

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the November 3, 2008 Meeting**  
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A meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Monday, November 3, 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, City 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.

**2. ACTION ON APPROVAL OF MINUTES - September 17, 2008 (1-0015)** - Member Eiben moved to approve the minutes, as presented. Member Livermore seconded the motion. Motion carried 5-0.

**3. DISCUSSION AND POSSIBLE ACTION REGARDING THE CURRENT STATUS OF ONGOING AUDITS AND OTHER ACTIVITIES OF THE CITY AUDITOR (1-0022)** - Ms. Johnson referred to the monthly status report, copies of which were distributed to the committee members and staff prior to the start of the meeting. She advised that all of the projects, through October 31, 2008, have been completed, and she reviewed the monthly status report. Following discussion, Chairperson Staub advised that the draft report of internal audit of St. Mary's Health Plan invoices, approved at the September 17, 2008 committee meeting, would be referred to the Board of Supervisors at its November 20, 2008 meeting. Ms. Johnson continued reviewing the monthly status report pertinent to the redevelopment audit. In response to a question, she reviewed that portion of the monthly status report pertinent to the travel and training policy. Chairperson Staub suggested requesting of City staff the current status of the travel and training policy.

**4. DISCUSSION AND POSSIBLE ACTION REGARDING PRELIMINARY FINDINGS OF THE REDEVELOPMENT AUTHORITY AUDIT; POSSIBLE ACTION TO DIRECT THE CITY AUDITOR TO SCHEDULE A CONFERENCE WITH THE DEPARTMENT MANAGER (1-0110)** - Chairperson Staub introduced this item, and requested Ms. Johnson to distribute the preliminary findings to the committee members and staff. He advised of having reviewed a draft report prior to this meeting. He noted the importance of presenting the draft findings to the committee prior to Ms. Johnson's resignation.

Ms. Johnson reviewed the "draft report" in detail, and responded to questions of clarification. Discussion took place regarding the function of the Redevelopment Authority Citizens Committee, as appointed by the Board of Supervisors. Additional discussion took place regarding the incentive program funding

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allocated to the First Presbyterian Church project. In response to a question, Ms. Johnson advised that the St. Charles Hotel incentive funding allocation was outside the audit period and, therefore, not included. In response to a question, Chairperson Staub discussed an audit conclusion that the “system itself should flag or at least lock up ... when it exceeds an approved maximum.” In response to a question, Member Providenti reviewed the Finance Department process for ensuring maximum amounts are not exceeded. He advised that Finance Department staff looks for department manager signature. Discussion followed with regard to technology used to track projects, and Chairperson Staub reviewed the recommendation at the top of page 10 of the draft report. Additional discussion took place regarding checks and balances.

Ms. Johnson continued reviewing the draft report. In response to a question, she advised of having attempted to contact Hannafin Design Associates on three different occasions to request information and documentation on the Daddy Dick’s Tavern project. In response to a question, Ms. Bruketta offered to attempt to contact Hannafin Design Associates. She noted that \$42,000 was spent on private legal advice, and suggested that the private law firm may have the necessary information. Discussion took place regarding the City’s policy to use the District Attorney’s Office as legal counsel. Ms. Johnson discussed a recommendation for the Office of Business Development to maintain a permanent file for all projects.

Ms. Johnson reviewed the Recommendations portion of the draft report, and discussion took place regarding suggested revisions to the language. Additional discussion took place regarding the purpose and function of the Redevelopment Authority Citizens Committee. Ms. Johnson reviewed that portion of the draft report pertinent to Finding 2. In response to a question, she reviewed the provisions of Resolution No. 1990-R-71. Member Providenti expressed the opinion that all contracts should be submitted through the Purchasing Department. Discussion took place with regard to the possibility of revising Resolution No. 1990-R-71, and Ms. Bruketta noted the distinction between the Board of Supervisors and the Redevelopment Authority. She suggested specifying the provisions of the resolution to the Redevelopment Authority. In response to a question, she advised that the District Attorney’s Office only reviews contracts which are submitted to the Board of Supervisors. With regard to the list of vendors on page 13, Ms. Johnson acknowledged that process for disclosure of staff’s previous association with a potential vendor would be “healthy.” Member Eiben related his experience in a similar situation. Ms. Johnson suggested the issue would be resolved by submitting all contracts through the Purchasing Division. Ms. Bruketta suggested adding language to indicate that incentive funding recipients may not be allowed to provide professional services to the Redevelopment Authority.

