

CARSON CITY AUDIT COMMITTEE
Minutes of the November 10, 2009 Meeting

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A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, November 10, 2009 in the City Hall Capitol Conference Room, 201 North Carson Street, Carson City, Nevada.

PRESENT: Chairperson Pete Livermore
Vice Chairperson Ken Brown
Member Yerania Martell-DeLuca
Member John McKenna
Member William Prowse

STAFF: Nick Providenti, Finance Department Director
Thoran Towler, 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 part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

1. CALL TO ORDER AND DETERMINATION OF QUORUM (1-0007) - Chairperson Livermore called the meeting to order at 3:03 p.m. Roll was called; a quorum was present. At Chairperson Livermore's request, the committee members introduced themselves and provided brief background information on their residence and work experience in Carson City.

2. ACTION ON APPROVAL OF MINUTES – May 12, 2009 (1-0061) - Vice Chairperson Brown moved to approve the minutes, as presented. Chairperson Livermore seconded the motion, and entertained questions or comments of the new committee members. When none were forthcoming, he called for a vote on the pending motion; motion carried 5-0.

3. DISCUSSION AND REVIEW OF THE CARSON CITY AUDIT COMMITTEE MUNICIPAL CODE CHAPTER 2.14 AND CARSON CITY INTERNAL AUDIT MANUAL; and 4. DISCUSSION AND REVIEW OF THE AUDIT WORK PLAN FOR THE 2009 / 2010 FISCAL YEAR (1-0073) - Chairperson Livermore introduced this item, referred to the agenda materials, and provided background information on the contract internal auditor and the former internal auditor positions. He reviewed pertinent portions of Ordinance 2009-24 and Carson City Municipal Code, Chapter 2.14, copies of which were included in the agenda materials. He referred to the Carson City Internal Audit Manual, also included in the agenda materials.

In response to a question, Chairperson Livermore provided background information on the contract internal auditor request for proposals, and the four responses received which were reviewed by Finance Department staff, City Manager Larry Werner, and Vice Chairperson Brown. Mr. Providenti provided copies of Nicola Neilon's statement of qualifications to the committee members and staff, and Chairperson Livermore provided an overview of the same. Chairperson Livermore reviewed page 4 of the Carson City Internal Audit Manual.

(1-0281) Chairperson Livermore reviewed the work plan included in the agenda materials. In response to a question, he explained the method by which the audit work plan was developed. He discussed the Redevelopment Authority and Office of Business Development audit. In response to a comment, Member

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Martell-DeLuca discussed the benefit of following a risk assessment plan in minimizing controversy associated with the audit process. Chairperson Livermore acknowledged that the audit work plan was not developed based on a risk assessment plan. In response to a question, Mr. Providenti advised that the City's external auditor, Kafoury, Armstrong & Associates, has typically developed a risk assessment "for their purposes." In response to a further question, Chairperson Livermore explained that the audit work plan "was done on an assembly of recommendations from the City's department heads and elected officials ...". Mr. Providenti suggested the possibility of conducting a risk assessment.

Member Prowse inquired as to "external drivers in terms of the ongoing functions of the audit committee." Chairperson Livermore suggested "it would probably have to come from our external auditor." He expressed the opinion that Kafoury, Armstrong & Associates has provided the City "great reviews." He expressed the further opinion that a risk assessment would likely be "minimal at this point." Mr. Providenti was uncertain as to the "rhyme or reason" behind designating the audits in the work plan. He reiterated that no formal risk assessment was ever conducted; the former internal auditor sent a questionnaire to the department heads and elected officials inquiring as to potential issues.

Chairperson Livermore reviewed the "Work in Progress" section of the audit work plan. He and Mr. Providenti provided clarification of the P2K System and PERS compliance audits. Chairperson Livermore acknowledged that the financial policy review risk assessment has not yet been engaged. In response to a question, he advised of an informal report provided to the Board of Supervisors regarding the P2K System and the PERS compliance audits. Member Prowse expressed an interest in reviewing a copy of the report(s). Member Martell-DeLuca expressed an interest in reviewing the 2008 annual audit. Chairperson Livermore offered to make available, to the committee members, all of the audit committee meeting materials.

Member McKenna noted the purpose of the agenda item, and inquired as to whether the audit work plan has been established for 2009 / 2010. Extensive discussion took place with regard to whether the audit work plan had been approved by the Board of Supervisors for 2009 / 2010, and the audit committee's role in consideration of the contract internal auditor's work. Member McKenna expressed a preference to have discussed at this meeting "what is an audit supposed to discover, how can we do it cheaper, how can we make the City more efficient through the audit process." Member Prowse expressed a preference for having been able to discuss the audit committee's role and operation.

In consideration of the agenda item, Member McKenna inquired as to the ambulance billing process. Chairperson Livermore advised that the City annually writes off approximately \$1.5 million in uncollectible bills. He further advised of discussions regarding the ambulance billing service and methods by which to "return money to the City through a billing process ..." Member McKenna advised of having reviewed the agenda materials, but was uncertain as to the ambulance billing process. Mr. Providenti described the ambulance billing service contract. Chairperson Livermore discussed the need to review the audit work plan with the contract internal auditor. In response to a question, Mr. Providenti advised that the City's time sheets have been standardized, and the City is in compliance with PERS requirements.

