

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

**Day:** Tuesday  
**Date:** July 12, 2022  
**Time:** Beginning at 1:30 pm  
**Location:** Community Center, Robert 'Bob' Crowell Board Room  
851 East William Street  
Carson City, Nevada

**AGENDA**

**NOTICE TO THE PUBLIC:**

• **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, 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 - March 8, 2022**

**5. For Possible Action: Adoption of Agenda**

## 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 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. (Sheri Russell, srussell@carson.org)

Staff Summary: The City is required to have an internal audit function to perform the duties described in Section 3.075(2) of the Carson City Charter. Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Internal Audit function on March 28, 2022, at 2:00 p.m. The SOQ was published in the Nevada Appeal and posted on Carson City's website on February 28, 2022. The submitted SOQs were sent for review by the Review and Selection Committee where a decision was made on the recommended firm. Final selection will be made by the Carson City Board of Supervisors at the meeting tentatively set for Thursday, August 4, 2022.

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

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

6.C For 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. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Retest of the Internal Vulnerability Assessment and External Penetration. These assessments were conducted from September 14 to October 1, 2020. After completing these assessments and delivering the Final Reports, Carson City had the opportunity to remediate the identified vulnerabilities. Eide Bailly performed the retest of the vulnerabilities from April 25 to April 28, 2022, and aimed to examine the effectiveness of Carson City's remediation activities. Briefing will address all remaining internal audit findings, recommendations, and staff response(s).

6.D For Possible Action: Discussion and possible action regarding the Community Development Department internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: The Community Development Department was a project approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2022 Audit Work Program. The project was completed, and the briefing will address internal audit findings, recommendations, and staff response(s).

6.E For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2023. (Sheri Russell, SRussell@Carson.org)

Staff Summary: Carson City Staff, Eide Bailly and the Audit Committee had a discussion regarding the FY 2023 Internal Audit projects at the March 8, 2022 Audit Committee Meeting.

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. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Utility Billing agreed upon procedures. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2023 Audit Work Program to the next Audit Committee meeting.

6.G For Presentation Only: Discussion regarding Fiscal Year 2022 Audit Work Program update and Hotline activity. (SRussell@Carson.org)

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

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

## **7. Public Comment:**

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

## **8. For Possible Action: To Adjourn**

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

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

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the Finance Department in writing at 201 North Carson Street Ste 3, Carson City, NV, 89701, or by calling (775) 887-2133 at least 24 hours in advance.

To request a copy of the supporting materials for this meeting contact Amanda Fencl at afencl@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)  
<http://notice.nv.gov>

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the March 8, 2022 Meeting**  
**Page 1**

A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, March 8, 2022 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Stephen Ferguson  
Member Lisa Schuette  
Member James Wells

**STAFF:** Sheri Russell, Chief Financial Officer  
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**

(1:33:22) – Chairperson Ferguson called the meeting to order at 1:33 p.m. Roll was called, and a quorum was present. Members Mayhorn and Duke were absent during this meeting.

**3. PUBLIC COMMENT:**

(1:33:43) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

**4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – DECEMBER 7, 2021**

(1:34:19) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion. Member Wells identified a correction under item #4 on page #1 to indicate that Member Wells seconded the motion as well as a correction under item #6 on page #2 to indicate that Member Wells made the motion.

**(1:34:58) – MOTION: Member Wells moved to approve the December 7, 2021 meeting minutes as corrected. Member Schuette seconded the motion. The motion carried 3-0-0.**

**5. FOR POSSIBLE ACTION: ADOPTION OF AGENDA**

(1:35:17) – Ms. Russell noted that there were no changes to the agenda.

**6. MEETING ITEMS**

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

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the March 8, 2022 Meeting**  
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(1:35:36) – 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. When no questions or comments were forthcoming, Chairperson Ferguson entertained a motion.

**(1:39:21) – MOTION: Member Wells moved to recommend to the Board of Supervisors closing Fleet Management Audit Item #1 and Payroll Items #1 and #3. Member Schuette seconded the motion. The motion carried 4-0-0.**

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

(1:39:49) – Chairperson Ferguson introduced the item. Eide Bailly LLP Senior Manager Audrey Donovan reported on the following updates on the Annual Audit Plan for fiscal year (FY) 2021-2022:

- The first engagement that was completed was a Citywide Payroll Process, and the next engagement to be completed was the topic of Insourcing versus Outsourcing of Building Division Activities, approximately 60 percent of which was completed and intended to be delivered no later than June 2022. Eide Bailly LLP had been working on its benchmarking activities and identified “a little over a dozen local and across different states municipalities” that have similar criteria for a benchmark as it relates to Carson City, and that criteria included cities with a similar population to the City’s of around 30,000 and the fact that those cities that Eide Bailly LLP was benchmarking were not contract cities. Eide Bailly LLP had been doing some benchmarking [of] approximately 14 different questions to identify what type of activities were being outsourced, what organization was outsourced, and what the organization was outsourced to.
- The next two engagements identified by Ms. Donovan were the Information Technology (IT) Vulnerability Follow Up and the End-User and Wireless Vulnerability Assessment, which were ready for the IT team to conduct the follow up in April 2022. Ms. Donovan added that the conclusions could be presented at the next AC meeting.
- The topic of the American Rescue Plan Act (ARPA) was approved and finalized, and funds were set aside by the City for subject matter expertise to discuss and respond to questions related to ARPA “basically on an as-needed basis.” Ms. Donovan indicated that “this is billed on the time and materials based on FY 2021-2022 utilizing those services on a few occasions, and we’ve expensed roughly ... less than \$1,000.”
- Eide Bailly LLP and the City had been “doing fantastic in terms of following up on the efforts to confirm that the risks identified from prior internal audit engagements have been remediated,” and they were at an approximately 98-percent implementation success rate, with the industry average for implementation rate being approximately 75 percent. Ms. Donovan acknowledged the City, the divisions, and Ms. Russell for “staying on top of that and [Ms. Russell’s] collaboration with them,” and she recognized Eide Bailly LLP as “a big contributor” to the 98-percent implementation success rate “because when we issue our recommendations, we’re really making them actionable, they’re very well-defined, and we collaborate with the departments to make sure that those can be implemented along with the set target dates so we know when we can get back in there and do the follow-up remediation work.”
- Approximately 25 percent had been expended of the allotted budget, or roughly five of the 20 hours, for follow up, which the Committee would be updated on during the next AC meeting.

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**Draft Minutes of the March 8, 2022 Meeting**  
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- Several activities had been reported to the Fraud, Waste and Abuse (FWA) Hotline concerning the Carson City Library and were all handled internally with the City Manager, Nancy Paulson. Additionally, 75 percent of the FWA efforts involved looking at activities, identifying the items submitted, and coordinating with Ms. Russell and anyone else within the City that need to know what those activities are.
- Eide Bailly LLP had been directed to perform the FY 2022-2023 Citywide Risk Assessment and Annual Audit Plan, which was 95 percent complete while the remaining percentage to be completed would be related to making any modifications or additions to finalize the delivery for the next AC meeting.
- Approximately 65 percent of the internal audit budget had been expended, and Eide Bailly LLP anticipated expending all of the budget, so any funds rolling over to the following year would likely not be significant.

Ms. Donovan also responded to clarifying questions.

(1:46:15) – Chairperson Ferguson acknowledged and complimented everyone involved with the Audit Work Program.

**6.C FOR DISCUSSION ONLY: DISCUSSION REGARDING THE DRAFT ANNUAL RISK ASSESSMENT AND INTERNAL AUDIT PLAN FOR FISCAL YEAR (“FY”) 2023.**

(1:51:21) – Ms. Donovan presented on the draft Citywide Risk Assessment and Annual Audit Plan for FY 2022-2023, which is incorporated into the record.

(1:58:58) – Chairperson Ferguson entertained Member questions and comments, and Ms. Donovan and Ms. Russell responded to clarifying questions. Member Wells commented that he was leaning toward doing more of a full review of the Utility Billing, and, referencing the proposed internal audit for Sheriff Mobile and Body Worn Video Recording Equipment, he wished to “keep it [at] a high level on the body camera” and “see if we could scale that one back.” He preferred spending resources on the FWA policy update, the business license improvements, the cost benefit analysis for the Jump Around Carson (JAC) transit system, the parking ticket system, “splitting out” the Clerk-Recorder/Public Administrator duties, the Cyber Security Response Plan, the facility and condition assessment reporting, and capital projects reporting, all of which were items referenced in the City’s FY 2022-2026 Strategic Plan that Member Wells believed the internal audit “could play a role in determining ... how those move forward.” Ms. Russell indicated that the parking ticket system involved a small dollar amount and would likely be a small project if the Committee wished to consider the system. She added that the upgraded parking ticket system had not been implemented yet, and she explained that she tries to implement a system for a full year before the Internal Auditor evaluates it. She noted that City staff were working with Douglas County regarding “splitting out” the Clerk-Recorder/Public Administrator duties, and she stated that a capital project review had been completed in 2018, so another review would likely be considered in the next couple of years.

(2:19:41) – Chairperson Ferguson suggested reviewing and following up on the audit findings from the Cash Handling audit. He also pointed out that the internal audit budget had never been increased during his time on the Committee and that “it’s almost like we’re getting less bang for our buck” if the average hourly rate has increased. Ms. Russell stated that she would submit a supplemental to the Carson City Board of Supervisors

**CARSON CITY AUDIT COMMITTEE (AC)**  
**Draft Minutes of the March 8, 2022 Meeting**  
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(BOS) to increase the internal audit budget by \$20,000 for \$130,000 per year. She also informed the Members that she had released a statement of qualifications for an Internal Auditor for the City, as the City has worked with Eide Bailly LLP for four years and wishes “to just see what the market bears.” Ms. Russell stated that she would present a contract at the next AC meeting for recommendation for future years.

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

(2:29:39) – Chairperson Ferguson introduced the item, and the consensus among the Members was to tentatively schedule the next AC meeting for June 7, 2022 at 1:30 a.m.

**7. PUBLIC COMMENT**

(2:31:12) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

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

(2:31:22) – Chairperson Ferguson adjourned the meeting at 2:31 p.m.

The Minutes of the March 8, 2022 Carson City Audit Committee meeting are so approved this day 12<sup>th</sup> of July 2022.



## Audit Committee Agenda Item Report

Meeting Date: July 12, 2022

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 a recommendation to the Board of Supervisors on the approval of the Review 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. (Sheri Russell, srussell@carson.org)

Staff Summary: The City is required to have an internal audit function to perform the duties described in Section 3.075(2) of the Carson City Charter. Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Internal Audit function on March 28, 2022, at 2:00 p.m. The SOQ was published in the Nevada Appeal and posted on Carson City's website on February 28, 2022. The submitted SOQs were sent for review by the Review and Selection Committee where a decision was made on the recommended firm. Final selection will be made by the Carson City Board of Supervisors at the meeting tentatively set for Thursday, August 4, 2022.

### Suggested Action:

I move to recommend that the Board of Supervisors approve of the contract as presented.

### Attachments:

[SR - Approval of Recommendation for Internal Audit Contract Award.docx](#)

[21300271 Draft Contract.pdf](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

Staff Contact: Sheri Russell, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding a recommendation to the Board of Supervisors on the approval of the Review 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. (Sheri Russell, srussell@carson.org)

Staff Summary: The City is required to have an internal audit function to perform the duties described in Section 3.075(2) of the Carson City Charter. Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Internal Audit function on March 28, 2022, at 2:00 p.m. The SOQ was published in the Nevada Appeal and posted on Carson City's website on February 28, 2022. The submitted SOQs were sent for review by the Review and Selection Committee where a decision was made on the recommended firm. Final selection will be made by the Carson City Board of Supervisors at the meeting tentatively set for Thursday, August 4, 2022.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

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## Proposed Motion

I move to recommend that the Board of Supervisors approve of the contract as presented.

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

SOQs were received from two firms: Eide Bailly, LLP and Moss Adams, LLP; and both firms were selected for follow-up oral interviews.

Based on the oral interviews and SOQs submitted, the Review and Selection Committee is recommending Eide Bailly, LLP as they received the highest score.

The Review and Selection Committee is recommending Eide Bailly, LLP for the following reasons:

1. Extensive experience auditing Nevada Cities, Counties, School Districts, and State Government creating a vast knowledge of Nevada Revised Statutes and Nevada Administrative Codes.
2. Extensive experience auditing Carson City – in depth knowledge of the City's departments and employees including operations, internal controls, and risks.

- 3. In addition to achieving operating efficiencies, internal audit should provide assurance that internal controls are effective to ensure reliable financial reporting. Eide Bailly has expertise in governmental financial reporting and single audit to include provisions of the new administrative requirements, cost principles and audit requirements for Federal Awards.
- 4. The hourly rates by staff level are very comparable by firm, therefore work to be completed would be similar; however, as Eide Bailly has an office in Reno, there will be minimal additional charge for travel.

Both firms are very comparable, and this was not an easy decision, as they both have governmental experience, have worked with Carson City in the past, and costs per hour were very comparable.

Applicable Statute, Code, Policy, Rule or Regulation  
Carson City Charter Section 3.075.

Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number: Internal Auditor Department, General Fund 1010800-500309

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: The budget for the FY22 Internal Audit Work Program is \$110,000.

Alternatives

Do not recommend Eide Bailly, LLP and pursue other alternatives for Internal Auditing Services.

**Board Action Taken:**

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

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

Aye/Nay

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

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

**PROFESSIONAL SERVICES CONSULTANT AGREEMENT**

**Contract No. 21300271**

**Title: Internal Audit Services**

THIS CONTRACT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2022, by and between Carson City, a consolidated municipality, a political subdivision of the State of Nevada, hereinafter referred to as "CITY", and Eide Bailly LLP, hereinafter referred to as "CONSULTANT".

**WITNESSETH:**

**WHEREAS**, the Purchasing and Contracts Manager for **CITY** is authorized pursuant to Nevada Revised Statutes (hereinafter referred to as "NRS") 332 and 338 and Carson City Purchasing Resolution #1990-R71, to approve and accept this Contract as set forth in and by the following provisions; and

**WHEREAS**, this Contract (does involve\_\_\_) (does not involve X) a "public work" construction project, which pursuant to NRS 338.010(18) means any project for the new construction, repair or reconstruction of an applicable project financed in whole or in part from public money; and

**WHEREAS, CONSULTANT'S** compensation under this agreement (does \_\_\_) (does not X) utilize in whole or in part money derived from one or more federal grant funding source(s); and

**WHEREAS**, it is deemed necessary that the services of **CONSULTANT** for **CONTRACT No. 21300271** (hereinafter referred to as "Contract") are both necessary and in the best interest of **CITY**; and

**NOW, THEREFORE**, in consideration of the aforesaid premises, and the following terms, conditions and other valuable consideration, the parties mutually agree as follows:

**1. REQUIRED APPROVAL:**

This Contract shall not become effective until and unless approved by the Carson City Board of Supervisors.

**2. SCOPE OF WORK (Incorporated Contract Documents):**

2.1 **CONSULTANT** shall provide and perform the following services set forth in **Exhibit A**, which shall all be attached hereto and incorporated herein by reference for and on behalf of **CITY** and hereinafter referred to as the "SERVICES".

2.2 **CONSULTANT** represents that it is duly licensed by **CITY** for the purposes of performing the SERVICES.

2.3 **CONSULTANT** represents that it is duly qualified and licensed in the State of Nevada for the purposes of performing the SERVICES.

For P&C Use Only
CCBL expires _____
GL expires _____
AL expires _____
PL expires _____
WC expires _____

# PROFESSIONAL SERVICES CONSULTANT AGREEMENT

Contract No. 21300271

Title: Internal Audit Services

2.4 **CONSULTANT** represents that it and/or the persons it may employ possess all skills and training necessary to perform the SERVICES described herein and required hereunder. **CONSULTANT** shall perform the SERVICES faithfully, diligently, in a timely and professional manner, to the best of its ability, and in such a manner as is customarily performed by a person who is in the business of providing such services in similar circumstances. **CONSULTANT** shall be responsible for the professional quality and technical accuracy of all SERVICES furnished by **CONSULTANT** to **CITY**.

2.5 **CONSULTANT** represents that neither the execution of this Contract nor the rendering of services by **CONSULTANT** hereunder will violate the provisions of or constitute a default under any other contract or agreement to which **CONSULTANT** is a party or by which **CONSULTANT** is bound, or which would preclude **CONSULTANT** from performing the SERVICES required of **CONSULTANT** hereunder, or which would impose any liability or obligation upon **CITY** for accepting such SERVICES.

2.6 Before commencing with the performance of any work under this Contract, **CONSULTANT** shall obtain all necessary permits and licenses as may be necessary. Before and during the progress of work under this Contract, **CONSULTANT** shall give all notice and comply with all the laws, ordinances, rules and regulations of every kind and nature now or hereafter in effect promulgated by any Federal, State, County, or other Governmental Authority, relating to the performance of work under this Contract. If **CONSULTANT** performs any work that is contrary to any such law, ordinance, rule or regulation, it shall bear all the costs arising therefrom.

2.7 Special Terms and Conditions for Engineers, Architects, and Land Surveying/Testing:  
**(OMITTED)**

2.8 CITY Responsibilities:

2.8.1 **CITY** shall make available to **CONSULTANT** all technical data that is in **CITY'S** possession, reasonably required by **CONSULTANT** relating to the SERVICES.

2.8.2 **CITY** shall provide access to and make all provisions for **CONSULTANT** to enter upon public and private lands, to the fullest extent permitted by law, as reasonably required for **CONSULTANT** to perform the SERVICES.

2.8.3 **CITY** shall examine all reports, correspondence, and other documents presented by **CONSULTANT** upon request of **CITY**, and render, in writing, decisions pertaining thereto within a reasonable time so as not to delay the work of **CONSULTANT**.

2.8.4 It is expressly understood and agreed that all work done by **CONSULTANT** shall be subject to inspection and acceptance by **CITY** and approval of SERVICES shall not forfeit the right of **CITY** to require correction, and nothing contained herein shall relieve **CONSULTANT** of the responsibility of the SERVICES required under the terms of this Contract until all SERVICES have been completed and accepted by **CITY**.

### 3. CONTRACT TERM:

3.1 The term of this Contract begins on July 1, 2022, subject to Carson City Board of Supervisors' approval (anticipated to be June 16, 2022) and ends on June 30, 2025, with two (2) one-year options at the sole discretion of the CITY, unless sooner terminated by either party as specified in Section 7 (CONTRACT TERMINATION).

# PROFESSIONAL SERVICES CONSULTANT AGREEMENT

Contract No. 21300271

Title: Internal Audit Services

## 4. NOTICE:

4.1 Except any applicable bid and award process where notices may be limited to postings by **CITY** on its Bid Opportunities website ([www.carson.org](http://www.carson.org)), all notices or other communications required or permitted to be given under this Contract shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by e-mail, by regular mail, by telephonic facsimile with simultaneous regular mail, or by certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address specified below.

4.2 Notice to **CONSULTANT** shall be addressed to:

Kimberley K. Higgins, CPA, Engagement Partner  
Eide Bailly, LLP  
5441 Kietzke Ln. Ste. 150  
Reno, NV 89511  
303-539-5905  
[Khiggins@eidebailly.com](mailto:Khiggins@eidebailly.com)  
Cc: [adonovan@eidebailly.com](mailto:adonovan@eidebailly.com)

4.3 Notice to **CITY** shall be addressed to:

Carson City Purchasing and Contracts Department  
Carol Akers, Purchasing and Contracts Administrator  
201 North Carson Street, Suite 2  
Carson City, NV 89701  
775-283-7362 / FAX 775-887-2286  
[CAkers@carson.org](mailto:CAkers@carson.org)

## 5. COMPENSATION:

5.1 The parties agree that **CONSULTANT** will provide the SERVICES specified in **Section 2** (SCOPE OF WORK) and **CITY** agrees to pay **CONSULTANT** the Contract's compensation based upon the Scope of Work Fee Schedule for a not to exceed maximum annual amount of One Hundred Ten Thousand Dollars and 00/100 (\$110,000.00), and hereinafter referred to as "Contract Sum".

5.2 Contract Sum represents full and adequate compensation for the completed SERVICES, and includes the furnishing of all materials; all labor, equipment, tools, and appliances; and all expenses, direct or indirect, connected with the proper execution of the SERVICES.

5.4 **CITY** has provided a sample invoice and **CONSULTANT** shall submit its request for payment using said sample invoice.

5.5 Payment by **CITY** for the SERVICES rendered by **CONSULTANT** shall be due within thirty (30) calendar days from the date **CITY** acknowledges that the performance meets the requirements of this Contract or from the date the correct, complete, and descriptive invoice is received by **CITY** employee designated on the sample invoice, whichever is the later date.

5.6 **CITY** does not agree to reimburse **CONSULTANT** for expenses unless otherwise specified.

## 6. TIMELINESS OF BILLING SUBMISSION:

# PROFESSIONAL SERVICES CONSULTANT AGREEMENT

Contract No. 21300271

Title: Internal Audit Services

6.1 The parties agree that timeliness of billing is of the essence to this Contract and recognize that **CITY** is on a fiscal year which is defined as the period beginning July 1 and ending June 30 of the following year. All billings for dates of service prior to July 1 must be submitted to **CITY** no later than the first Friday in August of the same year. A billing submitted after the first Friday in August will subject **CONSULTANT** to an administrative fee not to exceed \$100.00. The parties hereby agree this is a reasonable estimate of the additional costs to **CITY** of processing the billing as a stale claim and that this amount will be deducted from the stale claim payment due to **CONSULTANT**.

## 7. CONTRACT TERMINATION:

### 7.1 Termination Without Cause:

7.1.1 Any discretionary or vested right of renewal notwithstanding, this Contract may be terminated upon written notice by mutual consent of both parties or unilaterally by either party without cause.

7.1.2 **CITY** reserves the right to terminate this Contract for convenience whenever it considers termination, in its sole and unfettered discretion, to be in the public interest. In the event that the Contract is terminated in this manner, payment will be made for SERVICES actually completed. If termination occurs under this provision, in no event shall **CONSULTANT** be entitled to anticipated profits on items of SERVICES not performed as of the effective date of the termination or compensation for any other item, including but not limited to, unabsorbed overhead. **CONSULTANT** shall require that all subcontracts which it enters related to this Contract likewise contain a termination for convenience clause which precludes the ability of any subcontractant to make claims against **CONSULTANT** for damages due to breach of contract, of lost profit on items of SERVICES not performed or of unabsorbed overhead, in the event of a convenience termination.

### 7.2 Termination for Nonappropriation:

7.2.1 All payments and SERVICES provided under this Contract are contingent upon the availability of the necessary public funding, which may include various internal and external sources. In the event that Carson City does not acquire and appropriate the funding necessary to perform in accordance with the terms of the Contract, the Contract shall automatically terminate upon **CITY'S** notice to **CONSULTANT** of such nonappropriation, and no claim or cause of action may be based upon any such nonappropriation.

