

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

Day: Tuesday
Date: September 19, 2023
Time: Beginning at 1:30 pm
Location: Community Center, Robert 'Bob' Crowell Board Room
851 East William Street
Carson City, Nevada

AGENDA

NOTICE TO PUBLIC:

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. Public comment during a meeting is limited to three minutes for each speaker.

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 this public body.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES -

4.A. [June 16, 2023](#)

5. MEETING ITEMS

- 5.A. For Possible Action: Discussion and possible action regarding the Review of the Carson City Clerk's Office Internal Audit, findings and recommendations. (Sheri Russell-Benabou, srussell@carson.org)

Staff Summary: The Review of the Carson City Clerk's Office Internal Audit was approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2024 Audit Work Program. The project was completed, and the briefing will address internal audit findings, recommendations, and staff response(s).

2023 Carson City Clerks Office_IT Report_Final 09082023.pdf

- 5.B. For Possible Action: Discussion and possible action regarding the Review of the Carson City Grants Compliance Internal Audit findings and recommendations. (Sheri Russell-Benabou, srussell@carson.org)

Staff Summary: The Review of the Carson City Grants Compliance Internal Audit was approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2023 Audit Work Program. The project was completed, and the briefing will address internal audit findings, recommendations, and staff response(s).

Grants Compliance Internal Audit Report 2023 - Final.pdf

- 5.C. 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-Benabou, 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.

Audit Findings Summary 9-8-2023.pdf

- 5.D. For Possible Action: Discussion and possible action regarding the Cash Handling Internal Audit Program and the Accounts Payable and Procurement Card Internal Audit Program suggested by the Carson City Internal Auditor Eide Bailly, LLP for the Fiscal Year ("FY") 2024 Audit Work Program. (Sheri Russell-Benabou, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the list of agreed upon procedures to be performed, which make up the Cash Handling Internal Audit Program and the Accounts Payable and Procurement Card Internal Audit Program.

Carson City Audit Program - Cash Handling_FY23.24.doc

- 5.E. For Discussion Only: Discussion regarding Fiscal Year (“FY”) 2023 and 2024 audit work programs update and Hotline activity. (Sheri Russell-Benabou, SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the completion of the FY 2023 audit work program, and progress on the FY 2024 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

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

6. 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.

7. FOR POSSIBLE ACTION: TO ADJOURN

****PUBLIC COMMENT LIMITATIONS** - The Audit Committee as called to order, will provide at least two public comment periods in compliance with the minimum requirements of the Open Meeting Law prior to adjournment. 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. Public comment will be limited to three minutes per speaker to facilitate the efficient conduct of a meeting and to provide reasonable opportunity for comment from all members of the public who wish to speak. Testimony from a person who is directly involved with an item, such as City staff, an applicant or a party to an administrative hearing or appeal, is not considered public comment and is not subject to the three-minute time limitation.

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 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 Kacie Huskey at khuskey@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.

This notice has been posted at the following locations:

www.carson.org

notice.nv.gov

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the June 16, 2023 Meeting
Page 1

A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Friday, June 16, 2023 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Lisa Schuette
Vice Chair David Lambin
Member Bonnie Duke
Member Laura Chavez
Member Joseph Scalia

STAFF: Sheri Russell-Benabou, Chief Financial Officer
Darren Schulz, Public Works Director
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. CALL TO ORDER

(1:34:30) – Vice Chairperson Schuette called the meeting to order at 1:34 p.m.

2. ROLL CALL

(1:34:40) – Roll was called, and a quorum was present.

3. PUBLIC COMMENT AND DISCUSSION:

(1:34:58) – Vice Chairperson Schuette entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES

4.A APRIL 25, 2023

(1:35:06) – Vice Chairperson Schuette introduced the item and entertained a motion.

(1:35:55) – MOTION: Member Duke moved to approve the April 25, 2023 meeting minutes as presented. Member Lambin seconded the motion. The motion carried 5-0-0.

5. MEETING ITEMS

5.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE ELECTION OF A CHAIRPERSON AND VICE-CHAIRPERSON FOR THE AUDIT COMMITTEE.

(1:37:12) – Vice Chairperson Schuette introduced the item and entertained nominations.

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the June 16, 2023 Meeting
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(1:37:29) – Member Duke moved to nominate Lisa Schuette to the position of AC Chair. Vice Chairperson Schuette accepted the nomination and entertained nominations for AC Vice Chair. Member Lambin was willing to serve as AC Vice Chair.

(1:39:013) – MOTION: Vice Chairperson Schuette moved to appoint Lisa Schuette to the position of AC Chair for a one-year term expiring December 31, 2023 and appoint David Lambin to the position of AC Vice Chair for a one-year term expiring December 31, 2023. Member Scalia seconded the motion. The motion carried 5-0-0.

5.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.

(1:39:39) – Chairperson Schuette introduced the item. Ms. Russell-Benabou referenced the Staff Report and the accompanying attachments, all of which are incorporated into the record. She also responded to clarifying questions. Because there were no items that Staff recommended for closure or Member suggestions for item closure, no formal action was taken on this item.

5.C FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE INTERNAL AUDIT WORK PROGRAM FOR FISCAL YEAR (“FY”) 2024.

(1:51:54) – Chairperson Schuette introduced the item. Eide Bailly Senior Manager Audrey Donovan introduced Eide Bailly Partners Eric Berman and Roger Alfaro. Ms. Russell-Benabou and Ms. Donovan referenced the Staff Report and the Citywide Risk Assessment and Annual Audit Plan for fiscal year (FY) 2023/2024, both of which are incorporated into the record. When no questions were forthcoming, Chairperson Schuette entertained a motion.

(1:57:00) – MOTION: Member Duke moved to recommend to the Board of Supervisors the FY 2024 Internal Audit Work Program as presented. Vice Chairperson Lambin seconded the motion. The motion carried 5-0-0.

5.D FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE CARSON CITY CLERK-RECORDER'S OFFICE INFORMATION TECHNOLOGY SECURITY ASSESSMENT AUDIT PROGRAM AGREED UPON PROCEDURES SUGGESTED BY THE CARSON CITY INTERNAL AUDITOR EIDE BAILLY, LLP FOR THE FISCAL YEAR ("FY") 2024 AUDIT WORK PROGRAM.

(1:57:23) – Chairperson Schuette introduced the item. Ms. Russell-Benabou and Ms. Donovan referenced the Staff Report and the Carson City Clerk-Recorder’s Office Information Technology Security Assessment Audit Program, both of which are incorporated into the record.

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the June 16, 2023 Meeting
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(2:02:21) – MOTION: Member Duke moved to direct Eide Bailly and Staff to proceed with the Carson City Clerk-Recorder’s Office Information Technology Security Assessment Audit Program, including agreed upon procedures as discussed on the record. Member Scalia seconded the motion. The motion carried 5-0-0.

5.E FOR DISCUSSION ONLY: DISCUSSION REGARDING FISCAL YEAR (“FY”) 2023 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(2:02:50) – Chairperson Schuette introduced the item. Ms. Donovan reported on the following updates:

- The FY 2022/2023 Audit Work Program was 90 percent complete.
- The last internal audit engagement was Grants Management, the draft report for which was provided to internal City management in order to obtain City management’s responses to the recommendations. Eide Bailly was planning to organize a meeting to review the draft report and City management’s response.
- The entire audit process was completed.
- There has not been any activity on the Fraud, Waste, and Abuse Hotline since the previous AC meeting.

Ms. Donovan also responded to clarifying questions.

5.F FOR DISCUSSION ONLY: DISCUSSION REGARDING DATES FOR THE NEXT MEETING OF THE AUDIT COMMITTEE.

(2:05:21) – Chairperson Schuette introduced the item. Based on the dates suggested by Ms. Russell-Benabou, the Members agreed to tentatively schedule the next meeting for September 19, 2023 at 1:30 p.m.

6. PUBLIC COMMENT

(2:06:42) – Chairperson Schuette entertained public comments; however, none were forthcoming.

7. FOR POSSIBLE ACTION: TO ADJOURN

(2:06:57) – Chairperson Schuette adjourned the meeting at 2:06 p.m.

The Minutes of the June 16, 2023 Carson City Audit Committee meeting are so approved this day 19th of September 2023.



STAFF REPORT

Report To: Audit Committee **Meeting Date:** September 19, 2023

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

Agenda Title: For Possible Action: Discussion and possible action regarding the Review of the Carson City Clerk’s Office Internal Audit, findings and recommendations. (Sheri Russell-Benabou, srussell@carson.org)

Staff Summary: The Review of the Carson City Clerk’s Office Internal Audit was approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2024 Audit Work Program. The project was completed, and the 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 report and direct staff to work on the recommendations as discussed. (and to continue with detailed audit procedures.)

Board's Strategic Goal

Efficient Government

Previous Action

N/A

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? No

If yes, account name/number: N/A

Is it currently budgeted? No

Explanation of Fiscal Impact: N/A

Alternatives

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

Attachments:

[2023 Carson City Clerks Office_IT Report_Final 09082023.pdf](#)

Board Action Taken:

Motion: _____	1) _____	Aye/Nay
	2) _____	_____

(Vote Recorded By)



**Risk Advisory Services
Information Technology Review Report**

September 8, 2023

CARSON CITY – CLERK’S OFFICE

Submitted By:

Eide Bailly LLP
Richard McRae, CISM, CISA
Senior Manager, Risk Advisory Services

Ron Huffman, CMMC-RP
Associate, Risk Advisory Services

Eric Pulse, CISA, CISM, CRISC, CCSFP, CFSA
Principal, Director of Risk Advisory Services



Mr. Frank Abella, CIO
Carson City
201 North Carson Street, Suite 7
Carson City, Nevada 89701

We were engaged to perform information technology consulting services for Carson City – County Clerk’s Office. This engagement was conducted in accordance with the terms of our engagement letter setting forth our involvement and scope of services. We have completed our work relating to Information Technology as of August 16, 2023, as outlined in our engagement letter dated May 12, 2023.

