Carson City Board of Supervisors Agenda Report

Date Submitted: July 9, 2013

Agenda Date Requested: July 18, 2013

Time Requested: Consent

To: Mayor and Supervisors From: Purchasing and Contracts

Type of Action Requested: (check one)

Subject Title: For Possible Action: To accept the Carson City Audit Committees recommendation to approve Amendment No. 3 to Contract No. 1112-133 with MOSS-ADAMS, LLP (Certified Public Accountants), titled "Internal Auditing Services" to increase the contract term from September 30, 2013 to June 30, 2014 and perform the City's Internal Audit function for a not to exceed cost of \$110,000.00 to be funded from the Internal Audit Budget account as provided in FY 2013/2014. (Kim Belt)

Staff Summary: On January 19, 2012, the Carson City Board of Supervisors approved the above listed contract in the amount of \$110,000.00; on December 20, 2012, the Carson City Board of Supervisors approved Amendment 1, an increase to the contract term and approval to utilize the budget remainder from FY 2012/2013; and on June 20, 2013 the Carson City Board of Supervisors approved Amendment 2, an increase to the contract term. The Audit Committee is recommending amending the contract through June 30, 2014, in order for contractor to perform FY 13-14 Audit Plan Components which consist of: FWA Program Coordination, Fleet Utilization Study, Performance Metrics Development, Utility Billing Study, Wastewater Capital Program Study, and Affordable Care Act Risk Assessment.

| Board Action Taken: Motion: | 1) | Aye/Nay |
|------------------------------|----|---------|
| | | |
| (Vote Recorded By) | | |

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR AMENDMENT No. 3

Contract No. 1112-133

Internal Auditing Services

THIS AMENDMENT is made and entered into this 18th day of July, 2013, by and between the City and County of Carson City, a political subdivision of the State of Nevada, hereinafter referred to as the "CITY", and Moss Adams LLP., hereinafter referred to as the "CONTRACTOR", and is made to amend the existing contract known as CONTRACT # 1112-133.

WITNESSETH:

WHEREAS, during the performance of CONTRACTOR'S duties pursuant to CONTRACT # 1112-133 the CITY determined that additional time is required for CONTRACTOR to perform the original Scope of Work of the CONTRACT; and

WHEREAS, said amendment is at the request of both the CITY and CONTRACTOR, and that significant benefit will be derived by the CITY for said amendment.

NOW, THEREFORE, in consideration of the aforesaid mutual promises herein, CiTY and CONTRACTOR, by and through their respective authorized representatives hereby agree to:

- Amend Paragraph 2.1 of CONTRACT # 1112-133 to provide in its entirety as follows:
 - This Contract shall be effective from January 19, 2012, subject to Carson City Board of Supervisors' approval (anticipated to be January 19, 2012) to June 30, 2014, unless sooner terminated by either party as specified in **Section 7 Contract Termination**.
- 2 Amend Paragraph 5.1 of CONTRACT #1112-133 to provide in its entirety as follows:

City agrees to pay **CONTRACTOR** the **CONTRACT SUM** based upon time and materials for a not to exceed amount of Two Hundred Eighty Two Thousand Five Hundred Sixty Four Dollars and No Cents (\$282,564.00), which is an increase to the contract amount by One Hundred Ten Thousand Dollars and No Cents (\$110,000.00)

IT IS ALSO AGREED, that all unaffected conditions, requirements, and restrictions of the Original Contract document remain in full force and effect for the duration of the Contract term.

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CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR AMENDMENT No. 3

Contract No. 1112-133 Internal Auditing Services

ACKNOWLEDGMENT AND EXECUTION:

In witness whereof, the parties hereto have caused this Amendment to be signed and intend to be legally bound thereby.