### 7.3 Cause Termination for Default or Breach:

7.3.1 A default or breach may be declared with or without termination.

7.3.2 This Contract may be terminated by either party upon written notice of default or breach to the other party as follows:

7.3.2.1 If **CONSULTANT** fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or any SERVICES called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or

7.3.2.2 If any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONSULTANT** to provide the goods or SERVICES or any services required by this

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Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or

7.3.2.3 If **CONSULTANT** becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the bankruptcy court; or

7.3.2.4 If **CITY** materially breaches any material duty under this Contract and any such breach impairs **CONSULTANT'S** ability to perform; or

7.3.2.5 If it is found by **CITY** that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by **CONSULTANT**, or any agent or representative of **CONSULTANT**, to any officer or employee of **CITY** with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or

7.3.2.6 If it is found by **CITY** that **CONSULTANT** has failed to disclose any material conflict of interest relative to the performance of this Contract.

## 7.4 Time to Correct (Declared Default or Breach):

7.4.1 Termination upon a declared default or breach may be exercised only after providing 7 (seven) calendar days written notice of default or breach, and the subsequent failure of the defaulting or breaching party, within five (5) calendar days of providing that default or breach notice, to provide evidence satisfactory to the aggrieved party demonstrating that the declared default or breach has been corrected. Time to correct shall run concurrently with any notice of default or breach and such time to correct is not subject to any stay with respect to the nonexistence of any Notice of Termination. Untimely correction shall not void the right to termination otherwise properly noticed unless waiver of the noticed default or breach is expressly provided in writing by the aggrieved party. There shall be no time to correct with respect to any notice of termination without cause or termination for nonappropriation.

## 7.5 Winding Up Affairs Upon Termination:

7.5.1 In the event of termination of this Contract for any reason, the parties agree that the provisions of this **Subsection 7.5** (Winding Up Affairs Upon Termination) survive termination:

7.5.1.1 The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination; and

7.5.1.2 **CONSULTANT** shall satisfactorily complete SERVICES in progress at the agreed rate (or a pro rata basis if necessary) if so requested by **CITY**; and

7.5.1.3 **CONSULTANT** shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by **CITY**; and

7.5.1.4 **CONSULTANT** shall preserve, protect, and promptly deliver into **CITY** possession all proprietary information in accordance **Section 19** (CITY OWNERSHIP OF PROPRIETARY INFORMATION).



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## 7.6 Notice of Termination:

7.6.1 Unless otherwise specified in this Contract, termination shall not be effective until seven (7) calendar days after a party has provided written notice of default or breach, or notice of without cause termination. Notice of Termination may be given at the time of notice of default or breach, or notice of without cause termination. Notice of Termination may be provided separately at any time after the running of the 7-day notice period, and such termination shall be effective on the date the Notice of Termination is provided to the party unless a specific effective date is otherwise set forth therein. Any delay in providing a Notice of Termination after the 7-day notice period has run without a timely correction by the defaulting or breaching party shall not constitute any waiver of the right to terminate under the existing notice(s).

## 8. REMEDIES:

Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorney's fees and costs. The parties agree that, in the event a lawsuit is filed and a party is awarded attorney's fees by the court, for any reason, the amount of recoverable attorney's fees shall not exceed the rate of \$125 per hour. **CITY** may set off consideration against any unpaid obligation of **CONSULTANT** to **CITY**.

## 9. LIMITED LIABILITY:

**CITY** will not waive and intends to assert available NRS Chapter 41 liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise expressly provided for elsewhere in this Contract. Damages for any **CITY** breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to **CONSULTANT**, for the fiscal year budget in existence at the time of the breach. **CONSULTANT'S** tort liability shall not be limited.

## 10. FORCE MAJEURE:

Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of this Contract after the intervening cause ceases.

## 11. INDEMNIFICATION:

11.1 To the extent permitted by law, including, but not limited to, the provisions of NRS Chapter 41, each party shall indemnify, hold harmless and defend, not excluding the other's right to participate, the other party from and against all liability, claims, actions, damages, losses, and expenses, including but not limited to reasonable attorney's fees and costs, arising out of any alleged negligent or willful acts or omissions of the indemnifying party, its officers, employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of the indemnity which would otherwise exist as to any party or person described in this Section.

11.2 As required by NRS 338.155, if this Contract involves a "public work" construction project as defined above, **CONSULTANT** shall defend, indemnify and hold harmless the **CITY**, and the employees, officers and agents of the public body from any liabilities, damages, losses, claims, actions or proceedings, including without limitation, reasonable attorney's fees, to the extent that such liabilities, damages, losses, claims, actions or proceedings are caused by the negligence, errors, omissions, recklessness or intentional misconduct of the **CONSULTANT** or the employees or agents of the **CONSULTANT** in the performance of the Contract. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of the indemnity which would otherwise exist as

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to any party or person described in this section. However, with respect to any anticipated benefits to **CITY** resulting from the Scope of Work, **CONSULTANT** shall not be responsible or liable to **CITY** for any warranties, guarantees, fitness for a particular purpose or loss of anticipated profits resulting from any termination of this Contract. Additionally, **CONSULTANT** shall not be responsible for acts and decisions of third parties, including governmental agencies, other than **CONSULTANT'S** subcontractors, that impact project completion and/or success.

11.3 Except as otherwise provided in Subsection 11.5 below, the indemnifying party shall not be obligated to provide a legal defense to the indemnified party, nor reimburse the indemnified party for the same, for any period occurring before the indemnified party provides written notice of the pending claim(s) or cause(s) of action to the indemnifying party, along with:

11.3.1 a written request for a legal defense for such pending claim(s) or cause(s) of action; and

11.3.2 a detailed explanation of the basis upon which the indemnified party believes that the claim or cause of action asserted against the indemnified party implicates the culpable conduct of the indemnifying party, its officers, employees, and/or agents.

11.4 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall not be obligated to fund or reimburse any fees or costs provided by any additional counsel for the indemnified party, including counsel through which the indemnified party might voluntarily choose to participate in its defense of the same matter.

11.5 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall be obligated to reimburse the reasonable attorney's fees and costs incurred by the indemnified party during the initial thirty (30) day period of the claim or cause of action, if any, incurred by separate counsel.

## 12. INDEPENDENT CONTRACTOR:

12.1 **CONSULTANT**, as an independent contractor, is a natural person, firm or corporation who agrees to perform SERVICES for a fixed price according to his or its own methods and without subjection to the supervision or control of the **CITY**, except as to the results of the SERVICES, and not as to the means by which the SERVICES are accomplished.

12.2 It is mutually agreed that **CONSULTANT** is associated with **CITY** only for the purposes and to the extent specified in this Contract, and in respect to performance of the contracted SERVICES pursuant to this Contract. **CONSULTANT** is and shall be an independent contractor and, subject only to the terms of this Contract, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Contract.

12.3 Nothing contained in this Contract shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for **CITY** whatsoever with respect to the indebtedness, liabilities, and obligations of **CONSULTANT** or any other party.

12.4 **CONSULTANT**, in addition to Section 11 (INDEMNIFICATION), shall indemnify and hold **CITY** harmless from, and defend **CITY** against, any and all losses, damages, claims, costs, penalties, liabilities, expenses arising out of or incurred in any way because of, but not limited to, **CONSULTANT'S** obligations or legal duties regarding any taxes, fees, assessments, benefits, entitlements, notice of benefits, employee's eligibility to work, to any third party, subcontractor, employee, state, local or federal governmental entity.

12.5 Neither **CONSULTANT** nor its employees, agents, or representatives shall be considered employees, agents, or representatives of **CITY**.

## 13. INSURANCE REQUIREMENTS (GENERAL):

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**13.1 NOTICE: The following general insurance requirements shall apply unless these general requirements are altered by any specific requirements set forth in CITY'S solicitation for bid document, the adopted bid or other document incorporated into this Contract by the parties.**

13.2 **CONSULTANT**, as an independent contractor and not an employee of **CITY**, must carry policies of insurance in amounts specified and pay all taxes and fees incident hereunto. **CITY** shall have no liability except as specifically provided in this Contract.

13.3 **CONSULTANT** shall not commence work before: (1) **CONSULTANT** has provided the required evidence of insurance to **CITY** Purchasing and Contracts, and (2) **CITY** has approved the insurance policies provided by **CONSULTANT**.

13.4 Prior approval of the insurance policies by **CITY** shall be a condition precedent to any payment of consideration under this Contract and **CITY'S** approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent this Contract. Any failure of **CITY** to timely approve shall not constitute a waiver of the condition.

13.5 *Insurance Coverage (13.6 through 13.23):*

13.6 **CONSULTANT** shall, at **CONSULTANT'S** sole expense, procure, maintain and keep in force for the duration of this Contract the following insurance conforming to the minimum requirements specified below. Unless specifically specified herein or otherwise agreed to by **CITY**, the required insurance shall be in effect prior to the commencement of work by **CONSULTANT** and shall continue in force as appropriate until the later of:

13.6.1 Final acceptance by **CITY** of the completion of this Contract; or

13.6.2 Such time as the insurance is no longer required by **CITY** under the terms of this Contract.

13.6.3 Any insurance or self-insurance available to **CITY** under its coverage(s) shall be in excess of and non-contributing with any insurance required from **CONSULTANT**. **CONSULTANT'S** insurance policies shall apply on a primary basis. Until such time as the insurance is no longer required by **CITY**, **CONSULTANT** shall provide **CITY** with renewal or replacement evidence of insurance no less than thirty (30) calendar days before the expiration or replacement of the required insurance. If at any time during the period when insurance is required by this Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as **CONSULTANT** has knowledge of any such failure, **CONSULTANT** shall immediately notify **CITY** and immediately replace such insurance or bond with an insurer meeting the requirements.

13.7 *General Insurance Requirements (13.8 through 13.23):*

13.8 **Certificate Holder:** Each liability insurance policy shall list Carson City c/o Carson City Purchasing and Contracts, 201 N. Carson Street, Suite 2, Carson City, NV 89701 as a certificate holder.

13.9 **Additional Insured:** By endorsement to the general liability insurance policy evidenced by **CONSULTANT**, The City and County of Carson City, Nevada, its officers, employees and immune contractors shall be named as additional insureds for all liability arising from this Contract.

13.10 **Waiver of Subrogation:** Each liability insurance policy shall provide for a waiver of subrogation as to additional insured, unless:

13.10.1 **CONSULTANT** maintains an additional \$5,000,000.00 umbrella policy in lieu of the Waiver of Subrogation Clause.

13.11 **Cross-Liability:** All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.

13.12 **Deductibles and Self-Insured Retentions:** Insurance maintained by **CONSULTANT** shall apply

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on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by **CITY**. Such approval shall not relieve **CONSULTANT** from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed \$50,000.00 per occurrence, unless otherwise approved by **CITY**.

13.13 **Policy Cancellation:** Except for ten (10) calendar days notice for non-payment of premium, each insurance policy shall be endorsed to state that; without thirty (30) calendar days prior written notice to Carson City Purchasing and Contracts, the policy shall not be canceled, non-renewed or coverage and /or limits reduced or materially altered, and shall provide that notices required by this paragraph shall be sent by mail to Carson City Purchasing and Contracts, 201 N. Carson Street, Suite 2, Carson City, NV 89701.

13.14 **Approved Insurer:** Each insurance policy shall be issued by insurance companies authorized to do business in the State of Nevada or eligible surplus lines insurers acceptable to the State and having agents in Nevada upon whom service of process may be made, and currently rated by A.M. Best as "A-VII" or better.

13.15 **Evidence of Insurance:** Prior to commencement of work, **CONSULTANT** must provide the following documents to Carson City Purchasing and Contracts, 201 North Carson Street, Suite 2, Carson City, NV 89701:

13.16 **Certificate of Insurance:** The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to Carson City Purchasing and Contracts to evidence the insurance policies and coverages required of **CONSULTANT**.

13.17 **Additional Insured Endorsement:** An Additional Insured Endorsement (CG20 10 or C20 26), signed by an authorized insurance company representative, must be submitted to Carson City Purchasing and Contracts to evidence the endorsement of **CITY** as an additional insured per **Subsection 13.9** (Additional Insured).

13.18 **Schedule of Underlying Insurance Policies:** If Umbrella or Excess policy is evidenced to comply with minimum limits, a copy of the Underlying Schedule from the Umbrella or Excess insurance policy may be required.

13.19 **Review and Approval:** Documents specified above must be submitted for review and approval by **CITY** Purchasing and Contracts prior to the commencement of work by **CONSULTANT**. Neither approval by **CITY** nor failure to disapprove the insurance furnished by **CONSULTANT** shall relieve **CONSULTANT** of **CONSULTANT'S** full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of **CONSULTANT** or its subcontractors, employees or agents to **CITY** or others, and shall be in addition to and not in lieu of any other remedy available to **CITY** under this Contract or otherwise. **CITY** reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these requirements.

## 13.20 **COMMERCIAL GENERAL LIABILITY INSURANCE:**

13.20.1 *Minimum Limits required:*

13.20.2 Two Million Dollars (\$2,000,000.00) - General Aggregate.

13.20.3 Two Million Dollars (\$2,000,000.00) - Products & Completed Operations Aggregate.

13.20.4 One Million Dollars (\$1,000,000.00) - Each Occurrence.

13.20.5 Coverage shall be on an occurrence basis and shall be at least as broad as ISO 1996 form CG 00 01 (or a substitute form providing equivalent coverage); and shall cover liability arising from premises, operations, independent contractors, completed operations, personal injury, products, civil lawsuits, Title VII actions and liability assumed under an insured contract

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(including the tort liability of another assumed in a business contract).

## 13.21 BUSINESS AUTOMOBILE LIABILITY INSURANCE:

13.21.1 *Minimum Limit required:*

13.21.2 One Million Dollars (\$1,000,000.00) per occurrence for bodily injury and property damage.

13.21.3 Coverage shall be for "any auto", including owned, non-owned and hired vehicles. The policy shall be written on ISO form CA 00 01 or a substitute providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.

## 13.22 PROFESSIONAL LIABILITY INSURANCE (Architects, Engineers and Land Surveyors)

13.22.1 *Minimum Limit required:*

13.22.2 One Million Dollars (\$1,000,000.00).

13.22.3 Retroactive date: Prior to commencement of the performance of this Contract.

13.22.4 Discovery period: Three (3) years after termination date of this Contract.

13.22.5 A certified copy of this policy may be required.

## 13.23 WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE:

13.23.1 **CONSULTANT** shall provide workers' compensation insurance as required by NRS Chapters 616A through 616D inclusive and Employer's Liability insurance with a minimum limit of \$500,000.00 each employee per accident for bodily injury by accident or disease.

13.23.2 **CONSULTANT** may, in lieu of furnishing a certificate of an insurer, provide an affidavit indicating that **CONSULTANT** is a sole proprietor; that **CONSULTANT** will not use the services of any employees in the performance of this Contract; that **CONSULTANT** has elected to not be included in the terms, conditions, and provisions of NRS Chapters 616A-616D, inclusive; and that **CONSULTANT** is otherwise in compliance with the terms, conditions, and provisions of NRS Chapters 616A-616D, inclusive.

## 14. BUSINESS LICENSE:

14.1 **CONSULTANT** shall not commence work before **CONSULTANT** has provided a copy of his Carson City business license to Carson City Purchasing and Contracts.

14.2 The Carson City business license shall continue in force until the later of: (1) final acceptance by **CITY** of the completion of this Contract; or (2) such time as the Carson City business license is no longer required by **CITY** under the terms of this Contract.

## 15. COMPLIANCE WITH LEGAL OBLIGATIONS:

**CONSULTANT** shall procure and maintain for the duration of this Contract any state, county, city, or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONSULTANT** to provide the goods or SERVICES or any services of this Contract. **CONSULTANT** will be responsible to pay all government obligations, including, but not limited to, all taxes, assessments, fees, fines, judgments, premiums, permits, and licenses required or imposed by law or a court. Real property and personal property taxes are the responsibility of **CONSULTANT** in accordance with NRS Chapter 361 generally and NRS 361.157 and 361.159, specifically regarding for profit activity. **CONSULTANT** agrees to be responsible for payment of any such government obligations not paid by its subcontractors during performance of this Contract. **CITY** may set-off against consideration due any delinquent government obligation.

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If the CITY was required by NRS 332.039(1) to advertise or request a proposal for this Agreement, by signing this Agreement, the **CONSULTANT** provides a written certification that the **CONSULTANT** is not currently engaged in, and during the Term shall not engage in, a Boycott of Israel. The term "Boycott of Israel" has the meaning ascribed to that term in Section 3 of Nevada Senate Bill 26 (2017). The **CONSULTANT** shall be responsible for fines, penalties, and payment of any State of Nevada or federal funds that may arise (including those that the CITY pays, becomes liable to pay, or becomes liable to repay) as a direct result of the **CONSULTANT's** non-compliance with this Section.

## 16. WAIVER OF BREACH:

Failure to declare a breach or the actual waiver of any particular breach of this Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.

## 17. SEVERABILITY:

If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.

## 18. ASSIGNMENT / DELEGATION:

To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by **CITY**, such offending portion of the assignment shall be void, and shall be a breach of this Contract. **CONSULTANT** shall neither assign, transfer nor delegate any rights, obligations or duties under this Contract without the prior written approval of **CITY**. The parties do not intend to benefit any third party beneficiary regarding their respective performance under this Contract.

## 19. CITY OWNERSHIP OF PROPRIETARY INFORMATION:

Any files, reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer programs, computer codes, and computer records (which are intended to be consideration under this Contract), or any other documents or drawings, prepared or in the course of preparation by **CONSULTANT** (or its subcontractors) in performance of its obligations under this Contract shall be the exclusive property of **CITY** and all such materials shall be delivered into **CITY** possession by **CONSULTANT** upon completion, termination, or cancellation of this Contract. **CONSULTANT** shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of **CONSULTANT'S** obligations under this Contract without the prior written consent of **CITY**. Notwithstanding the foregoing, **CITY** shall have no proprietary interest in any materials licensed for use by **CITY** that are subject to patent, trademark or copyright protection.

## 20. PUBLIC RECORDS:

Pursuant to NRS 239.010, information or documents received from **CONSULTANT** may be open to public inspection and copying. **CITY** will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests. **CONSULTANT** may clearly label specific parts of an individual document as a "trade secret" or "confidential" in accordance with NRS 332.061, provided that **CONSULTANT** thereby agrees to indemnify and defend **CITY** for honoring such a designation. The failure to so label any document that is released by **CITY** shall constitute a complete waiver of any and all claims for damages caused by any release of the records.

## 21. CONFIDENTIALITY:

**CONSULTANT** shall keep confidential all information, in whatever form, produced, prepared, observed or received by **CONSULTANT** to the extent that such information is confidential by law or otherwise required by this Contract.

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## 22. FEDERAL FUNDING:

22.1 *In the event federal grant funds are used for payment of all or part of this Contract:*

22.1.1 **CONSULTANT** certifies, by signing this Contract, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency. This certification is made pursuant to the regulations implementing Executive Order 12549, Debarment and Suspension, 28 C.F.R. pt. 67, § 67.510, as published as pt. VII of the May 26, 1988, Federal Register (pp. 19160-19211), and any relevant program-specific regulations. This provision shall be required of every subcontractor receiving any payment in whole or in part from federal funds.

22.1.2 **CONSULTANT** and its subcontractors must be registered in the US Government System for Award Management (SAM) for verification on projects with federal funding.

22.1.3 **CONSULTANT** and its subcontractors shall comply with all terms, conditions, and requirements of the Americans with Disabilities Act of 1990 (P.L. 101-136), 42 U.S.C. 12101, as amended, and regulations adopted thereunder contained in 28 C.F.R. 26.101-36.999, inclusive, and any relevant program-specific regulations.

22.1.4 **CONSULTANT** and its subcontractors shall comply with the requirements of the Civil Rights Act of 1964, as amended, the Rehabilitation Act of 1973, P.L. 93-112, as amended, and any relevant program-specific regulations, and Executive Order 11478 (July 21, 2014) and shall not discriminate against any employee or offeror for employment because of race, national origin, creed, color, sex, sexual orientation, gender identity, religion, age, disability or handicap condition (including AIDS and AIDS-related conditions).

22.1.5 If and when applicable to the particular federal funding and the Scope of Work under this Contract, **CONSULTANT** and its subcontractors shall comply with: American Iron and Steel (AIS) provisions of P.L. 113- 76, Consolidated Appropriations Act, 2014, Section 1605 – Buy American (100% Domestic Content of iron, steel and manufactured goods); Federal Highway Administration (FHWA) 23 U.S.C. § 313 – Buy America, 23 C.F.R. § 635.410 (100% Domestic Content of steel, iron and manufactured products); Federal Transit Administration (FTA) 49 U.S.C. § 5323(j), 49 C.F.R. Part 661 – Buy America Requirements (See 60% Domestic Content for buses and other Rolling Stock).

## 23. LOBBYING:

23.1 The parties agree, whether expressly prohibited by federal law, or otherwise, that no funding associated with this Contract will be used for any purpose associated with or related to lobbying or influencing or attempting to lobby or influence for any purpose the following:

23.1.1 Any federal, state, county or local agency, legislature, commission, council or board;

23.1.2 Any federal, state, county or local legislator, commission member, council member, board member, or other elected official; or

23.1.3 Any officer or employee of any federal, state, county or local agency; legislature, commission, council or board.

## 24. GENERAL WARRANTY:

**CONSULTANT** warrants that it will perform all SERVICES required hereunder in accordance with the prevailing standard of care by exercising the skill and care normally required of individuals performing the same or similar

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SERVICES, under the same or similar circumstances, in the State of Nevada.

**25. PROPER AUTHORITY:**

The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. **CONSULTANT** acknowledges that this Contract is effective only after approval by the Carson City Board of Supervisors and only for the period of time specified in this Contract. Any SERVICES performed by **CONSULTANT** before this Contract is effective or after it ceases to be effective is performed at the sole risk of **CONSULTANT**.

**26. ALTERNATIVE DISPUTE RESOLUTION (Public Work):**

If the SERVICES under this Contract involve a “public work” as defined under NRS 338.010(18), then pursuant to NRS 338.150, a public body charged with the drafting of specifications for a public work shall include in the specifications a clause requiring the use of a method of alternative dispute resolution (“ADR”) before initiation of a judicial action if a dispute arising between the public body and the **CONSULTANT** engaged on the public work cannot otherwise be settled. Therefore, unless ADR is otherwise provided for by the parties in any other incorporated attachment to this Contract, in the event that a dispute arising between **CITY** and **CONSULTANT** regarding that public work cannot otherwise be settled, **CITY** and **CONSULTANT** agree that, before judicial action may be initiated, **CITY** and **CONSULTANT** will submit the dispute to non-binding mediation. **CITY** shall present **CONSULTANT** with a list of three potential mediators. **CONSULTANT** shall select one person to serve as the mediator from the list of potential mediators presented by **CITY**. The person selected as mediator shall determine the rules governing the mediation.