This letter and the accompanying attachment represent our report for the services provided and our observations. This report is intended for the information and use by Management of Carson City – County Clerk’s Office in evaluating the adequacy of the procedures performed and the findings resulting from the performance of those procedures.

We would like to thank everyone at Carson City – County Clerk’s Office for their cooperation and assistance during this engagement. We would like to also advise the Audit Committee that this review was completed using a combination of audit tracking and communication tools that included Suralink and Microsoft Teams Chat. These tools provided both the Eide Bailly consultants and Carson City team members an ongoing transparency into project status and communications, thereby promoting efficient document sharing plus question and issue resolution.

Please contact Rich McRae at 406.867.4163 if you have any questions regarding this report.

Sincerely,

A handwritten signature in cursive script that reads "Richard McRae".

rmcrae@eidebailly.com

Project Background and Scope

Background

Eide Bailly completed an information technology consulting engagement focusing on information systems IT general controls within the County Clerk’s Office (including the County Clerk, the County Recorder, and the Elections Department). Our approach to this engagement included information gathering such as documentation reviews, process reviews and interviews with key representatives to gain an understanding of the security posture of the IT environment. This approach also allowed us to better understand the IT operational functions that are critical to the protection of sensitive information and the continuation of business operations within the County Clerk’s Office.

Objectives and Scope

The primary objective for this engagement was to obtain an understanding of the County Clerk’s Office operations and security posture over the information technology general control environment. We completed an initial scoping survey to identify in-scope critical systems during the planning process. Based on management’s input, the scope of procedures was limited to the Landmark-associated critical IT operations, processes, infrastructure, and systems activities as managed by the Clerk’s Office and supported by the IT Department (*See Footnote 1). Landmark is used to record transactions within each of the departments such as deeds, mortgages, marriage licenses, and electoral candidate filings. The system provides public access to recorded documents, allowing the ability to search for and obtain document records. Landmark also processes the collection of associated filings and/or document request fees and taxes. In accordance with our work program, the scope of this engagement focused on the County Clerk’s Office operations as follows:

- **General IT Administration and Governance**

The IT environment physical, administrative, and technical controls are in place through an ongoing governance program and managed to acceptable levels within the organization. Administrative and governance controls are evaluated to ensure information safeguards are in place. Eide Bailly inspected IT policies and procedures for overall IT administration of the Information Security Program, including risk management; communication of security issues; onboarding/offboarding of personnel, and ongoing employee security awareness and training program.

- **Information Security**

Information security policies and procedures are in place and address appropriate requirements and best practices. The City’s security controls and practices are analyzed, including management of user access permissions, remote access, mobile device management, systems configurations, anti-malware and patch management, security maintenance and monitoring, incident response, and physical security over the IT asset infrastructure and electronic media. Eide Bailly’s assessment of network and applications administration activities included inspection of WiFi configurations; user accounts and administrator security permissions; administration of user access and roles; security management practices and access control procedures; and overall monitoring procedures over Information Security.

- **Change Control, Development and Acquisition**

Hardware and software are developed, acquired, and maintained with security as an integral part of the process. Acquisition and change management controls are evaluated including IT strategic planning processes, project risk assessment and implementation, applications and operating systems software upgrade control, and software integration and release documentation. Eide Bailly evaluated the in-house and external vendor procedures for ongoing maintenance of servers and applications software. Change ticketing, user permissions, testing vs. production environments, and change control test procedures were evaluated to ensure systems and applications software undergo controlled and authorized changes.

Objectives and Scope

- **Business Continuity and Disaster Recovery**

Policies and processes provide reasonable assurance to recover from a disaster, minimize impact to customer service, and maintain security over customer information. Physical security and recovery procedures are evaluated including off site storage of electronic and hardcopy documentation, environmental controls within computer areas, business impact analysis, recovery procedures, and business interruption or special data processing risk insurance to cover costs of restoring operations in the event of a disaster. Eide Bailly evaluated the overall disaster recovery program to ensure that critical information systems are backed up and that restoration testing is completed at least annually.

* Footnote 1: The Election Systems & Software for Carson City is administered by the Nevada Secretary of State's Office who is responsible for overseeing and auditing election systems and, therefore, was not included in the scope of this engagement.

Observations

The following table provides our observations from this IT consulting engagement for Management’s consideration. We have provided subjective “Risk” and “Effort to Resolve” ratings, based on our professional judgement, to assist management in establishing mitigation priority.

General IT Administration & Governance
<p>Observation 1: A formal risk management program is not in place over information technology.</p> <p>CISA’s Cybersecurity Self-Assessment is an example of a formal risk assessment. A formal risk assessment that addresses risks, vulnerabilities, impact, likelihood, and response can help identify IT risk and priorities within the environment. Management noted they intend to complete a formal risk assessment at a future date. Eide Bailly advises the Carson City to continue with completing the IT risk assessment, as planned.</p> <p>Risk – Medium. Effort to Resolve – Medium.</p> <p>Management Response:</p> <p>What to be Implemented? – IT currently has a monthly engagement with CISA.</p> <p>Who is Responsible? – Frank Abella, Andrew Rice, Andrew Kauble.</p> <p>Timeframe? – Current.</p>

Information Security

Observation 2: LandMark password security settings and are not in compliance with industry best practices.

Not having application-level password requirements increases the risk of compromised application accounts. Eide Bailly recommends that management considers working with the current vendor to enforce password requirements, or to finalize the current pursuit of a new application.

Risk – Medium.
Effort to Resolve – Medium.

Management Response:

What to be Implemented? – Setup 90 Day Password Change process and appropriate user level access.

Who is Responsible? – Scott Hoen, (Clerk), Linda Drake (Recorder), and Miguel Camacho (Marriage).

Timeframe? – September 15, 2023.

Observation 3: Operating system and LandMark user access reviews are not performed and documented on a regular basis to verify appropriateness of permissions granted based on the user’s job duties.

Not performing user access reviews can lead to unintended access or privileges if other procedures (such as granting and terminating access) are missed, or if temporary access is not revoked. Eide Bailly recommends that management considers the completion of access reviews, at least annually, and the removal of the unused ADMIN, FORMS, and VERIFY accounts from LandMark.

Risk – Medium.
Effort to Resolve – High.

Management Response:

What to be Implemented? – Coordinate with Catalis/Landmark the removal of accounts not applicable. Create policy to immediately remove users when employment status changes.

Who is Responsible? – Scott Hoen, (Clerk).

Timeframe? – October 1, 2023.

Information Security

Observation 4: Administrator access for LandMark is not restricted to authorized and appropriate personnel.

Not having the ability to utilize the principle of least privilege for the application can lead to the abuse of privileges, as well as increased risk in the case of a compromised account. Eide Bailly recommends that management considers working with the current vendor to allow for the utilization of least privilege, or to finalize the current pursuit of a new application.

Risk – Medium.
Effort to Resolve – Medium.

Management Response:

What to be Implemented? – Work with Catalis/Landmark to define proper admin and user account access and continue to work on new application possibilities.

Who is Responsible? – Scott Hoen (Clerk), Linda Drake (Recorder), and Miguel Camacho (Marriage).

Timeframe? – October 1, 2023.

Observation 5: Firewall controls including monitoring appear in place. The Clerk-Recorder's Office should consider implementing an independent technical review of firewall rulesets by qualified service providers on an annual basis or as needed pending firewall ruleset firmware and ruleset changes.

Not having an independent firewall ruleset increases risk that firmware updates and other necessary configuration changes may be incomplete, increasing risk of security breach. Eide Bailly recommends that management follows through with their scheduled firewall assessment.

Risk – Medium.
Effort to Resolve – Medium.

Management Response:

What to be Implemented? – Will work with IT to perform their firewall assessment and updates to the platform on a minimum of an annual basis.

Who is Responsible? – Scott Hoen, (Clerk), Linda Drake (Recorder), Miguel Camacho (Marriage).

Timeframe? – October 1, 2023.

Information Security

Observation 6: Ongoing monitoring over network capacity and performance is not conducted.

Not having a network capacity monitoring dashboard in place necessitates alternate procedures for monitoring performance conditions, capacity, and alerting functions. Eide Bailly recommends that management should continue evaluation and implement an ongoing capacity and performance utility over network.

Risk – Medium.
Effort to Resolve – Medium.

Management Response:

What to be Implemented? – IT is currently looking to purchase the right tool.

Who is Responsible? – Frank Abella, Andrew Rice, Andrew Kauble.

Timeframe? – FY25 OPx.

Observation 7: Data loss prevention tools are in place, but a centralized preventative tool is not.

A centralized data loss prevention tool allows IT to monitor critical file movements across the web, cloud, email, network, and endpoints from a single dashboard. Eide Bailly recommends that management finalizes the procurement of ForcePoint software that is currently in process.

Risk – Medium.
Effort to Resolve – Medium.

Management Response:

What to be Implemented? – IT currently has implemented ForcePoint this August 2023.

Who is Responsible? – Frank Abella, Andrew Rice, Andrew Kauble.

Timeframe? – Current.

Change Control, Development and Acquisition

No Findings.

Architecture, Infrastructure, and Operations

Observation 8: Application restoration testing is not performed on a semi-annual basis.

Not testing the ability to recover application data can lead to failures and RTO delays when Carson City experiences disasters or breaches. Eide Bailly recommends that management considers testing application restoration at least semi-annually.