Member Martell-DeLuca requested a future agenda item to discuss the audit committee's role in working with a contract internal auditor. In response to a comment, Chairperson Livermore advised that the committee's role is "to direct the auditor to go have those discussions ... and report to this committee." Member Prowse noted there is no requirement for an audit to be completed. "There should be ongoing go

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/ no go decisions.” He inquired as to the possibility of discussing, at the next meeting, the contract internal auditor’s reporting process and whether a particular audit is fruitful or “whether it might make sense to stop an audit at a certain point and initiate another audit that appears would be more fruitful.” Member Martell-DeLuca noted that the audit manual was written for a City employee, and suggested incorporating a chapter pertinent to a contract internal auditor. In response to a question, Chairperson Livermore advised that the contract does not incorporate the internal auditor’s compliance with the audit manual. Mr. Providenti circulated the request for proposals among the committee members. Chairperson Livermore advised of “no audit plan to audit every department ... What we’ve done is we, by charter, are required to have an internal auditor for oversight. We also have, by NRS, the external auditor.” He expressed appreciation for the interest expressed by the committee members. Member McKenna read into the record a portion of Section 2.14.020, Purpose of the ... audit committee, relative to the committee’s duties. In response to a question, Mr. Providenti clarified that review of the annual budget was pertinent to the internal auditor’s position.

Based on research of the Board of Supervisors minutes, Mr. Providenti advised that the 2009 / 2010 audit work plan had not yet been approved. He acknowledged that the contract with the internal auditor was entered into based on the specifics of the request for proposals. Discussion followed, and Member McKenna read into the record the title of item 16 on the July 7, 2009 Board of Supervisors agenda, to approve Casey, Neilson & Associates as the best responder to request for statement of qualifications for the internal audit position. Mr. Providenti noted that the Board had approved hiring the contract internal auditor, but reiterated uncertainty as to whether an audit work plan for 2009 / 2010 had been approved by the Board.

Member Martell-DeLuca requested to agendize an item to review the internal audit manual, with suggestions for additions or amendments. Chairperson Livermore expressed the opinion that the contract with the internal auditor did not include amending the audit work plan. Member McKenna suggested that the audit committee could develop the City’s internal audit work plan, and discussion followed. Member McKenna expressed a preference for the committee to conduct a risk assessment in consideration of “who’s going to be audited, ... the depth of the audit, the scope, and revealing the work of the auditor.” He suggested the method by which the auditor conducts the work may be important in a bid situation, but expressed no interest in supervising the auditor or developing their work papers. He expressed the belief that the “biggest need to ensure that we meet our integrity requirement is that we start doing risk assessment for the City.” He advised that this is the role of General Motors’ audit committee as well as “just about anybody else.” He pointed out that the contract internal auditor will know her role, and reiterated the opinion that risk assessment should be a major function of the committee. Mr. Providenti suggested the Internal Audit Manual is more pertinent to running an internal audit department. In response to a question, Member McKenna expressed concern over a lack of understanding of his role as an audit committee member. He reiterated the importance of the committee determining its role in order to best serve the City, and a preference to focus on risk assessment.

Chairperson Livermore provided background information on the decision to audit Parks and Recreation Programs. Vice Chairperson Brown provided additional background information on the decision to designate the audits approved in the work plan. In response to a question, Member McKenna discussed a possible method by which to conduct risk assessments. Member Prowse read into the record a portion of Section 2.14.040(2)(a), and agreed with Member McKenna that participating in risk assessment is a major function of the committee. Discussion followed.

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Mr. Providenti read into the record a portion of the March 6, 2009 Board of Supervisors minutes pertinent to the action taken to issue a request for qualifications for the contract internal auditor. Based on the minutes, Chairperson Livermore expressed the belief that the audit work plan had not yet been approved by the Board for FY 2009 / 2010.

Member McKenna reiterated an interest in agendizing discussion of the committee's role. In reference to the Board of Supervisors' discussion of whether a supervisor should serve as a member of the audit committee, Member McKenna expressed support for a supervisor serving as a committee member "just like everybody else." In response to a comment, Chairperson Livermore assured the committee he serves "as one of five" members of the Board. In response to a comment, Member McKenna advised that the ordinance creating the committee is the "committee charter." He cautioned the other committee members against acting on behalf of the committee outside the committee's authority. Following a brief discussion, Member Martell-DeLuca agreed to provide a sample committee charter to the other members. In response to a question, Member McKenna expressed an interest in inviting the contract internal auditor to the next committee meeting "if it doesn't cost too much."

5. DISCUSSION AND ACTION TO SCHEDULE THE TIME AND DATE OF THE NEXT AUDIT COMMITTEE MEETING (1-1497) - Mr. Towler noted that CCMC 2.14.050 requires the committee to meet at least quarterly. In response to a question regarding a January meeting, he advised scheduling the meeting in addition to an alternative meeting date for the next quarter. Following discussion, Chairperson Livermore suggested scheduling the next meeting for Tuesday, January 12th. Additional discussion took place with regard to membership terms, and the meeting date and time. Consensus of the committee was to schedule the meeting for 4:00 p.m.

6. FUTURE AGENDA ITEMS (1-1644) - Following discussion, consensus of the committee was to agendize the following list of items: role of the audit committee members, audit committee charter, risk assessment to be performed by the contract internal auditor, scope of audits, audit work plan, and contract internal auditor reporting process.

7. PUBLIC COMMENT ON NON-AGENDIZED ITEMS (1-1885) - None.

8. ACTION ON ADJOURNMENT (1-1890) - Member Prowse moved to adjourn the meeting. Vice Chairperson Brown seconded the motion. Motion carried 5-0.

The Minutes of the November 10, 2009 Carson City Audit Committee meeting are so approved this _____ day of February, 2010.

PETE LIVERMORE, Chair