CARSON CITY

KBelt@carson.org

Finance Director
Attn: Kim Belt, Purchasing &
Contracts Manager
201 North Carson Street Suite 3
Carson City, Nevada 89701
Telephone: 775-283-7137

Telephone: 775-283-7 Fax: 775-887-2107

CITY'S LEGAL COUNSEL

Neil A. Rombardo, District Attorney

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

| By: _ X_ nelt | By: Cand is Man |
|----------------------|--------------------------|
| KIM BELT | Deputy District Attorney |
| DATED <u>19113</u> . | DATED 7/9/13 |

CITY'S ORIGINATING DEPARTMENT

BY: Nick Providenti, Director Carson City Finance Department

Carson City, NV 89701 Telephone: 775-283-7143 Fax: 775-887-2107

Fax: 775-887-2107 NProvidenti@carson.org

DATED 1913

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR AMENDMENT No. 3

Contract No. 1112-133

Internal Auditing Services

Tom Krippaehne, deposes and says: That he is the **CONTRACTOR** or authorized agent of the **CONTRACTOR**; that he has read the foregoing Amendment; and that he understands the terms, conditions, and requirements thereof.

CONTRACTOR

| | DV. Tom Vrinneshne |
|---------|--|
| | BY: Tom Krippaehne |
| | TITLE: Partner FIRM: Moss Adams LLP |
| | CARSON CITY BUSINESS LICENSE #: 13- |
| | Address: 999 Third Avenue, Suite 3300 |
| | City: Seattle State: WA Zip Code: 98104 |
| | Telephone: 206-302-6544/ Fax #:206-622-9975 |
| | E-mail Address: Tom.Krippaehne@mossadams.com |
| | |
| | |
| | (Signature of CONTRACTOR) |
| | DATED |
| | |
| | |
| STATE | : OF) |
| Count | y of) ss |
| County | y or |
| Signed | and sworn (or affirmed) before me on this day of July, 2013, by Tom Krippaehne |
| | |
| | |
| | |
| Signati | ure of Notary) |
| | |
| Notary | Stamp) |

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CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR AMENDMENT No. 3

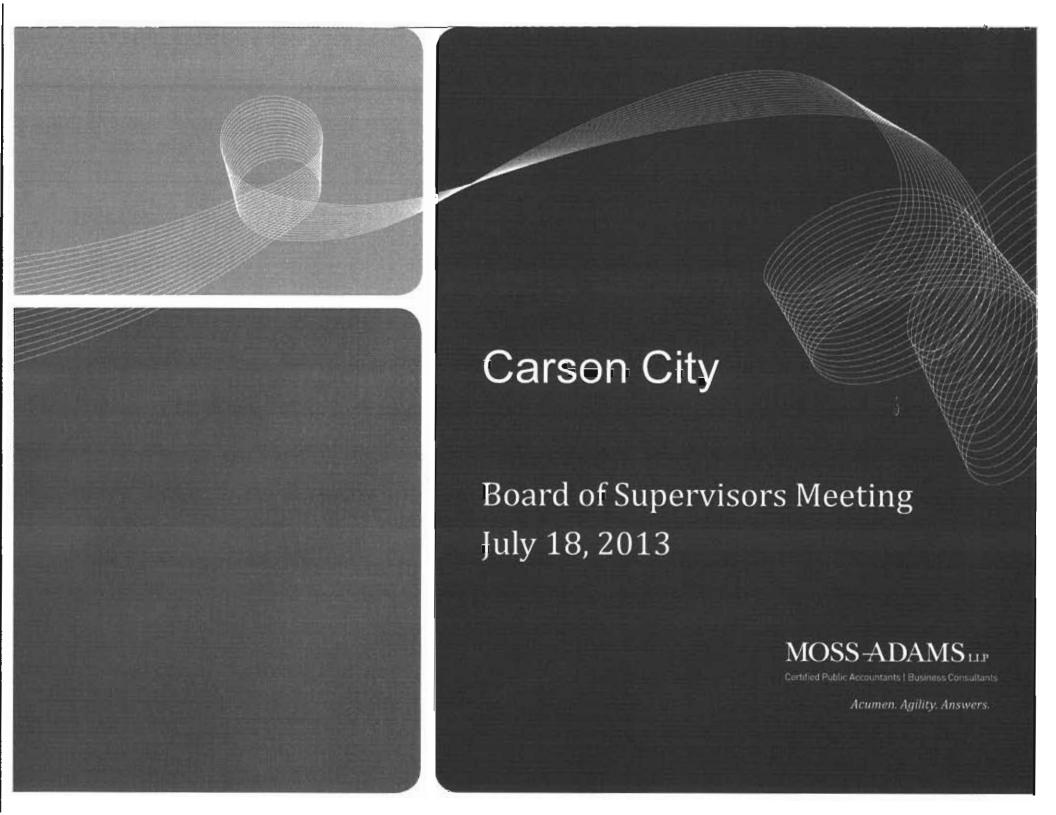
Contract No. 1112-133 Internal Auditing Services