Risk – Medium.
Effort to Resolve – Medium.

Management Response:

What to be Implemented? – IT is currently looking to purchase additional resources to conduct testing without business impact.

Who is Responsible? – Frank Abella, Andrew Rice, Andrew Kauble.

Timeframe? – FY25 CIP.

Observation 9: Due diligence is not performed to confirm that software vendors who support in-scope significant applications have established appropriate security - specifically over activities related to access control and software development lifecycle.

Not performing some continued level of due diligence with the application vendor can lead to the vendor's issues becoming Clerk-Recorder's Office issues. Eide Bailly recommends that management considers semi-annual meetings with the vendor to ensure that the security practices, and operations of the vendor are up to the Clerk-Recorder's Office's expectations.

Risk – Medium.
Effort to Resolve – Low.

Management Response:

What to be Implemented? – Continue to pursue vendor alternatives and in the meantime, meet with Catalis/Landmark on a semi-annual basis. Have connected with Account Management and waiting on responses for most recent requests. Have connected with Catalis/Landmark IT about updates.

Who is Responsible? – Scott Hoen, (Clerk), Linda Drake (Recorder), Miguel Camacho (Marriage).

Timeframe? – FY25 CIP and utilize Technology Fund, December/June discussions.

Business Continuity and Disaster Recovery

Observation 10: The DR testing program is not sufficient to demonstrate the organization’s ability to meet its continuity objectives.

Not having the ability to test all systems for disaster recovery can lead to failures in achieving Carson City's RPO/RTO objectives. The current lack of documentation for DR testing can lead to less communication between IT and leadership, and decreased visibility on what went well and what did not. Eide Bailly recommends that management considers testing DR capabilities for all systems and documenting the process.

Risk – Medium.
Effort to Resolve – High.

Management Response:

What to be Implemented? – IT is currently looking to purchase additional resources to conduct testing without business impact.

Who is Responsible? – Frank Abella, Andrew Rice, Andrew Kauble.

Timeframe? – FY25 CIP.

Summary and Conclusion

This report includes specific observations to assist management in evaluating and improving the Information Technology general control environment. This engagement was designed to answer the following questions for management.

- **Did we identify any high-risk areas that deserve management’s immediate attention?**

No – During the consulting engagement, we did not identify issues warranting a high-risk rating. Examples would include deficiencies that might cause inability to maintain adequate levels of security or expose the organization to increased risk of compromise, downtime and / or loss of data.

- **Are controls over information technology and security consistent with the implementation of the Information Security Program?**

Yes – The Information Security Program (policies, procedures, and guidelines) appears to be consistent with implemented internal control procedures in place at Carson City – County Clerk’s Office.

- **What is our assessment of the Information Security Program and IT general controls?**

Needs Improvement – Although overall general controls are functioning as intended as of the date of our work, improvements are needed to ensure and maintain a strong security posture within the IT environment. Within the IT environment, the Observations provided are intended to enhance procedures and improve overall security posture. At the program operations / application systems level, we advise management to prioritize mitigation over Observation 2, 3 and 4.

Any additional questions may be directed to members of our engagement team listed on the report cover.



STAFF REPORT

Report To: Audit Committee **Meeting Date:** September 19, 2023

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

Agenda Title: For Possible Action: Discussion and possible action regarding the Review of the Carson City Grants Compliance Internal Audit, findings and recommendations. (Sheri Russell-Benabou, srussell@carson.org)

Staff Summary: The Review of the Carson City Grants Compliance Internal Audit was approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2023 Audit Work Program. The project was completed, and the 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 report and direct staff to work on the recommendations as discussed. (and to continue with detailed audit procedures.)

Board's Strategic Goal

Efficient Government

Previous Action

N/A

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? No

If yes, account name/number: N/A

Is it currently budgeted? No

Explanation of Fiscal Impact: N/A

Alternatives

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

Attachments:

[Grants Compliance Internal Audit Report 2023 - Final.pdf](#)

Board Action Taken:

Motion: _____	1) _____	Aye/Nay
	2) _____	_____

(Vote Recorded By)



Grants Compliance Internal Audit

June 2023

**CARSON CITY
GRANTS COMPLIANCE
INTERNAL AUDIT**

Submitted By:

Eide Bailly LLP

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Executive Summary

Eide Bailly LLP (“We”, “Our”, or “Us”) performed an Internal Audit of Carson City (“City”) Grants Management to evaluate associated process and controls. Our Internal Audit identified three (3) findings. These findings provide opportunities for improvement to enhance the existing oversight and administration of grants, and provide new ideas and opportunities to help address control gaps where necessary.

As part of the FY22 Risk Assessment Report, Grant Management was identified as one of the potential audit areas. The internal audit aims to assess the effectiveness and efficiency of the City’s financial control framework and associated internal controls in managing grant activities. Additionally, the internal audit focused on the City’s approach to ensuring grants compliance. We performed interviews and walkthroughs with various City personnel from different departments to gain an understanding of the grants management process.

We greatly appreciate and thank the input of the former Grants Administrator, as well as the Grants Coordinators and Department Business Managers from Public Works, Fire, Health & Human Services, Parks, Recreation and Open Space, Juvenile Probation, and Senior Center who contributed to enhancing our understanding of the grants management process.

Background Information

Grant agreement¹ means a legal instrument of financial assistance award between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with 31 U.S.C. 6302, 6304:

1. Is used to enter into a relationship the principal purpose of which is to transfer anything of value to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal awarding agency or pass-through entity’s direct benefit or use;
2. Is distinguished from a cooperative agreement in that it does not provide for substantial involvement of the Federal awarding agency in carrying out the activity contemplated by the Federal award.
3. Does not include an agreement that provides only:
 - i. Direct United States Government cash assistance to an individual
 - ii. A subsidy
 - iii. A loan
 - iv. A loan guarantee
 - v. Insurance

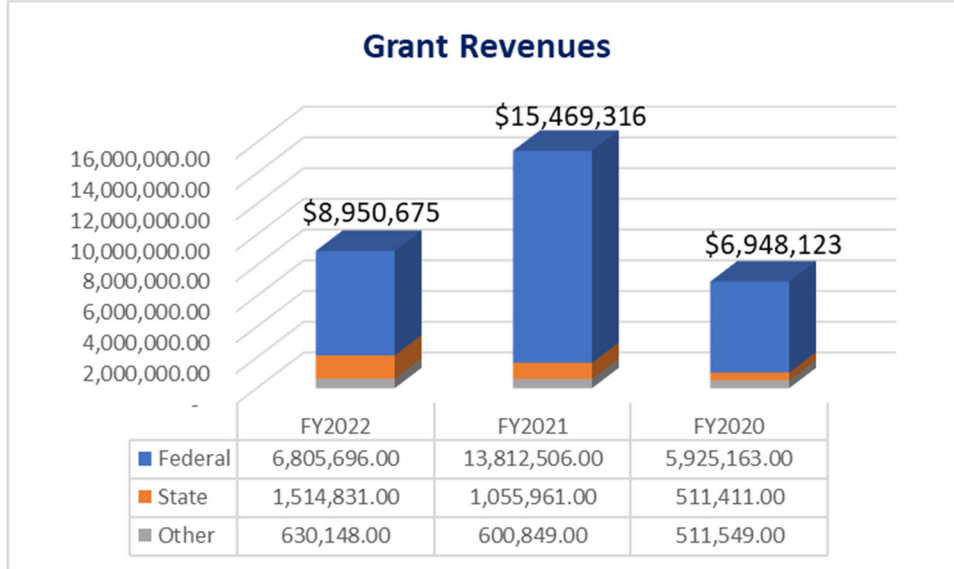
Carson City receives grant funding from various sources including the State of Nevada, the federal government, as well as individuals, businesses, and non-profit organizations. Grant funding is used for a wide variety of activities including public safety, public services, community development services, law enforcement, recreation, and infrastructure improvements and maintenance. These grants are utilized by various departments within the City based on the requirements and available opportunities. FY2021 saw a spike in grant revenue of \$15.5 million compared to \$6.9 million in FY2020, primarily due to the COVID-19 federal funding during the pandemic. In FY2022, the City received a total of \$8.9 million in grant revenue, see **Table 1** below.

The Finance Department establishes the policies and procedures (P&Ps) for grants management and administration. The Grants Administrator is responsible for maintaining the City’s main grants listing, a citywide

¹ Source: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-A/subject-group-ECFR2a6a0087862fd2c/section-200.1>

database of funding resource materials, grant applications and award documents, and management of publications. They also provide assistance to departments to ensure compliance with federal, state, and private grant guidelines and policies. Department Business Managers and Grants Analysts are responsible for the overall administration and execution activities such as preparing and submitting drawdowns, monitoring grants expenditures and activities, maintaining required documentation of project performance, and preparing financial reports.

Table 1 – Federal, State, and Other Grant Revenues (FY2020 through FY2022)



Source: Carson City’s Comprehensive Annual Financial Report

Most if not all, of the grants received by the City follow a reimbursement model for grant funding wherein the City is responsible for covering initial project costs, they incur expenses upfront and later request for reimbursement to the funding agency. This model ensures accountability and financial oversight over public funds. By requiring grantees to submit documentation and proof of expenditures, the funding agency can verify that the funds are being used for their intended purposes and in compliance with grant requirements. It allows the funding agency to monitor and control the use of funds, reducing the risk of misuse or mismanagement. While funding a project before receiving grant dollars may carry several risks, the City mitigates these risks by not using grant funds until they are awarded².

