

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

**Day:** Friday  
**Date:** June 16, 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](http://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](mailto: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. [April 25, 2023](#)

**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.

Staff Summary: According to City policy, except as otherwise provided by law, ordinance or resolution, there shall be an annual election of a chairperson and vice-chairperson held by all boards, committees, and commissions created by the Board of Supervisors. Stephen Ferguson and Ernie Mayhorn were the Audit Committee's Chairperson and Vice-Chairperson, respectively, until December 31, 2022, when both members' terms expired, and they did not seek reappointment. Any member of the Audit Committee may hold these positions. Terms of the newly elected Chairperson and Vice-Chairperson, if applicable, will commence immediately.

- 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. (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.

SR - Internal Audit Findings Tracking Report.docx  
Audit Findings Summary 5-30-2023.pdf

- 5.C. For Possible Action: Discussion and possible action regarding the internal audit work program for Fiscal Year (“FY”) 2024. (Sheri Russell-Benabou, SRussell@Carson.org)

Staff Summary: Carson City Internal Auditor Eide Bailly, LLP provided a risk assessment and recommendations for future internal audits at the April 25, 2023, Audit Committee meeting, for the period ending June 30, 2024. During that discussion, the Audit Committee was able to provide input and guidance on the FY 2024 projects recommended to be performed. The attached FY 2024 internal audit work program was developed based on that discussion.

SR - FY 24 Internal Audit Program.docx  
Final Carson City\_RA\_IA topics\_6.6.23.pdf

- 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. (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 Carson City Clerk-Recorder's Office Information Technology Security Assessment Audit Program agreed upon procedures to be performed. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2024 Audit Work Program to the next Audit Committee meeting.

SR - Agreed Upon Procedures - Elections FY24.docx

IT Security Assessment\_Clerk\_Recorder\_Internal Audit Program.pdf

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

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

SR - Internal Auditor work program update.docx

- 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

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\*\*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 Eva Simmons at [esimmons@carson.org](mailto:esimmons@carson.org) or call (775) 887-2133.

This agenda and backup information are available on the City's website at [www.carson.org](http://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](http://www.carson.org)

[notice.nv.gov](http://notice.nv.gov)

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the April 25, 2023 Meeting**  
**Page 1**

A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, April 25, 2023 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Stephen Ferguson  
Vice Chair Lisa Schuette  
Member Bonnie Duke

**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**

(1:30:12) – Chairperson Ferguson called the meeting to order at 1:30 p.m.

**2. ROLL CALL**

(1:30:20) – Roll was called, and a quorum was present. Member Chavez was absent during the meeting.

**3. PUBLIC COMMENT AND DISCUSSION:**

(1:30:32) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

**4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – JANUARY 24, 2023**

(1:30:43) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion.

**(1:31:10) – MOTION: Vice Chairperson Schuette moved to approve the January 24, 2023 meeting minutes as presented. Member Duke seconded the motion. The motion carried 3-0-0.**

**5. MEETING ITEMS**

**5.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW AND CLOSURE OF INTERNAL AUDIT FINDINGS AND/OR RECOMMENDATIONS INCLUDED IN THE AUDIT FINDINGS AUDIT COMMITTEE PAGE 2 APRIL 25, 2023 TRACKING REPORT AND PROVIDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND/OR RECOMMENDATIONS.**

(1:31:21) – Chairperson Ferguson introduced the item. Ms. Russell-Benabou referenced the Staff Report and the Audit Findings Tracking Report, both of which are incorporated into the record. She and Mr. Schulz also

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the April 25, 2023 Meeting**  
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responded to clarifying questions.

**(1:38:12) – MOTION: Member Duke moved to recommend to the Board of Supervisors closing the items discussed, Items #3 and #5 of the Utility Billing Internal Audit, based on the correction of findings and recommendations included in the Audit Findings Tracking Report. Vice Chairperson Schuette seconded the motion. The motion carried 3-0-0.**

**5.B FOR DISCUSSION ONLY: DISCUSSION REGARDING THE DRAFT ANNUAL RISK ASSESSMENT AND INTERNAL AUDIT PLAN FOR FISCAL YEAR (“FY”) 2024.**

(1:38:53) – Chairperson Ferguson introduced the item. Eide Bailly Senior Manager Audrey Donovan referenced the draft Citywide Risk Assessment and Annual Audit Plan for fiscal year (FY) 2023/2024, which is incorporated into the record. Ms. Russell-Benabou added that she attempted to submit a supplemental to increase the Internal Audits Budget by \$30,000 for FY 2023/2024; however, there was not enough money for the current year, so the Internal Audits Budget was still \$110,000.