**27. GOVERNING LAW / JURISDICTION:**

This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada, without giving effect to any principle of conflict-of-law that would require the application of the law of any other jurisdiction. **CONSULTANT** consents and agrees to the jurisdiction of the courts of the State of Nevada located in Carson City, Nevada for enforcement of this Contract.

**28. ENTIRE CONTRACT AND MODIFICATION:**

This Contract and its integrated attachment(s) constitute the entire Contract of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other Contracts that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Carson City Board of Supervisors. Conflicts in language between this Contract and any other agreement between **CITY** and **CONSULTANT** on this same matter shall be construed consistent with the terms of this Contract. The parties agree that each has had their respective counsel review this Contract which shall be construed as if it was jointly drafted.



**PROFESSIONAL SERVICES CONSULTANT AGREEMENT**

**Contract No. 21300271**

**Title: Internal Audit Services**

**29. ACKNOWLEDGMENT AND EXECUTION:**

This Contract may be executed in counterparts. The parties hereto have caused this Contract to be signed and intend to be legally bound thereby as follows:

**CITY**

Executive Office  
Attn: Carol Akers, Purchasing & Contracts Administrator  
Purchasing and Contracts Department  
201 North Carson Street, Suite 2  
Carson City, Nevada 89701  
Telephone: 775-283-7362  
Fax: 775-887-2286  
[CAkers@carson.org](mailto:CAkers@carson.org)

**CITY'S LEGAL COUNSEL**

Carson City District Attorney

I have reviewed this Contract and approve as to its legal form.

By: \_\_\_\_\_  
Sheri Russell, Chief Financial Officer

By: \_\_\_\_\_  
Deputy District Attorney

Dated \_\_\_\_\_

Dated \_\_\_\_\_

**CITY'S ORIGINATING DEPARTMENT**  
**CONSULTANT will not be given authorization to begin work until this Contract has been signed by Purchasing and Contracts**

**BY:** Carol Akers

Acct: 1010800-500309

By: \_\_\_\_\_

Dated \_\_\_\_\_

:

**PROFESSIONAL SERVICES CONSULTANT AGREEMENT**

**Contract No. 21300271**

**Title: Internal Audit Services**

Undersigned deposes and says under penalty of perjury: That he/she is **CONSULTANT** or authorized agent of **CONSULTANT**; that he/she has read the foregoing Contract; and that he/she understands the terms, conditions and requirements thereof.

**CONSULTANT**

**BY:** Kimberley K. Higgins, CPA

**TITLE:** Engagement Partner

**FIRM:** Eide Bailly, LLP

**CARSON CITY BUSINESS LICENSE #: BL-**\_\_\_\_\_

**Address:** 5441 Kietzke Ln. Ste. 150

**City:** Reno                      **State:** NV              **Zip Code:** 89701

**Telephone:** 303-539.5905

**E-mail Address:** khiggins@eidebailly.com

\_\_\_\_\_  
(Signature of Consultant)

**DATED** \_\_\_\_\_

**STATE OF** \_\_\_\_\_ )

)ss

**County of** \_\_\_\_\_ )

Signed and sworn (or affirmed before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Signature of Notary)

(Notary Stamp)

**PROFESSIONAL SERVICES CONSULTANT AGREEMENT**

**Contract No. 21300271**

**Title: Internal Audit Services**

**CONTRACT ACCEPTANCE AND EXECUTION:**

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting of June 16, 2022, approved the acceptance of the attached Contract hereinbefore identified as **CONTRACT No. 21300271**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to sign this document and record the signature for the execution of this Contract in accordance with the action taken.

**CARSON CITY, NEVADA**

\_\_\_\_\_  
LORI BAGWELL, MAYOR

DATED this 16<sup>th</sup> day of June, 2022.

**ATTEST:**

\_\_\_\_\_  
AUBREY ROWLATT, CLERK-RECORDER

DATED this 16th day of June, 2022.

**PROFESSIONAL SERVICES CONSULTANT AGREEMENT**

**Contract No. 21300271**

**Title: Internal Audit Services**

**SAMPLE INVOICE**

Invoice Number: \_\_\_\_\_

Invoice Date: \_\_\_\_\_

Invoice Period: \_\_\_\_\_

Invoice shall be submitted to:

Carson City Finance Department

Attn: Sheri Russell, Chief Financial Officer, email: [SRussell@carson.org](mailto:SRussell@carson.org)

201 North Carson Street, Suite #3

Carson City NV 89701

Line Item #	Description	Unit Cost	Units Completed	Total \$\$
<b>Total for this invoice</b>				

Original Contract Sum	\$	_____
Less amount previously billed	\$	_____
= contract sum prior to this invoice	\$	_____
Less this invoice	\$	_____
=Dollars remaining on Contract	\$	_____

**ENCLOSE COPIES OF RECEIPTS & INVOICES FOR EXPENSES & OUTSIDE SERVICES**



**Response to Request for Statement of Qualifications (SOQ) #21300271  
to Perform Internal Audit Services for  
CARSON CITY, NEVADA**

March 28, 2022

**Submitted By:**

**Eide Bailly LLP**  
5441 Kietzke Ln. Ste. 150  
Reno, Nevada 89511

**Contacts**

Kimberley K. Higgins, CPA  
Ph. 303.539.5905 (direct)  
[khiggins@eidebailly.com](mailto:khiggins@eidebailly.com)

Audrey Donovan, CIA, CGAP, CRMA  
Ph. 303.586.8533 (direct)  
[adonovan@eidebailly.com](mailto:adonovan@eidebailly.com)

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## EXPERIENCE

Our experienced professionals are committed to the industries we serve. We focus on training, and we like to think of ourselves as thought leaders.

## PEOPLE

We’re a team of collaborators and innovators. Our culture is the heart of our firm, and we’re always working together to do things differently and better.

## COMMUNICATION

Open, honest, frequent communication ensures that you’re not in for any surprises. We’ll stay in touch throughout the year so you feel understood, connected and confident.

## CORPORATE RESPONSIBILITY

We consider ourselves good corporate citizens—caring for our people, giving back to our communities, and taking care of our environment.

## a. Introductory Cover Letter

March 28, 2022

Carol Akers – Purchasing and Contracts Administrator  
Carson City Purchasing and Contracts  
201 N. Carson Street, Suite 2  
Carson City, NV 89701

Dear Ms. Akers,

Enclosed is Eide Bailly LLP’s (Eide Bailly) response to Carson City’s (the City) Request for Statement of Qualifications (SOQ) 21300271 to perform the City’s Internal Audit Services. The enclosed proposal demonstrates that the City will benefit from the continued service and relationship we have collaboratively built with you since 2018. We strongly believe we are your valued partner, now and into the future, to assist with tailored, city-wide risk assessments, detailed annual audit plans, and independent internal audit and performance audit services.

Our objective is to enhance and protect the City’s organizational values by providing risk-based and objective assurance, advice and insight. Our resources help the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Thank you for giving Eide Bailly the opportunity to present our qualifications to perform the City’s independent Internal Audit function. We are confident the City will benefit from our continued service for the following reasons:

**Extensive Government Industry Experience:** Our deep government consulting experience is rooted in more than **70 years** of experience serving cities similar to yours and currently providing similar services to more than 1,200 government clients throughout the nation. Our professional consultants work closely together so you receive valuable service from people who understand your needs and know your operations. We will work closely with the City to identify issues and provide responsive solutions that are tailored to your needs.

**Depth of Resources:** The service team assigned has provided internal audit services to the City since 2018 and prior to that Eide Bailly was the City’s former external auditor. This experience will continue to bring the City services and support with our multidisciplinary service team of internal auditors, performance auditors, government audit professionals, information systems professionals, cybersecurity professionals, fraud and forensic accountants, government finance managers and certified public accountants. Our size enables us to be responsive to the City’s needs and unique challenges while also providing the necessary breadth and depth of services required in today’s complex and ever-changing environment.

We deliver honest and insightful advice beyond what is normally experienced in the public accounting industry. If you are still wondering why Eide Bailly, our tagline sums it up—what inspires you, inspires us. Your success is our success.

### At a Glance GOVERNMENT



**70+**  
YEARS EXPERIENCE



**1,200**  
INDUSTRY CLIENTS



**275+**  
DEDICATED STAFF



**\$22.8 BILLION ANNUAL**  
AVERAGE IN SINGLE AUDITS

### Primary Contacts for the City



<b>Kimberley K. Higgins, CPA</b> Engagement Partner	<b>Audrey Donovan, CIA, CGAP, CRMA</b> Senior Project Manager
Ph. 303.539.5905 (direct) <a href="mailto:khiggins@eidebailly.com">khiggins@eidebailly.com</a>	Ph. 303.586.8533 (direct) <a href="mailto:adonovan@eidebailly.com">adonovan@eidebailly.com</a>

To ensure that you receive the best from all working with you, both Kim and Audrey will be actively involved in the work we perform. We are proud and honored to work with Carson City as your trusted advisor and look forward to discussing any questions concerning this proposal. Thank you again for your consideration.

Sincerely,

**Kimberley K. Higgins, CPA**  
Partner

**Audrey Donovan, CIA, CGAP, CRMA**  
Senior Manager

### AT A GLANCE



TOP 25 CPA FIRM



40+ OFFICES IN 14 STATES



350+ PARTNERS



2,500+ STAFF MEMBERS



FOUNDED IN 1917

### Why Choose Eide Bailly to be your Internal Audit Partner?

- Consulting knowledge in risk and compliance
- Specific industry expertise and benchmarking capability
- Top 25 CPA firm with over 100 years of experience
- Specialized insight related to compliance and operational efficiency
- Data analysis capabilities





## b. Relevant Internal Audit Experience

When it comes to managing business risk, control and governance within your organization, it is not just about the financial requirements. An internal audit provides a tool to address and manage business, implement added accountability and improve your assessment and continuing measurement of risk and more.

Our internal audit services within our risk advisory practice represents a core component of our firm's overall consulting practice. Our internal audit experience includes a wide range of services for government, nonprofit, higher education, foundation, and for-profit entities. Our team has the experience, skill sets, knowledge, education, certifications, and multidisciplinary background to provide Carson City with the following range of services, which include, but are not limited to:

- Performance Audits
- Internal Audits
- Internal Controls Review
- Risk Assessments (Enterprise Risk, Fraud Risk, Internal Controls, Information Technology Risks)
- Information Technology Audits
- Vulnerability and Security (i.e., Cyber) Assessments
- Fraud & Forensic Investigations

We understand our role as internal auditors will be one of independence with no direct operational responsibility or authority over any activities audited, with the audit process and reports performed in compliance with auditing and reporting standards established by **The Institute of Internal Auditors**.

We are currently the outsourced internal auditor for Carson City, as well as several other government entities. As such, we understand the City's request, expectations and requirements for a successful internal audit function and can hit the ground running without requiring additional time to learn about the City or how to interact with City officials or departments. We already have that knowledge and good working relationship for us to continue our progress with the 2022/2023 internal audit activities in an effective, efficient and seamlessly manner.

We will continue to perform a Citywide Risk Assessment in collaboration with the City's Chief Financial Officer, City Manager, Department Heads and Audit Committee. Risks identified will be prioritized and used to develop the Annual Audit Plan, with both the Citywide Risk Assessment and Annual Audit Plan presented to the Audit Committee and Board of Supervisors (BOS) for approval. Projects as directed by the Audit Committee will be performed in alignment with the approved Audit Plan and in accordance with internal audit standards.



## INDUSTRY KNOWLEDGE

Team members are well positioned in government industry organizations throughout the nation. Some of these include:

- **American Institute of Certified Public Accountants (AICPA)**
  - Governmental Audit Quality Center (GAQC)
  - State and Local Government Expert Panel
  - Private Companies Practice Section Technical Committee (PCPS)
- **Institute of Internal Auditors (IIA)**
- **Association for Local Government Auditors (ALGA)**
- **Association of Governmental Accountants (AGA)**
  - Both local and national board involvement, including leadership positions.
  - Financial Management Standards Board
  - Governmental Accounting Standards Advisory Council (GASAC)
- **Government Finance Officers Association (GFOA)**
  - Leadership roles, both national and local.
  - Review committee for the GFOA's Certificate of Excellence for Achievement in Financial Reporting.
- **Government Accounting Standards Board (GASB)**
  - Janeen Hathcock, Senior Manager, just completed a GASB fellowship working on current GASB projects and brings that project experience back to our clients.

## Internal Audit and Performance Audit Activities Performed For Carson City

### Activities Performed on behalf of Carson City, not all-inclusive:

- Have performed the annual risk assessment as well as Internal Pentest, Vulnerability Assessment and External Network Testing.
- Based on the priorities identified in the risk assessment, created the annual internal audit plan and the management thereof.
- Assessed risk and current internal control environment over operational processes.
- Conducted internal audits, performance audits and information technology audits.
- Issued internal audit reports that summarize internal audit findings, recommendations and management responses issued for each audit.
- Managed to the annual budget established by the Audit Committee and delivered all work on-time and on-budget.
- Assessed compliance with policies, standards and applicable laws and regulations.
- Interacted with City management, boards and committees as needed.
- Assessed the accuracy, reliability and timeliness of significant financial, managerial and operational information.
- Assessed achievement of programs, plans and objectives.
- Supplied recommendations for policy, procedure and system control improvements.
- Monitored and performed internal audit follow-up on previous findings and recommendations.
- Managed Fraud, Waste & Abuse hotline and performed investigations of suspected fraud, where applicable.
- Delivered quarterly updates to the Audit Committee.

Below are the internal audit and performance audit activities performed since fiscal year 2018/19.

FY18/19 - Internal Audit & Performance Audit Services Performed	FY 20/21 - Internal Audit & Performance Audit Services Performed
1. Fire Overtime Study	1. Internal & External Vulnerability Audit (information technology)
2. Temporary Staffing Review	2. Citywide Revenue & Accounts Receivable Audit
3. Risk Assessment & Annual Audit Plan for FY19/20	3. Public Works - Vehicle Fleet Audit
	4. Risk Assessment & Annual Audit Plan for FY21/22
FY19/20 - Internal Audit & Performance Audit Services Performed	FY21/22 - Internal Audit & Performance Audit Services Performed
1. Citywide Social Media Audit	1. Citywide Payroll Process Audit
2. Accounts Payable & Purchasing-Card Audit	2. Insourcing vs. Outsourcing (Privatization) of Building Division Activities - <b>In Progress</b>
3. Human Resource Benefits Audit	3. IT Vulnerability Follow-Up - <b>In Progress</b>
4. Cash Handling Audit	4. End-User & Wireless Vulnerability Assessment - <b>In Progress</b>
5. Risk Assessment & Annual Audit Plan for FY20/21	5. American Rescue Plan Act Consulting
	6. Risk Assessment & Annual Audit Plan for FY22/23 - <b>In Progress</b>

### Performance Audit Experience

Eide Bailly provides performance audit services within the government, healthcare, insurance and banking industries. Performance auditing is the fastest growing area of practice in state and local governments due to stakeholders demanding accountability, compliance and effective uses for resources provided.

We've found that the best method to deliver performance auditing services to our clients is to lead engagements with professionals experienced in performance auditing. They work alongside our industry specific audit and advisory personnel as necessary, to bring the best skills to the engagement. This method of delivery provides our clients with an effective mixture of quality talent while also working with those who are experts in operational controls.

Eide Bailly has conducted many performance audits focused on internal control and compliance objectives, as well, as performance audits with program effectiveness, economy and efficiency objectives. Engaging the right team is critical to creating objectives that improve program performance and operations, reduce costs, ease decision making and contribute to public accountability. Our approach is different than many others. We use a wealth of performance audit methodologies to profile and assess the performance of your programs and operations. We communicate proactively and constructively regarding the status of the project and any noted issues, problems or concerns.

## **Additional Relevant Experience**

### **Investigations & Special Projects Experience**

Eide Bailly understands that on occasion there will be requests for internal audit services outside of the annual audit plan. Special Projects are special request investigations, audits, reviews, special advisory requests or other consulting engagements. Examples include internal control reviews, legal compliance and financial related audits, and consulting on the latest accounting, regulations or compliance requirements.

Eide Bailly is also engaging with clients on the recently released compliance provisions from the United States Treasury Deputy Inspector General regarding the Coronavirus Aid, Relief and Economic Security Act (CARES Act) reporting of coronavirus relief fund (CRF) payments. Clients have also engaged us on managing outlays of CARES Act funds for compliance. We're also engaged with governments, such as Carson City, providing similar services regarding the American Rescue Plan Act (ARPA). These requests, and many others, are typically identified by leadership, key stakeholders, management, established whistleblower/fraud hotline, external audit, etc.

### **Forensic Accounting & Fraud Engagement Experience**

Our Certified Fraud Examiners (CFE) have the investigative techniques and technical skills needed to detect, investigate and prevent fraud. In addition to Certified Fraud Examiners, our forensics staff includes Certified Public Accountants (CPAs), Accredited Business Valuators, Certified Forensic Interviewers, former law enforcement professionals, and computer forensic specialists. Through our fraud and forensic advisory experience, we provide our clients with technical skills needed to detect, investigate and prevent fraud.

Our forensic accountants are experienced in assisting with internal, civil, criminal and insurance recovery investigations related to allegations of theft, fraud and accounting irregularities. The forensic methodologies and technology used by our team of specialists help uncover the facts of these situations and are court proven. We understand the urgency of resolving these types of matters and take pride in delivering a quality work product in an efficient and timely matter. Preventing fraud can save time, money and improve employee morale. There are many actions an organization can take to safeguard against fraud. Our fraud prevention professionals will pinpoint where your risks might be and then advise on internal controls and employee programs to avoid potentially fraudulent activity.

### **Information Technology, Technical Security, and Cybersecurity Experience**

Eide Bailly will assist the City with Information Technology and Security Audits based on our hybrid method for reviewing information technology and security controls. Eide Bailly utilizes procedures set forth by the Control Objectives for Information and Related Technology (COBIT), a program issued by the IT Governance Institute.

Every internal audit engagement includes our IT resources in some capacity. Whether it is highly technical as Cybersecurity or to just help ease discussions to obtain the necessary data to conduct the internal audit.

Our cybersecurity professionals have deep IT backgrounds, specializing in a broad range of security services allowing us to tailor solutions to your needs. We work with every level of your organization—your Audit Committee and executives, technical IT administrative personnel and general users—to provide insight and guidance so you can feel confident your data is protected.

We maintain a dedicated team of information security professionals who have significant knowledge and experience across a wide variety of industries and technologies. Our team of professionals holds several information security certifications including CISSP, GSEC, CRISC, CEPT, CISA, and CISM.

**Cybersecurity Maturity Model Certification – You May Need It.**

**Eide Bailly: [Video Link](#)**

**Control Strategies to Minimize Cyber Risk and Reduce Fraud Opportunities.**

**Eide Bailly: [Video Link](#)**

### Data Analytics Experience

With the help of our team of Certified Data Analysts we can discover what your data is really trying to say. From data strategy and goal setting, to merging your data sources in a data warehouse for a single source of truth, our team is here to help. One of the greatest benefits of data analytics regarding risk is trending. Results from analyzed data trends can pinpoint vulnerabilities to mitigate exposure to risk and improve internal operations.

This powerful service consists of five basic steps:



### Online Publications & Webinars

The City will also have access to resources on our Eide Bailly Government Industry website. We publish articles related to hot topics within government accounting. Below is a linked list of some of the recent articles posted to our website:

- [Lessons Learned from GASB-84 Implementation](#)
- [Frequently Asked Questions on GASB's Leasing Standard](#)
- [What You Need to Know About Internal Audit.](#)
- [How a Performance Audit Helps an Organization be More Efficient and Effective.](#)
- [The Impact of the Infrastructure Investment and Jobs Act on Government Entities](#)
- [What You Can Do to Protect Yourself from the New Log4j Security Vulnerability Release](#)

**Webinars** – We host frequent webinars dedicated to helping you and the City navigate complex issues. Each online seminar covers a different topic to help evaluate the steps necessary to achieve success and remain ahead of the curve.

- [ARPA and Infrastructure Bill Impacts and FAQs](#)  
*March 30, 2022 10:00 - 12:00 noon PDT* | [Register Here](#)
- [What are a Government's Risks and What is GASB Proposing to Disclose?](#)  
*March 24, 2022 10:00 - 12:00 noon PDT* | [Register Here](#)

## STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The City's Internal Audit function, through Eide Bailly's Internal Auditors, will govern itself by adherence to the mandatory elements of:

- The Institute of Internal Auditors' International Professional Practices Framework (IIA-IPPF).
- Core Principles for the Professional Practice of Internal Auditing.
- Code of Ethics.
- The International Standards for the Professional Practice of Internal Auditing.
- Definition of Internal Auditing.

Additionally, Internal Auditors will obtain guidance from the professional standards and practices of other, relevant professional organizations, including but not limited to, the American Institute of Certified Public Accountants (AICPA), the Information Systems Audit and Control Association (ISACA), and the Association of Certified Fraud Examiners (ACFE).

Our Certified Internal Auditors understand the mandatory elements of the standards and applicable guidance. Additionally, they are *career internal auditors*, meaning they have dedicated their educational and career experience to the profession of internal auditing. We take a risk-based approach to planning and performing the internal audit. We use our planning procedures in combination with our experience to identify specific risks and allocate resources based on our understanding of your organization and operations. Our internal audit professionals will bring strong process, procedure, internal control and risk management experience to the City. We bridge these skills with specialized insight related to risk and compliance and specific industry knowledge, to help the City reduce risk and improve operational efficiency.



### c. & d. Key Personnel and Certifications

All personnel selected to provide the City with the needed internal audit services have specific knowledge and experience conducting multidisciplinary internal audits and consulting for government entities and other internal audit engagements. We invest heavily in continuing professional education (CPE) for our people, so you can rest assured your service team is up to date on the latest trends, regulations and changes in the industry.

Our services will be executed by staff with the highest levels of expertise within our firm. Our staff consists of more than 2,500 personnel, with over 935 CPAs, 25 Certified Fraud Examiners and many Certified Internal Auditors (CIA), including two on the City's team; Certified Government Audit Professionals (CGAP), Certified Information Systems Auditors (CISA), Certified Information Systems Managers (CISM), Certification in Risk Management Assurance (CRMA), and Certified Information Systems Security Professionals (CISSP).

Our professionals include those experienced in managing Internal Audit departments, Performance Audit departments, Sarbanes-Oxley control reviews, COSO - IT and Internal Controls reviews, process improvement assessments, enterprise risk management or enterprise risk assessments, and independent internal audit and risk management professionals.

The core team assigned to the City's engagement has the knowledge and experience to provide exceptional services to the City. All services are supervised by, and are the responsibility of, a lead partner, which has been identified as **Kimberley Higgins**. Kim is a seasoned and experienced CPA and will be your main point of contact at Eide Bailly. **Audrey Donovan** will be the Lead Project Manager and will work directly with the City on the day-to-day coordination of internal audit services provided. We have included full professional bios in **Appendix A**. The following will provide you an overview of our qualifications.