Objective & Scope

The objective of the Grant Management internal audit was to determine whether the City’s financial control framework and related internal controls over the management of citywide grants are efficient and effective. Additionally, to determine whether City grants are in compliance with grant provisions and applicable federal, state, and local laws and regulations. Lastly, to identify opportunities for the City to improve grant management activities.

The scope of the engagement was of current grant administration processes through the engagement period of November 2022 through May 2023.

² A grant is considered “awarded” when the funding agency has made the formal decision to provide the grant funds to the recipient and a signed agreement between the funding agency and the grantee exists.

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" sections of this report.

Methodology

Based on the above objectives, we performed procedures including but not limited to the following:

1. Obtained and reviewed policies and procedures (P&Ps), financial data, and monitoring reports related to the grant management and administration process.
2. Obtained and reviewed the City's most recent organizational chart for roles and responsibilities.
3. Obtained current listing of all active grants from each department involved in the grants process and reconciled to the City's Main Grants spreadsheet.
4. Researched federal, state, and local laws and regulations specific to grants and grant administration including Uniform Grant Guidance, Title 2 of the Code of Federal Regulations (CFR), Davis-Bacon Act (DBRA), and Federal Funding Accountability and Transparency Act (FFATA).
5. Performed walkthroughs and conducted interviews of grant management personnel and key staff to assess internal controls and processes over grant activities.

Key Personnel Interviewed:

- Mirjana Gavric – Grants Administrator³
 - Dave Aurand – Department Business Manager, Fire Department
 - Shelby Price – Administrative Assistant, Fire Department
 - Bretta Inman – Department Business Manager, Health & Human Services
 - Paul Micah Chalk – Grants Analyst, Health & Human Services
 - Patti Liebespeck – Department Business Manager, Parks, Recreation, & Open Space
 - Lyndsey Boyer – Open Space Manager, Park, Recreation, & Open Space
 - Gregg Berggren – Trails Coordinator, Parks, Recreation, & Open Space
 - Rebecca Bustos – Grants Analyst, Public Works
 - Courttney Nicholas – Fiscal Analyst, Public Works
 - Courtney Warner – Executive Director, Senior Center
 - Michelle Baugh – Department Business Manager, Juvenile Probation
6. Requested and reviewed grant management key performance indicators, monitoring protocols, and other metrics utilized by the City and different departments to govern the grant management process.
 7. Selected a judgmental sample of 5 grants, one from each of the departments; Finance, Fire, Health & Human Services, Parks, Recreation & Open Space, and Public Works.

³ Mirjana Gavric left the City in February 2023, and the Grants Administrator position was filled in April 2023. For all intents and purposes of this audit, any time the Grants Administrator is mentioned, it is referring to Mirjana unless otherwise specified.

8. Testing was performed to determine whether grant expenditures have proper support and approval, comply with program requirements for allowable costs, and were accurately reported.⁴
9. Obtained and reviewed grant-related training materials and training logs and determined whether training materials are complete, accurate and reflect current laws and regulations; and whether all individuals involved in grants administration have received necessary and appropriate training.
10. Identified best practice for frequency of grant training and whether training is individual based on roles and responsibilities or group based.
11. Identified best practice for grant management key performance indicators, monitoring protocols, and other metrics utilized to govern the grant management process.

Results and Conclusion

Based on the procedures performed during this assessment, we determined that the City has effective internal controls in place over grants administration, even within a decentralized environment. Each department managing grants adhere to the City's existing P&Ps, grant provisions, and relevant federal, state, and local laws and regulations⁵. However, opportunities for improvement were identified where the City could benefit from operational efficiency. We have identified three (3) findings and provided recommendations to address the findings noted. Grant management is a shared responsibility among the Grants Administrator and the various departments who receive the grants. Hence, our findings and recommendations are addressed to the City as a whole and not limited to the obligations of any single department.

We greatly appreciate and thank the input of all individuals who contributed to enhancing our understanding of the grant management process as well as helping us identify opportunities for improvement. Particularly, former Grants Administrator, various Department Business Managers and Grants Analysts who were candid and forthright with the Internal Audit team leading to a steady exchange of information that was useful in identifying potential risks, documenting process gaps, and formulating operational recommendations to address process deficiencies. We believe that addressing and resolving the findings and recommendations provided in this report would directly and positively add value to the overall efficiency and effectiveness of the grants management process.

FINDING #1: Decentralized and Manual Grant Management

Grant Management activities are currently decentralized across different departments within the City. This has allowed the individual departments to have a better understanding of their specific grant needs and requirements. Additionally, each department can allocate resources according to their specific needs and priorities. However, this decentralized system has led to challenges in retrieving complete and up-to-date grant information, including difficulties in accessing a comprehensive and accurate listing of all grants.

The City's Grant Administrator manually maintains a Main Grants Spreadsheet which is intended to serve as the comprehensive listing of all grants received by the City. However, when reconciled to individual

⁴ Testing was not conducted on the sample from Parks, Recreation & Open Space due to majority of the department's grants being either in the very early stages or closed. Instead, we conducted a thorough walkthrough of the department's end-to-end grants management process. Additionally, we want to note that for two out of the five samples, we were unable to access the performance reports. As both grants are renewed annually, IA was able to verify required reports were submitted in the previous year. It is worth mentioning that no exceptions were identified during this process.

⁵ In this report, it is important to note that the Federal Emergency Management Agency (FEMA) conducted a Financial Monitoring review of the Fire Department's grant documentation. The outcome of the review was favorable, as it revealed no issues that would require corrective action or raise concerns about questioned costs.

department listings, we noted that the Main Grants Spreadsheet has not been consistently updated with the latest grant information from individual departments. At the time when we obtained the Main Grants Spreadsheet, the Grants Administrator was in the process of transitioning out of their current position, which may have resulted in a lack of coordination and effective communication.

In addition, we noted that grants information in Munis is not consistently populated. This may be due to some personnel involved in grants administration lacking awareness of the established guidelines and procedures for entering grants information and uploading grant-related documentation into Munis. They may also lack an understanding of the importance of populating all grants information fields and of the specific data required.

Incomplete or inaccurate grant data may limit the organization's ability to make informed decisions based on up-to-date information regarding all grants received. This may also hinder effective resource allocation and planning within the organization. Additionally, this may result in inaccurate reporting of grants received, potentially resulting in compliance issues and misrepresentation of financial information.

RECOMMENDATION for Finding #1

We recommend that the City implement the following procedures to ensure consistency, compliance and accountability across departments in a decentralized system:

- I. Review and evaluate the current process for updating the Main Grants Spreadsheet. Identify any gaps or inefficiencies that may lead to missing grants and consider implementing a standardized procedure to capture and record grants received by departments, ensuring timeliness and completeness in the data entry process. Document the standard operating procedures for updating the spreadsheet to facilitate consistency and knowledge transfer.
- II. Schedule periodic reconciliations to compare the Main Grants Spreadsheet with individual department listings. This will help identify any discrepancies or missing grants and ensure data accuracy.
- III. Develop and implement oversight mechanisms, key performance indicators (KPIs), and other metrics to monitor and evaluate the decentralized grants management process, ensuring adherence to the City's Grant Administration P&Ps and Grants Manual. This includes verifying the input of required grant information into Munis and identifying areas for improvement.
- IV. Consider working with Information Technology to implement an automated tracking system and develop a user-friendly dashboard for managing grants. An automated system can streamline data collection, reduce manual errors, and improve the accuracy of the grants information. On the other hand, a dashboard will provide a high-level overview of grant activities and performance in real time.
- V. Consider working with Information Technology and Tyler Munis support to determine how to configure the current Grants Module to align more effectively with the City's specific needs. This should include configuring Munis to interface with the time reporting system used by the Sheriff's Office and Fire Department, Telestaff.
- VI. Review current individual roles and responsibilities of all personnel involved in grants administration, as defined in the City's Grants Manual, to ensure adequate alignment and coverage of necessary tasks to be performed.

Management Response:

- I. *There is a final reconciliation process at year end for Grants when Finance finalizes the Schedule of Expenditures of Federal Awards. At that time the Grants Administrator should be comparing her spreadsheet to the SEFA to see what is missing. This step can be completed by December 31, 2023.*
- II. *I believe we can use Teams to keep the Grants Spreadsheet updated, thereby giving access to*

- departments to update it themselves, when they receive a new Grant. The Grants Administrator can send out quarterly reminders and review quarterly for accuracy. This step can be completed by August 30, 2023.*
- III. There is a workflow process for any new Project Strings completed. Grants Administrator is tasked with ensuring the input is complete and the award is scanned into the system, inputs will not be consistent as some will have a CFDA number, and some will not as they are local or Federal Grants.*
 - IV. The City gets very little in the way of administration reimbursement for Grants. All of the funds we get do not cover staff time needed to administer the grants, so the City would not have the financial capacity or time to purchase and maintain a new tracking system with a dashboard.*
 - V. The information for the Grants Module doesn't link to anything, my understanding is that the module is just for reporting. Many agencies have their own forms, and all are unique, so we already determined that using this for reporting would not be reliable or cost effective.*
 - VI. Each Grant has a Grant Number and all transactions including employee time are charged to the Grant Number, I believe we have a system set-up for employees who are charged to Grants using Telestaff already. Quarterly, or at year end, depending on the size of the grant, Finance does a reconciliation of the requests sent, vs the information recorded to the General Ledger, any errors are corrected using a Journal Entry.*

FINDING #2: Training

Carson City's Grants Administrator facilitates periodic grant-related trainings throughout the year and maintains a Training Log that records the dates and attendees of each session. In calendar year 2022, there were a total of twelve (12) mandatory training sessions throughout the year. We noted that there were seven (7) personnel from six (6) different departments who have not attended any of the training sessions since 2021. When some departments or personnel see that it is acceptable for some departments or personnel to not attend mandatory trainings, they may become less motivated to attend future training sessions. Additionally, without adequate training, personnel involved with grants may not be aware of the compliance requirements associated with their grants, resulting in violations of laws and regulations.