(1:44:04) – Chairperson Ferguson entertained Member comments and questions, and Ms. Russell-Benabou, Ms. Donovan, and Eide Bailly Partner Kimberley Higgins responded to clarifying questions. Chairperson Ferguson noted that there were a lot of findings related to the 2019 Cash Handling Audit that the Committee may wish to follow up on. He pointed out that there was a concern with the previous Payroll Audit, as the Committee was unsure about whether the sample size was statistically valid. He noted additional concerns with Accounts Payable (AP) and items relating to Purchasing Cards (P-Cards). Ms. Russell-Benabou clarified that the City had switched to the new Enterprise Resource Planning (ERP) system in July 2019, and AP and P-Cards had been audited. Chairperson Ferguson suggested adding a random sample, since it had been three years since AP and P-Cards were reviewed.

(1:54:56) – Vice Chairperson Schuette believed that it was “critical” to ensure that the DEVNET System was working correctly and to ensure the data integrity. In response to Vice Chairperson Schuette’s question, Ms. Russell-Benabou stated that a Purchasing and Contracts Management Audit had not been performed before, and the Purchasing and Contracts policy was highly regulated by Nevada Revised Statute (NRS). Additionally, the Carson City District Attorney’s (DA’s) Office assisted in writing some of the contracts as templates, and the federal government provided the language to Staff when federal money was involved, so Ms. Russell-Benabou was uncertain about there being a major risk with Purchasing and Contracts Management. During discussion, Vice Chairperson Schuette proposed delaying the Fire Department Overtime Audit in order to prioritize other proposed internal audits. Chairperson Ferguson was in favor of performing the internal audits for Cash Handling, the DEVNET System for the Assessor’s Office, and the Information Technology (IT) Department addressing potential security weaknesses in Supervisory Control and Data Acquisition (SCADA) and City election systems, though he noted that performing those three audits would result in being overbudgeted. He noted that contract management was important. Ms. Donovan indicated that the proposed audits could fit within the Internal Audits Budget as much smaller engagements.

(2:12:05) – Chairperson Ferguson proposed following up on the 20 findings for the Cash Handling Audit to assess

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the April 25, 2023 Meeting**  
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the potential issues with the areas of the 20 findings and retest based on the internal audit program. Ms. Donovan stated that Eide Bailly had completed several follow ups concerning Cash Handling, and she believed that the issues within the Carson City Library had been remediated after the Library obtained new leadership. She added that Eide Bailly would review the entire population of the City and the Cash Handling efforts while taking into consideration the work that was completed in the past, what items had been remediated, and what items still needed to be addressed. Ms. Russell-Benabou noted that Ms. Donovan could review the departments that the Treasurer's Office had not reviewed in a while. Ms. Donovan indicated that the Cash Handling Internal Audit could incorporate the budget referenced by Chairperson Ferguson if estimated fees needed to be reduced to \$20,000. Chairperson Ferguson requested that Eide Bailly investigate what the scope would be for the portion of the Information Technology Audit concerning the City election systems, and he recommended postponing the portion of the audit related to the Public Works Department and SCADA. He suggested that Eide Bailly review a random sample of AP and P-Card transactions with the remaining \$10,000 of the Internal Audits Budget, and he noted that the Purchasing and Contract Management Audit would be postponed for another year based on his input.

(2:22:41) – Discussion ensued, and Ms. Russell-Benabou indicated that the Committee could make sure that Ms. Donovan has an audit program to present during the next meeting for the Members' review and approval. Chairperson Ferguson suggested allocating roughly \$30,000 towards the City's election systems portion of the Information Technology Audit, \$25,000 towards the Cash Handling Internal Audit, and \$35,000 for the DEVNET System Audit.

