

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the July 2, 2013 Meeting**  
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A meeting of the Carson City Audit Committee was scheduled for 11:00 a.m. on Tuesday, July 2, 2013, in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Michael Bertrand  
Vice Chairperson William Prowse  
Member Kenneth Brown  
Member John Bullis  
Member John McKenna

**STAFF:** Nancy Paulson, Deputy Finance Director  
Randal Munn, Chief Deputy District Attorney  
Kathleen King, Deputy Clerk / 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 - 2. CALL TO ORDER AND ROLL CALL (11:00:25)** - Chairperson Bertrand called the meeting to order at 11:00 a.m. Roll was called; a quorum was present.

**3. PUBLIC COMMENTS AND DISCUSSION (11:00:43)** - Chairperson Bertrand entertained public comment; however, none was forthcoming.

**4. POSSIBLE ACTION ON ADOPTION OF AGENDA (11:01:16)** - Chairperson Bertrand entertained modifications to the agenda and, when none were forthcoming, a motion to adopt it, as published. **Vice Chairperson Prowse so moved. The motion was seconded and carried 5-0.**

**5. DISCUSSION AND POSSIBLE ACTION REGARDING THE PRESENTATION, DISCUSSION, AND POSSIBLE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON THE FRAUD, WASTE, AND ABUSE ("FWA") PROGRAM DEVELOPMENT, AS PROVIDED BY MOSS ADAMS, LLP (11:01:42)** - Chairperson Bertrand introduced and provided background information on this item. Member McKenna introduced Supervisor Bonkowski. Moss Adams, LLP Planning and Policy Director Mark Steranka provided additional background information on this item, and introduced Senior Manager Nancy Young, who reviewed the revised draft program document included in the agenda materials. Ms. Young responded to questions of clarification relative to the fraud hotline vendor costs and information and the training and policies and procedures sections of the draft program document. In response to a question, Mr. Munn advised that the Board of Supervisors would have the option of characterizing the FWA program document as a policy.

In response to a question, Mr. Steranka advised that the City of Stockton has a fraud hotline but that he had no statistical information to present at this meeting. Vice Chairperson Prowse advised that the Washoe County School District has a successful fraud hotline. He offered to provide the Washoe County Internal Auditor's contact information to Member Bullis. Vice Chairperson Prowse responded to questions of clarification relative to the success of the Washoe County School District's fraud hotline. Pursuant to a previous request, Ms. Young offered to provide a list of fraud hotline third-party vendors. Mr. Steranka clarified that the two vendors listed in the draft program document have "literally thousands of clients, both public and private sectors." Discussion followed.

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In response to a question, Ms. Young advised that she is prepared to provide the FWA Program training as soon as the program is approved by the Board of Supervisors. She acknowledged that the program could be easily implemented within a thirty-day period. She clarified "it would be dependent upon the City ... scheduling it and assigning employees to attend the training. ... But the training itself and the content and the material, it's all developed." Mr. Steranka suggested planning on implementing the program within a 30- to 60-day period in consideration of City processes. Vice Chairperson Prowse discussed a recent *Nevada Appeal* article relative to embezzlement, and expressed a preference to implement the program as soon as possible. Member Bullis advised of having reviewed the article and clarified the incident was not directly related to the City. He expressed the opinion that the embezzler was employed in the private sector by an employer "who may well have [had] a less-than-adequate records system and other safeguards in place." Member Bullis expressed agreement with implementing the FWA Program as soon as possible. In reference to a previous comment, Ms. Young advised of the intent to revise the Training section of the draft document to include an ethics provision. Vice Chairperson Prowse reviewed a list of suggested revisions to the draft program document. Ms. Young responded to corresponding questions of clarification and recapped the revisions to be made to the draft program document. [Member McKenna left the meeting at 11:29 a.m. A quorum of the committee was still present.]

In response to a question, Mr. Steranka explained costs associated with the fraud hotline and the role of the FWA Program Coordinator. He and Ms. Young responded to follow-up questions of clarification. Chairperson Bertrand entertained additional committee member questions or comments and public comments. When no comments were forthcoming, he entertained a motion. Following discussion, **Vice Chairperson Prowse moved to accept the report by Moss Adams on the Fraud, Waste, and Abuse Program Development, and recommend to the Board of Supervisors approval and initiation of the program as soon as possible. Member Brown seconded the motion.** Chairperson Bertrand suggested scheduling review of the program in one year. He entertained additional discussion and, when none was forthcoming, called for a vote on the pending motion. **Motion carried 4-0.**