Funding agencies expect staff competency when sponsoring grants, and some grantors may require organizations to provide evidence of staff training in grant management and compliance or attend specific training programs. Due to the complexity of grant administration, staff expertise is crucial for ensuring efficient grant management.

Insufficient training may lead to inefficiently managed grants, resulting in project delays cost overruns, and missed deadlines. Staff may also face difficulty generating accurate and timely reports that provide a clear picture of the grant's progress and performance. Inadequate training increases the risk of misappropriation of funds and non-compliance with grant requirements, potentially resulting in legal violations. Overall, a lack of training in grants management may result in various risks that have financial, legal, and reputational consequences.

RECOMMENDATION for Finding #2

We recommend that the City ensure that all personnel involved in the management and administration of grants receive the necessary training to enhance their skills, promote efficient grant management and mitigate potential risks by performing the following:

- I. Identify all personnel involved in grants management and conduct a thorough assessment of their training needs to identify specific gaps in their knowledge and skills related to grants and compliance requirements.*
- II. Develop a training plan that outlines the required trainings for each staff member involved in*

- grant management. The plan should include essential topics such as grant regulations, financial management, reporting, and compliance.
- III. Establish a formal schedule for mandatory grant-related trainings and communicate it to all staff members involved in grants management. Emphasize the importance and mandatory nature of these trainings to encourage active participation. Schedule should include different formats such as in-person or online sessions, to accommodate different learning preferences and schedules.
 - IV. Regularly track and monitor the attendance of staff members in mandatory grant-related trainings. Maintain accurate records of completed trainings to ensure compliance and identify any gaps or individuals who have not attended the required sessions.
 - V. Take proactive measure to follow up with staff members who have not attended the mandatory trainings to understand the reasons behind their absence. Provide additional support, reschedule missed sessions, or offer alternative training options as needed to ensure all staff receive the necessary training.
 - VI. Conduct regular evaluations to assess the effectiveness of the grant-related trainings and make necessary improvements. Seek feedback from staff members to gain insight into their experience and identify areas for improvement.

Management Response:

The City just started providing training to our staff, but it is a broad training regarding changes to the uniform guidance and how to effectively manage Grant programs (in general). Department heads are responsible for sending their staff to topic specific training as needed. Carson City is a consolidated municipality, both a City and County combined, so we received several different types of grants from several granting agencies. I truly do not feel it is possible for one person to have the expertise in all areas of Federal grants to provide detailed training. Citywide, I hope department managers know we can help find grant specific training, as needed. However, we cannot require other departments to send their staff to the City offered training, as it may not be needed. Lastly, I would need to hire an additional full-time employee (FTE) in order to track everyone's training in one place, which as stated in question 1, the City does not receive enough in administrative funds to accommodate an additional FTE. I can see about putting another Spreadsheet in Teams for documenting Grants training; however, Finance wouldn't be able to ensure it is accurate.

FINDING #3: Reimbursement Process

Most of the grants received by the City follow a reimbursement model for grant funding where the City is responsible for covering the initial costs of the project and submits documentation to support their reimbursement claim. The reimbursement check is sent to the Treasurer's Office, who is responsible for allocating funds to the appropriate departments. Although the Treasurer's Office has an established process for identifying the appropriate department for each reimbursement check, it is currently not formally documented.

RECOMMENDATION for Finding #3

The City should document the Treasurer's Office process for receipt of reimbursement checks into their Grant Manual. This documented process should provide a clear outline of the steps involved, define the roles and responsibilities of relevant stakeholders, and specify the required documentation. Formalizing this process will enhance transparency and ensure consistent and accurate allocation of funds.

Management Response:

City management agrees, and will incorporate the reimbursement process, with the Treasurer's Office, into the Grants Manual. Finance should be able to complete this by August 31, 2023.



STAFF REPORT

Report To: Audit Committee **Meeting Date:** September 19, 2023

Staff Contact: Sheri Russell-Benabou, 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-Benabou, 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:** 15 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 is recommending the following items to the Audit Committee for closure.

1. Utility Billing – Items 1 and 8
2. Grants – Items – Items 1 (III, IV, & V), and Item 2
3. Clerk-Recorder – Items 1, 2 and 7

Staff will take the items that the Audit Committee recommends for closure to the Board of Supervisors for final closure.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? No

If yes, account name/number: N/A

Is it currently budgeted? No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Attachments:

[Audit Findings Summary 9-8-2023.pdf](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City
Internal Audit Summary
Updated - 9/8/2023

Carson City - Audit Findings Tracking Summary Report (revised 9/8/2023)

Report Name	Report Submittal	AC/BOS Report Approval	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
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	
Grants Audit	6/30/2018	9/30/2018	Internal Auditor	1	1	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	13	6/22/2021	10/6/2022	
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 Vulnerability Audit	10/30/2020	12/8/2020	Internal Auditor	10	10	3/8/2022	10/6/2022	
Fleet Audit	3/30/2021	3/30/2021	Internal Auditor	6	6	3/8/2022	7/7/2022	
Revenue and Receivables Audit	5/25/2021	6/22/2021	Internal Auditor	3	3	12/7/2021	7/1/2020	
Payroll Internal Controls Testing	11/22/2021	12/7/2021	Internal Auditor	3	3	3/8/2022	7/7/2022	
Community Development Department	6/29/2022	7/12/2022	Internal Auditor	8	4	7/12/2022		Closed items 2, 5, 7 & 8 with BOS
IT Vulnerability Retest Report	7/12/2022	9/13/2022	Internal Auditor	6	5	9/13/2022		Closed items 2-6 with BOS
Wireless Assessment (see separate report)	4/30/2022	10/6/2022	Internal Auditor	1	1	9/13/2022	10/6/2022	
Endpoint Security Assessment	4/30/2022	10/6/2022	Internal Auditor	2	2	9/13/2022	10/6/2022	
Prelim Risk Assess. Body Worn Camera Prog.	9/1/2022	9/13/2022	Internal Auditor	4	2	9/13/2022		Closed items 2 & 4 with BOS
Utility Billing Internal Audit	12/1/2022	1/24/2023	Internal Auditor	8	3	1/24/2023		Closed items 2, 3 & 5 with BOS
Grants Compliance Internal Audit	6/1/2023		Internal Auditor	3				
Clerks Office Internal Audit	9/8/2023		Internal Auditor	10				
Total (including archived reports)				187	162			

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 - Audit Committee closed
P	Partially Addressed items
N	Not yet addressed
Y	For Discussion today

Carson City
Community Development Internal Audit
June 2022

Item No.	BOS Closure	Finding	Recommendation	City - Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
1		Entergov has tripled the amount of data entry involved in processing a business license when compared to the legacy system. A poorly executed customer interface on the portal coupled with the inability to require payment prior to permit issuance caused the shutting down of the customer portal. Business licenses issued can be issued without payment and credits to potentially fictitious customers can go undetected, creating an opportunity for fraud and potential lost revenue for the City.	The City should continue to work with Entergov to determine if the necessary updates can be made to improve efficiency, incorporate preventative controls, and features that will help effectively service customers. Alternatively, if there is no resolution with Entergov, then the City should look into alternative software solutions.	Community Development has met with IT and IT is currently working with Entergov to determine if resolution of the issues is feasible. If not, the staff will investigate alternative systems. Staff has underfilled a position to hire a consultant in anticipation of not being able to resolve issues. Community Development has set a date of January 1, 2023 and the Director will be the lead in working with the consultant.	N	1/1/2024			The system upgrade went live in August 2022 and there was a learning curve as staff needed to learn the capabilities of the new system. That said, there are still issues including the search function being difficult and automation that creates challenges such as the automatic creating of invoicing during a renewal. Concerns with preventative controls and customers not being able to use the portal continue and staff has not been able to work on these matters. Additionally, staff has not been able to hire a consultant as it needed to understand the function of the upgraded system and work with it so as to understand capabilities and limitations.
2	5/18/2023	Business license fees list on the website is not complete per CCMC 4.04.020, it is missing Fictitious Filing Fees \$20 and Technology Fees of \$5.	The Director should work to provide an updated list of business fees to the customers for transparency on the website.	The fees can be added to the portion of the website that addresses business license fees as well as included on other materials associated with business license fees. Planning Manager will be responsible.	Y	1/1/2023	11/30/2022		These fees have been added to the website.
3		There is a lot of great information in the full report. This finding has to do with whether or not the City should continue to outsource with Charles Abbott (CAA). There isn't enough data regarding time CAA spends on their services to fully understand all the costs of each Building Permit.	Recommendation is that the City should use the benchmarking data as well as obtain further data on the number of hours each permit takes to process from intake, plan review, permit issuance, inspections, re-inspections, etc., in order to determine if we should continue outsourcing, move to a hybrid approach, or insource all together.	The current contract will expire in August 2024. By July 2023 the Director should provide an analysis to the City Manager/ Board of Supervisors relative to the recommendation to insource, continue outsourcing, or utilizing a hybrid approach. This will provide the City with a year to determine the preferred structure.	N	7/1/2024			The consultant has had a lot of personnel changes recently. There is currently an interim building official, and new inspectors and permit techs. Given the new personnel, there will be a learning curve before they can operate efficiently and the costs of delivery can be accurately understood.
4		It was noted that there was a lack of monitoring of performance metrics as required by the City's contract with CAA. For example: permit transaction reports are attached to monthly invoices, however, the City does not monitor for timeliness of permit related activities or accuracy of the Permit fee calculations. There is also no formal customer feedback process or means of sharing unsolicited feedback with the Director.	Director should enforce the contract requirement for CAA to provide monitoring information to the City. The City and CAA should establish a customer feedback loop. Additionally the City should consider an independent audit of the consultants performance. Lastly, a quarterly or annual trend analysis of reported issues should be created and shared with the Director.	CAA typically does not have sole responsibility for a building permit's review. The delay could come from a City department. Director will work with City Manager's office on customer survey's both internal and external to the City. Reporting and surveys will be Director's responsibility.	N	7/1/2024			A new interim Building Official began work in November 2022 and the consultant has recently hired new inspectors and permit techs. There is currently a learning curve. That said, internal work flows and fees in the building permitting computer system are being modified to reflect the code. The Director is also meeting with the land development community quarterly to obtain feedback on processes. Formal reports have not been generated during this time of transition.