**Kimberley K. Higgins, CPA | Internal/Performance Audit Lead Partner**

Kim leads Eide Bailly's Internal and Performance Audit practice for state and local governments and will serve as the lead partner of the engagement including managing our staff and quality control of projects delivered to the City. She has more than 30 years in public accounting, focused on governments throughout her career. She is the Partner-in-Charge of Eide Bailly's Colorado governmental practice and serves some of our firm's largest

government clients.

**Kim's certifications include:** Certified Public Accountant.

**Kim's clients include** (but not limited to): internal audit and performance audit engagements for Carson City as well as County of Sacramento; State of Montana LAD, Colorado State University and State of Colorado.



**Audrey Donovan, CIA, CGAP, CRMA | Internal/Performance Audit Senior Manager**

Audrey will guide the project and manage our staff through all phases of providing internal audit services to Carson City including quarterly updates to the Audit Committee and coordination with the City's CFO, as needed. She has 25 years of experience in internal audit, performance / operational audit and financial consulting for both the public and private sectors. In addition, Audrey was the former Deputy Director for the City & County of Denver,

Colorado's Performance Audit Department.

Audrey has managed and performed hundreds of operational and performance audits and utilized various performance audit methodologies, including benchmarking, surveys, data analytics, social impact analysis and facilitated sessions. She's the firmwide technical resource for internal audit and performance audit. She works closely with Eide Bailly's Special Advisory and Risk Advisory Services, such as, fraud and forensic, information technology and quality assurance review.

Audrey is active in the Institute of Internal Auditors (IIA) and was formally on the Internal Public Sector Committee for the IIA developing guidance for the public sector, such as, Implementing a New Internal Audit Function in the Public Sector.

**Audrey's certifications include:** Certified Internal Auditor, Certified Government Audit Professional and Certified in Risk Management Assurance.

**Audrey's clients include** (but not limited to): internal audit and performance audit engagements for Carson City, as well as Benchmark Foam, S.D.; Chipotle, Calif.; City of Monterey Park, Calif.; City of Riverside, Calif.; Colorado State University, Colo.; Continuum of Colorado, Colo.; County of Sacramento, Calif.; Los Angeles County Employee Retirement Association, Calif.; Orange County Sanitation District, Calif.; Riverton City, Utah; River Springs Charter School, Calif.; San Diego Housing Commission, Calif.; and University of Utah, Utah.



**Eric Berman, CPA, CGMA | Consulting Partner**

Eric has 27 years of experience auditing and controllership for state and local governments; thought leader and author for the entire Governmental Library for Commerce Clearinghouse Wolters Kluwer (CCH), which serves as the interpretative reference on governmental Generally Accepted Accounting Principle (GAAP), governmental best practices and governmental audits for governments, auditors and educators nationwide.

**Eric's certifications include:** Certified Public Accountant and Chartered Global Management Accountant

***Eric’s clients include*** (but not limited to): King County, Wash.; City of Dubuque, Iowa; Kennebec County, Maine; Bay Area Air Quality Management District, Calif.; State of Maine, State of Montana LAD, Commonwealth of Massachusetts State Comptroller and the State of California Secretary of State.



**Doug Sluyk, CIA, CISA, PMP | Manager of Risk Advisory Services - Internal Audit**

Doug has over 20 years as an experienced internal audit and finance professional with a demonstrated history in performing risk assessments, business process improvement and audit committee reporting in multiple industries including government, aviation, entertainment and media. He has created numerous risk assessments and created annual audit plans for various entities in his career.

Doug is the current Executive Vice President of the Information Systems Audit and Control Association (ISACA)<sup>®</sup> local chapter and former Board of Governors, President and Treasurer for the Institute of Internal Auditors.

***Doug’s certifications include:*** Certified Internal Auditor, Certified Information Systems Auditor and Project Management Professional.

***Doug’s clients include*** (but not limited to): internal audit and performance audit engagements for: River Springs Charter Schools, Calif.; Los Angeles County Employee Retirement Association, Calif.; City of Monterey Park, Calif.; Orange County Sanitation District, Calif.

**e. References**

We encourage you to contact the clients below to learn about their Eide Bailly experiences.

Client Name & Contact	Services Provided
<p><b>Carson City, Nevada*</b> - Client since 2016                      Sheri Russell, Chief Financial Officer                      775.283.7222   <a href="mailto:srussell@carson.org">srussell@carson.org</a></p>	<p>Fully Outsourced Internal Auditor: Annual Risk Assessment; Annual Audit Plan; conduct Internal Audits; Performance Audits; Special Investigations; Information Technology Audits; Business Consulting.</p>
<p><b>Hennepin Healthcare</b> - Client since 2011                      Kelsey Lawson, Chief Risk &amp; Compliance Officer                      612.873.9341   <a href="mailto:kelsey.lawson@hcmcd.org">kelsey.lawson@hcmcd.org</a></p>	<p>Internal audit risk assessment assistance and various process and operational reviews, Coding and billing audits and process reviews, Planning and Risk Assessment, revenue and charge capture analysis and process reviews, Telehealth, information security and various other focused reviews contained in annual audit and compliance plans. We’ve provided IA, compliance and advisory services since 2015.</p>
<p><b>King County, Washington</b> - Client since 2020                      Eben Sutton, Financial Accounting Administrator                      206.477.4750   <a href="mailto:eben.sutton@kingcounty.gov">eben.sutton@kingcounty.gov</a></p>	<p>Risk Assessment of Leases performed as well as HMC Accounting for Prop 1 Bonds.</p>
<p><b>County of Sacramento, CA</b> - Client since 2019                      Joyce Renison, Assistant Auditor - Controller                      916.874.7248   <a href="mailto:renisonj@saccounty.net">renisonj@saccounty.net</a></p>	<p>Outsourced Internal Audit: conduct Internal Audits that include preliminary Risk Assessment; develop Audit Work Plan; deliver final Internal Audit Report.</p>

*\* We have worked with Carson City since 2016 as the external auditor. As of 2018 we have been the Outsourced Internal Auditor conducting internal audits, performance audits, information technology audits and special investigations. We smoothly transitioned the City from Moss Adams, the previous provider, and have delivered an exceptional experience with our turn-key approach. We are dedicated to continuing to build upon our relationship with the City and are proud of our deep understanding of the City’s operations and processes.*

### Additional Internal Audit Clients

We provide internal audit and consulting services to more than 100 organizations throughout the firm and have included a few government and nonprofit clients provided with similar services in the past few years below.

- Bay Area Air Quality Management District
- California State Teachers Retirement System
- Colorado Department of Transportation
- Colorado Office of the State Auditor
- Colorado State University
- Comptroller of the Commonwealth of Massachusetts
- North Dakota Department of Human Services
- Orange County Sanitation District, California
- Riverton City, Utah
- San Diego Housing Commission
- Simi Valley Unified School District
- State of Idaho, Office of State Controller
- Wallowa County Treasurer, Washington

### f. Rates and Charges

Our fees are based on the complexity of the issue and the experience level of the staff members necessary to address it. We propose the following fees based on our understanding of the scope of work and the level of involvement of Carson City’s staff and the annual budget for Internal Audit. The fee proposal has been developed with Carson City’s budget in mind; we affirm that we will not exceed the budget and that this fee is inclusive of all costs to perform the services requested.

#### Internal Audit Services

Professional Services and Fees	Annual Budget
Total All Inclusive Maximum Price	\$110,000

We will perform all services within the 12-month engagement and meet the objectives as noted in the SOQ. This budget includes the annual City-Wide Risk Assessment, Annual Audit Plan, two (2) to three (3) Internal Audits, Follow-Up activities, monitoring of the Fraud, Waste & Abuse Hotline, and quarterly updates with the Audit Committee.

#### Hourly Rate by Staff Level

Staff Level	Standard Hourly Rate
Partner / Principal	\$350 - \$450
Senior Manager	\$300 - \$350
Manager	\$250 - \$300
Senior Associate	\$185 - \$250
Associate	\$125 - \$185

### Billing Policy Regarding Telephone Inquiries

We know clients appreciate access to all their service team members. We embrace this opportunity for constant communication and will ensure our team members are available when you have questions and issues. This service is included in the scope of the engagement. If an issue surfaces that falls outside the scope of this engagement, we will bring it to your attention and obtain approval before going ahead.

### Out-of-Pocket Fees

In addition to the professional fees listed above, you will be billed for actual out-of-pocket expenses such as travel time, mileage, lodging and meals, should we need to travel and be on-site.



**g. Estimated Manpower and Expense Matrix**

**Summary of Manpower & Expense Matrix**

Activity	2018 Hours	2022 Estimated Hours	Estimated Fees Based on Expense Matrix Below
Risk Assessment & Annual Audit Plan	200	100	\$25,000
Internal Audit, Performance Audit, Special Investigations & Projects	100 - 200/each	150 - 200/each	\$25,000 - \$35,000
Ongoing Follow-up	50 - 100	40	\$7,000
Administrative Support Services	50	32	\$9,000

**Manpower & Expense Matrix**

Staff Level	Hourly Rate	Hours	Total Fee	Hours	Total Fee	Notes
<b>Risk Assessment &amp; Annual Audit Plan</b>						
Partner	\$400	2	\$800			Conducting a Risk Assessment and developing the Annual Audit Plan requires a specialize skill set that is primarily held at the Senior Manager / Manager level and above. However, the Senior Associate assigned to Carson City has been trained to help perform these activities. Additionally, leveraging the prior 4 years of information gleaned from the City, we are able to reduce the planned hours from 200 hours noted in 2018. Resulting in a cost savings to the City.
Senior Manager	\$300	30	\$9,000			
Manager	\$250	40	\$10,000			
Senior Associate	\$185	28	\$5,180			
Associate	\$125					
<b>Total Hours</b>		<b>100</b>	<b>\$24,980</b>			<b>Blended Rate of \$250/hour</b>
<b>Internal Audit, Performance Audit, Special Investigations &amp; Projects</b>						
Partner	\$400	2	\$800	4	\$1,600	Based on the \$110,000 annual budget and historical performance to date, the City can reasonably expect to receive 2 – 3 engagements or more per year depending on the size of the engagement.
Senior Manager	\$300	8	\$2,400	10	\$3,000	
Manager	\$250	24	\$6,000	30	\$7,500	
Senior Associate	\$185	24	\$4,440	56	\$10,360	
Associate	\$125	92	\$11,500	100	\$12,500	
<b>Total Hours</b>		<b>150</b>	<b>\$25,140</b>	<b>200</b>	<b>\$34,960</b>	<b>Blended Rate of \$168 - \$175/hour</b>
<b>Ongoing Follow-up</b>						
Partner	\$400					Based on the current number of outstanding follow-up items and taking a historical review of the amount of work effort to perform the follow-up activities we are able to show a reduction in the planned hours from the 50 - 100 hours noted in 2018 to 40 hours in 2022. Resulting in a cost savings to the City.
Senior Manager	\$300	4	\$1,200			
Manager	\$250	8	\$2,000			
Senior Associate	\$185	8	\$1,480			
Associate	\$125	20	\$2,500			
<b>Total Hours</b>		<b>40</b>	<b>\$7,180</b>			<b>Blended Rate of \$180/hour</b>
<b>Administrative Support Services</b>						
Partner	\$400	4	\$1,600			Monitoring and resolving individual Fraud, Waste & Abuse Hotline cases and consultants' time attending the quarterly Audit Committee meetings.
Senior Manager	\$300	16	\$4,800			
Manager	\$250	8	\$2,000			
Senior Associate	\$185	4	\$740			
Associate	\$125					
<b>Total Hours</b>		<b>32</b>	<b>\$9,140</b>			<b>Blended Rate of \$286/hour</b>

## h. Technical Approach

Eide Bailly's internal audit process consists of three major phases: **Risk Assessment & Planning**, **Fieldwork** and **Reporting**. To illustrate our involvement, the following approach identifies the major tasks to be completed during each phase.

### ***Risk Assessment & Planning***

- Update/gain knowledge of organization and environment.
- Obtain documentation related to internal controls.
- Update/obtain the City's policies and procedures.
- Consider fraud through inquiry and brainstorming.
- Discuss with Audit Committee and Internal Audit liaison areas of risk and operations deemed out-of-scope (i.e., low risk).
- Review prior year internal audit activity performed.
- Evaluate status of implementation and proper remediation of risks identified from prior internal audits.
- Review the City's Strategic Plan and identify the risks of the City not meeting mission, vision or objectives.
- Conduct best practice benchmarking of environmental and external risks related to like municipalities.
- Prepare and distribute survey to key members of department leadership and staff.
- Interview individuals over governance, key accounting activities, information technology and management personnel.
- Perform Risk Assessment interviews and questionnaires.
- Document the Annual Risk Assessment & Annual Audit Plan for review and approval by the Audit Committee.

#### **RISK ASSESSMENT & PLANNING DELIVERABLES:**

Annual Risk Assessment & Annual Audit Plan with hours and budgeted fees that are in alignment with the City's annual budget to include Follow-Up Activities, Monitoring Fraud, Waste & Abuse Hotline, and two (2) to three (3) internal audit engagements to be performed.

### ***Fieldwork***

- Evaluate risks and prioritize project audits with City's Audit Committee.
- Develop a preliminary Audit Program for each identified internal audit for review and approval by the Audit Committee.
- Hold an entrance conference with the audited entity to communicate engagement objective, approach and the internal audit process.
- Perform sample testing, data analytics, walkthroughs, interviews, etc. as needed.
- Identify risks and prepare recommendations to remediate risks that are actionable.
- Create Draft Internal Audit report with necessary elements, Background, Objective(s), Scope, Methodology, Executive Summary, Finding, Recommendations and Management's Response to include individual responsible, action plan to remediate the risk and timeframe for remediation.
- Hold an Exit Conference (wrap up meeting) with the audited entity to wrap up the engagement and walk through the draft report.
- Extend invitation for the audited entity to attend the scheduled Audit Committee to address any questions or concerns that may arise from the Committee members.

#### **FIELDWORK DELIVERABLES:**

Draft Internal Audit Report in alignment with the stated objectives and approved Audit Program. Necessary elements include: Background, Objective(s), Scope, Methodology, Executive Summary, Finding(s), Recommendation(s), and Management's Response to address individual responsible, action plan to remediate the risk and timeframe for remediation.

### ***Reporting***

Quarterly reporting to the Audit Committee will include the following deliverables.

#### **REPORTING DELIVERABLES:**

- Final Internal Audit Report for Audit Committee review and approval.
- Status on Follow-Up activities performed to validate remediation of risks noted from prior internal audits.
- Provide status on monitoring activities from the City's Fraud, Waste & Abuse Hotline.
- Update status on progress of audits being performed and budget to actual status.
- Meet with the Board of Supervisors as needed.

Appendix A — Team Profiles

# TEAM PROFILES

**KIMBERLEY K. HIGGINS, CPA**

Partner

**INSPIRATION:** Client service is being available when my clients need me and being seen as their trusted advisor—someone able to help find answers and solutions to issues, and someone able to help them sleep better at night.

303.539.5905 | [khiggins@eidebailly.com](mailto:khiggins@eidebailly.com)

Since 1979, Kim has been providing public accounting services to a variety of clients, including government and quasi-government entities, nonprofits and state agencies. As a widely respected leader in her field, Kim also serves on several local and national conference planning committees and is a frequent speaker and trainer on government and nonprofit topics.

When working with Kim, clients can expect a trusted advisor who is able to break down high-level financial information into digestible content that anyone can understand. Serving on boards of directors also gives Kim a unique perspective to governance that she shares with her clients. Kim believes finding solutions is a crucial part of client service, and is something she enjoys doing with both staff and clients.

Aside from her career, Kim loves to walk, golf, play pickle ball and spend time outdoors tending her herb garden which fuels her passion for cooking. Now an empty nester, Kim looks forward to watching her sons grow and thrive as they launch their professional careers—one in NYC and the other in Chicago.

**Client Work**

Performs audits of some of the largest Colorado counties, cities and sizeable state agencies/departments.

Conducts audits in accordance with Generally Accepted Auditing Standards (GAAS), GAGAS (the Yellow Book) and Uniform Guidance.

Serves on Eide Bailly's Governmental Executive Committee, which guides the firm's practice goals in the governmental industry, as well as the Internal Audit Executive Committee, which guides the firm's internal audit practice goals.

Conducts consulting and internal audit engagements of government entities.

**Memberships**

Colorado Society of Certified Public Accountants

American Institute of Certified Public Accountants

Colorado Government Finance Officers Association

Government Finance Officers Association (SRC)

Special District Association of Colorado

**Designation/Licensures**

Certified Public Accountant

**Education**

Bachelor of Science in Business, Accounting – Murray State University, Ky.

Associate in Arts – University of Kentucky, HCC

**Community**

Susan G. Komen Breast Cancer Race for the Cure and 3-Day/60 Mile, Team Member and Team Captain

Juvenile Diabetes Research Foundation board member, Executive Committee Member and NBDC Chair

Father Woody Committee, Member

## AUDREY DONOVAN, CIA, CGAP, CRMA

Senior Manager

**INSPIRATION:** Old-time sailors would sometimes get the phrase “hold fast” tattooed across their fingers. It was a reminder to stay vigilant in gripping the rigging of the ship. Without grasping the ropes firmly, a sailor could get a ship off course, or be himself swept overboard by wind and wave. I live by the core principle to hold fast to my values and vision of who I am and where I am going, even when hit with the storms of setbacks.

To maintain our grip on the ropes of our values, we need reminders written not on our hands, but in the books we read, the habits we perform and the hearts of those we love and befriend.

303.586.8533 | [adonovan@eidebailly.com](mailto:adonovan@eidebailly.com)

Audrey helps state and local governments with performance audits. She also assists privately held and publicly traded companies with internal audits.

Audrey is detail-oriented and focused and takes the time to understand the overall expected outcomes. She will work with you to identify the best approach that is both efficient and effective.

### Client Work

Audrey has 25 years of experience in internal audit, performance/operational audit and financial consulting for both the public and private sectors. A large portion of her career was spent in the Risk Advisory Services of EY and PWC. Her experience includes managing internal audit consulting services, enterprise-wide risk assessments, process design, and documentation engagements. She is the firmwide technical resource for internal audit and performance audit. She works closely with Eide Bailly’s Special Advisory and Risk Advisory Services, such as, fraud and forensic, information technology and quality assurance review. Audrey has managed and performed hundreds of operational and performance audits and utilized various performance audit methodologies, including benchmarking, surveys, data analytics, social impact analysis and facilitated sessions.

Experienced in applying professional accounting and audit standards, including the Institute of Internal Auditors International Professional Practices Framework (IIA - IPPF); Generally Accepted Audit Standards (GAAS); Generally Accepted Government Audit Standards (GAGAS); and Generally Accepted Accounting Principles (GAAP).

Knowledgeable in internal control and risk management framework, theory, and techniques such as COSO - Internal Control Framework and COSO - Enterprise Risk Management Framework. Well-versed in applying performance audit, professional audit standards, analysis, methodology, and evaluation techniques.

Assists with fraud risk assessment and fraud reviews, IT integrated audits, future state design and implementation benchmarking assessments and leading practice recommendations.

Facilitates a variety of trainings and workshops as well as audit committee presentations. Assesses and implements a strong internal control environment. Also works with ERM implementation and readiness assessment, data analysis, Sarbanes-Oxley compliance, SOX IT assessments, COSO 2013 implementation, and policy/procedure development.



### Memberships

Institute of Internal Auditors (IIA)  
 Denver Local Chapter of the IIA  
 Association for Local Government Auditors  
 Association of Government Accountants  
 Colorado Government Finance Officers Association  
 Finance Executive International

### Designation/Licensures

Certified Internal Auditor  
 Certified Government Audit Professional  
 Certified Risk Management Assurance

### Education

Bachelor of Science, Accounting – University of Utah  
 Master of Science, Management – Colorado State University

### Community

Super Twins of the Rocky Mountains (STORM)

**ERIC S. BERMAN**, CPA, CGMA

Partner

**INSPIRATION:** I enjoy helping governments achieve the next level of operations, transparency and knowledge. As I like to say, 'Think like a taxpayer, because you are one.' We're all working for the same goals, and if our clients succeed, we succeed.

208.424.3524 | [eberman@eidebailly.com](mailto:eberman@eidebailly.com)

Eric is a nationally recognized speaker, author, thought leader and auditor with a wealth of government client experience. He brings a unique perspective to the firm's clients as a former Deputy Comptroller of the Commonwealth of Massachusetts, a chief financial officer of a state agency and an audit partner with clients ranging from a well-known stadium to statewide pension systems.

Eric's unique background and decades of governmental accounting, auditing and controllership experience allows his clients to meet their standards and goals and achieve new success along the way. He's been recognized with several major awards for his public service and work, and his insight means he can help you solve problems before they happen.

In his free time, Eric enjoys spending time with family, especially his new grandson, Jonah! He enjoys watching Boston sports—Red Sox, Patriots, Celtics and Bruins—but Jonah tops them all.

**Client Work**

Helped government entities across the U.S. understand and implement GASB Standards.

Consulted with state and local governmental clients with governmental accounting, auditing and controllership services.

Assisted clients in earning the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

Authored the entire governmental library of reference information and audit programs for CCH Wolters Kluwer.

Served as Deputy Comptroller of the Commonwealth of Massachusetts for 11 years and held the position of Chief Financial Officer of the Massachusetts Water Pollution Abatement Trust for five years.

**Memberships**

Represented the Association of Government Accounts (AGA) as the Vice Chairman of the Government Accounting Standards Advisory Council (GASAC) to GASB

AGA Boston chapter president and host of the 2017 Professional Development Training conference

AGA Treasurer-Elect, former Audit Committee chair and former chair of the Financial Management Standards Board

California Society of Certified Public Accountants, Governmental Accounting and Audit Committee

Massachusetts Society of Certified Public Accountants, Governmental Accounting and Auditing Committee

**Designation/Licensures**

Certified Public Accountant

Chartered Global Management Accountant

**Education**

Master of Science, Accountancy – Bentley University, Waltham, Massachusetts

Bachelor of Science, Broadcast Journalism – Boston University, Boston, Massachusetts

**DOUGLAS E SLUYK**, CIA, CISA, PMP

Risk Advisory Services Manager

**INSPIRATION:** “Internal auditors have to provide insight and foresight, not just hindsight.” Richard Chambers, Former Chairman of The Institute of Internal Auditors.

I apply this mindset to take a pragmatic approach to client needs, collaborating with stakeholders to serve as an advisor, identifying risk while defining recommendations and resolutions that compliment business objectives.

303.539.5915 | [dsluyk@eidebailly.com](mailto:dsluyk@eidebailly.com)

Doug plans, executes and manages various risk advisory services projects including operational internal audits, SOX 404 readiness assessments and compliance controls testing. He provides risk advisory services to public and privately held companies in a variety of industries, including transportation, hospitality, entertainment, manufacturing, financial services and government. Doug collaborates with business process owners as well as members of Senior Management to help identify operational and financial risks, ensure internal controls were appropriately designed to achieve control objectives, ensure control activities were carried out and provided constructive ideas for process improvement to mitigate the risks.

