

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the June 18, 2013 Meeting**  
**Page 1**

A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, June 18, 2013 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

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

**STAFF:** Nick Providenti, Finance Department Director  
Andrew Burnham, Public Works Department Director  
Randal Munn, Chief Deputy District Attorney  
Tamar Warren, 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** - Chairperson Bertrand called the meeting to order at 3:00 p.m. Roll was called; a quorum was present. Member McKenna was absent.

**3. PUBLIC COMMENTS AND DISCUSSION** - Chairperson Bertrand entertained public comment; however, none was forthcoming.

**4. POSSIBLE ACTION ON APPROVAL OF MINUTES - February 12, 2013** - A motion was made, seconded, and carried to approve the minutes, as presented.

**5. POSSIBLE ACTION TO ADOPT THE AGENDA (3:01:11)** - Chairperson Bertrand entertained modifications to the agenda and, when none were forthcoming, a motion to adopt the agenda. **Vice Chairperson Prowse moved to adopt the agenda. Member Brown seconded the motion. Motion carried 4-0.**

**6. PRESENTATION, DISCUSSION, AND POSSIBLE ACTION ON OPTIONS FOR THE DRAFT FRAUD, WASTE, AND ABUSE ("FWA") PROGRAM DEVELOPMENT AND POSSIBLE ACTION TO FORWARD RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (3:01:24)** - Chairperson Bertrand introduced and provided background information on this item. Moss-Adams, LLP Planning and Policy Director Mark Steranka provided an overview of the presentation relative to the subject and following agenda items, and a brief discussion ensued. Mr. Steranka introduced Moss-Adams, LLP Senior Manager Nancy Young and provided a brief overview of her qualifications.

Ms. Young narrated a PowerPoint presentation of the draft Fraud, Waste, and Abuse Program which was also included in the agenda materials, and responded to corresponding questions of clarification. In response to a question, Mr. Munn provided direction with regard to the most efficient method by which to take action on this item. Mr. Steranka clarified the purpose of the subject item. "This is an interim step where, by definition in our work plan, we wanted to bring certain elements to the Audit Committee, be able to get your feedback, and then further develop the program before we bring it back to you in total to, hopefully, adopt and recommend to the Board [of Supervisors]." Mr. Steranka requested the committee's feedback on the draft program materials.

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the June 18, 2013 Meeting**  
**Page 2**

Chairperson Bertrand entertained general questions or comments of the committee members. Member Bullis commended the draft program, and suggested "it could be very effective for the State." Vice Chairperson Prowse expressed the opinion that the Ethics portion of the program is "particularly important." Mr. Munn advised that the Charter Review Committee had recommended to the Board of Supervisors review of the City's Ethics Code. The Board subsequently directed the City Manager to convene a citizens committee to review the City's Ethics Code relative to the State's ethics statutes. Mr. Munn advised that "this Code is in total flux ...; it could completely change within the next year."

Member Bullis suggested placing more emphasis on the City employees' responsibility for reporting suspected fraud, waste, and abuse. With regard to the District Attorney's roles and responsibilities, under the Implementation section, Mr. Munn suggested that criminal investigations should be referred to the Sheriff's Office. He explained that the District Attorney's Criminal Division does not conduct their own investigations. "They take referrals from the Sheriff and decide whether to prosecute." Mr. Munn further clarified that civil investigations would be conducted by the Human Resources Department under advice from the District Attorney's Office.

In reference to advice from the District Attorney's Office, Vice Chairperson Prowse advised that the FWA Program Coordinator will likely not provide information to the Audit Committee or the Board of Supervisors. He suggested this "makes the program coordinator even more important." He recommended that the contract internal auditor function as the FWA Program Coordinator. Discussion followed and, in response to a question, Mr. Steranka discussed the program coordinator role of Moss-Adams, LLP in the City of Stockton's FWA Program. Vice Chairperson Prowse discussed the importance of the FWA Program being "independent from City management, the City employees. It also should be looked at as unbiased." Member Bullis reiterated support for the idea of Moss-Adams, LLP serving as the FWA Program Coordinator, but requested to "hold off." Chairperson Bertrand requested Ms. Young to "go ahead ... with the report ... and just keep that as an open item." Chairperson Bertrand further requested additional information on the costs associated with Moss-Adams, LLP serving as the FWA Program Coordinator.

In consideration of the Audit Committee's role, Vice Chairperson Prowse suggested that "it stay ... as it has been ... as providing recommendations to the Board of Supervisors, but not get directly involved in the hotline complaint or the investigative process ..." Discussion took place regarding possible methods for reporting FWA statistics to the Audit Committee. With regard to the Human Resources Department roles and responsibilities, under the Implementation section, Mr. Munn suggested adding the requirement to work with management and labor representatives to take appropriate action. In response to a question, Chairperson Bertrand advised that, with the previously discussed revisions, the committee was in agreement with the roles and responsibilities under that paragraph of the Implementation section.

Chairperson Bertrand requested each of the committee members to comment on the Fraud Hotline paragraph of the Implementation section. Member Bullis expressed agreement "that independence and confidentiality and experience would be very important here." He expressed the opinion that "an outside receiver of the calls would be acceptable." Vice Chairperson Prowse expressed the opinion that "depending on the cost," an outside vendor would be "the most efficient and effective way to do this." Member Brown expressed a preference for an external vendor. Chairperson Bertrand agreed, "depending upon the cost ..." Ms. Young advised that she would coordinate, with Vice Chairperson Prowse, the opportunity for the committee to participate in a demonstration from external vendors, "and for them to be putting together a cost package ... so that you can further make a decision ..." In response to a question, Ms. Young advised that an external vendor would manage the hotline as well as maintain evidence submitted through each call.

