



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

Day: Tuesday
Date: August 9, 2016
Time: Beginning at 3:00pm
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

Agenda

1. Call to Order

2. Roll Call

3. Public Comments and Discussion:

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

4. For Possible Action: Approval of Minutes - May 17, 2016 & June 7, 2016

5. For Possible Action: Adoption of Agenda

6. For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update.

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

7. For Possible Action: Presentation by Moss Adams on the P-card and Payroll Testing Projects for the Audit Committee's consideration, discussion, and possible recommendation to the Board of Supervisors.

Summary: The Board of Supervisors approved the P-card and Payroll Testing Projects at their June 18, 2015 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

8. Presentation Only: Update and demonstration of the City's Performance Metrics Dashboard.

Summary: City Staff will provide a demonstration of the City's Performance Metrics Dashboard.

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

10. **Public Comment** - The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

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

Agenda Management Notice - Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the City Manager's Office. You are encouraged to attend this meeting and participate by commenting on any agenda item.

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the City Manager's Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775) 887-2100 at least 24 hours in advance.

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

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

This notice has been posted at the following locations:
Community Center 851 East William Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Community Development Permit Center 108 East Proctor Street

Posted Date: August 3, 2016

CARSON CITY AUDIT COMMITTEE

Minutes of the May 17, 2016 Meeting

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DRAFT

A meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, May 17, 2016 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Catherine Byrne
Member Don Leonard

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

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

1 - 2. CALL TO ORDER AND ROLL CALL (3:01:38) - Chairperson Bertrand called the meeting to order at 3:01 p.m. Ms. King called the roll; a quorum was present.

3. PUBLIC COMMENTS (3:01:53) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - March 22, 2016 (3:02:26) - Chairperson Bertrand entertained a motion. **Member Leonard moved to approve the minutes. Member Bagwell seconded the motion. Motion carried 4-0.**

5. POSSIBLE ACTION ON ADOPTION OF AGENDA (3:03:00) - Chairperson Bertrand entertained a motion. **Member Bagwell moved to adopt the agenda. Member Leonard seconded the motion. Motion carried 4-0.**

6. DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (3:03:23) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Chairperson Bertrand entertained questions or comments of the committee members and of the public; however, none were forthcoming.

7. PRESENTATION BY MOSS-ADAMS, LLP REPRESENTATIVE(S) ON THE CASH HANDLING IMPROVEMENT INITIATIVE FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO PROVIDE A RECOMMENDATION TO THE BOARD OF SUPERVISORS (3:08:08) - Chairperson Bertrand introduced this item. Moss-Adams, LLP Policy and Planning Director Mark Steranka provided background information and reviewed the agenda materials. Mr. Steranka, Deputy Treasurer Beth Huck, and Chief Financial Officer Nancy Paulson responded to questions of clarification and discussion ensued.

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Minutes of the May 17, 2016 Meeting
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Chairperson Bertrand entertained a motion. **Member Bagwell moved to request that the policies be a comprehensive set of citywide cash handling policies and procedures, and a process for addressing departmental modifications; and that the policy be brought back for the October Audit Committee meeting. Member Byrne seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote.

RESULT:	Approved [4 - 0]
MOVER:	Member Lori Bagwell
SECOND:	Member Catherine Byrne
AYES:	Members Bagwell, Byrne, Leonard, and Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

Chairperson Bertrand entertained public comment; however, none was forthcoming.

8. DISCUSSION REGARDING POTENTIAL AREAS OF FOCUS FOR THE FY 2017 AUDIT PROGRAM (3:29:10) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials in conjunction with displayed slides. Mr. Steranka responded to questions of clarification, and discussion took place throughout the presentation. In response to a question, City Manager Nick Marano discussed the status of the performance metrics project. Following additional discussion, Mr. Steranka requested the committee members to consider additional areas of focus for discussion at the next meeting. Member Byrne suggested a recapitulation of previous years' audit programs for the next meeting. In response to a question, Mr. Steranka discussed details of controls testing. Following additional discussion, Chairperson Bertrand entertained public comments. No public comments were forthcoming.

9. POSSIBLE ACTION TO SCHEDULE NEXT AUDIT COMMITTEE MEETING (3:55:21) - Chairperson Bertrand reminded the committee members that the next regular meeting was scheduled for June 7th at 2:00 p.m.

10. PUBLIC COMMENT (3:56:22) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

11. ACTION TO ADJOURN (3:56:28) - Member Bagwell moved to adjourn the meeting at 3:56 p.m. The motion was seconded and carried unanimously.

The Minutes of the May 17, 2016 Carson City Audit Committee meeting are so approved this _____ day of August, 2016.

MICHAEL BERTRAND, Chair

CARSON CITY AUDIT COMMITTEE

Minutes of the June 7, 2016 Meeting

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A meeting of the Carson City Audit Committee was scheduled for 2:00 p.m. on Tuesday, June 7, 2016 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Catherine Byrne
Member Don Leonard

STAFF: Nancy Paulson, Chief Financial Officer
Jason Woodbury, District Attorney
Cheryl Eggert, Deputy Clerk

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

1 - 2. CALL TO ORDER AND ROLL CALL (2:04:34) - Chairperson Bertrand called the meeting to order at 2:04 p.m. Ms. Eggert called the roll; a quorum was present.