**Client Work**

Implemented a Governance Risk and Compliance (GRC) tool to increase efficiency and effectiveness of compliance results testing and reporting.

Provided innovative and value-added audit services, assisting in the implantation of a new financial reporting system, cost savings through operational process enhancements and established department as a business advisor.

Performed a review of critical information system integrations, facilitated cross-functional discussions to communicate to ensure completeness and accuracy and ensure external audit reliance.

Performed operational audits and designed control assessments for entertainment client. Requested by client senior finance leadership to lead the financial close-out and preparation of budget to actual results client largest annual event with revenues of \$120M.

Developed Enterprise Risk Assessments, Financial Risk Assessment, Internal Audit and SOX plans for multiple clients and industries ranging from \$500 million to \$25 billion annual revenue.

**Memberships**

Institute of Internal Auditors  
Information Systems Audit  
Controls Association

**Designation/Licensures**

Certified Internal Auditor  
Certified Information Systems  
Auditor  
Project Management Professional

**Education**

Bachelor of Finance—WP Carey  
School of Business, Arizona State  
University  
Master of Business  
Administration—University of  
Phoenix

**Community**

Denver Information Systems Audit  
Controls Association, EVP, Rocky  
Mountain Information Security  
Conference Co-Chair  
Denver Institute of Internal  
Auditors, Rocky Mountain Area  
Conference Co-Chair

## **Audit Committee Agenda Item Report**

Meeting Date: July 12, 2022

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

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

### **Suggested Action:**

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

### **Attachments:**

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

[Audit Findings Summary 7-12-2022.pdf](#)





# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

Staff Contact: Sheri Russell, Chief Financial Officer

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

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

Agenda Action: Formal Action/Motion

Time Requested: 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 recommending the following items to the Audit Committee for closure:

Social Media Study - #13 Security Response Plan is Complete – Final Closure of all Recommendations.

IT Vulnerability Audit – All items recommended for closure – an updated report will be presented.

Validation of all IT Volatility procedures has been completed by Eide Bailly and a new report will be presented at the July 12, 2022 Audit Committee meeting. Staff is recommending closure of the old IT Vulnerability report and will work on completing the findings in the new report.

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 - 6/22/21

**Carson City - Audit Findings Tracking Summary Report (revised 3-8-22)**

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	
Public Guardian Follow Up Review	5/3/2018	3/7/2019	Internal Auditor	8	8	5/10/2018	3/7/2019	
FY 2017 CAFR and Single Audit	11/30/2017	12/21/2017	External Auditor	4	4	5/10/2018	8/20/2020	
FY 2018 CAFR and Single Audit	12/6/2018	12/6/2019	External Auditor	3	3	6/15/2020	8/20/2020	
Temporary Staffing Audit	5/9/2019	5/6/2019	Internal Auditor	5	5	6/22/2021	10/3/2019	
Fire Department Overtime Audit	5/9/2019	10/3/2019	Internal Auditor	2	2	5/9/2019	10/3/2019	
FY2019 CAFR and Single Audit	12/5/2019	12/5/2019	External Auditor	1	1	6/15/2020	8/20/2020	
Cash Handling 2019	12/3/2019	1/6/2020	Internal Auditor	20	20	6/22/2021	8/20/2020	
Social Media Study	11/25/2019	1/6/2020	Internal Auditor	13	12	6/22/2021		#13 recommended for closure
HR Administration - Eligible EE Group Ins.	12/3/2019	1/6/2020	Internal Auditor	4	4	6/15/2020	8/20/2020	
AP and P-Card Audit Program	4/1/2020	3/4/2021	Internal Auditor	4	4	8/4/2020	3/4/2021	
IT Volatility Audit	10/30/2020	12/8/2020	Internal Auditor	10		3/8/2022		All items recommended for closure
Fleet Audit	3/30/2021	3/30/2021	Internal Auditor	6	5	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	1	3/8/2022	7/7/2022	
<b>Total (including archived reports)</b>				273	259			

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
*v*	For Discussion today

Carson City  
 Social Media Study  
 November 25, 2019

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Validation (Y,N)	Status Comments
13		The City does not have an Information Security Response Plan	Create an Information Security Response Plan to include procedures for responding to security incidents, communication protocol and determine system impact.	P	6/30/2022	4/15/2022	N	CIO will create an Information Security response Plan. <b>UPDATE:</b> Plan is complete.

Carson City  
IT Vulnerability Audit  
October 30, 2020

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
<b>NOTE: 12 Findings - External</b>								
1		Update all systems that are currently running on outdated software: Lack of support implies that no new security patches for the product will be released by the vendor. As a result, the unsupported operating systems are likely to contain vulnerabilities. These systems should either be updated to run a supported operating system or shut down in order to protect the security, availability, and integrity of Carson City's perimeter network.	Staff is actively working on updating outdated systems and adjusting operations to be in line with industry best practices, such as automatic updates based on how critical a system is. Some legacy systems that cannot be updated will be isolated using a combination of identity based access rules and network security zones to mitigate the risk of their ongoing operation. Some of these systems may be decommissioned if our customer agency's business needs support this outcome. This will increase security, availability, and integrity of Carson City's infrastructure and data.	Y	3/31/2022	6/13/2022	Y	Staff is making progress on resolving issues. IT has been updating systems on a continuous basis. Some systems will require funding to stay current, extended support has been purchased for endpoint security to protect legacy systems. Maintenance will be performed with approval from the affected department(s). <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
2		System hardening processes should be in place across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	Y	3/31/2022	6/13/2022	Y	Staff has continued to make progress on system hardening, changing default accounts and passwords and change management including the use of automated deployment tools and templates. Work is being conducted to update patch deployment systems. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
3		Web development processes: Ensure coding of website and web applications follow OWASP standards. The OWASP Top 10 is a standard awareness document for developers and web application security. Carson City should adopt this document and start the process of ensuring that their web applications minimize these risks.	External findings that would fall under OWASP guidelines are Commercial Off The Shelf (COTS) applications under which the City has little control over development. The City can add OWASP as a procurement requirement for COTS applications, however this may limit the scope and range of options for the City as a whole when considering vendors of specialized software, such as the software from which this item stems. Staff will review this recommendation and consider how to implement it.	Y	3/31/2022	6/13/2022	Y	Staff does not have the recommendation yet, but has begun to approach new vendors with this requirement. <b>Update:</b> Staff will work with external vendors to ensure that these standards are being followed for the Carson City websites they host. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
4		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Carson City systems are regularly scanned and most by MS-ISAC / CIS as part of a federal program intended to harden local government systems. Most issues identified by the external audit were also identified by the MS-ISAC / CISC scanning effort and were known/expected. Staff will either remediate or document exceptions to all findings.	Y	3/31/2022	6/13/2022	Y	In the December 2020 Audit Committee meeting, it was decided to re-test in August 2021. This was pushed to the last quarter of FY22, as we have a new CIO. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
<b>NOTE: 103 - Internal</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.	Y	3/31/2022	6/13/2022	Y	Staff is making progress on resolving issues; <b>Current Status 11.24.2021:</b> IT has been updating systems on a continuous basis. Some systems will require funding to stay current, extended support has been purchased for endpoint security to protect legacy systems. Maintenance downtime will be performed with the approval from the affected department(s). <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>

Carson City  
IT Vulnerability Audit  
October 30, 2020

2		Implement and enforce implementation of change control across all systems: Misconfiguration and insecure deployment issues were discovered across various systems. The vulnerabilities that arose can be mitigated through the use of change control processes on all systems.	Most issues identified in the external test were expected. Some sites do not use encryption as they don't warrant it with their purpose, others host apps that there are very few options for replacing/updating. Staff has implemented system hardening processes on many systems and will continue to expand on those efforts. Staff is working towards robust change management procedures that could prevent a misconfiguration from occurring as a standard risk management step. Staff's current approach requires a scope of work and review by at least two employees when performing work on critical infrastructure.	Y	3/31/2022	6/13/2022	Y	Staff is continuing to make progress on system hardening and change management including the use of automated deployment tools and templates. <b>Update:</b> A new application is being setup to track all changes and approvals within the environment. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
3		Implement a patch management program: Operating a consistent patch management program per the guidelines outlined in NIST SP 800-40 is an important component in maintaining good security posture. This will help to limit the attack surface that results from running unpatched internal services.	Staff has deployed tools such as inventory, deployment, and recently endpoint management software (EMS) to assist with this effort. Inventory and deployment systems allow staff to track and update software. EMS allows staff to scan endpoints for known security issues that require a patch and force the patch to be installed as part of network policy. Staff is continually working towards further automating and integrating these tools into our workflow. At last count our inventory of applications has more than 6251 software packages and components, which makes this an evergreen maintenance item for staff, requiring much in the way of time and resources.	Y	3/31/2022	6/13/2022	Y	A new application is being setup to track all managed systems within the environment. These managed systems will have regular patching cycles based on the manufacturer's recommendations. Staff expects to be able to demonstrate significant progress at the time of the audit follow-up. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
4		Change default credentials upon installation: To reduce the risk of security breaches through default credentials which have been left configured on network devices, it's best to implement a process to change the passwords, and if possible, account names, when new equipment is installed.	Staff will change the identified systems with default credentials where possible. Some examples identified by the audit do not support credentials for their regular operation. For these devices, staff is working towards isolating in a similar fashion to devices that cannot be reasonably patched as a compensating control.	Y	3/31/2022	6/13/2022	Y	An existing application is being utilized to ensure default credentials are changed on all managed systems. Staff expects to be able to demonstrate significant progress at the time of the audit follow-up. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
5		Conduct regular vulnerability assessments: As part of an effective organizational risk management strategy, vulnerability assessments should be conducted on a regular basis. Doing so will allow the organization to determine if the installed security controls are installed properly, operating as intended, and producing the desired outcome. Consult NIST 800-30 for guidelines on operating an effective risk management program	Staff believes that regular third party auditing of IT systems is valuable and will contribute to increased security of Carson City systems and data. Performing audits such as this one regularly would likely require additional resources to obtain the audit and then act upon the results of the audit in a timely fashion.	Y	3/31/2022	6/13/2022	Y	A new application is being utilized to conduct vulnerability assessments on an established cadence. Staff expects to be able to demonstrate significant progress at the time of the audit follow-up. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>
6		Recommend remediation scanning be performed: Based on the number of issues identified we would recommend Carson City IT staff work toward remediating issues working on the most critical items first. Retesting should be performed within 6 months of this report.	Some issues identified in this report require a small effort to remediate and staff will remediate them in a timely fashion. Others are systemic issues that have already been identified by staff and require large-scale efforts to address in the long term. Additional resources would contribute towards addressing all of the identified issues in a more timely fashion.	Y	3/31/2022	6/13/2022	Y	Staff expects to be able to demonstrate progress at the time of the re-test. <b>Update:</b> Using the results from the new vulnerability scanning application, critical and high vulnerabilities will be able to be addressed. Legacy systems are still planned for a migration to more modern operating systems with the permission of each department. <b>UPDATE 6/13/2022 - VALIDATED ALL FINDINGS COMPLETE, NEW REPORT TO BE PRESENTED TO AUDIT COMMITTEE 7-12-2022.</b>

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

Carson City  
Fleet Management Audit  
March 10, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1	7/7/2022	FINDING 1 - Inventory Security and Tracking: RECOMMENDATION: Short-term solution - restrict access to Inventory to Fleet Services personnel by installing facility locks if feasible. Long-term solution - incorporate a tracking mechanism by implementing parts tracking sheet where Fleet personnel can sign, date, and identify the parts used and removed from inventory. Consider bar code technology or one designated Fleet Technician responsible for tracking fleet.	This was a recommendation in the last Internal Audit as well. The Fleet Facility is secured within the Public Works Corporate Yard and restricted to badge-only access. To date, there is no known instance of inventory loss; however, management agrees that there are opportunities to reduce risk and improve security over inventory. Management will submit a supplemental budget request for the position with the FY22 budget requests for consideration by the Board of Supervisors.	Y	1/31/2022	7/1/2021	Y	Tracking sheet has been implemented. Facilities Division is installing additional restrictions on inventory access concurrent with hiring of Fleet Warehouse Coordinator (new FY22 position). Anticipated to be completed August 2021. <b>STATUS:</b> Requested Internal Audit Validation once position is up and running (5-6 Months). <b>STATUS UPDATE:</b> Auditor has validated process in place, procedures working as intended. Recommend Closure

Carson City  
Payroll  
November 22, 2021

Item No.	BOS Closure	Recommendation	Remediation Plan (Course of Action & Expected Benefits)	Finding corrected ? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Auditor Verified? (Y, N)	Status Comments
1	7/7/2022	FINDING 1 - No formalized tracking mechanism or process for a preiodic review and assessment of payroll related statutory changes. - Intenal Auditor recommends that the City implement a tracking mechanism with appropriate documentation or payroll related regulatory changes. Including sign-off from HR Director and Chief Financial Officer.	Staff agree with the finding and plan to create an internal memo with necessary support, annually, likely in December/January when Regulatory Changes primarily occur. This memo will be routed to HR Director and CFO for signature, and retained by Finance.	Y	2/28/2022	2/28/2022	N	This is working as intended, Melanie and I signed off on the Memo that Jamie circulated regarding IRS and contract changes. Recommend Closure
3	7/7/2022	FINDING 3 - It was noted that HR employees in User Key Roles have full access to payroll related functions in Munis including the role permissions in "Pay Type Maintenance" and "proection run number Maintenance Access" functions. - Internal Auditor recommends that the City's IT department perform further review and modifications, where needed of Munis system functionality pertaining to user role and permissions granted to HR adn Finance employees to ensure proper segregation of duties.	Management agrees, IT Application Team will work with HR and Finance to test permissions for existing HR Roles in the Munis Test Environment. Role will be tested against operational and department responsibilities and updated to comply with the principle of least privilege.	Y	12/31/2021	12/31/2021	N	IT has corrected this issue and removed access that was not necessary. Recommend Closure



## Audit Committee Agenda Item Report

Meeting Date: July 12, 2022

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 retest of the Internal Vulnerability Assessment and External Penetration initially performed on October 30, 2020, and any additional recommendations noted. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Retest of the Internal Vulnerability Assessment and External Penetration. These assessments were conducted from September 14 to October 1, 2020. After completing these assessments and delivering the Final Reports, Carson City had the opportunity to remediate the identified vulnerabilities. Eide Bailly performed the retest of the vulnerabilities from April 25 to April 28, 2022, and aimed to examine the effectiveness of Carson City's remediation activities. Briefing will address all remaining internal audit findings, recommendations, and staff response(s).

### Suggested Action:

I move to approve the Retest of the Internal Vulnerability Assessment and External Penetration report and direct staff to work on the recommendations as discussed.

### Attachments:

[SR - IT Volatility Update Internal Audit Report.docx](#)

[Carson City Retest 2022 - Summary Report.pdf](#)

[Carson City Endpoint Security Assessment 2022 - Summary Report.pdf](#)

[Carson City Wireless Assessment 2022 - Summary Report.pdf](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

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

Agenda Title: 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. (Sheri Russell, srussell@carson.org)

Staff Summary: Eide Bailly, LLP completed the Retest of the Internal Vulnerability Assessment and External Penetration. These assessments were conducted from September 14 to October 1, 2020. After completing these assessments and delivering the Final Reports, Carson City had the opportunity to remediate the identified vulnerabilities. Eide Bailly performed the retest of the vulnerabilities from April 25 to April 28, 2022, and aimed to examine the effectiveness of Carson City's remediation activities. Briefing will address all remaining internal audit findings, recommendations, and staff response(s).

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

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## Proposed Motion

I move to approve the Retest of the Internal Vulnerability Assessment and External Penetration report and direct staff to work on the recommendations as discussed.

## Board's Strategic Goal

Efficient Government

## Previous Action

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

## Background/Issues & Analysis

According to Carson City Municipal Code 2.14.040 the Audit Committee will review and make recommendations to the Board of Supervisors regarding the annual financial audit, performance, compliance and efficiency audits, including specific issues of concern providing a higher level of accountability over the use of public funds and the adequacy of any city department or office performance measure for internal audit purposes.

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

Carson City Charter Article 3 Section 3.075, CCMC 2.14.040

## Financial Information

Is there a fiscal impact?  Yes  No

Is it currently budgeted?  Yes  No

Alternatives

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

**Board Action Taken:**

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

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

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

Aye/Nay

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Consulting Services

# Cybersecurity



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# Carson City

## Retest – Summary Report

April 2022

### **Submitted By:**

Nathan Kramer – CEH  
Senior Threat Management Consultant

Michael Nougier – CISSP, PMP  
Director, Cybersecurity Services



CYBERSECURITY SOLUTIONS

## Overview

Carson City contracted Eide Bailly to conduct an Internal Vulnerability Assessment and External Penetration Test. These assessments were conducted from September 14 to October 1, 2020. After completing these assessments and delivering the Final Reports, Carson City had the opportunity to remediate the identified vulnerabilities. Eide Bailly then performed a retest of the vulnerabilities from April 25 to April 28, 2022, and aimed to examine the effectiveness of Carson City’s remediation activities.

Eide Bailly highly recommends performing a retest after an initial assessment is complete and the organization has been able to remediate any identified issues. Retesting attempts to reproduce each vulnerability to validate remediation activities were successful. Penetration Test and Vulnerability Assessment Retests can provide many benefits to your organization, including:

- Demonstration of your organization’s commitment to security
- Decreased mean time to remediation (MTTR) due to defined windows of retest
- Improved security of your data and network, which reduces the likelihood of a breach
- Independent validation of vulnerability remediation
- Ability to provide peace of mind for your organization and its stakeholders

The table below summarizes the original findings and the results of the retest.

### External Penetration Test

Risk Rating	Total	Remediated	Partially Remediated	Not Remediated
High	5	5	0	0
Medium	5	5	0	0
Low	2	2	0	0

### Internal Vulnerability Assessment

Risk Rating	Total	Remediated	Partially Remediated	Not Remediated
Critical	21	12	8	1
High	16	8	7	1
Medium	65	7	58	0

The technical details of the retest results, including a full list of the original findings and remediated/not remediated hosts, have been redacted from this report for security purposes. A version of this report that includes those details was provided to Carson City’s Technology team in April of 2022.

## Risk Rating Information

The findings are summarized within the body of the report and include the assignment of risk and CVSS score. The risk was determined based on our expertise of the defined risk with subjective consideration of the impact to the organization and is not based solely on CVSS.

**Critical Risk** - A vulnerability identified as "critical risk" should be viewed as an immediate priority for mitigation and remediation. These findings identify conditions in which exploits readily exist and/or are currently being exploited. If exploited will most likely result in the compromise and/or unauthorized access of a networked system, application, or information system. Significant security breaches and/or costly downtime may result if the vulnerability is not mitigated promptly.

**High Risk** - A vulnerability identified as "high risk" should be viewed as a top priority for mitigation and immediate attention. These findings identify conditions that could directly result in the compromise or unauthorized access of a network, system, application, or information. Significant security breaches or costly downtime may result if the vulnerability is not addressed within an appropriate time frame.

**Medium Risk** - A vulnerability identified as "medium risk" should be viewed as an essential priority for mitigation which should be addressed as soon as possible. These findings may identify conditions that, while they do not immediately or directly result in a compromise, do provide a capability or information that could result in a compromise or network disruption in combination with other vulnerabilities.

**Low Risk** - A vulnerability categorized as "low risk" identifies a condition that does not immediately or directly results in a compromise. However, it may provide information that could be used to gain insight into how to compromise or gain unauthorized access to a network, system, application, or information. While they can be prioritized for mitigation at a lower level, they are still of concern and may lead to more severe security threats.

## About Eide Bailly

Eide Bailly advocates penetration testing for impact instead of penetration testing for coverage. Penetration testing for coverage has risen in popularity in recent years as a simplified assessment method used in situations where the goal is to meet regulatory needs. As a form of vulnerability scanning, penetration testing for coverage includes selective verification of discovered issues through exploitation, allowing service providers to conduct the work mainly through automated toolsets and maintain product consistency across multiple engagements.

Penetration testing for impact is a form of attack simulation under controlled conditions, closely mimics the real-world, targeted attacks that organizations face daily. In addition, penetration testing for impact is a goal-based assessment, which creates more than a simple vulnerability inventory instead of providing the true business impact. Instead, an impact-based penetration test identifies areas for improvement that will result in the highest rate of return for the business.

Penetration testing for impact poses the challenge of requiring a high skill set to complete. However, as demonstrated in this report, Eide Bailly believes that it is uniquely qualified to deliver world-class results when conducting penetration tests for impact due to the level of expertise found within our team of security professionals.

Eide Bailly offers a product that cannot be matched in the market. However, we may not be the right fit for every job. Eide Bailly typically conducts consulting services with a low volume, high skill ratio to allow Eide Bailly staff to mimic real-world situations closely, enabling customers to have increased access to industry-recognized expertise while keeping costs reasonable. High volume/fast turn-around engagements are often not a good fit for our services. Eide Bailly is focused on conducting high-quality, high-impact assessments and actively seeks out customers in need of services that other vendors cannot deliver.

If you would like to discuss your penetration testing needs, please contact us at [khendrickson@eidebailly.com](mailto:khendrickson@eidebailly.com).

Consulting Services

# Cybersecurity



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# Carson City

## Endpoint Security Assessment – Summary Report

April 2022

### **Submitted By:**

Nathan Kramer – CEH  
Senior Threat Management Consultant

Michael Nougier – CISSP, PMP  
Director, Cybersecurity Services





## Overview

Carson City contracted Eide Bailly to conduct an Endpoint Security Assessment to determine their exposure to a targeted attack. All activities were conducted in a manner that simulated a malicious actor engaged in a targeted attack against the organization. The goal of the Endpoint Security Assessment is to identify how an attacker could circumvent Carson City's endpoint defenses, workstation security configurations, and group policy settings in order to determine the impact of a cybersecurity incident.

Efforts were placed on identifying and exploiting security weaknesses that could allow an onsite attacker to gain unauthorized access to organizational data or escalate privileges. The assessment was conducted with the level of access that a standard employee would have. The assessment was conducted following industry best practices and standards, with all tests and actions being conducted under controlled conditions.

This report documents the Endpoint Security Assessment performed on a standard employee workstation issued by Carson City, conducted from April 25 to April 28, 2022.

## Scope

The scope of this Endpoint Security Assessment was limited to the workstation and user account provided by Carson City.

## Summary of Results

Based on the results of the Endpoint Security Assessment, **Eide Bailly identified five (5) high, five (5) medium, and one (1) low-risk finding.** The technical details of this assessment's results, including a full list of the findings and recommendations, have been redacted from this report for security purposes. A version of this report that includes those details was provided to Carson City's Technology team in April of 2022.

## Risk Rating Information

The findings are summarized within the body of the report and include the assignment of risk and CVSS score. The risk was determined based on our expertise of the defined risk with subjective consideration of the impact to the organization and is not based solely on CVSS.