Carson City
Community Development Internal Audit
June 2022

Item No.	BOS Closure	Finding	Recommendation	City - Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
5	5/18/2023	Reinspection fee was not charged for FY 2021 and 2022 resulting in losses to the City of \$33,000 and \$17,000 respectively. There were many instances where the Final Inspection was performed, but the permit was canceled, and auditor was unable to determine the cause for such a late cancellation.	Director should require that re-inspection fees are charged to ensure the City receives payment for work performed. Director should also determine why there were 199 permits in 2021 and 84 permits in 2022 that a final inspection was noted, but no permit was issued.	Director will work with CAA to ensure they start charging the reinspection fee. Director also agrees to look into the canceled permits where inspections occurred by September 30, 2022 and report out to the City Manager, and Audit Committee.	Y	9/30/2022	9/30/2022		The building division has been directed to charge re-inspection fees. We were not able to identify "cancelled" permits where inspections occurred. But, we are in agreement with the consultant that should not occur.
6		Building Division has not evaluated the cost of its services in 15 years to determine if the fee fully covers the costs. There is currently no reliable data on how much in employee and CAA time it takes to issue a Permit. National Association of Home Builders has stated that construction permit fees are typically 1.7% of total project cost, but City per Permit cost only came to .48% of total project costs.	As an enterprise fund building permit fees should be designed to cover all direct costs. City should use the information contained in the report to help with a cost of service study. A review of expenses should also be done to determine that appropriate and legitimate expenses are properly reported.	Community Development staff does not have the skill set to pursue this recommendation, and we would need to outsource a consultant to pursue this task. Director is watching the fund closely to make sure that non-building related activities are not paid out of this fund.	N	1/1/2024			Existing staff does not have the skill set to pursue this recommendation. No action to contract for this task has been pursued. Director feels a determination as to whether or not to continue with Charles Abbott would need to be completed first. Then pursue a possible fee study.
7	5/18/2023	CAA contract states that the Building Official with CAA is to provide building code enforcement. Based on interviews and discussions with Director and Building Official, CAA is not providing building code enforcement.	Director and possibly DA should enforce the contract language related to code enforcement and work to come to a resolution with CAA.	Director, DA's office and Building Official are scheduled to meet in August 2022 to further discuss.	Y	11/1/2022	11/1/2022		The consultant agrees that enforcement of the International Property Maintenance Code is part of its responsibilities and is performing in that role.
8	10/6/2022	Final Plan Review doesn't include all Department Final Sign-off, which causes plan delays when inspectors note that final reviews were not signed off.	Process workflow should be implemented to address version controls, for resubmittals of the plans to all plan reviewers to ensure a newer version of the plan is rerouted to all relevant parties for final review.	Director will request that CAA implement a workflow process that addresses the version controls and final reviews sign-off.	Y	9/1/2022	8/6/2022		Community Development has reviewed the workflow in energov to verify no one is dropped off the review and the permits techs are implementing

Carson City
IT Vulnerability Update Internal Audit
April 2022

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: 103 - Original Report - RETEST - 27 Remediated, 73 partially remediated, only 2 not remediated.								
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	6/30/2025			Decision needs to be made by the System / Software owner for a replacement. Funding will be needed to replace systems and the infrastructure to support any new system. Some systems do not have upgrade path leading to a full replacement. Some systems have been scheduled for replacement in 2025. Example: Tiburon
2	5/18/2023	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.	Y	12/31/2022	1/31/2022		Change Control Policy and Processes implemented January of 2022. Current records state process began in January 2022 within Manage Engine.
3	5/18/2023	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.	Y	6/30/2025	12/16/2022		Current process is Patch, Reboot, and Scan is performed on the end units the last Thursday of each month and servers the last Wednesday of each month. There are exclusions for high risk and Public Safety units and servers. Reference recommendation #1 for High Risk Legacy systems.
4	5/18/2023	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.	Y	6/30/2022	7/26/2022		SOP Created - System Hardening Process has been established which contains Peer Review. Policy is in Policy Tech.

Carson City
IT Vulnerability Update Internal Audit
April 2022

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
5	5/18/2023	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.	Y	11/1/2021	11/1/2021		SOP Created - System Hardening Process has been established which contains Peer Review. Policy is in Policy Tech.
6	5/18/2023	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.	Y	4/30/2022	4/30/2022		Comment - This is the retest - 1 year after initial report.

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. FINDINGS ARE OBFUSCATED, AS TO NOT PROVIDE A ROAD MAP TO WHERE ISSUES ARE; THEREFORE, TOTAL FINDINGS ARE NOTED, BUT SUMMARIZED HERE.

Carson City
Preliminary Risk Assessment of Body Worn Camera Program
September 2022

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		The Sheriff's Office should establish a process that ensures all officers responding to 911 dispatch calls and all self-initiated activities requiring dispatch notification have a BWC video. Additionally, performance metrics and goals should be established for Body Worn Camera ("BWC") activation.	Sheriff is reviewing Axon and other performance products, and will need to build performance metrics and goals.	N	7/1/2024			Due to reduced Sales Taxes over the last two years, the City was unable to fund a new system and position to monitor the system. The City will review during next years budget cycle.
2	5/18/2023	The Sheriff's Office should update their BWC policy to address when the video upload and categorization is to occur. Additionally, the Sheriff's Office should perform routine monitoring of the uploads and the categorization of videos for completeness and accuracy. Lastly, performance metrics and goals should be established for BWC uploads and categorization of videos.	Sheriff's office agrees and will incorporate into policy instruction when to upload and categorize video from a BWC.	Y	10/30/2022	10/20/2022		As of 10/20/2022, the BWC policy indicates that after every shift, or as soon as practical, the deputy should cause the BWC to be downloaded and charged as prescribed by the manufacturer.
3		The Sheriff's Office should continue to roll out the BWC program's Early Warning Policy to comply with NRS 289.823. Furthermore, the policy should implement a system and methodology to monitor the BWC video for compliance with the BWC program and policy, and identification of opportunities for improvement to include all uniformed personnel with BWC devices, including the Jailors. This should include an evaluation of the total reviews that need to be completed in order to be statistically significant in comparison to the total of BWC footage of each uniformed personnel with a BWC device or other means of how supervisors chose videos for review, such as utilizing the feature within the Axon software that aids in the random selection of the videos for review. Lastly, the supervisor's monitoring of the videos should also be reviewed for compliance with set methodology and intent of the program and related policies.	The Sheriff's Office has established policy to address the Early Warning Policy, as per NRS 289.823. The implementation of Performance Measures will address the recommendations above. Detention officers are not required to have BWC; however, they have been issued to provide additional audio/visual documentation and record of events. An internal work group will address and publish a policy for camera use within the jail.	*P*	7/1/2024			The City believes we are in compliance with all NRS requirements. However, due to reduced Sales Taxes over the last two years, the City was unable to fund a new monitoring system and a position to collect the data and evaluate the data of the system. The City will review during next years budget cycle.
4	5/18/2023	Review and update the current BWC policy to reflect current operating practices and alignment with NRS 289.830. Specifically, the policy should be updated to include disciplinary actions.	BWC policy is currently in review as a natural course of implementing the in-car camera as well as the early warning policies. Although not specifically mentioned in the BWC policy, it is a violation of Standards of Conduct for an employee's, "Failure to operate a portable recording device as required by the Office and/or editing or erasing any portion of a recording". See policy 339.5.8.(J). Discipline for the violation can range from a warning up to and including termination.	Y	10/30/2022	10/30/2022		The BWC policy was reviewed based on this specific recommendation. After assessment it was decided that the current policy format is sufficient; potential discipline for any and all policy violations are covered under Policy 339 - Standards of Conduct