Ms. Johnson reviewed that portion of the draft report entitled Specific Deficiencies Summarized by Vendor, beginning at page 14. In response to a question, Ms. Bruketta advised that the District Attorney’s Office submits to the Board of Supervisors any retainer agreement in excess of \$25,000. She clarified that the District Attorney’s Office does not authorize any expenditures; retainer agreements under \$25,000 are submitted to the City Manager’s Office.

Ms. Johnson reviewed the Recommendations, beginning at page 21. Discussion took place with regard to recommendation 7, and Ms. Johnson suggested substituting the City Manager for the Finance Director for review of invoices presented for payment prior to issuance of disbursement up to a defined amount. Discussion took place regarding projects receiving in excess of \$100,000, and Ms. Johnson reviewed the Observations portion of the draft report. Additional discussion took place regarding the function of the Redevelopment Authority Citizens Committee and their meeting schedule.

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In response to a question, Ms. Johnson advised of a meeting scheduled for Monday, November 10<sup>th</sup> with City Manager Larry Werner and Business Development Manager Joe McCarthy to review the draft report and receive their comments, with the goal of presenting the draft report to the Board of Supervisors at their first meeting in December. Member Livermore expressed an interest in reviewing staff's comments. Chairperson Staub clarified that the draft report will be resubmitted to the committee for final approval and then be submitted the Board of Supervisors, pursuant to the provisions of the audit manual. In response to a question, Chairperson Staub advised of the expectation that staff would have a ten-day response period. Discussion took place regarding the next audit committee meeting.

Chairperson Staub entertained a motion to submit the draft report to City staff for review with comments due no later than Monday, November 17<sup>th</sup>. **Member Eiben so moved. Member Livermore seconded the motion. Motion carried 5-0.** In response to a question, Chairperson Staub provided direction to Ms. Johnson with regard to submitting the draft report to the City Manager.

**5. DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS THAT CONSIDERATION BE GIVEN TO AMENDING THE AUDIT COMMITTEE MEMBERSHIP BY REPLACING THE FINANCE DIRECTOR'S POSITION (1-2522)** - Chairperson Staub introduced this item. Member Providenti reviewed the composition of the Washoe County Audit Committee, and advised that the City Manager has a non-voting designee to the committee. Mr. Providenti acknowledged the benefit of having the replacement member be a certified public accountant, and discussion followed. Ms. Bruketta noted the potential conflicts for the Finance Director as a member of the audit committee, including the city auditor's performance review. **Member Livermore moved that the Audit Committee recommend to the Board of Supervisors a new membership category, with expertise in financial matters and Generally Accepted Accounting Principles ("GAAP"). Member Eiben seconded the motion. Motion carried 5-0.**

In response to a question, Ms. Bruketta pointed out that having the City Manager or his designee as a non-voting member would provide staff to the committee. **Member Livermore moved to authorize the City Manager to appoint a non-voting designee to the committee in an advisory capacity. Member Eiben seconded the motion. Motion carried 5-0.**

(1-2745) Member Providenti agreed to serve as a committee member until such time as the Board of Supervisors appoints his replacement. (1-2771) Ms. Bruketta advised that once Member Providenti's vacancy is effective, the Board of Supervisors would have one month to fill it. Chairperson Staub reiterated that Member Providenti should serve until he's replaced. Member Providenti suggested making the vacancy effective as of December 31<sup>st</sup>.

**6. DISCUSSION AND POSSIBLE ACTION TO CANCEL OR RESCHEDULE THE REGULARLY SCHEDULED NOVEMBER COMMITTEE MEETING (1-2509)** - Chairperson Staub entertained a motion to schedule the next meeting for Tuesday, November 25<sup>th</sup>. **Member Livermore moved to schedule the next meeting for Tuesday, November 25<sup>th</sup> at 3:00 p.m. Member Eiben seconded the motion. Motion carried 5-0.**

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- 7. FUTURE AGENDA ITEMS (1-2682)** - Member Livermore requested to agendaize discussion regarding replacement of the City Auditor. Ms. Johnson advised that Kafoury, Armstrong representatives had requested to present their preliminary findings to this committee at the next meeting. In consideration of the number of agenda items, consensus of the committee was to schedule the meeting for 2:00 p.m. on November 25<sup>th</sup>.
- 8. PUBLIC COMMENT (1-2755)** - Vice Chairperson Brown thanked Ms. Johnson for “a very in-depth and professional presentation” and expressed his regrets over her resignation.
- 9. ACTION ON ADJOURNMENT (1-2823)** - Member Livermore moved to adjourn the meeting at 5:14 p.m. Member Eiben seconded the motion. Motion carried 5-0.

The Minutes of the November 3, 2008 Carson City Audit Committee meeting are so approved this 25<sup>th</sup> day of November, 2008.

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RICHARD S. STAUB, Chair