**Critical Risk** - A vulnerability identified as "critical risk" should be viewed as an immediate priority for mitigation and remediation. These findings identify conditions in which exploits readily exist and/or are currently being exploited. If exploited will most likely result in the compromise and/or unauthorized access of a networked system, application, or information system. Significant security breaches and/or costly downtime may result if the vulnerability is not mitigated promptly.

**High Risk** - A vulnerability identified as "high risk" should be viewed as a top priority for mitigation and immediate attention. These findings identify conditions that could directly result in the compromise or unauthorized access of a network, system, application, or information. Significant security breaches or costly downtime may result if the vulnerability is not addressed within an appropriate time frame.

**Medium Risk** - A vulnerability identified as "medium risk" should be viewed as an essential priority for mitigation which should be addressed as soon as possible. These findings may identify conditions that, while they do not immediately or directly result in a compromise, do provide a capability or information that could result in a compromise or network disruption in combination with other vulnerabilities.

**Low Risk** - A vulnerability categorized as "low risk" identifies a condition that does not immediately or directly results in a compromise. However, it may provide information that could be used to gain insight into how to compromise or gain unauthorized access to a network, system, application, or information. While they can be prioritized for mitigation at a lower level, they are still of concern and may lead to more severe security threats.

## About Eide Bailly

Eide Bailly advocates penetration testing for impact instead of penetration testing for coverage. Penetration testing for coverage has risen in popularity in recent years as a simplified assessment method used in situations where the goal is to meet regulatory needs. As a form of vulnerability scanning, penetration testing for coverage includes selective verification of discovered issues through exploitation, allowing service providers to conduct the work mainly through automated toolsets and maintain product consistency across multiple engagements.

Penetration testing for impact is a form of attack simulation under controlled conditions, which closely mimics the real-world, targeted attacks that organizations face on a day-to-day basis. Penetration testing for impact is a goal-based assessment, which creates more than a simple vulnerability inventory instead of providing the true business impact of a breach. An impact-based penetration test identifies areas for improvement that will result in the highest rate of return for the business.

Penetration testing for impact poses the challenge of requiring a high skill set to complete. As demonstrated in this report, Eide Bailly believes that it is uniquely qualified to deliver world-class results when conducting penetration tests for impact due to the level of expertise found within our team of security professionals.

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# Carson City

## Wireless Assessment – Summary Report

April 2022

### **Submitted By:**

Nathan Kramer – CEH  
Senior Threat Management Consultant

Michael Nougier – CISSP, PMP  
Director, Cybersecurity Services



## Overview

Carson City contracted Eide Bailly to conduct a Wireless Assessment. All activities were conducted in a manner that simulated a malicious actor engaged in a targeted attack against the organization. The goal of the Wireless Assessment was to identify what vulnerabilities are present throughout Carson City's wireless networks.

Efforts were placed on identifying and exploiting security weaknesses that could allow a remote attacker to gain unauthorized access to organizational data. The assessment was conducted with the level of access that a guest user would have. The assessment was conducted following industry best practices and standards, with all tests and actions being conducted under controlled conditions.

This report documents the Wireless Assessment performed on Carson City's wireless networks, conducted from April 25 to April 28, 2022.

## Scope

The scope of this assessment was limited to Carson City's wireless networks and infrastructure as well as publicly available information. Eide Bailly tested the wireless networks in both the Carson City City Hall and Carson City Courthouse.

## Summary of Results

Based on the testing performed, Eide Bailly determined that Carson City properly segments its wireless networks by using an open guest network that is separate from its secured corporate networks. None of the networks identified within scope had WPS or other vulnerable extensions enabled. Eide Bailly found that all of Carson City's secured networks are using WPA2. This protocol is the approved Wi-Fi Alliance interoperable implementation of the IEEE 802.11i security standard. Eide Bailly also noted that Carson City's wireless networks use the MGT-CCMP encryption mechanism, which is the security standard used with WPA2 wireless networks.

Additionally, Carson City's wireless networks require both a username and password in order to successfully authenticate and obtain network access. By requiring a username and password combination, rather than simply requesting only a password, Carson City implements an extra layer of wireless network security.

Overall, Eide Bailly identified **one (1)** finding throughout the Wireless Assessment. This issue was brought to the Carson City IT team immediately and the issue was remediated.

The technical details of this assessment's results, including a full technical writeup of the testing performed, have been redacted from this report for security purposes. A version of this report that includes those details was provided to Carson City's Technology team in April of 2022.

## About Eide Bailly

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Penetration testing for impact is a form of attack simulation under controlled conditions, which closely mimics the real-world, targeted attacks that organizations face on a day-to-day basis. Penetration testing for impact is a goal-based assessment, which creates more than a simple vulnerability inventory instead of providing the true business impact of a breach. An impact-based penetration test identifies areas for improvement that will result in the highest rate of return for the business.

Penetration testing for impact poses the challenge of requiring a high skill set to complete. As demonstrated in this report, Eide Bailly believes that it is uniquely qualified to deliver world-class results when conducting penetration tests for impact due to the level of expertise found within our team of security professionals.

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## **Audit Committee Agenda Item Report**

Meeting Date: July 12, 2022

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 Community Development Department internal audit and recommendations. (Sheri Russell, srussell@carson.org)

Staff Summary: The Community Development Department was a project approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2022 Audit Work Program. The project was completed, and the briefing will address internal audit findings, recommendations, and staff response(s).

### **Suggested Action:**

I move to approve the Community Development Department internal audit report and direct staff to work on the recommendations as discussed.

### **Attachments:**

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

[Community Development Department Internal Audit.pdf](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

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

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

Staff Summary: The Community Development Department was a project approved to be performed by the Carson City Internal Auditor, Eide Bailly, LLP, for the Fiscal Year 2022 Audit Work Program. The project was completed, and the briefing will address internal audit findings, recommendations, and staff response(s).

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

## Proposed Motion

I move to approve the Community Development Department internal audit report and direct staff to work on the recommendations as discussed.

## Board's Strategic Goal

Efficient Government

## Previous Action

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

## Background/Issues & Analysis

According to Carson City Municipal Code 2.14.040 the Audit Committee will review and make recommendations to the Board of Supervisors regarding the annual financial audit, performance, compliance and efficiency audits, including specific issues of concern providing a higher level of accountability over the use of public funds and the adequacy of any city department or office performance measure for internal audit purposes.

Carson City started outsourcing its Building Division activities in late 2014. The Internal Auditor was directed to determine if outsourcing services to Charles Abbott was cost effective and producing quality results. In addition, the auditor was asked to determine if all the Carson City business, given the implementation of the new "EnerGov software", were transitioned to the new software completely.

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

Carson City Charter Article 3 Section 3.075, CCMC 2.14.040

## Financial Information

Is there a fiscal impact?  Yes  No

Is it currently budgeted?  Yes  No



Alternatives

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

**Board Action Taken:**

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

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

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

Aye/Nay

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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



## **Review of the Business License and Building Divisions**

June 2022

# **CARSON CITY COMMUNITY DEVELOPMENT DEPARTMENT**

### **Submitted By:**

Eide Bailly LLP

Audrey Donovan, CIA, CGAP, CRMA  
Senior Manager, Risk Advisory Services

Cathy Villamar  
Associate, Risk Advisory Services

Zack Tellinghuisen, CPA  
Associate, Risk Advisory Services

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## Executive Summary

Eide Bailly LLP (“we”, “our”, or “us”) was engaged by Carson City (“City”) to perform an Internal Audit of the City’s Community Development Department. The review included the Building Division and Business License Division.

We worked with the Community Development Department for Business License and Building Division activities. The Business License functions are performed by in house staff who issues business licenses, provides annual invoices and processes the associated billing, collections and penalty assessments.

The Building Division functions are performed by the City and Charles Abbott Associates the City’s third-party consultant who operates the Building Division and performs the permitting, plan review, inspections and building official activities. We assessed the Building Division’s staffing, structure and service levels. Additionally, we performed a benchmarking study to compare Charles Abbott Associate’s performance in Carson City against peer cities with similar structure who outsource their Building Division. Benchmark data included sixteen comparable qualitative and quantitative data points with thirteen peer municipalities similar to the City. Lastly, we assessed the Building Division’s processes, policies and procedures, workflows, finances and monitoring reports. The results were compiled, information was analyzed, conclusions were made and are shared in the report below.

The Community Development Building Division and Business License internal audit identified eight (8) findings; two (2) in Business License and six (6) in Building Division. These finding provide opportunities for improvement to enhance the existing processes, achieve efficiency and effectiveness, provide new ideas and opportunities to help inform the decision-making process of outsourcing versus bringing activities in-house with supplemental outsourcing of building permits and inspections.

We greatly appreciate and thank the input of the City’s Community Development Department, City employees, and CAAs Building Official, Corey Coleman who contributed to enhancing our understanding of the Building Division processes.

## Background

The City’s Community Development Department incorporates five functional divisions: Redevelopment, Planning Division, Building Division, Business License Division, and Code Enforcement Division. The audit was focused on two divisions, the Business License Division and Building Division.

### Business License Division

Carson City requires that all businesses that conduct business in Carson City obtain an annual business license. Businesses that have non-residential locations within Carson City are subject to zoning review, fire inspections and health inspections prior to issuance of the license.

As of the audit date, the City has 1.5 full-time employees administering business license applications, business license renewals, processing payment for business license fees including late fees, sending annual renewal notices, denying business licenses, referring businesses to Code Enforcement Division, and tracking status of business license appeals. Additionally, these same 1.5 employees administer the liquor licenses, gaming licenses and special event permits, as well as being deputized by the City Clerk so that they can process fictitious firm names.

## Building Division

The Building Division is responsible for managing the permit center which is a one stop shop for construction permits. Building Division operations include general public information, plan intake, plan review, permit issuance, inspections, and document retention. The City's Building Division is operated by Charles Abbott Associates ("CAA") which has operated the Division for Carson City since September 2014. The CAA contract was renewed in August 2021 for a three-year period. Under the contract, CAA provides a building official and the necessary number of employees to operate the permit center, including permit reviews and inspections, in addition to other functions associated with the Building Division.

As of the audit date, CAA has five-full-time employees located in the Community Development permit center, including a building official, two full time and one part time building inspectors, one plans reviewer / examiner<sup>1</sup>, two permit counter technicians and the City has a part-time permit counter technician. In addition, CAA sends plans to off-site staff for review, as needed, to meet workload demand. CAA uses their own vehicles for inspections, and provides their own ancillary equipment for building permit functions.<sup>2</sup> The City provides building space and associated furniture and equipment for the permit center and CAA employees.

The contract includes performance measures that identify the expectations of CAA in performing the building permit functions. Per the contract the City pays CAA based on a percentage of the total building permit fees collected in accordance with the fee schedule in the contract. As of September 2021, fees paid to CAA are currently based on a percentage of the total monthly building permit fees collected. Specifically a flat rate of 60 percent (60%) of fees paid for permit revenues for non-Carson City sponsored projects and 25 percent (25%) of the fees for Carson City sponsored projects.

Building projects in Carson City are required to comply with all City adopted codes and ordinances. Before a permit is issued, the City requires a review for compliance with structural, electrical, plumbing, mechanical, fire, zoning, transportation, and environmental health codes<sup>3</sup>. For these reviews, the Building Division charges a Building Permit fee of 1% for Commercial and 1.5% for Residential Construction. Per Carson City Municipal Code 15.108., forty percent of the fee is due at the time of application, and the balance is due at the time of permit issuance.<sup>4</sup>

### Key Systems:

- **EnerGov** – The City utilizes EnerGov to manage permitting, plan reviews and approvals, inspections and business license activities.
  - *Building Division* – uses EnerGov to facilitate building permitting, including the processes of intake, submittal routings, fee calculations, approvals and inspections.
  - *Business License* – uses EnerGov to facilitate business licensing, including the processes of intake, submittal routings, fee calculations, approvals and inspections.
- **Tyler Munis** – Financial Accounting and Reporting System.

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<sup>1</sup> This person works from home.

<sup>2</sup> Ancillary equipment includes, but not limited to work clothes such as, harnesses, hard hat, work boots; tools such as, electrical testers, tape measures, and mobile devices such as cell phones.

<sup>3</sup> Performed by both CAA and City personnel.

<sup>4</sup> <https://www.carson.org/Home/ShowDocument?id=5905>

### Building Division Consulting Fees Paid

Following is a summary of the Building Permit revenues and fees paid to CAA through the life of the contract to date. **Note:** CAA is paid strictly based on building permit revenues collected.

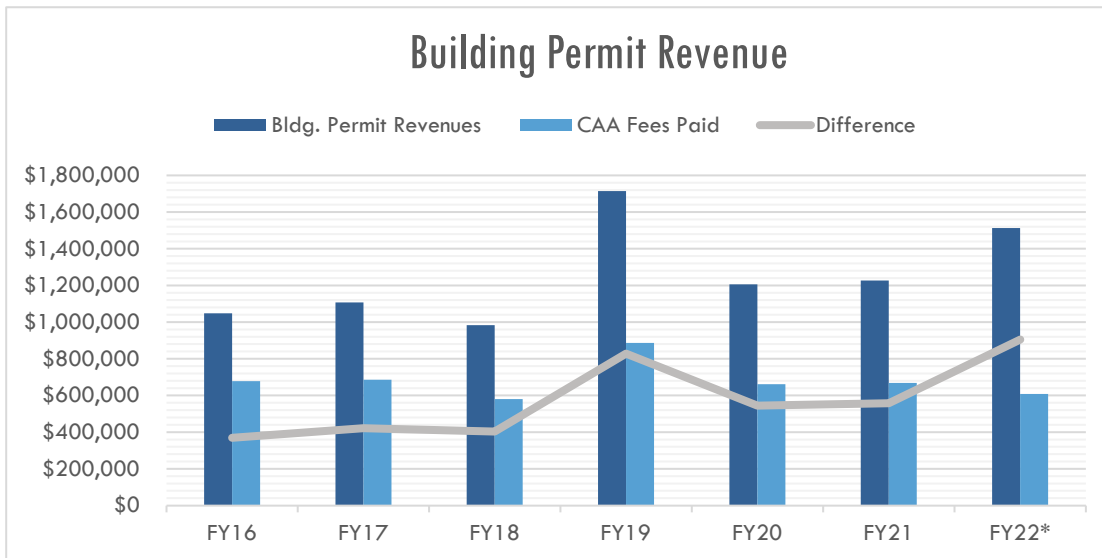
**Table 1 – Building Permit Revenue & Fees Paid to CAA**

	FY16	FY17	FY18	FY19	FY20	FY21	FY22*
<b>Fiscal Year - July 1 to June 30</b>							
<b>Building Permit Revenue</b>	\$1,047,759	\$1,107,098	\$983,411	\$1,714,118	\$1,205,761	\$1,226,507	\$1,513,326
<b>CAA Fees Paid</b>	\$677,892	\$685,595	\$580,615	\$886,412	\$661,187	\$668,511	\$608,163
<b>Difference</b>	\$369,867	\$421,503	\$402,796	\$827,706	\$544,574	\$557,996	\$905,163

\*Permit activity for eight (8) months; July 1, 2021 through February 2022 (invoiced in March).

**Source:** Table created by Internal Audit from data provided by City Finance & Accounting.

**Chart 1 – Building Permit Revenue & Fees Paid to CAA**



\*Permit activity for eight (8) months; July 1, 2021 through February 2022 (invoiced in March).

**Source:** Chart created from data provided by CAA and City Finance & Accounting.

The dark blue column is the total permit revenue collected by the Building Division. The light blue column is the portion of the total permit revenue collected that is paid to CAA for consulting services. The gray line is the difference between the total permit revenue and the amount paid to CAA, this amount remains with the City. In FY19 the Building Division automated the electronic plan submittal, requiring all building permit applicants to submit an electronic copy of the permit application and plans.<sup>5</sup> As of November, 2019, plans are routed and reviewed electronically.

<sup>5</sup> In addition to the automated electronic plan submittal, the Building Division worked with an apartment complex with a three-year build and of over 300 units to pull all of their permits in 2019.

## Objective & Scope

The objective of our internal audit was to: 1) assess the Building Division's staffing, structure, and service levels to help inform the decision-making process of outsourcing (privatization) versus bringing activities in-house (insourcing) with supplemental outsourcing of building plan check and inspections; 2) compare qualitative and quantitative data points with peer cities and benchmarks to inform the decision-making process, identify new ideas and opportunities; 3) evaluate whether the City's control environment provides a reasonable degree of assurance to ensure the effective and efficient assessment and collection of business licensing fees.

The **Scope** of the engagement was for the period of January 1, 2021 through assessment completion date of May 31, 2022.

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

## Methodology

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

- Gained an understanding through research, Committee & Board meeting minutes, interviews, discussions and document review to understand the history and relationship of the outsourced functions to CAA.
- Obtained and reviewed policies and procedures (P&Ps), workflows, finances and reports for both the Building Division and Business Licensing Division's staffing, structure and operations for the City and CAA.
- Obtained, reviewed and analyzed contracts, monitoring activities of service and contract, performance measures, service levels, service delivery and cost of services associated with privatization.
- Performed walkthroughs and conducted interviews of employees to assess impacts on efficiency and effectiveness of current staffing, structure, processes, service levels, and cost.
- Gained an understanding of the risks and benefits to the city in a 100% outsourced environment.
- Defined benchmark criteria, the identified municipalities to benchmark against and performed benchmarking to determine whether bringing activities in-house would be more efficient and profitable for the City.
- Conducted process walkthroughs, interviews, EngerGov system reviews, and document review to assess completeness and accuracy of billing, collections and penalty assessments of business licenses.
- Tested business license transactions to determine whether businesses obtained licenses as required, bills for license fees are issued timely, completely and accurately, completeness and accuracy of fees paid, collection enforcement efforts are effective, credits are properly performed, and system controls are in place.
- Obtained list of current businesses from the State of Nevada who are in Carson City and compared to list of Carson City businesses year over year to determine completeness in billing.
- Discussed and reviewed the City's revenue reconciliations to determine whether revenues from business licensing are properly recorded.

## Results of Comprehensive Review of the Building Division

As described in this report, our audit revealed that the Community Development Department needs to address the EnerGov system issues impacting business license, implement a contract monitoring process to evaluate CAAs performance, work with the City Attorney related to code enforcement responsibilities noted in the CAA contract, address re-inspection fees to ensure proper fees are charged, and implement a formal cost recovery policy related to permit fees.

Through enhancements to the departments processes that address the EnerGov system, periodic evaluation of permit fee structure, in addition to addressing the re-inspection fees and plans review resubmittals process, Community Development Department will be able to improve customer service and ensure fees are appropriately charged to sufficiently cover department costs. Our report lists several related recommendations.

We extend our appreciation to the Community Development Department, CAA and the personnel who assisted and cooperated with us during the audit.

## BUSINESS LICENSE

### FINDING #1: EnerGov System

There are several system configurations that the City require to allow for the management of daily processes to be more efficient, however, they are not able to get the necessary support from EnerGov technical support to perform the system configurations needed. As a result the City's IT department have been making the necessary modifications as time permit.

The Community Development Director with the City's IT Department is researching outside consultants to assist the department with Energov configuration to allow for the optimal use of the system and address the following issues:

- Software is not user friendly
- The software is labor intensive
- Possible lost revenue for the City

The EnerGov system 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. Locked fields create extra work by City staff who must void permits and start again due to the inability to make corrections. Lastly, business licenses 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.

### RECOMMENDATION for Finding #1

The City should continue to work with EnerGov to determine if the necessary updates can be made to improve efficiency, incorporate preventative controls to maintain integrity of business records and provide the features that the City needs to effectively service customers. Alternatively, if the City does not receive the necessary software resolutions then the City should look into alternative software solutions.

### Management Response:

*Agree – Community Development has met with the City's IT support and will pursue hiring a consultant to address configuration needs. If the deficiencies cannot be adequately addressed, the staff will investigate alternative systems. The staff has underfilled a staff position to free up funding for a consultant. The staff will seek to have the consultant working on the configuration issues by January 1, 2023. The Community Development Director will be the lead in working with the consultant.*



**FINDING #2: Business License Fees**

The Building License Division provides a listing of business license fees on their website that shows the list of fees per CCMC 4.04.020. However, this does not include all fees being charged, such as Fictitious filing fees \$20 and Technology fees \$5 which are lawful fees, but not created through CCMC.<sup>6</sup>

**RECOMMENDATION for Finding #2**

The Director of Community Development should work to provide an updated list of business fees to the customers for transparency on the Business License Division website. Specifically, fees should be updated to include fictitious filing fees and technology fees.

**Management Response:**

*The referenced fees are from the City Clerk's office and as assessed by the business license staff in their capacity as a sworn deputy clerk. These 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. Target completion date will be January 1, 2023. The Planning Manager will be responsible.*

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<sup>6</sup> <https://www.carson.org/home/showpublisheddocument/71824/637305809623130000>. To allow for a one stop shop, the BL staffers are deputized clerks. That is why they handle fictitious names and the technology fee – those are fees from the City Clerk's office.

## BUILDING DIVISION

### FINDING #3: BENCHMARK RESULTS

#### BENCHMARK STUDY

We performed a benchmarking study to compare Carson City's performance against peer cities and county with similar structure who outsource their Building Division. Sixteen (16) qualitative and quantitative data points or criteria were defined as shown below, along with thirteen (13) municipalities (cities and counties) identified. We obtained the necessary information by making phone calls, sending emails and performing web research of the municipalities. The results were compiled, information was analyzed, conclusions were made and are shared in the report below.

#### BENCHMARK CRITERIA:

1. Population (>30,000 residents)
2. Contact information
3. Name of Third-party consultant
4. Types of building activities outsourced (i.e., plans review, permitting, inspection, building official).
5. Number of years municipality has outsourced and why.
6. Whether outsourced activities had ever been performed in house and related timeframe.
7. Whether the municipality provided infrastructure or office space for the consultant.
8. Whether the consultant utilized the municipalities server and software for the activities performed.
9. Performance measures used to monitor contract and outsourced activities.
10. Performance monitoring and frequency.
11. Whether the municipality audits the consultant's performance.
12. Rate / cost of consultant services.
13. Revenue collected from building permits in FY2021.
14. Cost of having activities in-house.
15. Risks of outsourcing building activities.
16. Benefits of outsourcing building activities.

#### MUNICIPALITIES:

1. Pembroke Pines, FL
2. Centennial, CO <sup>a</sup>
3. Troy, Michigan
4. Deerfield Beach, FL
5. Weston, FL
6. Lyon County, NV
7. Tuscola County, MI
8. Cleveland Heights, OH
9. Aventura, FL
10. Okeechobee County, FL
11. Northglenn, CO
12. Wheat Ridge, CO
13. Windsor, CO

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<sup>a</sup> Centennial, CO is no longer outsourcing their Building Division as of 01/01/2022.

### **SAFEbuilt is the Primary Third-Party Consultant for Outsourcing**

Based on the benchmarking data obtained from 12 municipalities who responded, 7 municipalities noted that SAFEbuilt<sup>7</sup> is their consultant for outsourced building division activities, which represents 58% of all respondents. When we include CGA Solution, which is also a SAFEbuilt company this number jumps to 75%.

### **Building Activities Outsourced are Consistent With Carson City**

Nine (9) municipalities responded to activities performed by their consultant. All stated that they outsource the entire building services, which is in alignment with Carson City. Additionally, the municipalities responded that engineering and fire inspections are performed in-house, also in alignment with the City. Lastly, the following were noted as additional activities performed by their outsourced consultant.

- Archiving city records.
- Working with city officials on departmental budgets.
- Working with the Economic Department to identify and encourage growth and business opportunities within the community.
- Code Enforcement. See [Finding #7 – Code Enforcement](#) below.

### **Years & Reason for Outsourcing Building Activities**

The average number of years building services have been outsourced, based on 7 respondents, is **14 years**; with the longest being 27 years and least at 6 years. The primary reason for outsourcing was due to the municipalities inability to fill building department vacancies, either due to the low pay scale or lack of qualified candidates. This is due to the outside consultant providing the municipalities with flexibility in resources when there is expansion or contraction in city/county development. Another reason for outsourcing addressed the lack of revenue generated from permit fees to support an equivalent department that they receive through the use of a consultant. Lastly, outsourcing was due to pressure to control expenditures and reduce their budget.

### **Infrastructure Provided to Consultant is Consistent with Carson City**

Based on responses received, the outsourced consultant is provided office space out of the municipalities facilities. They are provided with a city or county email address to provide a seamless customer experience. Software is provided by the municipalities and with one municipality the consultant uses their own software along with the city's system.<sup>8</sup>

### **Performance Measures & Monitoring in Alignment with City Contract with CAA**

The performance measures used by the benchmarked municipalities to evaluate the consultants performance for services outsourced included timing and customer service. Examples include customer service monitoring and responsiveness to plan review turnaround times. Additional performance data includes an effectiveness measure to evaluate the average length of time to issue a building permit. This indicator captures the average length of time to issue a permit from the time an application was received.

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<sup>7</sup> SAFEbuilt is a Colorado-based company providing building department services, community planning and zoning, and code enforcement services to 303 towns and cities in eight states.

<sup>8</sup> It was noted that CAA also has their own software called CityTech.

Performance of the outside consultant is performed at least annually, with the majority of the monitoring performed quarterly. Lastly, most municipalities perform a self-audit of the consultant’s performance, meaning the municipality independently validates the self-reported information provided by the consultant (see **Finding #4 – Contract Performance & Monitoring below**).

**Carson City has Lowest Rate for Consultant Services Based on Permit Revenue for FY2021**

Based on the responses received from 3 municipalities, all 3 municipalities are utilizing a tiered compensation based on fees collected. Carson City currently holds the lowest rate for consultant services at 60% for all non-city sponsored building permits and 25% for all city sponsored building permits (properties owned by the City). See **Table 2** below.

**Table 2 – Rates for Consulting Services**

	<u><a href="#">CARSON CITY, NV</a></u>	<u><a href="#">TROY, MI</a></u>	<u><a href="#">DEERFIELD BEACH, FL</a></u>	<u><a href="#">NORTHGLENN, CO</a></u>
<b>Rate</b>	<ul style="list-style-type: none"> <li>• 60% - all non-city sponsored building</li> <li>• 25% - all city sponsored building</li> </ul>	<ul style="list-style-type: none"> <li>• 80% - first \$1 million</li> <li>• 75% - all revenues &gt; \$1 million</li> </ul>	<ul style="list-style-type: none"> <li>• 75% - first \$3 million</li> <li>• 90% - all revenues &gt;\$3 million</li> </ul>	<ul style="list-style-type: none"> <li>• 70% - first \$1 million</li> <li>• 60% - all revenues &gt;\$1m million</li> </ul>

**Source:** Created by Internal Audit using benchmarking data.

**Carson City and Benchmarked Municipalities Have Not Determined Cost of Activities In-House**

The benchmarked municipalities, like Carson City, have not performed an analysis of the cost to perform the outsourced activities in-house. Municipalities responded this is primarily due to not having a sustainable growth model, which in the absence of growth it is more cost effective to outsource these services since the consultant can scale up or down based on the amount of permit demand.

Based on the lack of analysis performed, we expanded our benchmarking to include municipalities with a hybrid approach, meaning they have activities in-house and out-sourced to obtain hourly rates for permit tech, plan review, inspection services and building official (salary). The following was obtained from benchmarked municipalities and research:

- **INSPECTION SERVICES** – Sparks, NV outsources their inspection services, which is paid for on an hourly basis with an 8 hour/day schedule. If the outsourced inspector uses a **city vehicle** the city pays **\$85/hour, otherwise they pay \$90/hour**. The outsourced inspectors are treated as city staff and they have space onsite with a desk. The city has 8 full-time inspectors, 3 of which are contract employees.
- **BUILDING INSPECTOR** – based on web research of Building Inspector salaries, LinkedIn Job descriptions with hiring salary, and information contained on SAFEbuilt.com, the average Building Inspector salary is roughly **\$60,000**.<sup>9</sup>
- **PLAN REVIEWER** – National construction permit review hourly rates range from **\$75 in rural areas to \$150 in metropolitan areas**. These rates are fully burdened. Parker, CO outsources elevator and roofing inspections and plans reviews. The plan review is an overflow arrangement where Parker is charged **\$125/hour for the 1<sup>st</sup> and 2<sup>nd</sup> review and \$75/hour ≥ 3 reviews**. Carson City would be in the \$100 - \$125/hour range for a Plan Reviewer.

<sup>9</sup> <https://www.salary.com/research/salary/benchmark/building-inspector-salary/carson-city-nv>.

- **PERMIT TECH** – Carson City has an existing contract with CAA, which shows **\$45/hour** for permit technicians. Research on outsourced consultants websites and LinkedIn job descriptions confirm this is the hourly rate for Carson City and the surrounding area.
- **BUILDING OFFICIAL** – The average Building Code Official salary is **\$90,409** as of May 27, 2022, but the salary range typically falls between \$79,419 and \$104,264. Salary ranges can vary widely depending on many important factors, including education, certifications, additional skills, and the number of years spent in the profession.

### **Benefits & Risks of Outsourcing the Building Department**

Based on research and discussions with the benchmarked municipalities we identified the following benefits and risks of outsourcing building departments.

#### **BENEFITS OF OUTSOURCING:**

- Reduced costs – based on benchmarking data collected, it is almost always more cost efficient than hiring permanent full-time qualified staff as consultants typically use their own vehicles for inspections and provide their own ancillary equipment. This holds true for a hybrid approach.
- Increased efficiency – outsourcing to a consultant that specializes in Building Department services can help achieve a more productive and efficient service.
- Streamlining can help organize and keep track of building permits.
- The municipality will be more able to accommodate fluctuating seasonal peak demands.
- Increased resources – outsourcing can help provide access to capabilities and functionalities otherwise not accessible or affordable to the municipality. It can also give new insight to innovations and knowledge that the vendor brings.
- Improved focus on other activities – outsourcing can allow municipal resources to focus on what matters to help strengthen and improve other core processes.
- Risk sharing – the municipality can rely on the consultant’s expertise to plan and mitigate potential risks which can reduce the municipalities liability risks with proper oversight by the municipality.

Additional benefits can be found in Appendix A for “Benefits of Contracting Building & Safety Services” provided in the City’s contract with CAA.

#### **RISKS OF OUTSOURCING:**

- Loss of control - the Benchmarking study revealed that one of the main risks of outsourcing a city’s Building Division is loss of control. Any process that was previously managed in-house and outsourced to an external agency will leave the city with very little to no control over it. To mitigate this risk, frequent and effective communication with the consultant is necessary to ensure that the consultant fully understands the level of service required and expectations. The City is currently exposed to potential negative effects from this risk, especially as it relates to the substantive code compliance for the City. This is due to the City currently not having anyone overseeing the work performed by CAA to ensure the work is being performed properly.
- Potential for increased costs – the main reason the municipalities have decided to outsource their Building Division is cost. However, if it leads to any unforeseen and hidden costs, then it becomes

a risk. Although costs are defined and agreed upon in the contract, closely monitoring for subpar performance will help mitigate against increased costs.

- Privacy and security risks – outsourcing exposes the city’s financial and other private information to an outsider.

**RECOMMENDATION for Finding #3**

We recommend that the Director Community Development utilize the benchmark results and the information contained within this report to help inform the business decision of whether to fully outsource the building division activities or utilize a hybrid approach such as focus on bringing permit technicians and Building Official in house while outsourcing inspections.

It is further recommended that to make this informed decision the Director Community Development evaluate the level of time each activity takes, such as permit intake, plans review, permit issuance, inspections, re-inspections, etc. to establish processing time estimates to determine which activities to outsource and which to bring in-house.<sup>10</sup> This recommendation could be accomplished with **Finding #6 – Permit Fee Structure**.

**Management Response:**

*Agree. The current contract will expire in August 2024. By July 2023, the Community Development Director should provide an analysis to the City Manager relative to insourcing, outsourcing, or utilizing a hybrid approach. This will provide the City will a year to determine the preferred structure.*

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<sup>10</sup> CAA estimates that 1<sup>st</sup> & 2<sup>nd</sup> reviews take 30 mins – 1 hour/review. Additionally, they estimate that permit routing is approximately 15 – 30 mins each.

**FINDING #4: Contract Performance & Monitoring**

The City has established performance standards that are to be applied to the processing of plan checks, building permits and general service to the public that interacts with the Community Development Department. The City uses these performance standards to gauge effectiveness of CAAs service to the City and as a guide to determine staff levels.

The following performance measures have been established:

Activity	Performance Measure
<b>Building Plan Check and Permit Streamlining</b>	<ol style="list-style-type: none"> <li>1. Initiate issuance of "over the counter" (i.e. same day) permits.</li> <li>2. First Plan Check for new construction: <b>15</b> working days for nonresidential construction and <b>10</b> working days for residential construction.</li> <li>3. Plan Check for additions, tenant improvements, and re-checks: <b>7</b> working days or less from resubmittal, with most rechecks completed within 24 hours of resubmittal.</li> <li>4. Routine, simple projects, (i.e. re-roofs, patio covers, pools/spas, etc.: Over the Counter.</li> <li>5. Monitor the collection of building plan check, inspection, and permit fees and other building activity level indicators, submit monthly activity reports to City based on this information.<sup>11</sup></li> </ol> <p><i>Target for average number of review cycles per plan submitted is 2.5 cycles.</i></p>
<b>Customer Service</b>	<ol style="list-style-type: none"> <li>1. Telephone and email inquiries are responded to within <b>one</b> workday.</li> <li>2. Written information describing permitting/application procedures is up-to-date at <i>all</i> times.</li> <li>3. Initiate flyer encouraging customer feedback.</li> <li>4. Conduct Quality Control Monitoring per CAA Quality Control Manual.</li> <li>5. Building web page is updated (frequency, e.g. weekly, bimonthly, monthly).</li> </ol>
<b>Building Inspections</b>	<ol style="list-style-type: none"> <li>1. 100% of inspection requests made by 4:00 PM previous working day (with AM/PM commitment and 2-hour window) shall be conducted on the next working day.</li> <li>2. Telephone access for changes.</li> <li>3. Courteous and professional conduct at all times.</li> </ol>

**Source:** Contract between CAA and the City.

During our review, we noted a lack of monitoring of performance metrics as required per the City’s contract with CAA. This is the result of the Building Division not having a formal process in place to track and monitor CAAs performance on a routine basis. Additionally, independent reviews are not performed of CAAs activities. For example, permit transaction reports are attached to monthly invoices, however, the City does not monitor for timeliness of permit related activities or the accuracy of permit fee calculations. Lastly, there is no formal customer feedback process or a means of sharing unsolicited feedback with the Community Development Director.

<sup>11</sup> Exhibit A, 1. a. 9 & Exhibit A, 1. b. 31.

Based on the lack of performance or contract monitoring, we performed analysis on the “Permit / Plans Review” data from 1/1/2021 through 5/5/22 (review date). See [Table 3](#) below for results.

**Table 3 – Residential & Non-Residential Permit / Plans Review**

Year	Residential Permits > 10 days	Residential Permits - Average days over	Non-Residential Permits > 15 days	Non-Residential Permits - Average days over	Rechecks within ≤ 7 days, most within 24 hours
2021	3.6%	16 days	3.9%	31 days	3.0%
2022	5.0%	27 days	2.2%	7 days	1.5%

**Source:** Created by Internal Audit from Permit / Plans Review data obtained from CAA.

Contract performance measures for new construction plan check (first) is **10** working days for residential and **15** working days for nonresidential construction. Analysis showed **less than 5%** of permit / plans reviews **did not meet the performance measure**. Additional information obtained from the data analysis reveals the following:

- **2021 & 2022 – Residential Permit / Plans Review** (10 working days)

From the data provided we filtered for all residential permits with RES in “Permit Number” (assuming RES codes are residential). We focused on the permits performed by CAA consultants and calculated the total number of workdays (excluding weekends and City holidays) and determined total permit review days.

For 2021, the analysis showed 553 RES permits performed by CAA consultants, of which, twenty (20) or less than four-percent (4%) took longer than the 10-day performance standard. The 20 permits that took longer ranged from 1 day to 119 days over, with an average of 16 days longer than the 10-day performance standard.

For 2022, there were 259 RES permits between 1/1/2022 through 5/5/2022, of which, 13 or 5% took longer than the 10-day performance standard. The 13 permits that took longer ranged from 4 days to 39 days, with an average of 27 days longer. This is an **increase over 2021** data by 11 days (on average).

- **2021 & 2022 Non-Residential Permit / Plans Reviews** (15 working days)

From the data provided we filtered all permits with COM in “Permit Number” (assuming these are all non-residential) and removed all “Internal Routing – Abatement” from the total. Following the same process as above for residential, the analysis showed the following for 2021 & 2022.

For 2021, there were 179 COM permits performed by CAA consultants, of which, seven (7) or less than four-percent (4%) took longer than the 15-day performance standard. The 7 permits that took longer ranged from 4 days to 57 days over, with an average of 31 days longer than the 15-day performance standard per the contract.

For 2022, there were 138 COM or non-residential permits between 1/1/2022 through 5/5/2022, of which approximately 3 or 2% took longer than the 15-day performance standard. The 3 permits that took longer ranged from 2 days to 14, with an average of 7 days longer. This is as **significant decrease compared to 2021** data by 24 days (on average).



**RECOMMENDATION for Finding #4**

The Director of Community Development should enforce the contract requirement for CAA to provide monitoring information to the City that shows status with meeting performance standards per the agreement. Additionally, the City should independently audit the consultant's performance. Further, the City along with CAA should establish a customer survey feedback loop to ensure that customer service issues are being addressed. Lastly, a quarterly or annual trend analysis (depending on frequency of feedback) of reported issues should be conducted and shared with the Director of Community Development to identify frequently reported issues and determine whether strategies to address issues are working.

**Management Response:**

*This finding has challenges in that it is rare that CAA has sole responsibility for a building permit review. The delay could be from a City agency. That said, the Community Development Director can run reports relative to permit review times. The Community Development Director can also work with the City Manager's office on approaches and content of customer surveys. It is important to recognize that there are both internal and external customers, and input from both should be solicited. The reporting and customer surveys can be implemented by the Community Development Director in January 2023.*

**FINDING #5: Re-inspection Fees Not Charged**

We reviewed the “Permit and Plan review listing 2021-2022” files to identify 1) total inspections for each of the two years (excluding Code and Zoning enforcement and Engineering permits ) and 2) total re-inspections. Analysis performed shows approximately 10% of total inspections result in re-inspections. Based on further review we were unable to confirm that a re-inspection fee was charged for each of the re-inspections performed. Total re-inspections that appear to have gone uncharged for 2021 & 2022 totaled close to \$33,000 and \$17,000 respectively. This is based on Title XV with the fee being \$65 for reinspection.

Further analysis revealed unusual data that showed instances where final inspection was performed but the permit was canceled. We were unable to determine the cause at the time of the audit due to late discovery, but discussed with management.

**Table 4 – 1/1/21 to 4/30/22 Inspections, Re-Inspections & Fees Not Charged**

Year	Total Inspections	Re-inspections	Re-inspection Fee Not Charged
2021	5,751	512 of total	\$33,280 (512 x \$65)
2022*	2,232	261 of total	\$16,965 of total (261 x \$65)

**Source:** Created by Internal Audit from Permit / Plans Review data obtained from CAA.

\* 2022 Inspection Report date range is January through April.

**RECOMMENDATION for Finding #5**

The Director of Community Development should require that re-inspection fees are charged to ensure the City receives payment for work performed. Additionally, we recommend that the Director look into the reason for instances where “final inspection” had been performed, but the permit was “canceled.” This occurred 199 times in 2021 and 84 in 2022. It is unusual that a permit would be canceled after a final inspection is performed, as this process would indicate permit issuance rather than cancelation.

**Management Response:**

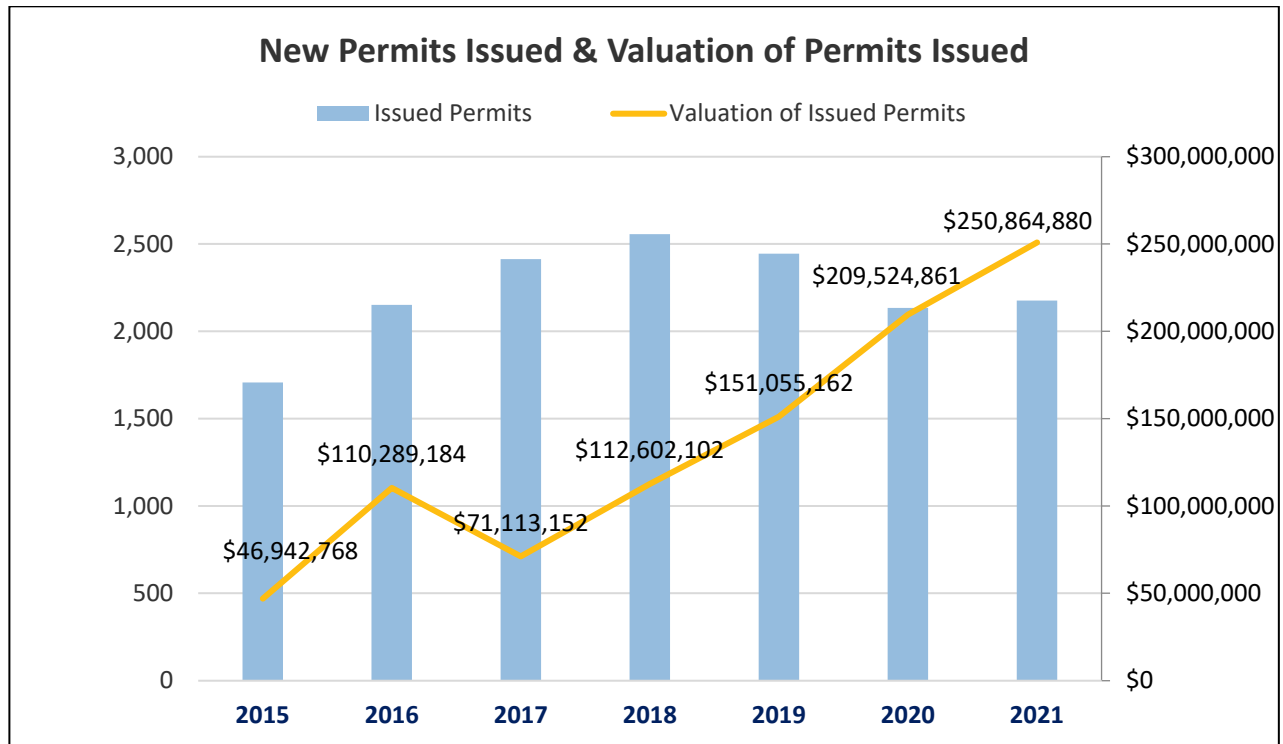
*Agreed. The Community Development Director will direct CAA to start charging the required reinspection fee immediately. Additionally, the Community Development Director will look into the canceled permits where inspections occurred by September 30, 2022 and report out to the City Manager.*

**FINDING #6: Permit Fee Structure**

The City’s Building Division is funded through the General Fund and provides permit and inspection services to the community such as homeowners, builders, developers, and others. Fees are collected for these services, which are deposited into the General Fund.

During the audit, concern about declining building fee revenues were looked into. We obtained the necessary source data from CAA utilizing the EnerGov system. Based on our analysis from 2015 through 2021, “Issued Permits” have increased from 1,700 in 2015 to 2,176 in 2021 a 28% increase (see **Chart 2** below). “Valuation of Permits Issued” also increased over time, from \$46.9 million in 2015 to \$250.9 million in 2021. These trends, especially combined, likely support an assumption that the Building Division is generating more than sufficient revenues to support its operations.

**Chart 2 – 2015 to 2021 Permits Issued & Valuation**



However, the Building Division has not evaluated the cost of its services in 15 years to determine if it fully or partially recovers these costs.<sup>12</sup> Additionally, the Division does not have information on how the number and type of plans reviews or inspections required translates into the cost and resources needed to perform those services. This is primarily due to the Division’s transition to a new permitting system and lack of time estimate of each service provided. By establishing this type of information, the Division can reconcile the permit fees charged against the cost of the services provided to their customers and benchmark against other municipalities or national standards, such as National Association of Home Builders (NAHB).

For example, the NAHB has stated that construction permit fees are typically **1.7%** of total project costs. The City construction permit fees for FY21 are **0.48%** of the \$250.9 million of construction (valuation) for the

<sup>12</sup> Cost study for Community Planning & Development that included division and department costs was performed in early 2007, with results delivered in July 2007.

same timeframe. This is an indicator that the City should look further into the various costs, as well as the permit fees.

While we recognize that some building services benefit the community at-large, the services the Division provides are mainly used by homeowners, builders, developers, and other parties that individually benefit from Division processes. As such, it is important for the Building Division and the City to know the cost of services in order to know if fees are set appropriately.

**RECOMMENDATIONS for Finding #6**

Building permit fees should be designed to cover all or a percentage of direct and indirect costs. As such, we recommend that the City use the information contained in this report to discuss and implement a formal cost recovery policy for the Community Development Department's Building Division to include the following:

- Establish a policy and process to regularly conduct a comprehensive cost of service study while taking into consideration the desirable quality and efficiency service level offered by the Building Division.
- Calculate the full cost (both direct and indirect) of providing building-related services by service and project type.
- Compare the identified service and program costs with building fee revenues currently received for those services.
- Identify achievable building fee recovery levels based on the cost of those services.

Additionally, the City should look into the expenditures that are out of the Building Department and determine if these are appropriate and that legitimate expenditures are properly reviewed and approved.