Carson City
Review of Utility Billing Process
December 2022

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: Several Tyler Munis conversion issues such as missing information, customers are not able to see their tier level, and e-mailed bills is not working consistently have been a problem. Recommendation: The Utility Billing Division should continue tracking the occurrence of these issues and notify Tyler Munis Support to resolve the ongoing issues.	Scanning issues should be resolved with Munis by July 1, 2023. Visibility of the Tiers has been corrected as of the date of the report, and E-mail issues will be ongoing with Munis until a solution is reached.	*Y*	7/1/2023			Scanning issues are resolved aside from the occasional one-off type glitches that Munis has; email issues continue to be a problem. Munis case # 9944654 has been escalated - 4 months ago was last response; 2 months ago an update was requested; 4/24/23 another update was requested with no response to date. UPDATE: Tyler Munis has done some work on this, resolving the issues and the City has seen improvement. There are still occasional glitches, but the majority of the issues have been resolved. Recommend Closure.
2	5/18/2023	Finding: No approval of Customer Adjustments. Recommendation: We recommend follow-up be performed of the implemented workflows to confirm review of the approvals for adjustments of \$2,000 and above have the proper approval document in Munis.	Director's electronic approval of adjustments over \$2,000 has been set up in munis. The Director is notified of adjustments over \$2,000 via e-mail and he approves the adjustment in Munis before it is processed. Additionally, any adjustment over \$2,000 made prior to October 2022 has the proper documentation attached to the account file in TCM.	Y	1/1/2023	1/1/2023		This has been completed immediately and is working as intended.
3	5/18/2023	Finding: Billing Adjustment codes do not have a clear policy, nor are they used consistently. Recommendation: We recommend that a Billing Adjustment Policy be established and procedures which include a review for prior billing adjustments, how many are allowed for a specific issue, and which code should be used in which instance. City should require the customer to provide proof that the problem has been resolved such as an invoice or receipt for leak adjustment.	Historically, Public Works has allowed 1 adjustment "per incident" on a customer account, this does allow a customer to receive more than one adjustment over a period of time. Various reason codes exist in the system and early on, there were inconsistencies in their use. The Director and Business Manager will establish a policy and an adjustment code guideline. Currently the customer requests for adjustment must be in writing and provide a receipt for repairs; however, if the homeowner fixes their own leak, Public Works will not allow the adjustment until usage returns to normal.	Y	3/1/2023	2/24/2023		This has been completed.
4		Finding: Water Meter no Read Errors. Recommendation: The City should perform a cost benefit analysis to determine whether implementing an Advanced Metering Infrastructure (AMI) system is more cost beneficial to the City.	Agree, a cost benefit analysis will be performed and if a benefit can be realized, Public Works will develop a timeline and a cost of implementation. The Water Utility Manager will oversee this process and get it completed by July 1, 2023.	P	7/1/2023 12/31/2023			The City's Water Manager submitted his resignation, and unfortunately, progress came to a halt. The newly appointed Manager will start work on this again in the next couple of months. Requesting a time extension.

Carson City
Review of Utility Billing Process
December 2022

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
5	5/18/2023	Finding: Identified 152 accounts with no water consumption for 14 consecutive months. Recommendation: We recommend the City implement a policy and procedure to monitor and review active accounts with zero consumption annually. Cost Benefit analysis of maintaining meters, meter technician's time in verifying and validating that meters are working, and Utility Billing Specialist's time in reviewing zero consumption reports.	Agree, the department business manager will create a policy and procedure for monitoring and the Fiscal Analyst will perform a cost-benefit analysis.	Y	3/1/2023	3/15/2023		This has been completed.
6		Finding - Reconciling of customer activity has not been performed since Munis went live. 4629 accounts were identified which were not billed at least one of the services, Water, Wastewater or Stormwater. Recommendation: A reconciliation of customer activity should be performed annually. GIS Mapping may help as certain areas of the City do not have access to Water, they are on their own well, etc.	Every property is different, and the standard Water/Wastewater/Stormwater Services provided. Residential Properties are treated differently from commercial and vacant lots are different that developed lots. Properties on well and/or septic are different as well. That being said, Carson City will hire an outside consultant to assist in the audit of the Utility Billing accounts.	P	8/1/2023 3/1/2024			Public Works has selected a consultant and are working on scope and fees - anticipated completion is within the next six months. Requesting a time extension.
7		Finding: Waste of Water Violation Recommendation: We recommend that the City perform benchmarking of other municipalities waste of water violations and penalties.	The Municipal Code must be reviewed and updated before new fees can be implement. Public Works will work with the DA's office to review surrounding municipalities and propose any changes needed.	P	7/1/2023 12/31/2023			In the DA's office for review. Requesting a time extension.
8		Finding: Opportunities exist to reduce the cost of billings by sending electronic bills to customers instead of paper bills. Recommendation: Confirm and work with customers on how they want to receive their bill. Additionally, work with Treasurer on how they can increase the use of credit card payment, as opposed to processing checks.	Agreed, it would be more efficient and cost effective to send out electronic bills, but encouraging customers to sign-up may be difficult, as Carson has an older population that prefer to receive paper bills and current technical issues, such as stated in finding #1. Treasurer will perform a cost benefit analysis on credit card payments vs. checks, but again, we can not require payments be made a certain way.	*Y*	11/1/2023			Treasurer and Public Works, both encourage new customers to sign up for electronic billing. We can not force this issue, so this will be something we will try to encourage as time goes on. Recommend closing.

Carson City Grants Compliance Internal Audit
June 2023

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		I. Review and evaluate the current process for updating the Main Grants Spreadsheet.	I. Grants Administrator will start a quarterly process, where she requests updated information from departments, then at year-end we reconcile what is on the spreadsheet to what we have in Munis.	N	12/31/2023			
		II. Schedule periodic reconciliation to compare the main grants spreadsheet with individual department listings.	II. We will work on using Teams to keep the spreadsheet updated to as current as possible.	N	12/31/2023			
		III. Develop and implement oversight mechanisms, key performance indicators, and other metrics to monitor and evaluate the decentralized grants management process. This includes verifying the input of required grant information into Munis and identifying areas for improvement.	III. Munis has a workflow process, with two reviewers to ensure information is complete, but not all grants will have the same information, for instance Local Grants will not have a CFDA#. At year end we reconcile everything in preparation of the SEFA. The City receives several reoccurring grants but also gets several one shot funding type grants. Due to the very different types of grants the City receives, I do not believe additional performance indicators and other metrics will improve the process.	*Y*	9/5/2023			We are currently doing this and have been doing this since the implementation of Munis. Finance has always reconciled all Grants annually for preparation of the SEFA. Finance requires a few fields in Munis depending on the type of grant, but additional information can be added by management as needed.
		IV. Consider working with IT to implement an automated tracking system and develop a user friendly dashboard for managing grants.	IV. The City gets very little in the way of reimbursement for administrative expenses, so the City would not have the financial capacity or time to purchase and maintain a new tracking system with a dashboard.	*Y*	9/5/2023			The City should consider closing this finding without implementing as we have no funding for another tracking system.
		V. Consider working with IT and Tyler Munis to determine how to configure the current Grants Module to align more effectively with the City's specific needs.	V. The Grant Module is just a tracking system for reimbursements, as far as my understanding, it does not link to anything, so while some departments use it to house documents, it is not required. The Federal Reimbursement Request system and forms are all very different depending on the agency, so I don't believe Tyler would have the capacity to tailor the system to each reimbursement request form.	*Y*	9/5/2023			The City should consider closing this finding without implementing as we have no funding for special proگرام by Munis. As the updates come out, Finance tests each module of the system. If an update comes out that enhances the Grants Module, we will explore how we can utilize it, but as is, Finance recommends using the Projects Module, as we have been doing.
		VI. Review current individual roles and responsibilities of all personnel involved in grants administration.	VI. Finance will review our current process regarding individual roles and responsibilities.	N	12/31/2023			

Carson City Grants Compliance Internal Audit
June 2023

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
2		Eide Bailly recommends ensuring all personnel involved in the Grants Management and administration of grants receive the necessary training to enhance their skills, promote efficient grants management and mitigate potential risks. It is recommended that we have a central system that Identifies all personnel and their training needs, Develop a plan, establish a formal schedule, regularly track and monitor the attendance of staff members, proactively follow-up with those who have not attended, and conduct evaluations.	The Grants administrator position is fairly new, and we just started providing training a few years ago. It is broad based training, meant as an introduction to Uniform Guidance, basic rules and universal laws of grants. However, there are many grant specific needs and trainings. While Finance encourages grant personnel to attend our training it is not required, as some of the grant personnel have been in their positions for many years, and Finance offered training would be too basic. Department Heads are responsible for ensuring each of their staff is properly trained for their position, and attend specific training based on the grant they are managing. In order to implement the Auditors Findings, Finance would need an additional FTE whose sole job would be to ensure everyone was getting the proper training. As I've already stated, we do not receive enough administrative funds to cover the costs of an additional FTE.	*Y*	N/A			The City should consider closing this finding without implementing. As the grants administrator is the only grants position that works for Finance, we would have to get permission to "require" training, by the City Manager, which I believe in some cases would be a waste of time. We truly do not have time to do all the plans, oversight, and evaluations that are required by this recommendation without an additional FTE, and as stated above there is limited reimbursement for grant administration. All Federal Grant programs offer training specific to their grants. Some are brought in already experts, those that are not, are instructed to take various training by their department head to get up to speed on their specific Grant. If Finance sees a potential training opportunity that would benefit a staff member, they will forward it to that individual, and their department head. However, it would be up to that department head to approve the training from their budget.
3		The City should document the Treasurer's Office process for receipt of reimbursement checks into their Grants Manual. This document should provide a clear outline of the steps involved, define the roles and responsibilities of relevant stakeholders, and specify the required documentation.	Management Agrees, and will incorporate this process into our manual.	N	12/31/2023			

Carson City Clerk's Office Information Technology Review Report
September 2023

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		A formal risk management program is not in place over IT. - CISA's Cybersecurity Self-Assessment is an example of a formal risk assessment, which addresses risks, vulnerabilities, impact, likelihood, and response can help IT identify risk and priorities within the environment.	Management intends to complete a formal risk assessment at a future date. Currently, IT has a monthly engagement with CISA. (IT)	*Y*	9/5/2023			We currently do a monthly CISA engagement, but will look at doing a formal risk assessment at a future date.
2		Landmark password security settings are not in compliance with industry best practices.	City will set-up 90 Day Password Change process and appropriate user level access. (Clerk/Recorder)	*Y*	9/15/2023			90-Day password change is now functional.
3		Operating system and Landmark user access reviews are not performed and documented on a regular basis to verify appropriateness of permissions granted based on the user's job duties.	City will coordinate with Catalis/Landmark the removal of accounts not applicable and create a policy to immediately remove users when employment status has changed. (Clerk/Recorder)	N	10/1/2023			
4		Administrator access for Landmark is not restricted to authorized and appropriate personnel.	City will work with Catalis/Landmark to define proper admin and user account access and continue to work on new application possibilities. (Clerk/Recorder)	N	10/1/2023			
5		Firewall controls including monitoring appear in place. The Clerk-Recorder's Office should consider implementing an independent technical review of firewall rulesets by qualified service providers on an annual basis or as needed pending firewall ruleset firmware and ruleset changes.	Clerk/Recorder will work with IT to perform their firewall assessment and updates to the platform on a minimum of an annual basis.	N	10/1/2023			
6		Ongoing monitoring over network capacity and performance is not conducted.	IT is currently looking to purchase the right tool.	N	7/1/2025			
7		Data loss prevention tools are in place, but a centralized preventative tool is not.	IT currently has implemented ForcePoint as of this August.	*Y*	9/5/2023			ForcePoint is now functional.

