

CARSON CITY AUDIT COMMITTEE (AC)
Draft Minutes of the July 12, 2022 Meeting
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A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, July 12, 2022 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Member Bonnie Duke
Member Lisa Schuette
Member James Wells

STAFF: Sheri Russell, Chief Financial Officer
Hope Sullivan, Community Development 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 - 2. CALL TO ORDER AND ROLL CALL

(1:31:21) – Chairperson Ferguson called the meeting to order at 1:31 p.m. Roll was called, and a quorum was present.

3. PUBLIC COMMENT:

(1:31:39) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – MARCH 8, 2022

(1:33:28) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion.

(1:33:51) – MOTION: Member Wells moved to approve the March 8, 2022 meeting minutes as modified. Member Schuette seconded the motion. The motion carried 4-0-0.

5. FOR POSSIBLE ACTION: ADOPTION OF AGENDA

(1:34:39) – Chairperson Ferguson entertained comments or changes to the agenda; however, none were forthcoming.

(1:34:50) – MOTION: Member Schuette moved to adopt the agenda as presented. Member Wells seconded the motion. The motion carried 4-0-0.

6. MEETING ITEMS

6.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS ON THE APPROVAL OF THE REVIEW

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AND SELECTION COMMITTEE’S RECOMMENDATION FOR CONTRACT AWARD TO EIDE BAILLY, LLP FOR CARSON CITY INTERNAL AUDIT SERVICES FOR A NOT TO EXCEED AMOUNT OF \$110,000 ANNUALLY RETROACTIVELY FROM JULY 1, 2022 THROUGH JUNE 30, 2025 WITH TWO (2) ONE-YEAR OPTIONS TO RENEW.

(1:35:06) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the accompanying attachments, all of which are incorporated into the record. Chairperson entertained clarifying questions, none of which were forthcoming, and a motion.

(1:38:02) – MOTION: Member Wells moved to recommend that the Board of Supervisors approve the contract with Eide Bailly, LLP for Internal Audit Services through June 30, 2025 with two one-year options to renew. Member Duke seconded the motion. The motion carried 4-0-0.

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

(1:38:25) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the Audit Findings Tracking Report, both of which are incorporated into the record. She also responded to clarifying questions.

(1:41:43) – MOTION: Member Wells moved for the Board of Supervisors to close Social Media Study Item #13 and IT Vulnerability Audit Items #1 through #10. Member Schuette seconded the motion. The motion carried 4-0-0.

6.C FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE RETEST OF THE INTERNAL VULNERABILITY ASSESSMENT AND EXTERNAL PENETRATION INITIALLY PERFORMED ON OCTOBER 30, 2020, AND ANY ADDITIONAL RECOMMENDATIONS NOTED.

(1:42:21) – Chairperson Ferguson introduced the item. Eide Bailly Manager of Cybersecurity Business Development Alex Brown referenced the Retest of the Internal Vulnerability Assessment and External Penetration Summary Report, which is incorporated into the record. He and Ms. Russell also responded to clarifying questions. Based on Member Wells’ input regarding the Report, Ms. Russell proposed that Eide Bailly revise the Report to add generic findings so Staff have items identified for closure, and she could write those items on the Findings Tracking Report for approval during the next AC meeting.

(1:51:52) – Eide Bailly Lead Partner Kim Higgins suggested an executive session for the AC to review the details that were not outlined in the report. Ms. Neagos stated that there are sometimes closed meetings for discussing items within a confidential capacity; however, she would also need to research how to announce a

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closed session so that the meeting is open to the public while some information remains confidential. Chairperson Ferguson and Member Wells were in favor of a closed session. No formal action was taken on this item.

6.D FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE COMMUNITY DEVELOPMENT DEPARTMENT INTERNAL AUDIT AND RECOMMENDATIONS.

(1:56:36) – Chairperson Ferguson introduced the item. Eide Bailly Senior Manager Audrey Donovan referenced the Staff Report and the Community Development Department internal audit report, both of which are incorporated into the record. She and Ms. Sullivan also responded to clarifying questions.