3. PUBLIC COMMENTS (2:04:50) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON ADOPTION OF AGENDA (2:05:26) - Chairperson Bertrand entertained a motion. **Member Bagwell moved to adopt the agenda. Member Byrne seconded the motion. Motion carried 4-0.**

5. DISCUSSION, POSSIBLE ACTION, AND DIRECTION TO STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (2:05:47) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Chairperson Bertrand entertained questions or comments from the committee members and from the public and, when none were forthcoming, thanked Mr. Steranka for his report.

6. DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW, AND CLOSURE OF INTERNAL AUDIT FINDINGS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT, AND POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS FOR CLOSURE OF COMPLETED PROJECTS (2:08:28) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Mr. Steranka and Ms. Paulson responded to questions of clarification, and discussion followed.

Chairperson Bertrand entertained a motion. **Member Bagwell recommended closing items 7 and 8 and forwarding them to the Board of Supervisors for final acceptance. Member Leonard seconded the motion.** Chairperson Bertrand called for a vote on the pending motion.

CARSON CITY AUDIT COMMITTEE

Minutes of the June 7, 2016 Meeting

RESULT:	Approved [4 - 0]
MOVER:	Member Lori Bagwell
SECOND:	Member Don Leonard
AYES:	Members Bagwell, Leonard, Byrne, and Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

Chairperson Bertrand entertained questions or comments on the items completed since the May meeting. Ms. Paulson responded to additional questions of clarification, and discussion followed. Chairperson Bertrand entertained public comment and, when none was forthcoming, a motion. **Member Byrne moved to forward the completed items to the Board of Supervisors for approval. Member Leonard seconded the motion.** Chairperson Bertrand entertained discussion on the motion, and Member Bagwell clarified that internal control review number 8 would not yet be forwarded to the Board of Supervisors. Chairperson Bertrand entertained additional discussion and, when none was forthcoming, called for a vote.

RESULT:	Approved [4 - 0]
MOVER:	Member Catherine Byrne
SECOND:	Member Don Leonard
AYES:	Members Byrne, Leonard, Bagwell, and Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

Mr. Steranka inquired as to the method by which to handle audit findings validation, and discussion ensued. Ms. Paulson and Mr. Steranka responded to additional questions of clarification, and extensive discussion took place with regard to process. Chairperson Bertrand entertained public comment; however, none was forthcoming.

7. DISCUSSION AND POSSIBLE ACTION REGARDING UPDATE ON THE PROGRESS OF THE CITY'S PERFORMANCE MEASUREMENT IMPLEMENTATION (2:56:18) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Mr. Steranka responded to questions of clarification, and extensive discussion ensued. Chairperson Bertrand entertained public comment; however, none was forthcoming. No formal action was taken.

8. DISCUSSION AND POSSIBLE ACTION TO IDENTIFY, DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON ADDITIONAL PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2017 (3:11:44) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Mr. Steranka responded to questions of clarification regarding the various projects listed on the 2016 - 17 Internal Audit Plan, and discussion took place to prioritize the projects. Chairperson Bertrand entertained a motion **to accept the 2016 - 17 Internal Audit Plan, striking fees and charges inventory and wastewater effluent assessment, with a total budget of \$110,000, which includes a \$15,000 contingency. Member Bagwell so moved. Member**

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Leonard seconded the motion. Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, public comment. When no public comment was forthcoming, Chairperson Bertrand called for a vote on the pending motion.

RESULT:	Approved [4 - 0]
MOVER:	Member Lori Bagwell
SECOND:	Member Don Leonard
AYES:	Members Bagwell, Leonard, Byrne, and Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

9. DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS THAT THEY EXTEND THE CONTRACT OF MOSS-ADAMS, LLP TO PROVIDE INTERNAL AUDIT SERVICES FOR CARSON CITY, THROUGH THE PERIOD ENDING JUNE 30, 2017 (3:33:33) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda report. Member Bagwell suggested recommending to submit the next contract to the bid process. Mr. Steranka agreed “as a best practice.” Following discussion, consensus of the committee was to agendize discussion and action, in January of 2017, to recommend submitting the internal auditor contract to the bid process. Members Leonard and Byrne discussed support for a contract internal auditor.

Chairperson Bertrand entertained a motion. **Member Byrne moved to accept Moss-Adams, LLP as the contract internal auditor for FY 2016 / 17, and to consider the possibility of submitting the next contract to the bid process. Member Bagwell seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, public comment. When no public comment was forthcoming, Chairperson Bertrand called for a vote on the pending motion.

RESULT:	Approved [4 - 0]
MOVER:	Member Catherine Byrne
SECOND:	Member Lori Bagwell
AYES:	Members Byrne, Bagwell, Leonard, and Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

10. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE (3:39:07) - Chairperson Bertrand introduced this item and, following discussion regarding the tentative agenda, consensus of the committee was to schedule the next meeting for Tuesday, August 9th at 3:00 p.m.

11. PUBLIC COMMENT (3:42:43) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

12. ACTION TO ADJOURN (3:42:55) - Member Byrne moved to adjourn the meeting at 3:42 p.m., and the meeting adjourned by mutual consent.