Carson City Clerk's Office Information Technology Review Report
September 2023

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
8		Application restoration testing is not performed on a semi-annual basis.	IT is currently looking to purchase additional resources to conduct testing without business impact.	N	7/1/2025			
9		Due diligence is not performed to confirm that software vendors who support in-scope significant applications have established appropriate security - specifically over activities related to access control and software development lifecycles.	City will continue to pursue vendor alternatives and in the meantime, meet with Catalis/Landmark on a semi/annual basis. City has connected with the account management and we are waiting on the most recent request, and connected with Catalis/Landmark IT about updates. (Clerk/Recorder)	N	7/1/2025			
10		The Disaster Recovery testing program is not sufficient to demonstrate the organization's ability to meet its continuity objectives.	IT is currently looking to purchase additional resources to conduct testing without business impact.	N	7/1/2025			

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? No

If yes, account name/number: N/A

Is it currently budgeted? No

Explanation of Fiscal Impact: N/A

Alternatives

Suggest Changes to Agreed Upon Procedures in motion.

Attachments:

[Carson City Audit Program - Cash Handling_FY23.24.doc](#)

[Carson City Audit Program - AP & P-Card_FY23.24.doc](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

CARSON CITY CASH HANDLING INTERNAL AUDIT PROGRAM FY23/24

Objectives:

Cash Handling Internal Audit – To determine whether risks related to cash handling are being managed appropriately, that internal controls are in place to reduce the risk of misappropriation, and all cash receipts are promptly, accurately and completely reported. Internal controls include; safeguarding assets, segregation of duties, accountability, reconciliations, and monitoring.

Internal controls include; safeguarding assets, segregation of duties, accountability, reconciliations, and monitoring.

Cash Handling in this context is the receipting of money for City services. This includes, checks, money orders, credit cards, and cash.

Areas to Consider:

- Only authorized persons, with no conflicting duties, have access to cash receipts, data files, programs, and related records. Individuals handling remittances are independent of billing, accounting and cash disbursements.
- Proper segregation of duties exists; someone independent from the cash receipt function summarizes the cash receipt and this cash summary is compared to the validated bank deposit to ensure that all collections were deposited intact; someone other than the individuals involved on the cash receipt function reconciles the bank accounts.
- Checks received at the location are restrictively endorsed upon their arrival.
- Customers are instructed to mail all payments to the City's bank lock box.
- Remittances from the lock box are posted daily.
- All cash receipts journal entries are supported with validated bank deposit slips and other documentation to ensure an independent verification of cash deposits.
- Collections are posted in the correct accounting period.
- Petty cash separate from individual operating funds and change funds in a locked drawer or safe.

Procedures:

1. Judgmentally select department(s) to conduct cash handling test work based on risk.
2. Obtain and review prior internal audit performed of this area and determine if risks noted have been remediated, where applicable.
3. Interview selected departments based on risk to gain the following information;
 - a. Overview of the departments cash handling process.
 - b. Overview of cash handling training; process, timing, method (in person / online) for providing cash handling training within the City and the divisions.
 - c. Obtain Citywide Cash Handling Policy from PolicyTech system.
 - d. Obtain individual departments Cash Handling policies and procedures.
4. Interview City department staff involved in cash handling and revenue collection.
5. Observe cash handling processes including recording, where applicable and assess the following:
 - a. Cash is controlled in accordance with procedures and policies;
 - b. Cash Controls consider segregation of duties or risk mitigation procedures where segregation is not possible;
 - c. Cash is collected and recorded in an accurate, complete, and timely manner;
 - d. Cash is physically secured until deposits are made;
 - e. Controls are in effect when Cash is removed/secured prior to depositing amounts to reduce loss and misappropriation risk;
 - f. Petty Cash is administered in accordance with policies and procedures;
 - g. Cash is completely and accurately deposited at approved institutions in a timely manner;
and
 - h. Management has designed and implemented controls to monitor Cash Control and Policy/Procedure adherence.
6. Judgmentally select a sample of cash receipts representative of the location's activity and:
 - a. Verify checks received were restrictively endorsed immediately upon receipt.
 - b. Verify checks received were made payable to the City or department rather than a person.
 - c. Trace cash receipts to supporting documentation.
 - d. Note that the cash receipt was reported timely.
 - e. Determine that all items are properly and timely deposited.
 - f. Agree the deposit slip to the bank statement. Note that the bank timely credited the deposit.

CARSON CITY ACCOUNTS PAYABLE & PROCUREMENT CARD INTERNAL AUDIT PROGRAM FY23/24

Objectives:

To evaluate the accounts payable process and controls to determine that invoices are paid for authorized purchases, duplicate invoices are not paid, and vendors are paid timely. Additionally, review processes and controls over procurement card (“P-Card”) issuance, purchasing guidelines, and individual and department transaction/purchase compliance.

Areas to Consider:

- System security and access to accounts payable applications
- Invoice payment processing/3-way match/review and authorization/recording of invoice
- Duplicate payment identification
- Vendor master file maintenance
- Proper segregation of duties

Accounts Payable Procedures:

1. Interview selected Accounts Payable, Finance, and Information Technology staff to obtain an understanding of the A/P and P-Card processes.
2. Obtain and review prior internal audit performed of this area and determine if risks noted have been remediated.
3. Obtain and review the organization’s written policies and procedures describing the operations and activities.
4. Obtain department organizational chart and verify (through inquiry / discussion) that the A/P department is independent of purchasing department and general ledger activities. Confirm that the person that adds new vendors does not process invoices.
5. Obtain signing authority showing person / position and amount authorized.
6. Observe process for positive pay and verify that file is approved before sending to bank for processing and file cannot be manipulated after approval obtained.
7. Compare vendor / supplier names, addresses to employee file.
8. Obtain a download of the A/P voucher history file and A/P vendor master file and sort A/P voucher history file and perform the following to determine whether system-based controls are operating effectively to prevent duplicated payments.
 - a. Identify potential duplicate payments based on same dollar amount to suppliers under different but similar invoice numbers.
 - b. Identify potential duplicate payments based on same invoice number with different date.

- c. Identify potential duplicate vendor listings and test for same payments to vendors under different vendor numbers.
- d. Scan vendor master file for different vendor names with the same address to identify potential sham vendors.

Note: Given the budget for this engagement, Eide Bailly will perform high level overview of steps #1 – #6, allowing the engagement to focus on steps #7 & #8 – integrity of vendor master file and duplicate payments.

P-Card Procedures:

1. Obtain and review the organizations written policies and procedures describing and controlling the purchase card program.
2. Interview key contact personnel over P-Cards and determine the following:
 - a. Whether the organization initially and periodically determines that cardholder and approving official credit limits are appropriate to their needs.
 - b. Whether the organization initially and periodically verifies who the purchase cards are issued to, and continue to be held by, individuals who need them to perform their assigned duties.
 - c. How and when the organization provides and documents initial and refresher training for cardholders, approving officials, and agency/organization program coordinators.
 - d. Whether the organization compares list of cardholders with list of employees separated from employment and cancel cards as necessary.
 - e. The organization's process for investigating allegations of fraudulent purchase card activity.
 - f. Whether Finance reviews transactions to identify purchases of Capital Equipment and Non-Capital Equipment (computers) that must be accounted for appropriately.
 - g. Identify all key controls established over the P-Card process including; payment of monthly purchasing card bills; prevention of duplicate payments; prevention of unauthorized access to P-Card transactions and master file data.
3. Obtain population of P-Card users and select sample of P-Card activity for the audit period under review and determine if supported by approved credit card enrollment form; proper approvals were obtained for P-Card use; validate whether anyone other than authorized card holder used the card; that key controls are functioning as intended.

Note: Given the budget for this engagement, Eide Bailly will perform high level overview of steps #1 & #2 allowing the engagement to focus on step #3 – testing P-Card activity.



STAFF REPORT

Report To: Audit Committee **Meeting Date:** September 19, 2023

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

Agenda Title: For Discussion Only: Discussion regarding Fiscal Year ("FY") 2023 and 2024 audit work programs update and Hotline activity. (Sheri Russell-Benabou, SRussell@Carson.org)

Staff Summary: Representatives from Eide Bailey, LLP will be discussing the completion of the FY 2023 audit work program, and progress on the FY 2024 audit work program as well as any items received through the Fraud, Waste & Abuse Hotline.

Agenda Action: Other / Presentation **Time Requested:** 10 Minutes

Proposed Motion

For Discussion Only.

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? No

If yes, account name/number: N/A

Is it currently budgeted? No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Attachments:

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)