CONTRACT ACCEPTANCE AND EXECUTION:

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting on July 18, 2013, approved the acceptance of **CONTRACT No. 1112-133**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to set his hand to this document and record his signature for the execution of this contract in accordance with the action taken.

| | CARSON CITY, NEVADA |
|--|--|
| | ROBERT L CROWELL, MAYOR |
| ATTEST: | DATED this 18 th day of July, 2013. |
| ALAN GLOVER, CLERK-RECORDER | |
| DATED this 18 th day of July, 2013. | |

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AGENDA

- I. Introduction
- II. Fleet Efficiency Study
- III. FWA Program Design
- IV. FY 12-13 Audit Program Review
- V. FY 13-14 Audit Plan

I. INTRODUCTION

- The City retained Moss Adams LLP in January 2012 to serve as the designated City Auditor and conduct projects focusing on:
 - Efficiency and effectiveness
 - Management reviews
 - Best practices
 - Compliance
- Work is being completed under the standards from the Institute of Internal Auditors (IIA) and the AICPA's consultancy standards

II. FLEET EFFICIENCY STUDY - CHALLENGES

- Good service, but not sufficiently focused
- Inability of operational structure and staffing to support fleet needs
- Financial and management information system not configured to effectively manage costs or encourage efficiencies
- Lack of consistent and comparable fleet and equipment maintenance data and awareness of costs relative to the marketplace
- Lack of a comprehensive fleet transportation policy that applies to officials and employees
- Operating in a reactive mode

II. FLEET EFFICIENCY STUDY - SOLUTIONS

- Hire key personnel
- Reconfigure facility
- Develop preventive maintenance program
- Develop policies, procedures, and tools
- Reconfigure and bid parts and service contracts
- Improve management systems
- Introduce performance metrics
- Track and analyze data and report on performance
- Update service charges
- Streamline fleet

II. FLEET EFFICIENCY STUDY - FINANCIAL IMPACT

| Cost Category | | Fleet Service | s Annual C | perating Resou | irces / Cos | ts |
|-------------------------------------|-------|---------------|------------|----------------|-------------|-------------|
| | Curre | ent Fleet | Recomm | ended Fleet | Change | |
| | FTEs | ANNUAL\$ | FTEs | ANNUAL\$ | FTEs | ANNUAL\$ |
| Fleet Manager | .50 | \$56,226 | 1.00 | \$112,452 | 0.50 | \$56,226 |
| Fleet Service Supervisor | 1.00 | \$87,772 | 1.00 | \$87,772 | 0.00 | \$0 |
| Mechanic III | 5.00 | \$384,312 | 5.00 | \$384,312 | 0.00 | \$0 |
| Service Mechanic I | 0.00 | \$0 | 3.00 | \$138,000 | 3.00 | \$138,000 |
| Storekeeper | 0.00 | \$0 | 1.00 | \$40,000 | 1.00 | \$40,000 |
| PT Service Attendants | 0.00 | \$0 | 2.00 | \$40,000 | 2.00 | \$40,000 |
| Sub-Total | 6.5 | \$528,310 | 13.0 | \$802,536 | 6.5 | \$274,226 |
| Parts ¹ | | \$417,696 | | \$375,926 | 17.00 | (\$41,770) |
| Commercial Repair Work ² | | \$399,208 | | \$199,208 | | (\$200,000) |
| Shop Overhead | | \$227,304 | | \$227,304 | | \$0 |
| Utilization Study ³ | | \$30,000 | | (\$176,200) | The High | (\$146,200) |
| Sub-Total | *** | \$1,074,208 | | \$626,238 | | (\$447,970) |
| Net Impact | 6.5 | \$1,602,518 | 13.0 | \$1,428,774 | | (\$173,744) |