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The Minutes of the June 7, 2016 Carson City Audit Committee meeting are so approved this _____ day of August, 2016.

MICHAEL BERTRAND, Chair

**Carson City Audit Committee
Agenda Report**

Date Submitted: 07/18/2016

Agenda Date Requested: 08/09/2016

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update.

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

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

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

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Information to be provided from Moss Adams

Prepared By: Michael Bertrand, Chairman

Reviewed By: Wally Paulso Date: 8/3/16
(Chief Financial Officer)

Board Action Taken:

Motion: _____

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

(Vote Recorded By)



Date: August 9, 2016
To: Carson City Audit Committee
From: Mark Steranka
Subject: Internal Audit Status Report June 1, 2016 through July 31, 2016

Schedule Status:

- Basic Internal Auditor Services: Ongoing.
- P-Card and Payroll Testing: Project initiated March 2016, completed July 2016.
- Small Works Project Review: Projected initiation August 2016, projected completion November 2016.
- Procurement Testing: Projected initiation November 2016, projected completion January 2017.
- IT Controls Testing: Projected initiation January 2017, projected completion March 2017.
- FWA Program Coordination: Ongoing.

Budget Status through June 30, 2016:

- Basic Internal Auditor Services: Expended \$9,975.00 of \$10,000 budget.
- Policy and Procedure Update: Expended \$29,884.27 of \$35,000 budget.
- Cash/Revenue Collection Improvement: Expended \$24,500.00 of \$25,000 budget.
- P-Card and Payroll Testing: Expended \$19,950.00 of \$20,000 budget.
- FWA Program Coordination: Expended \$4,900.00 of \$5,000 budget.

Activities for this Reporting Period:

- Basic Internal Auditor Services: Continued to maintain Audit Findings Summary Report, prepared Audit Committee meeting materials, and attended Audit Committee meetings.
- P-Card and Payroll Testing: Prepared draft and final reports.
- FWA Program Coordination: No new reports received.



Activities for the Next Reporting Period:

- Basic Internal Auditor Services: Continue to attend meetings, maintain Audit Findings Summary Report, and perform findings validation.
- Small Works Project Review: Conduct kickoff meeting.
- FWA Program Coordination: Continue to monitor the hotline and respond to reports as appropriate.

Issues:

- none

**Carson City Audit Committee
Agenda Report**

Date Submitted: 07/18/2016

Agenda Date Requested: 08/09/2016

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Presentation by Moss Adams on the P-card and Payroll Testing Projects for the Audit Committee's consideration, discussion, and possible recommendation to the Board of Supervisors.

Summary: The Board of Supervisors approved the P-card and Payroll Testing Projects at their June 18, 2015 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

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

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Final reports – P-card and Payroll Testing Reports prepared by Moss Adams.

Prepared By: Michael Bertrand, Chairman

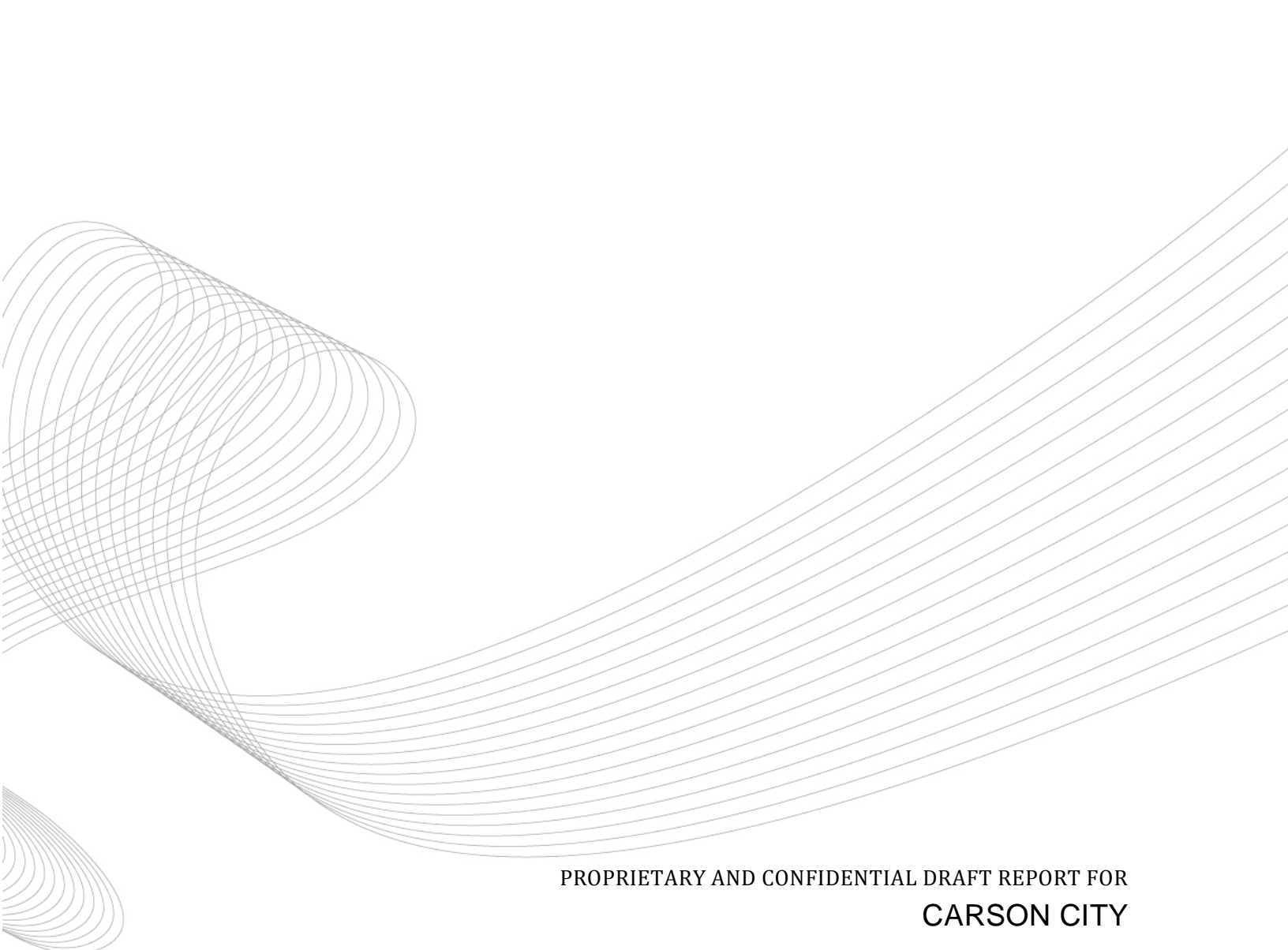
Reviewed By: Nancy Paulin Date: 8/3/16
(Chief Financial Officer)

Board Action Taken:

Motion: _____

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

(Vote Recorded By)



PROPRIETARY AND CONFIDENTIAL DRAFT REPORT FOR
CARSON CITY
INTERNAL CONTROLS TESTING: PROCUREMENT CARD

July 27, 2016

Prepared by:

Moss Adams LLP

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MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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I. OVERVIEW

A. BACKGROUND

Moss Adams, as the contracted internal auditor for the City of Carson City (the City), tested the internal controls over procurement card (P-Card) transactions. The procedures were conducted in May and June of 2016 and focused on testing the operating effectiveness of key controls over the City's P-Card process for selected transactions.

The testing of internal controls for operating effectiveness was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. The specific methods used for testing controls are presented in the Scope and Methodology sections.

B. SCOPE AND METHODOLOGY

The scope of our procedures was the City's current P-Card processes and practices. For our testing, we selected P-Card transactions from November and December of 2015. To test the operating effectiveness of internal controls over procurement card transactions, we performed a number of activities, including the following:

- Interviewed key personnel:
 - Accounting Manager
- Gathered and reviewed relevant documentation, including:
 - Carson City Procurement Card Program Manual (revised January 15, 2015)
 - Purchasing – Invoicing
 - Processing P-Cards with Works
 - Purchasing – Requisitioned (items over \$5,000)
- Performed tests of internal controls relating to procurement card transactions that included the following elements:
 - Cardholder application was appropriately signed and approved.
 - Cardholder was an active employee.
 - P-Card purchases did not exceed approved limits.
 - P-Card purchases were not for unallowable expenses such as meals and cash refunds.
 - P-Card purchases did not circumvent the limits with multiple transactions.
 - For fixed asset purchases, inventory controls were followed.
 - Purchases were for business purpose and had the appropriate approvals on the monthly statements.

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- The monthly P-Card statement was reconciled and approved in a timely manner.
- The original receipts were maintained for all P-Card transactions.
- If applicable, items were shipped to a city address.

C. SUMMARY

The City has made progress in designing and implementing internal controls related to P-Card transactions since the internal control review issued in February 2015. Our testing shows that the City made improvements to its P-Card process and that these controls operated effectively. Examples of these improvements include:

- Reconciliation of the monthly P-Card transactions was performed in a timely and efficient manner.
- Requests for support for all P-Card transactions were tracked and maintained appropriately. The finance team has been improving this process continually, and the process has improved over time.

The results of our testing also revealed opportunities for the City and its departments to further improve P-Card practices. In particular, we observed weaknesses in the following areas:

- There are department and guardian cards for areas of the City where it is not necessary to have multiple employees with active P-Cards. The department and guardian cards are shared and used for department spending as needed. While the purchases that were tested appear reasonable and for business purposes, there are no policies and procedures specific to shared department and guardian cards to ensure strong controls around spending.
- There are certain portions of the P-Card Program Manual that are not reflective of actual processes.

The overall conclusion is that the City should correct these issues in the next three to six months and continue with the other controls that were tested without exception. Moss Adams would like to thank the staff of Carson City for their cooperation and assistance during our review.

II. PROCUREMENT CARD TRANSACTIONS

A. SCOPE AND METHODOLOGY

We selected records for 40 P-Card transactions that occurred during November and December of 2015. Moss Adams judgmentally selected purchases that are at a higher risk using factors such as size of transactions, vendors, and descriptions of the purchases.