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

(2:28:25) – Chairperson Ferguson introduced the item. Ms. Donovan reported the following updates:

- The FY 2022/2023 internal audits consisted of the Risk Assessment with \$12,000 of estimated fees the exception of \$500.
- The Utility Billing Audit completed, which included water, sewer, and stormwater.
- The high-level risk assessment of the Sheriff's Mobile and Body Worn Camera Program equipment was completed, with several recommendations that were being implemented by the Sheriff's Office.
- Eide Bailly was currently assessing grants within City departments, which Ms. Donovan indicated was a “decentralized process,” and Eide Bailly staff had spoken with departments engaged with grants and funding. Additionally, Eide Bailly was reviewing the grant pre- and post-award process through testing, and approximately 75 percent of the engagement was completed. Ms. Russell-Benabou's team had assumed much of the workload concerning grants monitor weeding. Ms. Donovan expected to have a completed report on the engagement to present at the next AC meeting.
- Approximately 90 percent of the Internal Audits Budget had been expended.

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

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the April 25, 2023 Meeting**  
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(2:33:21) – Chairperson Ferguson introduced the item. Based on the dates suggested by Ms. Russell-Benabou, the Members agreed to tentatively schedule the next meeting for June 13, 2023 at 1:30 p.m.

**6. PUBLIC COMMENT**

(2:35:37) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

**7. FOR POSSIBLE ACTION: TO ADJOURN**

(2:35:47) – Chairperson Ferguson adjourned the meeting at 2:35 p.m.

The Minutes of the April 25, 2023 Carson City Audit Committee meeting are so approved this day 16<sup>th</sup> of June 2023.



## Audit Committee Agenda Item Report

Meeting Date: June 16, 2023

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Formal Action / Motion

Agenda Section:

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### **Subject:**

For Possible Action – Discussion and possible action regarding the election of a Chairperson and Vice-Chairperson for the Audit Committee.

Staff Summary: According to City policy, except as otherwise provided by law, ordinance or resolution, there shall be an annual election of a chairperson and vice-chairperson held by all boards, committees, and commissions created by the Board of Supervisors. Stephen Ferguson and Ernie Mayhorn were the Audit Committee's Chairperson and Vice-Chairperson, respectively, until December 31, 2022, when both members' terms expired, and they did not seek reappointment. Any member of the Audit Committee may hold these positions. Terms of the newly elected Chairperson and Vice-Chairperson, if applicable, will commence immediately.

### **Suggested Action:**

To Appoint New Chairperson:

I move to appoint \_\_\_\_\_ as Chairperson for a one-year term expiring December 31, 2023.

If Needed, to Appoint New Vice-Chairperson:

I move to appoint \_\_\_\_\_ as Vice-Chairperson for a one-year term expiring December 31, 2023.

### **Attachments:**



# STAFF REPORT

Report To: Audit Committee

Meeting Date: June 6, 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

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## 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 not recommending items to the Audit Committee for closure. We are providing an update of findings from prior meetings.

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?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact:

Alternatives

N/A

**Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

2) \_\_\_\_\_

Aye/Nay

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

Carson City  
Internal Audit Summary  
Updated - 5/30/2023

**Carson City - Audit Findings Tracking Summary Report (revised 5/30/2023)**

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		
IT Vulnerability Retest Report	7/12/2022	9/13/2022	Internal Auditor	6	5	9/13/2022		
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		
Utility Billing Internal Audit	12/1/2022	1/24/2023	Internal Auditor	8	3	1/24/2023		
<b>Total (including archived reports)</b>				174	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 Energov 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 Energov, then the City should look into alternative software solutions.	Community Development has met with IT and IT is currently working with Energov 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
<b>NOTE: 103 - Original Report - RETEST - 27 Remediated, 73 partially remediated, only 2 not remediated.</b>								
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.	N	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.
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.	N	7/1/2023			On-going
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.

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
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 than 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.	N	8/1/2023			On-going
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 implemented. Public Works will work with the DA's office to review surrounding municipalities and propose any changes needed.	N	7/1/2023			On-going
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.	N	11/1/2023			



# STAFF REPORT

Report To: Audit Committee

Meeting Date: June 6, 2023

Staff Contact: Sheri Russell-Benabou, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the internal audit work program for Fiscal Year ("FY") 2024. (Sheri Russell-Benabou, SRussell@Carson.org)

Staff Summary: Carson City Internal Auditor Eide Bailly, LLP provided a risk assessment and recommendations for future internal audits at the April 25, 2023, Audit Committee meeting, for the period ending June 30, 2024. During the discussion, the Audit Committee was able to provide input and guidance on the FY 2024 projects recommended to be performed. The attached FY 2024 internal audit work program was developed based on that discussion.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

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## Proposed Motion

I move to recommend to the Board of Supervisors the FY 2024 internal audit work program as presented.