**6. DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS THAT THEY EXTEND THE CONTRACT OF MOSS - ADAMS, LLP, TO PROVIDE INTERNAL AUDIT SERVICES FOR CARSON CITY THROUGH THE PERIOD ENDING JUNE 30, 2014** (11:39:02) - Chairperson Bertrand introduced this item and reviewed the agenda report. Mr. Steranka narrated the PowerPoint presentation included in the agenda materials. (11:42:37) Supervisor Bonkowski discussed the significance of "what the Board [of Supervisors] does with the information ...", particularly in reference to the Eagle Valley Golf Course. He expressed appreciation for the information provided by the internal auditor, but noted the importance of the Board of Supervisors "do[ing] something with it ..." Mr. Steranka noted that the Board took action relative to the golf course, and advised that the Carson City Municipal Golf Corporation has taken action on some of the internal auditor's recommendations. He suggested the benefit of getting feedback to the Audit Committee "so we can start to truly report back on actuals."

Vice Chairperson Prowse expressed appreciation for the table, at page 5, of the PowerPoint presentation and requested to include a "status of implementation" column. Chairperson Bertrand expressed appreciation for Moss-Adams, LLP's work over the past year, and entertained additional comments or questions. Mr. Steranka suggested also including the name of the City staff person responsible for implementation, and the committee members concurred.

Chairperson Bertrand entertained a motion. He acknowledged that approving the contract does not necessarily approve the FY 2013 / 2014 audit plan. Extensive discussion took place regarding the contract

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amount, and whether said amount would include the fraud hotline vendor. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors extension of the Moss Adams contract for one year, with the decisions relative to funding and to amount of the contract to be left to the Board of Supervisors. Member Brown seconded the motion. Motion carried 4-0.** Chairperson Bertrand entertained public comment; however, none was forthcoming.

**7. DISCUSSION AND POSSIBLE ACTION TO IDENTIFY, DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON ADDITIONAL PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2014** (11:55:16) - Chairperson Bertrand introduced this item, and Mr. Steranka reviewed that portion of the PowerPoint presentation relative to the subject item. He responded to questions of clarification, and discussion took place to clarify the committee's role and the audit plan.

Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors to consider having the internal auditor undertake the following audit components: to provide the basic internal auditor services, to provide Fraud, Waste, and Abuse Program coordination, to undertake and fund the fleet utilization study, and to perform the performance metrics development; and to hold off on the utility billing and wastewater capital components until progress has been made on the first four. Member Brown seconded the motion.** Chairperson Bertrand entertained public comment and, when none was forthcoming, called for a vote on the pending motion. **Motion carried 4-0.**

**8. DISCUSSION AND POSSIBLE ACTION TO CLARIFY THE ROLE OF THE AUDIT COMMITTEE AND THE INTERNAL AUDITOR** (12:30:20) - Chairperson Bertrand introduced this item. He discussed the importance of recommending projects relevant to the performance metrics, the internal control audits or special projects, and the monitoring and review elements as outlined in the FY 13 / 14 audit plan. Member Bullis expressed an interest in a report from the "financial auditor on their management report and their observations and suggestions." Discussion followed and, in reference to the Audit Committee ordinance, Vice Chairperson Prowse expressed the opinion that "our purview is ... quite extensive and there's a lot of room for us to undertake stuff just as we spoke about with the external auditors. So, although I see this as, perhaps, the primary function of the Audit Committee, there are a number of other functions that I believe we can and should, in the future, get into as opportunity comes up." Chairperson Bertrand noted the importance of focus and "as things move forward and we're getting some of these systems in line, we'll probably broaden out a little bit more."

Chairperson Bertrand entertained additional committee member questions or comments and public comments. None were forthcoming, and consensus indicated that no formal action was necessary.

**9. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE** (12:35:07) - Chairperson Bertrand suggested meeting every other month and, in response to a question, Mr. Steranka requested that an Audit Committee member be available to present the committee's recommendations to the Board of Supervisors at their July 18<sup>th</sup> meeting. Mr. Steranka suggested scheduling the next Audit Committee meeting for September or October. Consensus of the committee was to tentatively schedule the next committee meeting for Tuesday, October 8<sup>th</sup>.

**10. PUBLIC COMMENT** (12:38:45) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

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**11. ACTION TO ADJOURN** (12:38:58) - Member Brown moved to adjourn the meeting at 12:38 p.m. Vice Chairperson Prowse seconded the motion. Motion carried 4-0.

The Minutes of the July 2, 2013 Carson City Audit Committee meeting are so approved this 8<sup>th</sup> day of October, 2013.

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MICHAEL BERTRAND, Chair