(2:04:00) – Ms. Sullivan clarified that the Carson City Building Division began using EnerGov in November 2019, and she provided Ms. Donovan and her team with the issues pertaining to the EnerGov system over a year ago. She stated that she and Ms. Donovan’s team had discovered that the city of Henderson used EnerGov for business licenses and had experienced much of what Building Division was experiencing in terms of “the labor intensiveness” of the system. Additionally, the city of Henderson instructed a third party to prepare a report to analyze the EnerGov system for its business license system, and based on that report, Ms. Sullivan contacted approximately five other communities in Nevada and elsewhere that were using EnerGov for business licenses, all of which were experiencing the same issues that the Building Division was experiencing with EnerGov. Ms. Sullivan indicated that the report for the city of Henderson validated that the Building Division was not dealing with a user error issue, and Building Division Staff’s experience was that they were not able to get the support they needed from the EnerGov company. She was working with the IT Department to identify consultants who are familiar with the EnerGov system, and she stated that “what we found with some of the computer systems is somebody becomes a[n] expert on it, and they leave the company and hang out their own shingles so the people who are at the company who are new are not as experienced with the software.” She indicated that Building Division Staff were also trying to identify vendors, one of which is a vendor that the city of Henderson was using for EnerGov, and she asked for every division or department that was using EnerGov to articulate the challenges with the system and the objective changes needed to make the system work. Ms. Sullivan was also able to identify some funds for the consultant. She also believed that a lot of what “drove decision making on these systems” was the compatibility with the Tyler Munis system, and because that compatibility is important, the Building Division wished to give the EnerGov system a chance to be successful. Member Wells was concerned about hiring a consultant as opposed to finding another alternative due to other jurisdictions having the same problem with EnerGov, and he inquired about whether the problem was fixable.

(5:53:09) – Chairperson Ferguson entertained a motion.

(2:53:15) – MOTION: Member Schuette moved to approve the Community Development Department internal audit report and direct Staff to work on the recommendations as discussed. Member Duke seconded the motion. The motion carried 4-0-0.

6.E FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO IDENTIFY, DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON

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PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2023.

(2:54:34) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the Citywide Risk Assessment and Annual Audit Plan for fiscal year (FY) 2023, both of which are incorporated into the record. She and Ms. Donovan also responded to clarifying questions. Based on discussion regarding body worn video recording equipment, Chairperson Ferguson believed it would be worthwhile to complete a risk assessment, and Ms. Donovan suggested including an understanding of how body camera footage is processed and the type of data that is being stored as well as whether there is a policy and a process to dictate what is stored “and for how long and where.” Member Wells added that Nevada Revised Statute (NRS) 289.830 requires all jurisdictions to devise policies and a list of items that must be included in a policy for body worn video recording equipment, and the footage must be kept for at least 15 days. He believed that the risk assessment needed to start by evaluating the policies and if there were wide discrepancies in the policies between the different units of the City that were using the body worn video recording equipment.

(3:19:59) – In response to Ms. Russell’s question, the Members agreed with tabling the rest of the Budget until the risk assessment had been completed.

(3:21:15) – MOTION: Member Wells moved to recommend to the Board of Supervisors approval of the 2022/2023 Audit Program with the revision of the body worn video recording equipment to be an initial 40-hour risk assessment, with any of the remaining hours to be allocated on conclusion of the risk assessment. Member Schuette seconded the motion. The motion carried 4-0-0.

6.F FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE REVIEW OF AGREED UPON PROCEDURES SUGGESTED BY EIDE BAILLY REGARDING UTILITY BILLING, IF SELECTED FOR THE FISCAL YEAR 2023 AUDIT WORK PROGRAM.

(3:21:17) – Chairperson Ferguson introduced the item and entertained Member comments on the Utility Billing, which is incorporated into the record. Member Wells commented that the website for utility billing was “very vague,” and it was difficult to tell how much it costed to pay the utility bill online. He stated that he called in regards to the website and discovered that there was a 2.45 percent fee when using debit card or credit card to pay the utility bill online, and he wished to review the cost of accepting debit card and credit card transactions versus the cost of processing checks and cash, as he believed there were more costs that are associated with processing checks and cash. Ms. Donovan pointed out that the rationale for using credit card and assuming the additional fees helped mitigate the risk of cash being misappropriated or checks not clearing, and credit cards “come with a degree of assurance that, even if it’s fraud, the City will receive the full amount ... charged to that credit card.”

(3:30:47) – Chairperson Ferguson entertained a motion.

(3:30:58) – MOTION: Member Wells moved to direct Eide Bailly and Staff to proceed with the Utility Billing agreed upon procedures as discussed on the record, including the addition of the costs related to the acceptance of cash, checks, and credit cards as well as the review of FISH involvement in the URAP.

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Member Schuette seconded the motion. The motion carried 4-0-0.

6.G FOR PRESENTATION ONLY: DISCUSSION REGARDING FISCAL YEAR 2022 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(3:31:33) – Chairperson Ferguson introduced the item. Ms. Donovan indicated that there was nothing to report for the Fraud, Waste, and Abuse Hotline, as the three items reported to the Hotline did not have anything to do with the City.

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

(3:33:42) – Chairperson Ferguson introduced the item, and the Members agreed to the meeting date of September 13, 2022 at 1:30 p.m.

7. PUBLIC COMMENT

(3:36:45) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

8. FOR POSSIBLE ACTION: TO ADJOURN

(3:37:02) – Chairperson Ferguson adjourned the meeting at 3:37 p.m.

The Minutes of the July 12, 2022 Carson City Audit Committee meeting are so approved this day 13th of September 2022.