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

N/A

## Applicable Statute, Code, Policy, Rule or Regulation

CCMC 2.14.040

## Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number: General Fund Internal Auditor / Professional Services

1010800-500309

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: \$110,000 has been budgeted for FY 24.

## Alternatives

N/A

**Board Action Taken:**

Motion: \_\_\_\_\_

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_

Aye/Nay

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\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)



**Citywide Risk Assessment & Annual Audit Plan**  
Fiscal Year 2023 / 2024

June 2023

# CARSON CITY

**Submitted By:**

Eide Bailly LLP

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## RISK ASSESSMENT

Eide Bailly recently completed our risk assessment update for Carson City. Our risk assessment uses guidance provided by the International Professional Practices Framework (IPPF, *Standards*) published by the Institute of Internal Auditors (IIA). The IIA emphasizes that organizations should fully understand that management remains responsible for risk management. Internal Auditors should provide advice, challenge or support management's decisions on risk, as opposed to making risk management decisions.

Additionally, *Standards* indicate that Internal Audit plans should be risk-based which determine the priorities of the internal audit activity, consistent with the organization's goals. The Internal Audit plan of engagements must be based on a documented risk assessment. These risk assessments should be performed annually in conjunction with preparing audit plans. The input of senior management and the Audit Committee must be considered in this process.

In our risk assessment update, we re-evaluated the major functional areas of City operations to determine if there were any significant changes what would impact the risk evaluation from the previous fiscal year. Based upon the results of this current fiscal year risk assessment, we have updated our proposed risk-based audit plan that is attached below. Our risk assessment update and corresponding recommended audit plan identifies the following areas as candidates for audit:

1. Clerk & Recorder: Information Technology
2. DEVNET System – Assessor's Office
3. Cash Handling
4. Accounts Payable & Purchasing Card

A summary of each recommended internal audit, the associated risk, and estimated hours are provided below.

## INTERNAL AUDIT TOPICS

Internal Audits budget for FY23/24 is not to exceed \$110,000. We have structured our internal audit plan to fit within proximity to this budget. The internal audit budget also includes audit hours to administer the audit function, update the risk assessment annually, and conduct follow up audits to determine if agreed upon management actions have been satisfactorily completed.

The Audit Plan provides the City with a great deal of flexibility to address emerging issues in a timely manner, hours for specially requested audits not originally captured on the plan, and for urgent audit issues that arise throughout the year. Great care is given in the selection of these audits to ensure that there is widespread audit coverage in terms of both types of audits performed and in terms of the City's vast array of departments, service areas, activities and contracts.

The hours included for each audit are an estimate. Quarterly, the plan will be reassessed and adjusted to account for unanticipated requests and progress on current audits. The Audit Committee will be briefed quarterly on the status of work completed related to the approved Audit Plan including any adjustments that need to be made to hours and anticipated completion dates.

Based on the results of the risk assessment, professional judgment, findings from previous audit work, and information provided by city staff, the following areas are potential audit topics for FY23/24.



FY23/24 Internal Audit Related Activities	Estimated Hours	Estimated Fees
<b>FY24-25 Risk Assessment Update</b> – Perform citywide risk assessment update and develop the annual audit plan based on identified risks.	60	12,000
<b>Fraud, Waste &amp; Abuse Hotline</b> – Monitor complaints filled through the hotline, assist the city with resolving cases where needed, and communicate results to the Audit Committee.	5	\$875
<b>Follow-Up</b> – Evaluate corrective action performed by city departments to determine whether identified risks from prior internal audit recommendations have been properly remediated.	20	\$3,500
<b>Estimated Totals</b>	<b>85</b>	<b>\$16,375</b>
FY23/24 Proposed Internal Audits	Estimated Hours	Estimated Fees
<p><b>1. Clerk - Recorder: Information Technology Audit</b> – To assist the IT Department in areas of potential vulnerability related to Clerk &amp; Recorder. Specifically to assist with conducting security audit and vulnerability assessments to identify and address potential security weaknesses in city systems.</p> <p><i>Potential risks to the process include:</i></p> <ul style="list-style-type: none"> <li>• Risk that systems do not have: role-based access controls; regular updates and patches to system components, including operating systems, software applications, and firmware.</li> </ul>	165	\$30,000
<p><b>2. DEVNET System for the Assessor’s Office</b> – To evaluate the internal controls to ensure completeness, accuracy and timeliness of property tax bills.</p> <p><i>Potential risks to the process include:</i></p> <ul style="list-style-type: none"> <li>• System in place and operational for three years. No internal audit performed to date of DEVNET.</li> <li>• Instances of issues with supplemental billing have occurred, i.e., solar panel information.</li> <li>• Unknown whether data integrity issues exist and if here is a completeness of data transferred from the prior system.</li> </ul>	165	\$30,000
<p><b>3. Cash Handling Internal Audit</b> – 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.</p> <p><i>Potential risks to the process include:</i></p> <ul style="list-style-type: none"> <li>• Last performed cash handling internal audit in 2019 with 20 findings.</li> <li>• New Deputy Treasurer and new Clerk – Recorder.</li> </ul>	110	\$20,000