To assess operating effectiveness of key controls in P-Card transactions, we performed the following tests:

- Verified cardholder agreement had been signed by the employee.
- Verified cardholder was an active employee at the time of the transaction.
- Verified transaction did not exceed \$5,000 and total transactions for the P-Card holder, unless approved for higher, and did not exceed \$10,000.
- Verified P-Card purchases were not for cash advances, cash refunds, consulting services, meals, entertainment and related expenses, alcohol, computer hardware and software, gratuities, or gifts and personal items.
- Verified P-Card purchases were not split to circumvent the purchase limit.
- Verified that if a fixed asset or pilferable item requiring inventory control was purchased, then the P-Card manual requirements were followed.
- Verified the monthly statement related to the transaction selected and the receipt was attached to the statement. The statement was signed by the Cardholder, Program Coordinator, and Department Head certifying the transactions were for business purposes.
- Reviewed the reconciliation of the monthly P-Card statement and verified it was approved in a timely manner.
- Verified that all P-Card purchases were properly documented and original receipts were maintained.
- Reviewed the overall statement related to the P-Card transaction selected for transaction reasonableness.
- Verified that shipped items were shipped to one of the city addresses.

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B. RESULTS

Test	Results	Exceptions
Application signed and approved	No exceptions noted	Not applicable
Card holder was an active employee	No exceptions noted	Not applicable
Transaction did not exceed limits	No exceptions noted	Not applicable
P-Card transactions were allowable per the policy	No exceptions noted	Not applicable
P-Card purchases were not split to exceed spending limitations	No exceptions noted	Not applicable
Fixed asset or inventory P-Card purchases followed additional policy requirements	No exceptions noted	Not applicable
Monthly statement was approved by appropriate personnel	No exceptions noted	Not applicable
Monthly P-Card statement was reconciled and approved timely	No exceptions noted	Not applicable
Original receipt documentation was maintained	No exceptions noted	Not applicable
All statement transactions were for business purposes	No exceptions noted	Not applicable
If applicable, items were shipped to a city address	No exceptions noted	Not applicable

C. FINDINGS AND RECOMMENDATIONS

1. Finding: Carson City's P-Card Program Manual is unclear relative to certain P-Card processes.

The P-Card Program Manual states that P-Card users cannot have single transactions that exceed \$5,000 or total transactions that exceed \$10,000 per month. However, the City allows transactions to exceed these limits as long as all purchasing policies are followed when making these purchases. In addition, the P-Card Program Manual is not clear if users can use the P-Card for securing the services of a consultant; purchasing meals, entertainment and related expenses, and computer hardware and/or software purchases.

Recommendation: Update the P-Card Program Manual to accurately reflect current allowable P-Card processes related to transaction limits and types of purchases.

2. Finding: Some department use shared department or guardian P-Cards.

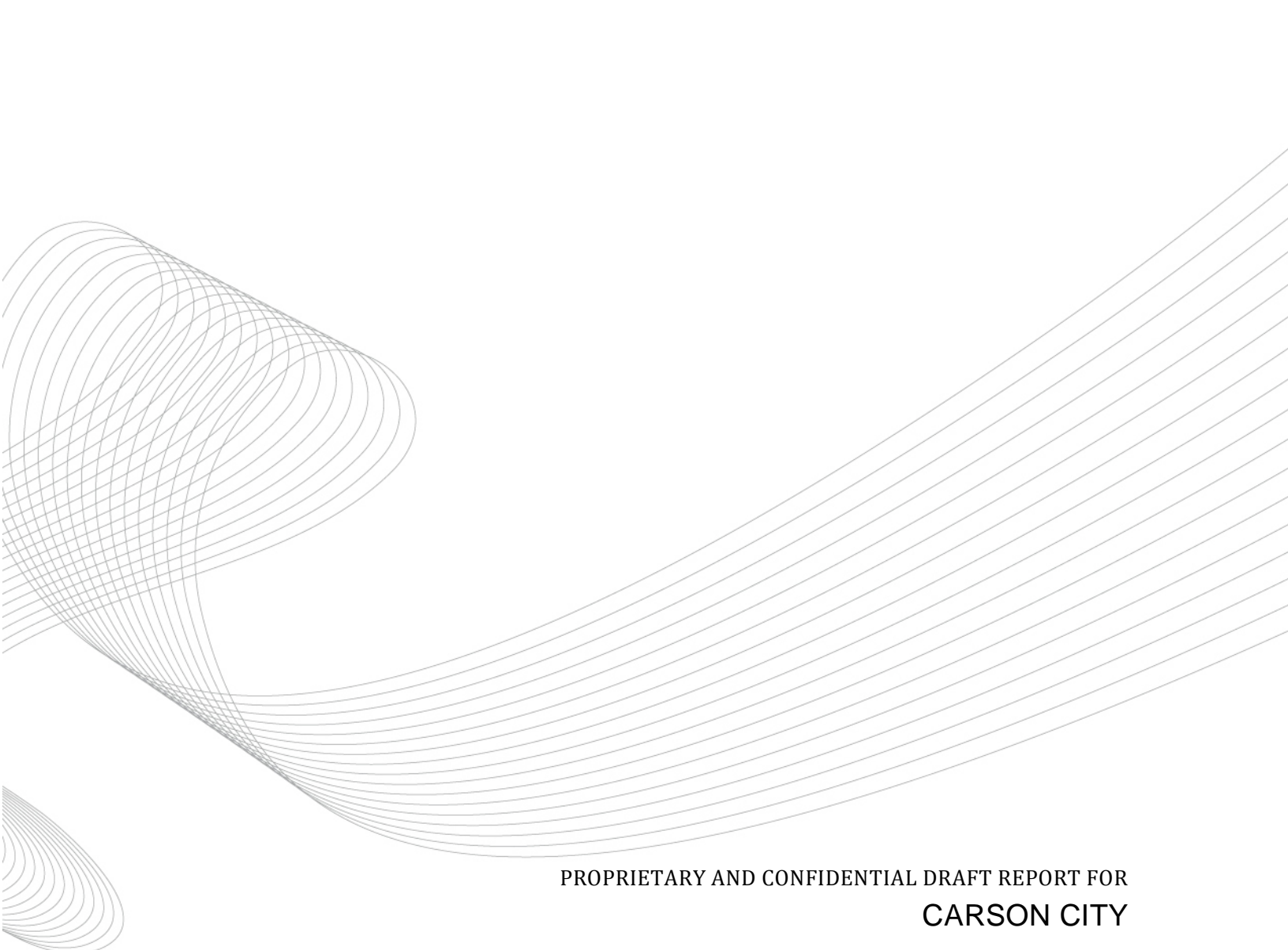
Shared P-Cards are used to reduce the number of P-Card users and efficiently make department purchases. However, sharing P-Cards increases the risk of unauthorized transactions. Additionally, the City's P-Card manual does not address shared cards to define when a shared card can be used or the procedures that should be in place to ensure that only authorized transactions are made in accordance with the City's purchasing policies.