II. FLEET EFFICIENCY STUDY - ACTION PLAN

| Action | Timing |
|---|-------------|
| 1. Conduct Utilization Study | months 1-3 |
| 2. Hire Fleet Manager | months 3-5 |
| 3. Achieve parts and commercial work efficiency gains | months 6-8 |
| 4. Add storekeeper, mechanics, and service attendants | months 7-10 |
| 5. Bring select commercial work in-house | months 8-12 |

II. FLEET EFFICIENCY STUDY - KEY METRICS

| Metric | Definition | Best Practice | Actual | Status |
|--|--|----------------------------------|--------|--------|
| Fleet Availability Rate | Measures the degree to which fleet units are available to fleet customers | 95% overall, 85-98% by unit | | • • |
| • Fleet Repair Time | Measures how quickly vehicles are returned to service | 70% in 24 hrs. 90% in 72 hrs. | | • • • |
| • Return Rate | Measures fleet customer returns to the shop for the same problem within a specific period of time | < 1% | | |
| Billable Hour Percentage | Measures productivity (wrenching hours) of technicians by the percentage of shop labor hours charged to work orders | 70% | | • • • |
| Preventive Maintenance Performance Rate | Measures the percentage of preventive maintenance activities performed on or before the scheduled date | 95% | | |

III. FWA PROGRAM - COMPONENTS

- Definitions
- Fraud categories
- Ethics
- Roles and responsibilities
- Tracking and monitoring
- Hotline
- Technology
- Program review
- Communication plan
- Triage escalation
- Investigating complaints
- Reporting structure
- Training

III. FWA PROGRAM - DEFINITIONS

- Fraud is defined as a dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which City employees or an official committing the action would not normally be entitled. Fraud also encompasses intentional misleading or deceitful conduct that deprives the City of its resources or rights.
- Waste is defined as the needless, careless, or extravagant expenditure of City funds, incurring of unnecessary expenses, or mismanagement of City resources or property.
- Abuse is defined as the intentional, wrongful, or improper use or destruction of City resources, or seriously improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee or an official's position in a manner other than its rightful or legal use.

III. FWA PROGRAM - ROLES/RESPONSIBILITIES

- City Manager and Board of Supervisors set the tone for the program and provide a message on the City's intranet page promoting ethical behavior with appropriate links for reporting.
- District Attorney reviews reports to determine if there are civil matters to be addressed and takes appropriate actions.
- Sherriff review reports to determine if there are criminal matters to be addressed and takes appropriate actions.
- Human Resources receives complaints and works with management and union labor representatives to take appropriate action as a result of substantiated complaints.
- Risk Management for substantiated complaints, works with management to determine if financial loss can be recovered through insurance coverage.

III. FWA PROGRAM - ROLES/RESPONSIBILITIES

- City employees responsible for reporting suspected inappropriate activity.
- FWA Program Coordinator the City's Internal Auditor will be responsible for coordinating the FWA Program, monitoring, triaging complaints, and conducting investigations.
- Audit Committee provides recommendations to the Board of Supervisors but does not participate in conducting investigations.

III. FWA PROGRAM - TRACKING/MONITORING

- Complaints received by category and sub-categories
- Complaint triage / action taken
- Final disposition or conclusion reported based on Generally Accepted Government Auditing Standards (GAGAS) requirements
- Reporting

III. FWA PROGRAM - HOTLINE

- The hotline will be available 24 hours a day/7 days a week.
- Persons receiving calls are professionals, trained in how to obtain information needed to determine proper course of action.
- Hotline companies have the ability to receive documents and forward them to the City as evidence for the complaint.
- Hotline companies allow for the ability to communicate back and forth with the caller without revealing caller identity.
- Hotline companies provide notification to a designated City employee for issues that are time sensitive, credible, and warrant immediate attention.
- Hotline companies provide case management of calls received, including archiving and data retention.
- Reports are provided summarizing or detailing the calls received, including call type, disposition, and supporting documents, etc.

