the Public Works Corporate Yard and restricted to badge-only access. To date, there is no known instance of inventory loss; however, management agrees that there are opportunities to reduce risk and improve security over inventory. Management will submit a supplemental budget request for the position with the FY22 budget requests for consideration by the Board of Supervisors.	P	1/31/2022	7/1/2021		Tracking sheet has been implemented. Facilities Division is installing additional restrictions on inventory access concurrent with hiring of Fleet Warehouse Coordinator (new FY22 position). Anticipated to be completed August 2021. STATUS: Requested Internal Audit Validation once position is up and running (5-6 Months).
3		FINDING 3 - Asset Utilizations Reviews RECOMMENDATION: We recommend that the Fleet Department review the Low Usage Asset Report at least annually prior to fiscal year end to identify opportunities for asset re-assignments on an annual basis.	Management agrees with this recommendation. This review will be conducted annually moving forward. Fleet utilization reports will be generated at the end of each fiscal year, as close to June 30 as it is practical.	Y	9/7/2021	9/7/2021		This has been scheduled. Annual utilization will be pulled on June 30, 2021 for review of low usage vehicles. STATUS: The fleet division performed the review of the Low Usage Assets for FY21. E-Mails were sent to Department heads, notifying them of any assets that were categorized as low usage and asking them to consider where appropriate repurposing or reassigning them.

Carson City
Revenue Accounts Receivable
May 25, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected ? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - A - During our review of the Tyler Cashiering receipts for Landfill Services, we noted that a year-end adjustment in July 2020 billing for June 2020 services, in the amount of \$422,116.11 was not recorded as a receivable and a revenue in FY 2020.	We recommend that the Finance Department develop and implement a methodology to ensure completeness and accuracy of accounts receivable and revenue recorded at year end. - Management will create a year-end Journal Entry checklist, to ensure that all year end adjustments are completed.	*Y*	10/30/2020	11/30/2021		Staff will create a checklist during the current year closing procedures. Status: Staff created the checklist and had no findings during the FY 2021 Audit.

Carson City
Payroll
November 22, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected ? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1		FINDING 1 - No formalized tracking mechanism or process for a preiodic review and assessment of payroll related statutory changes. - Intenal Auditor recommends that the City implement a tracking mechanism with appropriate documentation or payroll related regulatory changes. Including sign-off from HR Director and Chief Financial Officer.	Staff agree with the finding and plan to create an internal memo with necessary support, annually, likely in December/January when Regulatory Changes primarily occur. This memo will be routed to HR Director and CFO for signature, and retained by Finance.	N	2/28/2022			
2		FINDING 2 - Two former employees were identified who still had access in Munis. These employees were inactivated in the City's Active Directory, meaning they would not have been able to access Munis. Auditor Recommends that we have an internal control in to ensure all former employees are disabled in Munis as soon as their ID's are disabled in Active Directory.	IT management has updated instructions involving the termination process for City employees, and Munis will be disabled the same day IT receives the termination notice.	*Y*	11/30/2021	11/30/2021		Correction completed.
3		FINDING 3 - It was noted that HR employees in User Key Roles have full access to payroll related functions in Munis including the role permissions in "Pay Type Maintenance" and "proection run number Maintenance Access" functions. - Internal Auditor recommends that the City's IT department perform further review and modifications, where needed of Munis system functionality pertaining to user role and permissions granted to HR adn Finance employees to ensure proper segregation of duties.	Management agrees, IT Application Team will work with HR and Finance to test permissions for existing HR Roles in the Munis Test Environment. Role will be tested against operational and department responsibilities and updated to comply with the principle of least privilege.	*Y*	12/3/2021			

Audit Committee Agenda Item Report

Meeting Date: December 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

Subject:

For Presentation Only: Discussion regarding Fiscal Year ("FY") 2022 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 2022 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Suggested Action:

N/A

Attachments:

[SR - Internal Auditor work program update.docx](#)



STAFF REPORT

Report To: Audit Committee

Meeting Date: December 7, 2021

Staff Contact: Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: For Presentation Only: Discussion regarding Fiscal Year (“FY”) 2022 audit work program update and Hotline activity. (SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the progress of the FY 2022 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

N/A

Board’s Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Standing item for discussion and update.

Applicable Statute, Code, Policy, Rule or Regulation

Carson City Charter Chapter 3.075, CCMC 2.14.040

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) _____

Aye/Nay

2) _____

(Vote Recorded By)

Audit Committee Agenda Item Report

Meeting Date: December 7, 2021

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

Subject:

For Discussion Only: Discussion regarding dates for the next meeting of the Audit Committee.

Suggested Action:

Discussion only.

Attachments: