

CARSON CITY AUDIT COMMITTEE
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A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, August 12, 2008 in the City Hall Capitol Conference Room, 201 North Carson Street, Carson City, Nevada.

PRESENT: Chairperson Richard Staub
Vice Chairperson Ken Brown
Joe Eiben
Pete Livermore
Nick Providenti

STAFF: Sue Johnson, Internal Auditor
Melanie Bruketta, Chief Deputy District Attorney
Kathleen King, Recording Secretary

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

1. CALL TO ORDER AND DETERMINATION OF QUORUM (1-0007) - Chairperson Staub called the meeting to order at 3:05 p.m. Roll was called; a quorum was present. Member Livermore arrived at 3:09 p.m.

2. ACTION ON APPROVAL OF MINUTES - July 8, 2008 (1-0012) - Member Eiben moved to approve the minutes, as presented. Vice Chairperson Brown seconded the motion. Motion carried 3-0-1, Chairperson Staub abstaining.

3. DISCUSSION AND POSSIBLE ACTION REGARDING THE CURRENT STATUS OF ONGOING AUDITS AND OTHER ACTIVITIES OF THE CITY AUDITOR (1-0017) - Chairperson Staub introduced this item, and referred to the July 31, 2008 Monthly Status Report which had been previously distributed to the committee members. Ms. Johnson reviewed that portion of the status report pertinent to the Benefit Providers' Quarterly Review. Chairperson Staub entertained discussion of the committee members; however, none was forthcoming. Ms. Johnson expressed the opinion that the meeting with management staff was positive. [Member Livermore arrived at 3:09 p.m.]

Ms. Johnson reviewed that portion of the status report pertinent to the Redevelopment Authority Audit. She discussed the number of hours spent on this audit during the month of July. She advised of continuing to follow the audit plan, copies of which were previously distributed to the committee members. With regard to the field work associated with this audit, she discussed a challenge that "the policies and procedures [one] would anticipate looking at from an audit perspective ... are not there." She advised of having recently requested a copy of specific policies and procedures from Business Development Manager Joe McCarthy, and is awaiting a response. She has been auditing to the state statute, as outlined in the June status report. She reviewed and discussed specific examples of the problems experienced with the subject audit. She advised of success in working with Member Providenti "in terms of pulling information to identify major sources of funds that go through redevelopment, and also working on the large capital expenditures that go through redevelopment." She advised of conversation regarding the three departments within the Redevelopment Authority: administrative, revolving, and debt. She explained that the City has a "blended operation which is economic development and redevelopment" in consideration of the blighted areas and the charge to bring new business to those areas.

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In response to a question, Ms. Johnson expressed the opinion that business development is “intertwined” in the areas of economic development and redevelopment. In response to a further question, she was uncertain as to the specifics associated with the business development function. In consideration of her observations, she was uncertain as to whether this function could be clarified. “I think that there have to be specific objectives set up with some separations of accountability so you’ll be able to see that.” Ms. Johnson noted the need to determine the method by which to allocate the department’s total budget to economic development and redevelopment. “It really gets into this blended development that we have ongoing for the City.”

Member Livermore inquired as to whether the staff job descriptions support business retention or business recruitment. Ms. Johnson advised that the job descriptions reviewed were “manager level ...,” and that they need to be revised to reflect the current functions. She expressed the opinion that a clear set of policies needs to be established to specifically articulate the meanings of economic development, redevelopment, and “the blend.” She noted the opportunity to improve on the situation “because administratively it’s not where it needs to be.”

In response to a question, Ms. Johnson expressed the opinion that the responsibility for reviewing job descriptions may apply to other departments. In consideration of redevelopment and based on her field work, she expressed the opinion that “they fast tracked a lot of the projects that they’ve done. While they’re doing that, and it’s a two-person department, administratively, we didn’t put together the framework that redevelopment should work in.” Ms. Johnson advised of having studied the Las Vegas Redevelopment Authority internal policies and procedures, and expressed the belief that these could be simplified for Carson City to create the framework for redevelopment operations.

Chairperson Staub discussed a brief history of economic development and redevelopment operations in Carson City. He discussed the importance of “inject[ing] ... City management ... back into the process.” Member Livermore provided background information on the economic vitality study, completed approximately six years ago. Member Providenti advised that five or six years ago, “the money wasn’t as big as it is now.” Redevelopment District 2 has created a lot more revenue for the redevelopment authority. Member Providenti agreed with the need to establish policies and procedures “because you’re talking about a lot more money now.”

Chairperson Staub noted Burlington Coat Factory as an excellent example of the economic development / redevelopment blend. In reference to the July 31st Redevelopment Authority workshop, Member Livermore expressed the opinion that the Office of Business Development is too small to function properly. Discussion followed with regard to improving the function of the Office of Business Development.