Recommendation: Update the P-Card manual to specifically address the processes and procedures for shared department and guardian P-Cards. Evaluate whether the City should continue using shared P-Cards or if each P-Card should be assigned directly to a user.

DRAFT

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

WWW.MOSSADAMS.COM



PROPRIETARY AND CONFIDENTIAL DRAFT REPORT FOR
CARSON CITY
INTERNAL CONTROLS TESTING: PAYROLL AND TIMEKEEPING

July 27, 2016

Prepared by:

Moss Adams LLP

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(206) 302-6500

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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I. OVERVIEW

A. BACKGROUND

Moss Adams, as the contracted internal auditor for the City of Carson City (the City), tested the internal controls over payroll processing and timekeeping. The procedures were conducted in May and June 2016 and focused on testing the operating effectiveness of key controls over the City's payroll processing and timekeeping for selected active, newly hired, and terminated employees.

The testing of internal controls for operating effectiveness was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. The specific methods used for testing controls are presented in the Scope and Methodology sections.

B. SCOPE AND METHODOLOGY

The scope of our procedures was the City's current payroll and timekeeping processes and practices. For our testing, we selected payroll records, newly hired employees, and terminated employees for the period of September 2015 to February 2016. To test the operating effectiveness of internal controls over payroll processing and timekeeping for Carson City, we performed a number of activities including the following:

- Interviewed key personnel
 - Accounting Manager
- Gathered and reviewed relevant documentation including:
 - Pay Period Processing Procedures
 - New Hire Orientation Packet
 - The Employee Resignation Process
 - The Employee Termination Process
 - Payroll Guidance for New Employees
 - The Carson City Payroll Process
- Performed tests of internal controls relating to payroll processing and timekeeping that included the following elements:
 - Time reporting is appropriately reviewed and approved.
 - Overtime is appropriately authorized, approved, and in compliance with relevant policies and procedures.
 - Proper authorization and approval was sought for all new hires.
 - Pay rates were appropriately approved and authorized.

MOSS ADAMS_{LLP}

- Entry of pay rates and rate changes were reviewed and entered accurately.
- Adequate documentation is retained in personnel files.
- Employees do not continue to receive paychecks following termination.
- Changes in employment information are reported and entered in a timely manner.
- System access is appropriately removed upon employee termination.
- Purchasing card access is appropriately removed upon employee termination.

C. SUMMARY

The City has made progress in designing and implementing internal controls related to payroll processing and timekeeping since the internal control review issued in February 2015. Our testing shows that the City made improvements to its payroll processing and timekeeping and that these controls operated effectively. Examples of these improvements include:

- The status change form had proper approval and documentation.
- The status change form was reviewed in comparison to the information that was entered into the system.

The results of our testing also revealed opportunities for the City and its departments to further improve payroll processing and timekeeping practices. In particular, we observed weaknesses in the following areas:

- When testing that IT system account access was terminated in a timely manner when an employee was terminated, Moss Adams noted that 8 out of 10 terminated employees still had active system accounts.
- When testing that timecards were approved and calculated accurately, Moss Adams noted that 10 out of 40 timecards had been signed and approved prior to the pay period end date. In addition, employees worked after the approval took place. Per the City's written payroll procedures, timecards are not supposed to be submitted for approval until after the last day of the pay period.