III. FWA PROGRAM - REPORTING STRUCTURE

- District Attorney's office potential civil activity
- Sheriff potential criminal activity
- Human Resources Department employee disciplinary action
- Audit Committee consideration of audits performed, status of investigations
- Board of Supervisors periodic reporting of activity

III. FWA PROGRAM - COSTS

Hotline

\$2,000 to \$4,000/year, \$2,500 setup

• Program Coordination

\$20,000/year

Training

\$5,000 to \$10,000/year

Total

\$27,000 to \$34,000/year

IV. FY 12-13 AUDIT PROGRAM - REVIEW

| Project | Fees | Potential Savings | Potential ROI |
|----------------------------|-----------|------------------------------|----------------|
| Risk Assessment/ Meetings | \$40,000 | | |
| Public Defender Study | \$20,000 | \$95,000 - \$369,000 | 5/1 to 18/1 |
| Eagle Valley Golf Study | \$20,000 | \$50 ,000 - \$100,000 | 3/1 to 5/1 |
| Community Facilities Study | \$15,000 | \$30,000 - \$60,000 | 2/1 to 4/1 |
| Fleet Efficiency Study | \$25,000 | \$174,000 - \$381,000 | 7/1 to 15/1 |
| FWA Program Development | \$20,000 | | |
| Total | \$140,000 | \$349,000 - \$910,000 | 2.5/1 to 6.5/1 |

V. FY 13-14 AUDIT PLAN - AUDIT COMM. ROLE



V. FY 13-14 AUDIT PLAN - COMPONENTS

| • | Basic Internal Auditor Services | $$10,000^{1}$ |
|---|-------------------------------------|-----------------------|
| • | FWA Program Coordination | \$25,000 ² |
| • | Fleet Utilization Study | \$30,0001 |
| • | Performance Metrics Development | \$30,0001 |
| • | Utility Billing Study | \$25,000 |
| • | Wastewater Capital Program Study | \$30,000 |
| • | Affordable Care Act Risk Assessment | \$25,000 |

¹ Audit Committee Recommendations for Internal Audit budget

² Audit Committee Recommendations for other City budget

V. FY 13-14 AUDIT PLAN - COMPONENTS

- Basic Internal Auditor Services: Attend Audit Committee and Board of Supervisors (BOS) meetings; perform implementation performance monitoring and review (52 weeks, \$10,000, plus expenses)
- Fraud, Waste, and Abuse (FWA) Program Coordination: Review calls to the hotline and other sources, oversee the distribution of response activities, coordinate with staff, provide training, and report FWA activities to the Audit Committee and BOS (52 weeks, \$25,000, plus expenses)
- Fleet Utilization Study: Evaluate the composition of the City's light and heavy-duty fleet inventory and associated policies to identify opportunities to reduce overall fleet operations and inventory expenses (10-12 weeks, \$30,000, plus expenses)
- Performance Metrics Development: Work with Department Heads to develop key performance metrics that align with GASB Concept Statement #5 (10-12 weeks, \$30,000, plus expenses)

V. FY 13-14 AUDIT PLAN - COMPONENTS

- Utility Billing Study: Assess opportunities for enhancing operational efficiency, service effectiveness, and internal controls (10-12 weeks, \$25,000, plus expenses)
- Wastewater Capital Program Study: Review the City's wastewater capital program related to project procurement, contract management, and future maintenance and operations (12-16 weeks, \$30,000, plus expenses)
- Affordable Care Act Risk Assessment: Assess the privacy and security elements affected by the 2013 Omnibus update to the HITECH Act, including identification of gaps between the requirements of HITECH and current policies, procedures, and training (10-12 weeks, \$25,000, plus expenses)