In response to a question, Chairperson Staub advised there are formulas in place which are utilized to determine whether an incentive should be provided and how much the incentive should be based upon how it will be paid back to the City. He distributed, to the committee members and staff, written recommendations he had provided during the July 31st Redevelopment Authority workshop. He reviewed the recommendations in conjunction with an overview of the discussion which took place at the workshop. He discussed the difficulty associated with conducting an audit without established departmental policies and procedures. He advised of Ms. Johnson’s request to terminate the redevelopment authority audit in order to provide the opportunity create policies and procedures, and to address the issues raised during the July 31st workshop. He expressed support for suspending the audit for a period of time in order to allow for development and implementation of the policies and procedures, and perhaps resuming the audit toward the end of the year. If this is determined to be the course of action, Chairperson Staub requested a

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preliminary report from Ms. Johnson on the findings to date. He discussed the need for the City Manager's involvement in the processes associated with downtown redevelopment activities. He expressed the opinion that the \$25,000 threshold, in the current state of redevelopment affairs, is inappropriate.

Chairperson Staub reiterated Ms. Johnson's request to suspend the redevelopment audit in order to provide an opportunity to develop and implement policies and procedures for the redevelopment authority. He reiterated the recommendation that Ms. Johnson provide a preliminary report as to the findings regarding sponsorship programs, contracting, etc. Ms. Johnson reviewed the largest expenditures from the economic development and redevelopment authority administrative and revolving funds, and discussion followed. In response to a question, Member Providenti reviewed the process by which funds are allocated to the redevelopment authority each year. He clarified that the Finance Department does not provide input into how the funds are spent. Additional discussion took place with regard to Vice Chairperson Brown's request for Ms. Johnson to provide an analysis of expenditure in her preliminary report. Consensus of the committee was to review a draft preliminary report and determine a future direction.

Chairperson Staub entertained a motion. **Member Livermore moved to direct the auditor to suspend the current redevelopment authority audit, and to work with the redevelopment authority to develop policies and procedures with staff, to include the foundation and framework as described during this meeting, and to bring back to the audit committee a report of the current findings of the redevelopment authority audit, to date.** Ms. Bruketta acknowledged that the motion constituted a revision to the audit plan previously approved by the Board of Supervisors. At Chairperson Staub's request, **Member Livermore amended his motion to indicate a recommendation to the Board of Supervisors. Member Providenti seconded the motion. Motion carried 5-0.** Discussion took place with regard to the recommendation to the Board of Supervisors.

Ms. Johnson reviewed the remainder of the monthly status report, noting that the P2K portion of the work plan had been completed. Chairperson Staub entertained questions or comments; however, none were forthcoming.

4. DISCUSSION REGARDING THE METHOD BY WHICH TO INFORM THE AUDIT COMMITTEE, CITY MANAGER AND / OR DEPARTMENT HEADS OF AUDITS IN PROGRESS, AND POSSIBLE ACTION TO APPROVE A METHOD FOR DISTRIBUTION OF AUDIT INFORMATION (1-0980) - Chairperson Staub introduced this item. Ms. Johnson referred to discussion which took place at the July 8th committee meeting, as reflected in the minutes. She advised of having contacted the Washoe County Internal Auditor to inquire as to the method by which he communicates with his audit committee. She related details of their conversation, and distributed to the committee members and staff a sample of the progress schedule provided by the Washoe County Internal Auditor. She requested input of the committee members, and discussion followed. Ms. Bruketta advised that District Attorney Neil Rombardo will be sending a memo to the Audit Committee members addressing audit procedures. [Member Livermore left the meeting at 4:02 p.m. A quorum was still present.]

In response to a question, Chairperson Staub expressed support for the existing monthly status report format. He acknowledged the monthly status report is part of the public record and available upon request. Vice Chairperson Brown and Member Eiben also expressed support for the format of the progress schedule provided by the Washoe County Internal Auditor. Ms. Johnson agreed to provide a similar format as part of the monthly status report.

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5. DISCUSSION AND POSSIBLE ACTION REGARDING THE AUDIT COMMITTEE REPORT TO THE BOARD OF SUPERVISORS (1-1120) - Chairperson Staub introduced this item. Ms. Johnson distributed, to the committee members and staff, copies of the Internal Audit Quarterly Status Report outline, and reviewed the same. Discussion took place with regard to suggested revisions, and the committee members expressed support for the proposed format. Chairperson Staub requested Ms. Johnson to present the finalized report for approval at the next committee meeting.

6. FUTURE AGENDA ITEMS (1-1208) - Chairperson Staub reviewed the tentative agenda for the September committee meeting. (1-1234) Discussion indicated a preference to re-schedule the meeting to Monday, September 8th.

7. PUBLIC COMMENT (1-1232) - None.

8. ACTION ON ADJOURNMENT (1-1271) - Vice Chairperson Brown moved to adjourn the meeting. Member Providenti seconded the motion. Motion carried 4-0.

The Minutes of the August 12, 2008 Carson City Audit Committee meeting are so approved this 17th day of September, 2008.

RICHARD S. STAUB, Chair