The overall conclusion is that the City should correct these issues in the next three to six months and continue with the other controls that were tested without exception. Moss Adams would like to thank the staff of Carson City for their cooperation and assistance during our review.

II. PAYROLL PROCESSING

A. SCOPE AND METHODOLOGY

We randomly selected payroll records for 40 active employees during the payroll periods between September 2015 and February 2016. Additionally, we selected 10 employees who were hired during this period.

To assess operating effectiveness of key controls in payroll processing and timekeeping, we performed the following tests:

- Compared hours or days worked per the payroll register to employee timecards.
 - Verified timecards or timesheets were correctly totaled.
 - Verified timecards or timesheets were appropriately approved.
- Verified time reported (hours, days, and time type such as leave) matched between the payroll register and timecards.
- Examined overtime reporting and usage.
 - Verified overtime hours and rates for proper approval.
 - If overtime pay was included, then Moss Adams reviewed the FLSA calculation for reasonableness.
 - Determined that reasons for required overtime were adequate and complied with policies (citywide and departmental).
- Compared pay rate, job classifications, and grade ranges between personnel files (CS-23) and payroll register information.
 - Verified approval of original pay rate (Original Personnel Action Form with Pay Rate, Job Classification, and Grade Ranges - Overtime Eligibility).
 - Verified approval of most recent rate change forms (Personnel Action Form).
 - Verified that pay changes were reviewed and approved upon data entry.

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B. RESULTS

Test	Results	Exceptions
Pay Rate Approval	No exceptions noted.	Not applicable
Pay Rate Entry	No exceptions noted.	Not applicable
Pay Rate Accuracy	No exceptions noted.	Not applicable
Time Reporting Approval	Exceptions noted.	Noted 10 exceptions out of a sample of 40. See finding below.
Time Reporting Accuracy	No exceptions noted.	Not applicable
Overtime Approval	No exceptions noted.	Not applicable
Overtime Compliance	No exceptions noted.	Not applicable
FLSA Compliance	No exceptions noted.	Not applicable

C. FINDINGS AND RECOMMENDATIONS

1. Finding: Payroll procedures were not followed with regard to the timing of time card approval.

When verifying that timecards were approved and calculated accurately, Moss Adams noted that 10 out of 40 timecards had been signed and approved by the supervisor prior to the pay period end date. In addition, employees worked after the approval took place. Per the City's payroll procedures, timecards are not supposed to be submitted for approval until after the last day of the pay period. Of the exceptions noted, some were hourly employee timecards that had additional hours worked. This could create inaccurate or fraudulent hours reported on already approved timecards, resulting in possible additional pay to the employee that is not warranted. In addition, salaried employees could have inaccurate vacation accruals if paid time off was used and not recorded in the last two days of the pay period that had already been approved and submitted.

Recommendation: Implement a process whereby timecard approval should only take place after the pay period is over and the hours worked can be approved and calculated accurately.

III. PERSONNEL RECORDS

A. SCOPE AND METHODOLOGY

We randomly selected personnel records for 10 employees who were hired between September 2015 and February 2016, as well as 10 employees who terminated employment during this period.

To assess operating effectiveness of key controls in the maintenance of personnel records, we performed the following tests:

- For new hires, we confirmed that personnel records included the following:
 - Complete Form CS-23 with appropriate approval
 - Authorization for payroll deduction
 - Salary adjustment authorization (i.e., Special Pay, CS-23)
 - Evidence of primary and secondary review and approval upon data entry
- For terminated employees, we performed the following activities:
 - Confirmed the file included detailed explanation for termination.
 - Reviewed recalculation of final severance pay noting adequate approval and support for vacation and other included accruals.
 - Reviewed the payroll register for periods subsequent to the individual's termination to ensure that no additional payments were made.
 - Verified complete Form CS-23 with appropriate approval.
 - If applicable, verified purchasing card was deactivated in a timely manner.
 - Verified evidence of primary and secondary review and approval upon data entry.
 - Verified deactivation of the system account access in a timely manner after termination.

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B. RESULTS

New Hires

Test	Results	Exceptions
Approved CS-23	No exceptions noted.	Not applicable
Authorization for Payroll Deductions	No exceptions noted.	Not applicable
File Completeness*	No exceptions noted.	Not applicable
Status Changes	No exceptions noted.	Not applicable
Data Entry Accuracy	No exceptions noted.	Not applicable

*Note: To test the completeness of new hire records, we evaluated whether the following forms were present: Personnel Requisition, Personnel Action Form, Payroll Deduction, and, if applicable, Salary Adjustment Authorization.

Terminated Employees

Test	Results	Exceptions
Recalculated Severance Pay and Accruals	No exceptions noted.	Not applicable
No Additional Payments After Termination	No exceptions noted.	Not applicable
Explanation for Payments after Termination	No exceptions noted.	Not applicable
Data Entry Review and Accuracy	No exceptions noted.	Not applicable
Verify Termination Date per CS-23	No exceptions noted.	Not applicable
File Completeness**	No exceptions noted.	Not applicable
P-card Deactivation After Termination	No exceptions noted.	Not applicable
Deactivation of System Access	Exceptions noted.	System access was not deactivated for 8 out of 10 terminated employees. See finding below.