**Management Response:**

*The Community Development staff does not have the skill set to pursue this recommendation. This function would need to be outsourced. That said, the Community Development Director is watching the building fund closely to make sure that non-building related activities are not paid out of this fund.*

**FINDING #7: Code Enforcement**

The Building Division issues a variety of permits to facilitate compliance with local standards for construction to ensure safety. These standards are intended to ensure the safety of current and future owners and occupants. The Building Division is also responsible for administering and enforcing the codes adopted under CCMC Title 15 including the International Property Maintenance Code.

According to the contract agreement between the City and CAA, it is our understanding that the Building Official with CAA is to provide building code enforcement. However, based on interviews and discussions with the Community Development Director and Building Official, CAA is not providing building code enforcement.

Exhibit A of the contract specifically states the following services to be performed by the consultant related to Building Code Enforcement:

- (19) Provide inspection, investigation, and enforcement for violations to all the above--referenced building and safety codes and regulations, as well as other adopted City ordinances which relate to building and safety issues, such as various sections of City's Nuisance Ordinance.
- (20) Prepare building and safety code violation cases for submittal to the District Attorney's office when prosecution action is necessary to obtain compliance with the above codes and regulations.
- (21) During inspections issue stop/correct work notices, or notices of violation when violations of the above referenced codes and regulations occur.

Although there is a contractual obligation for CAA to perform code enforcement in the capacity noted above, CAA is of a different opinion and believes that they do not legally have the powers and authority to write citations nor the necessary training to do so in accordance with Nevada Revised Statutes. Additionally, it is their belief that the duties of Building Official as it relates to Code Enforcement is not accurate in the contract.

**RECOMMENDATION for Finding #7**

The Director of Community Development and the City Attorney should enforce the contract language related to code enforcement and work to come to a resolution with Charles Abbott Associates.

**Management Response:**

*The Community Development Director has discussed this matter with both the building official and the District Attorney's office. The narrative accurately reflects the position voiced by the building official. The Community Development Director and the District Attorney's office both agree CAA should be performing code enforce per the contract. The Community Development Director, the DA's office and the building official are scheduled to meet in August 2022 to further discuss.*

**FINDING #8: Version Control Issues Result in Plan Review Delays**

A plan that requires approval from multiple departments, such as planning, health, and fire, has a failure in the process that results in plan reviews taking longer than needed. For example, a plan requires an approval from planning, health, and fire. The plan is routed to all departments. Planning and health both approve and provide their stamp on the plan. However, the fire department had a comment that required a revision to the plan. As such, the plan is sent back to the applicant for update. When the plan is resubmitted, it is only routed to the fire department for review, approval, and final stamp. This becomes the final version that is published, but it is missing the planning and health departments' final stamp.

This is the result of plans not getting re-routed to all appropriate departments. When this occurs, plan reviews take longer as plans would still need to be routed to relevant agencies when it is discovered that the final stamp has not been obtained. Additionally, there is an increased risk of plans being finalized that are in violation of another department's rule if a final stamp is not obtained. This issue is typically discovered when the contractors are already at the field and the inspectors see the missing stamp.

**RECOMMENDATION for Finding #8**

A process workflow should be implemented for resubmittals of plans to all plan reviewers to ensure a newer version of a plan is re-routed to all relevant parties for review, approval, and final stamp. The process should address version control issues.

**Management Response:**

*Agreed. The Community Development Director will request that CAA implement this process starting September 1, 2022.*

## Appendix A

Charles Abbott Associates “Benefits of Contracting Building & Safety Services” contained in City contract.

### ***BENEFITS OF CONTRACTING BUILDING & SAFETY SERVICES***

- ❑ The client does *not* have to agonize over *personnel issues* such as hiring, firing, training absenteeism, salaries, benefits, or retirement obligations
- ❑ Building & Safety is staffed to *match* resources to workload
- ❑ The total contract cost of Building & Safety is covered by a percent of fee. Therefore, the cost to the jurisdiction will *never* be more than the revenue collected.
- ❑ The *cost of training* is a cost of doing business for CAA, and is *included* in the contract pricing.
- ❑ CAA supplies paperless plan review, computerized permit issuing and tracking software and hardware as a *part of our service*.
- ❑ Contracting provides management with *more control* over the Building & Safety function. CAA routinely works under contracts that have 30 day, no fault termination clauses
- ❑ CAA personnel are selected for their technical ability as well as their *interpersonal skills*.
- ❑ We *guarantee* 10 working days turn around on all first plan checks and 5 working days turn around on second plan checks. We strive to complete minor plan checks over the counter. We *guarantee* same day inspections 100% of the time.
- ❑ We strive for efficiency in our operations. *Efficiency* is the key to our profitability and our very existence.

What you can expect by contracting for a percentage of fees collected:

1. A fully operational “Turn Key” Building Department
2. An experienced, credentialed staff of proven professionals
3. Computerized permit issuance and tracking system
4. Electronic plan review
5. Complete and accurate accounting
6. CAA will offer employment to those existing City employees
7. ISO ratings in the highest 2% in the country



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

Respecting our peers and their individual contributions.

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

Trusting and supporting one another.

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

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

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

Promoting positive working relationships.

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



**What inspires you, inspires us.**

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## **Audit Committee Agenda Item Report**

Meeting Date: July 12, 2022

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 to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2023. (Sheri Russell, SRussell@Carson.org)

Staff Summary: Carson City Staff, Eide Bailly and the Audit Committee, had a discussion regarding the FY 2023 Internal Audit projects at the March 8, 2022 Audit Committee Meeting.

### **Suggested Action:**

I move to approve recommending the FY 2023 Audit Work Program to the Board of Supervisors as presented.

### **Attachments:**

[SR - FY 23 Internal Audit Program.docx](#)

[FY23 Risk Assessment Report and Annual Audit Plan\\_July AC.pdf](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

Staff Contact: Sheri Russell, Chief Financial Officer & Steve Ferguson, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on projects to be performed by the Internal Auditor for the period ending June 30, 2023. (Sheri Russell, SRussell@Carson.org)

Staff Summary: Carson City Staff, Eide Bailly and the Audit Committee, had a discussion regarding the FY 2023 Internal Audit projects at the March 8, 2022 Audit Committee Meeting.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

## Proposed Motion

I move to approve recommending the FY 2023 Audit Work Program as presented to the Board of Supervisors.

## 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 23.

## Alternatives

N/A

**Board Action Taken:**

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

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

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

Aye/Nay

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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



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

June 2022

# **CARSON CITY, NEVADA**

**Submitted By:**

Eide Bailly LLP

Audrey Donovan, CIA, CGAP, CRMA  
Senior Manager, Risk Advisory Services

## RISK ASSESSMENT

Internal Audit departments operate using guidance provided by the International Professional Practices Framework (IPPF) published by the Institute of Internal Auditors. Standards of the IPPF address planning and indicate that risk-based plans should determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the Audit Committee must be considered in this process.

This report describes how Internal Audit analyzed the City's risk environment, prioritized audit areas, and prepared the annual Audit Plan. The contents of this report are based on the following:

- Risk, control and governance largely determine the City's ability to achieve its objectives.
- City management is responsible for managing risk by implementing internal controls and providing reasonable assurance that they are operating as intended.
- Internal Audit is responsible for assessing risk by analyzing conditions that can impair the City's ability to achieve its objectives.
- Internal Audit is responsible for developing audit plans to review controls that City management has implemented to address risks.

### What is a Citywide Risk Assessment?

The risk assessment is a means to assess various areas of the City. An auditor assessing risks to develop an audit plan or schedule while considering risks to programs and departments in a silo approach, this is designed to identify audits of a single department, program, or process. Additionally, we assess risks across the entire city to identify the risks to achieving overall City objectives. A Citywide risk assessment does not validate data or go into the same level of detail as an internal audit and should not be viewed as such.

The risk assessment and annual audit plan was developed through the completion of the following activities:

- Reviewing external financial auditors' results.
- Assessing current and historical financial performance.
- Reviewing the City's Strategic Plan and alignment with objectives and goals.
- Discussions with Audit Committee, Senior Management, City personnel, and external financial auditors.
- Eide Bailly's general knowledge and observations of the City.
- Past internal audits performed.
- Information provided by the City.

Risk assessment is a systematic process for utilizing professional judgments to evaluate probable adverse conditions and/or events and their potential effects on the City. The process starts with identifying risks associated with business objectives linked through all levels of the City whether it is entity or process level.

- Entity level is the cornerstone for effective control. These objectives provide guidance on what the entity wants to achieve and should be consistent with budget, strategy, and business plans.

- Process level should align with entity level objectives but differ in that they relate directly to goal setting with specific targets and deadlines. It provides guidance for management focus.

## Risk Assessment Methodology

The risk assessment is the first step in determining which areas of the City has high risk factors that should be considered for inclusion in the annual audit plan. Eide Bailly developed a risk assessment approach specifically tailored for the departments, programs, and processes of the City. We began by planning and gathering data to facilitate the direction of the risk assessment and to establish the risk types.

**Planning and Data Gathering:** We began by understanding the City’s operations by gathering the City’s objectives, goals, and strategies in addition to the key financial, operational, and IT processes. Eide Bailly reviewed past financial audit reports for significant deficiencies or material weaknesses for financial risks. In addition, we took into consideration documentation provided to us, past audit work performed, along with status of remediated risks noted from past audits.

We facilitated detailed phone discussions with senior management to gain an understanding of the current controls, process structure, personnel involved, and supporting technology. Additionally, we discussed their roles, responsibilities, and concerns they have with the City or their operations overall.

**Develop Risk Types:** We began by defining risk and creating a risk framework. Risk is an event or condition that can negatively affect the ability of an organization to achieve its objectives. Risks are generally thought to be associated with taking actions; however, risks can also occur when no action is taken in the form of missed opportunities. This risk assessment incorporated ten (10) types of risks:

1. **Public Exposure / Health & Safety Risks:** This measure assesses risk in terms of keeping employees and citizens data safeguarded, as well as protection from serious injury. The measure takes into consideration that protecting the safety and health of Carson City citizens and employees is the highest priority and most significant responsibility of City government.
2. **Governance and Stakeholder Risks:** Risks derived from the attitude and actions of elected officials and executive management related to accountability, transparency and continuous improvement. This measure presumes that risk is decreased based on effective internal controls, management oversight and audit frequency, both internal and external audits.
3. **Business / Operational Risks:** Risks derived from core business practices, which rely on systems, practices, programs, and people. Within this risk domain are risks associated with a diverse number of operational areas. Risks associated with business objectives not being met due to poorly defined business strategies, poorly communicated strategies, or the City’s inability to execute these strategies due to inadequate organizational structure, infrastructure or alignment. Strategic risk is managed by appropriate organizational governance. Failure to adequately plan and execute against organizational goals may result in significant financial impact to the City along with damage to the City’s reputation.
4. **Reputational Risks:** Risk in terms of potential negative public relations impacts caused by the level of visibility and/or public interest in conjunction with financial or operational performance exposure resulting in the City’s reputation being impaired or damaged. Reputation risk includes the risk that the City may be subject to lawsuit, poor management of an operational crisis, event or specific reputation issue, or City not meeting stakeholder expectations.

5. **Liquidity and Negotiability Risks:** Risk that processes may not be effective or efficient to meet the City’s regulatory obligations and liquidity needs. Failure to maintain liquidity levels and manage cash flows within established amounts to meet known and reasonable unforeseen funding requirements. City is unable to meet its commitments, including debt maturities. This measure assesses risk based on the nature and volume of cash transactions and the ease of converting assets into cash.
6. **Performance Risks:** Risks in terms of improved planning and performance management process may not be effective, efficient, or focused on core business service delivery. Performance indicators do not align with performance indicators of the City. Failure to adequately monitor and respond to third party inferior service or lack of performance.
7. **Legal and Regulatory Risks:** Risks associated with a variety of federal, state, and local laws and regulations. Failure to follow prescribed directives may result in substantial fines, restrictions, loss of business, and/or legal action.
8. **Size of Audit Unit / Human Capital Risks:** Risks associated with the type of behaviors encouraged by management; the methods used to reward employees; the approach to consistently enforce policies and procedures; the selection, screening, and training of employees; and the reason and frequency of turnover.
9. **Revenue Risk:** Risks associated with the City’s financial reporting being inaccurate, incomplete, or untimely due to a variety of factors including the pace of change, the amount of uncertainty, the presence of a large error, or the pressure on management to meet certain expectations.
10. **Budgeted Expense Risk:** This measure assesses risk based on the magnitude of an entity in terms of expenditures, the amount and volume of financial transactions and the number of employees.

**Deliver Measures and Insights:** The risk assessment uses a systematic approach that ranks the most important risks to the City. The most important risks determined by senior management are documented in the City’s Strategic Plan with a focus on the strategic goals and objectives of the organization. A common way to determine the relative significance of each risk is to “measure” it as a combination of the likelihood or probability of it occurring, and the impact if it does occur. Using the department data, discussions with City management, input from external financial auditors, past audits performed, and financial data and reports, an impact and likelihood of “low”, “medium” or “high” is assigned to map the risk for each auditable area.

- **Likelihood:** is calculated using several factors including.
  - Complexity of process
  - Volume of transactions
  - Known issues
  - Changes in personnel or processes
  - Level of monitoring and oversight
- **Impact:** is calculated using several factors including
  - Financial materiality
  - Degree of regulatory compliance

- Operational and strategic impact to City objectives
- Number of key IT systems
- Fraud risk

**Risk Scores:** Risks are summarized by assigning “low”, “medium” or “high” to both impact and likelihood. However, judgment is involved in evaluating whether a risk’s likelihood and impact are low, medium, or high.

A high-risk score does not mean that a department is ineffectively managed, that sufficient controls are not in place, or that the function is not performing properly. A high-risk score simply means that a negative event in that area would be particularly damaging or more likely to occur in the absence of effective controls.

The City’s Audit Committee, senior management, and leadership are the responsible authority to prioritize which risks get the most attention and resources. Those charged with governance know their entity best and how best to manage the risks identified.

## AUDIT PLAN

Internal audit was set up with an annual budget not to exceed \$110,000 annually. 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. Audit Committee will be briefed quarterly on the status of work completed to the approved Audit Plan and 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.



FY22/23 Proposed Internal Audits	Estimated Hours	Estimated Fees
<p><b>FY24 Risk Assessment</b> – Perform citywide risk assessment and develop the annual audit plan based on developed risk types and a combination of likelihood and impact.</p>	60	12,000
<p><b>Utility Billing (Water, Sewer &amp; Storm Water)</b> – To assess the current state of operational efficiency and effectiveness with the new utility billing program related to following activities: billing, pricing structure, refunds, discounts, adjustments, and customer outreach. Additionally, to identify opportunities for improving utility billing controls, including recommendations for addressing control gaps and ineffective control design or operation. Lastly, to determine whether improvements planned by management are sufficient to address issues, where applicable.</p> <p><i>Specific items identified for testing and review include:</i> (1) Ensure that new accounts are opened accurately; (2) Ensure that the on-going servicing of accounts complies with established policy and procedure, and with City Code; (3) Review basic system and operational control processes; (4) Ensure that performance monitoring and reporting are occurring; (5) Ensure that accounting data is captured accurately and timely, and that it is properly reconciled; and, (6) Review the Utility Rate Payor Assistance Program (URAP) to ensure donations are properly captured and amounts are applied to qualified accounts.</p>	280 hours	\$50,000
<p><b>Sheriff Mobile &amp; Body Worn Video Recording Equipment</b> – To determine whether mobile and body worn cameras and respective programs were being used and executed in accordance with Nevada Revised Statutes (NRS) and policies, and internal controls are adequately designed, administered, and monitored since the initial issuance.</p> <p><i>Specific items identified for testing and review include:</i> (1) Ensure body worn camera policy that focuses on the use of equipment and software aligns with the sheriffs program and related Nevada Revised Statutes; (2) Review current system user access and related monitoring; (3) Evaluate the effectiveness of internal controls surrounding the management of data requests; (4) Ensure proper training and written material are provided for mobile video and body worn camera; (5) Determine whether internal controls are in place to ensure body camera footage is properly collected, maintained, and monitored by appropriate personnel and whether the appropriate audit trail is captured when information is accessed; (6) Evaluate the adequacy of video retention and storage (juvenile detention and potentially alternative sentencing); and (7) Perform sample testing to ensure Start Up, Activation, Usage, Deactivation, Categorization &amp; Case Number – including non-evidence, and Upload of body cameras is effectively being performed.</p>	250 hours	\$45,000

<p><b>Special Projects</b> – Time to perform other procedures not otherwise associated with a specific audits, special request audits or consulting engagement (e.g. ARPA consulting) not originally captured on the plan, and for urgent audit issues that arise throughout the year.</p>	<p>TBD</p>	<p>TBD</p>
<p><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.</p>	<p>20</p>	<p>\$2,400</p>
<p><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.</p>	<p>5</p>	<p>\$500</p>
<p style="text-align: right;"><b>Estimated Totals</b></p>	<p><b>615</b></p>	<p><b>\$109,900</b> <b>(\$179 blended rate)</b></p>

## Audit Committee Agenda Item Report

Meeting Date: July 12, 2022

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 review of agreed upon procedures suggested by Eide Bailly regarding Utility Billing, if selected for the Fiscal Year (FY) 2023 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Utility Billing agreed upon procedures. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2023 Audit Work Program to the next Audit Committee meeting.

### **Suggested Action:**

I move to direct Eide Bailly and staff to proceed with the Utility Billing agreed upon procedures as discussed on the record.

### **Attachments:**

[SR - Agreed Upon Procedures - Utility Billing FY 23.docx](#)

[Utility Billing \\_Water Sewer Storm Water \\_Internal Audit Program.pdf](#)



# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

Staff Contact: Sheri Russell, Chief Financial Officer & Audrey Donovan, Senior Manager, Eide Bailly, LLP

Agenda Title: 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 (FY) 2023 Audit Work Program. (Sheri Russell, SRussell@carson.org)

Staff Summary: Representatives from Eide Bailly, LLP will be discussing and taking direction from the Audit Committee regarding the Utility Billing agreed upon procedures. Staff and Eide Bailly will bring the remaining agreed upon procedures for the items selected for the FY 2023 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 Bailly and staff to proceed with the Utility Billing agreed upon procedures as discussed on the record.

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

At the March 8, 2022 meeting, the Audit Committee and Eide Bailly, the Carson City internal auditor, discussed various annual projects for the FY 2023 Audit Work Program. At the July 12, 2022 meeting the Audit Committee will be voting on the FY 2023 Audit Work Program and has asked to review the agreed upon procedures before the internal audit begins. To be as efficient as possible, Eide Bailly has prepared the Utility Billing agreed upon procedures, which Staff is anticipating will be one of the projects approved by the Audit Committee for the FY 2023 Audit Work Program. If the Utility Billing Agreed Upon Procedures are approved, this will be the first audit project to be completed. All other agreed upon procedures for projects approved for the FY 2023 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)

## UTILITY BILLING – WATER, SEWER & STORM WATER AUDIT PROGRAM

### OBJECTIVES

To assess the current state of operational efficiency and effectiveness with the new utility billing program related to following activities: billing, pricing structure, refunds, discounts, adjustments, and customer outreach. Additionally, to identify opportunities for improving utility billing controls, including recommendations for addressing control gaps and ineffective control design or operation. Lastly, to determine whether improvements planned by management are sufficient to address issues, where applicable.

### AREAS TO CONSIDER:

- Ensure that new accounts are opened accurately;
- Ensure that the on-going servicing of accounts complies with established policy and procedure, and with City Code;
- Ensure that billing adjustments are properly supported;
- Review basic system and operational control processes;
- Ensure that performance monitoring and reporting are occurring;
- Ensure that accounting data is captured accurately and timely, and that it is properly reconciled; and
- Review the Utility Rate Payor Assistance Program (URAP) to ensure donations are properly captured and amounts are applied to qualified accounts.

### METHODOLOGY

#### Background & Scoping:

- (1) Obtain and review policies and procedures (P&Ps), workflows, finances, monitoring reports, and staffing related to the utility billing processes for Water, Sewer and Storm.
- (2) Perform walkthroughs and conduct interviews of management and key staff to assess internal control processes for new accounts, servicing of accounts, system and operational controls, completeness, accuracy and timeliness of accounting records, and compliance with URAP.
- (3) Review the City Ordinance and information on the City's website regarding rates and customer classifications (e.g., commercial and residential);

#### Fieldwork & Testing:

- (4) Review new accounts to ensure new accounts are opened accurately and account information is complete and accurate.
- (5) Verify that rates are billed completely, accurately, and timely as authorized for services received.
- (6) Verify that billing adjustments are calculated accurately and have the proper support and approval.
- (7) Review usage on vacant accounts (inactive accounts) and associated processes and controls for detecting vacant accounts in a timely manner.
- (8) Review for proper support and timeliness of service disconnection.

- (9) Verify billing system data is queried for anomalies (e.g., zero consumption).
- (10) Determine whether Supervisors undertake a periodic review of accounts receivable balances and amounts due are actually being collected on a timely basis.
- (11) Determine whether penalties and interest are assessed where allowable by law on delinquent accounts or late payments.
- (12) Verify that restrictive endorsements are made on incoming checks, if applicable.
- (13) Verify proper safeguarding of customer information.
- (14) Verify segregation of duties is appropriate and in alignment with individual users roles and responsibilities;
  - a. Billing responsibilities are segregated from those for collection and general ledger posting.
  - b. Independent oversight, control, and accounting of cash handling responsibilities
  - c. Adjustments (voids and refunds) are approved and documented by someone other than the person who made them.
  - d. Verify billing invoices are independently verified for accuracy.
  - e. Determine whether procedures are put in place to prevent unauthorized interception or alteration of billing invoices.
  - f. Ensure billing disputes are handled by staff who are independent of receivables record keeping.
  - g. Senior staff not involved in collection functions, formally approve write-offs or reductions of receivables.
- (15) Review URAP accounts and verify they are a qualified account based on proper support, verify donations are properly recorded and amounts are completely and accurately applied to accounts.

## **Audit Committee Agenda Item Report**

Meeting Date: July 12, 2022

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

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### **Subject:**

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

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

### **Suggested Action:**

N/A For discussion only

### **Attachments:**

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





# STAFF REPORT

Report To: Audit Committee

Meeting Date: July 12, 2022

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

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

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

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

## Proposed Motion

N/A

## Board's Strategic Goal

Efficient Government

## Previous Action

N/A

## Background/Issues & Analysis

Standing item for discussion and update.

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

Carson City Charter Chapter 3.075, CCMC 2.14.040

## Financial Information

Is there a fiscal impact?  Yes  No

If yes, account name/number:

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: N/A

## Alternatives

N/A

## **Board Action Taken:**

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

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

Aye/Nay

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

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

## **Audit Committee Agenda Item Report**

Meeting Date: July 12, 2022

Submitted by: Sheri Russell

Submitting Department: Finance

Item Type: Other / Presentation

Agenda Section:

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**Subject:**

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

**Suggested Action:**

Discussion only.

**Attachments:**