FY23/24 Internal Audit Related Activities	Estimated Hours	Estimated Fees
<p><b>4. Accounts Payable &amp; Purchasing Card Transactions</b> – 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 issuance, purchasing guidelines, and individual and department transaction/purchase compliance.</p>	60	\$10,000
<p style="text-align: right;"><b>Estimated Totals – FY 23/24 Proposed Internal Audits</b></p>	500	\$90,000
<p style="text-align: right;"><b>Total Estimated Hours &amp; Fees</b></p>	585	\$106,375



# STAFF REPORT

Report To: Audit Committee

Meeting Date: June 6, 2023

Staff Contact: Sheri Russell-Benabou, Chief Financial Officer and Audrey Donovan, Senior Manager, Eide Baily, LLP

Agenda Title: 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 Baily, LLP for the Fiscal Year ("FY") 2024 Audit Work Program. (Sheri Russell-Benabou, SRussell@carson.org)

Staff Summary: Representatives from Eide Baily, LLP will be discussing and taking direction from the Audit Committee regarding the Carson City Clerk-Recorder's Office Information Technology Security Assessment Audit Program agreed upon procedures to be performed. Staff and Eide Baily will bring the remaining agreed upon procedures for the items selected for the FY 2024 Audit Work Program to the next Audit Committee meeting.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

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## Proposed Motion

I move to direct Eide Baily 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.

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

At the April 25, 2023 meeting, the Audit Committee and Eide Baily discussed various annual projects for the FY 2024 Audit Work Program. At today's meeting the Audit Committee will be making a recommendation to the Board of Supervisors on the FY 2024 Audit Work Program and has asked to review the agreed upon procedures before the internal audit begins.

Staff is anticipating that the Clerk-Recorder's Office Information Technology Security Assessment Audit program will be one of the projects approved by the Audit Committee for the FY 2024 Audit Work program. To be as efficient as possible, Eide Baily has prepared the agreed upon procedures to be performed if the Clerk-Recorder's Office Information Technology Security Assessment Audit is selected. If the FY 2024 Audit Work Program is approved, the Clerk-Recorder's Office Information Technology Security Assessment Audit program will be the first audit project to be completed.

All other agreed upon procedures for projects approved for the FY 2024 Audit Work Program, will be brought back for discussion at the next Audit Committee meeting, before work on each particular project begins.

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

**Board Action Taken:**

Motion: \_\_\_\_\_

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_

Aye/Nay

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

## **CARSON CITY CLERK-RECORDER'S OFFICE INFORMATION TECHNOLOGY SECURITY ASSESSMENT AUDIT PROGRAM**

### **OBJECTIVES**

To assist the IT Department in areas of potential vulnerability related to Clerk & Recorder. Specifically to assist with conducting security audit and vulnerability assessments to identify and address potential security weaknesses in city systems.

### **Audit Program:**

We will work with you to provide consulting services in connection with an IT security assessment of the Clerk-Recorder's office. For this assessment, Eide Bailly will complete a review of the following control categories, focused on the critical operations, processes, infrastructure, and systems to ensure the following:

1. **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 will inspect 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.
  
2. **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 will include 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.

3. **Change Control, Development and Acquisition** – Hardware and software is 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 will evaluate 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 will be evaluated to ensure systems and applications software undergo controlled and authorized changes.
  
4. **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 will evaluate the overall disaster recovery program to ensure that critical information systems are backed up and that restoration testing is completed at least annually.



# STAFF REPORT

Report To: Audit Committee

Meeting Date: June 6, 2023

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

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

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

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

### Proposed Motion

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?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: N/A

### Alternatives

N/A

### **Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

Aye/Nay

2) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)