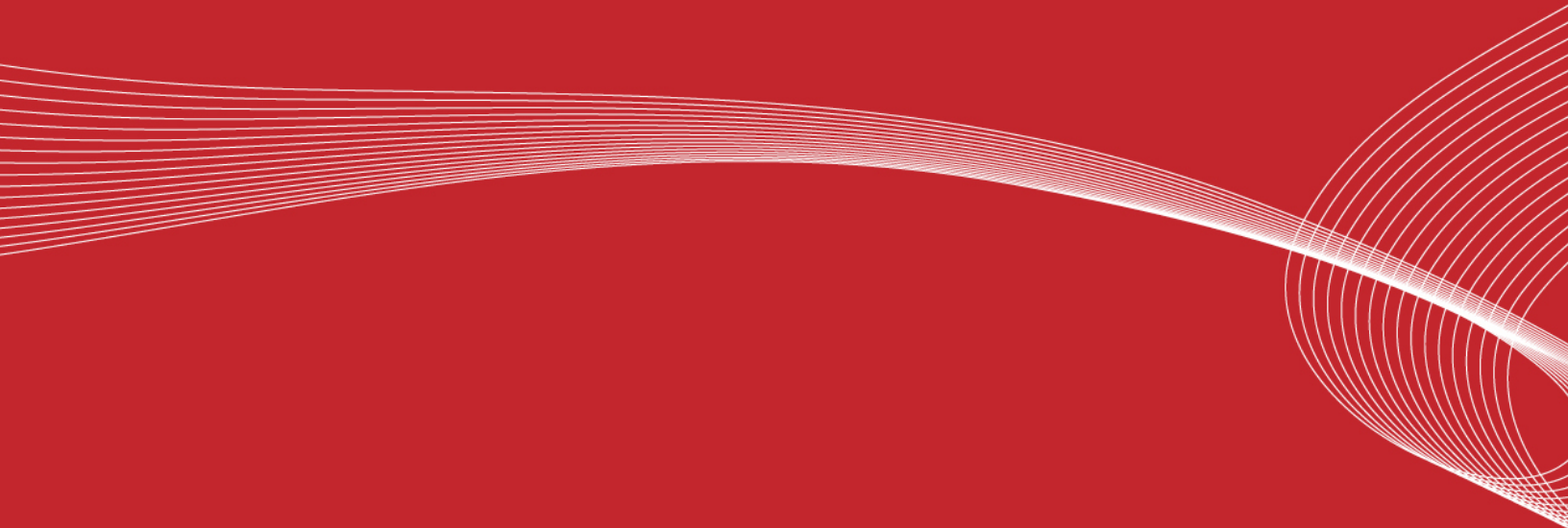
**Note: To test the completeness of terminated employee records, we evaluated whether the following were present: detailed explanation for termination, Personnel Action Form, and Property Release Form.

C. FINDINGS AND RECOMMENDATIONS

1. Finding: System access was not deactivated for terminated employees.

When an employee is terminated, IT account access should be deactivated in a timely manner. When testing this control, Moss Adams noted that 8 out of 10 terminated employees were still active in the computer system. Currently, Human Resources sends an email to the IT Department. There is no tracking being maintained to ensure that all terminated employees have been deactivated by the system or an email was actually sent notifying IT personnel that there was a terminated employee. When deactivation of system access is not completed for terminated employees, it leaves the city vulnerable to unauthorized access.

Recommendation: When an employee is terminated, Human Resources should submit a ticket to IT the day of termination, and IT should deactivate access to the computer system within 24 hours. Additionally, perform a periodic review of system access (quarterly initially until consistently no issues and then annually) for terminated employees should be implemented to ensure the process is working.



MOSS ADAMS LLP

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**Carson City Audit Committee
Agenda Report**

Date Submitted: 07/18/2016

Agenda Date Requested: 08/09/2016

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: Update and demonstration of the City's Performance Metrics Dashboard.

Summary: City Staff will provide a demonstration of the City's Performance Metrics Dashboard.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Discussion Only)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Discussion Only

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: N/A

Prepared By: Michael Bertrand

Reviewed By: Nancy Paulso
(Chief Financial Officer)

Date: 8/3/16

Board Action Taken:

Motion: _____

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

(Vote Recorded By)

OPEN MEETING LAW PRESENTATION

August 9, 2016

Upon adjournment of the meeting of the
Carson City Audit Committee

*An overview of the Nevada Open Meeting Law (NRS Chapter 241)
To be presented to the members of the Board ****

Presented by the Office of the District Attorney

at

SIERRA ROOM
CARSON CITY COMMUNITY CENTER
851 EAST WILLIAM STREET
CARSON CITY, NEVADA 89701

*** This presentation is made for the purpose of providing information relating to the Nevada Open Meeting Law and to help promote the effective conduct of public meetings in accordance with Nevada law. This presentation will also be open to members of the public as a courtesy and as a learning opportunity. However, there will be no public comment period because this presentation does not constitute a "meeting" of a public body as that term is defined in NRS 241.015 and the information to be presented does not include any matter over which this public body has supervision, control, jurisdiction or advisory power.