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the June 18, 2013 Meeting**  
**Page 3**

With regard to the Methods for Capturing Complaints paragraph, Ms. Young recommended establishing an intranet link. Following a brief discussion, the committee members concurred. Mr. Munn responded to questions regarding the applicability of the Nevada Open Meeting law relative to FWA reporting. Discussion took place regarding the Communication Plan and Reacting to Complaints paragraphs of the Implementation section. In response to a question, Mr. Providenti expressed agreement with the FWA policy and advised that “we’ll ... do what the Board tells us to do.” With regard to the Training section, Chairperson Bertrand suggested implementing a “train the trainer” program to ensure continuity.

Following a brief discussion, Ms. Young reviewed the revisions to be made to the draft FWA Program materials. Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to direct the internal auditors to proceed in development of the Fraud, Waste, and Abuse Program pursuant to the guidance provided at this meeting. Member Brown seconded the motion. Motion carried 4-0.** Chairperson Bertrand commended the internal auditors on their presentation and Vice Chairperson Prowse on his “persistence and work ...” In response to a question, Mr. Steranka advised that the revised draft will be presented to the committee prior to agendizing a recommendation to the Board of Supervisors.

**7. DISCUSSION AND POSSIBLE ACTION REGARDING THE PRESENTATION, DISCUSSION, AND POSSIBLE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON THE FLEET MANAGEMENT EFFICIENCY STUDY, AS PROVIDED BY MOSS-ADAMS, LLC (4:14:35)** - Chairperson Bertrand introduced this item, and Mr. Steranka introduced Greg Fassler, of Municipal Fleet Consultants, a “subject matter expert.” Mr. Steranka provided background information on development of the final report, which was included in the agenda materials.

(4:16:53) Ms. Fassler commended the Public Works Department and Fleet Services staff on their level of cooperation. He reviewed the City’s investment in its fleet, noting the importance of maintenance, and reviewed the final report. Mr. Steranka reviewed the recommendations included at page 2 of the report.

Chairperson Bertrand advised of having initially wondered about outsourcing the fleet management function. Mr. Steranka acknowledged that outsourcing is “a common topic in studies of this nature ...” He advised of the expectation that the City will develop an implementation plan in response to the recommendations of the study. He suggested that the study indicates “a great opportunity to improve efficiency and effectiveness and, in reality, one of the things we didn’t mention is the service ..., from all comments, is good and, in fact, maybe the service is too good, it’s too flexible, it’s too nice. We’re doing anything that we’re asked ... versus doing those things that would make us an efficient fleet operation as opposed to a wonderful steward to the needs of the various departments throughout the City.” Mr. Steranka discussed potential savings, as listed in the Appendix B recommendations. Mr. Fassler discussed a recommendation to consider leasing or financing “some of your bigger pieces of equipment. You cannot let fire engines and heavy equipment, big dollar-type items, go on and on because what you, in essence, will be doing will be putting a lot of liability issues on the line. You can extend the replacement interval on a sedan or a pickup truck pretty easily, but when you start to talk about emergency-type equipment, you have to take that a little bit more seriously.”

In consideration of the recommendation to hire three additional mechanics, Mr. Fassler advised that “you’re sending a lot of work out right now and ... the money that you’re spending for outsourcing work could be ... compensated for by hiring additional staff.” He noted the additional possibility of “putting on an overlapping or second shift because that was one of the major concerns coming from your fleet customers.”

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the June 18, 2013 Meeting**  
**Page 4**

He cautioned that “you’ve got a serious situation ... and it’s only going to get worse.” Chairperson Bertrand expressed concern over “throwing good money after bad. ... if they’re not competitive now and we start to increase ... positions, ... it’ll just compound the problem.”

In response to a question, Mr. Providenti advised that Fleet Services staffing has not been reduced. “The problem is ... we just don’t have the money to replace the fleet vehicles. ... we’ve basically ... told that to the Board [of Supervisors] for two or three years that we need money to replace fleet vehicles and ... it’s been a Board decision to basically make do with what we have.” Vice Chairperson Prowse commended the report, and noted the many “opportunities to improve” the fleet management operation. In consideration of operations, he further noted the importance of the fleet manager position. He expressed a preference for the City to “have an opportunity to show what they can do with enacting some of the recommendations ... before we take the jump for ... contracting the work out.” In response to a question, Mr. Fassler reviewed the key recommendations listed at page two of the final report. He suggested that a “turnaround” could be expected in “nine months to a year ...” He clarified the need to collect data in order to analyze it, and discussion followed.

Mr. Burnham expressed appreciation that the Fleet Services Division had been selected for audit “simply because we’ve been struggling for a long time and this is pretty good evidence of that.” He provided background information on the Public Works Department assimilation of the Fleet Services Division, and advised that “it’s a secondary operation for us. It hasn’t been something we’ve focused on at all and that’s, again, reflected in this. ... this is a good opportunity ... to do some things that really can help the City.” Mr. Burnham suggested that the key to the action plan “is try to do some actions that create some revenue or monies in order to keep the thing going. ... what they’ve come up with is an excellent start for us. Doing the utilization study potentially creates some money for us so that we can go hire the fleet manager and getting a full-time fleet manager is the one part that is going to get us over the hump to get us successful ... to be able to achieve all the things that are pointed out in the study.” Mr. Burnham expressed the opinion that “the fleet manager is the most important element, but creating some money in this tight market that we have within the City finances lets us get down that path ...” Mr. Burnham expressed the further opinion that the utilization study will be “eye-opening because ... some of the departments, probably ours included, are going to be, ‘Wow, we can’t live without that,’ but the reality is you need to go through that and ... we all recognize that that’s a step that needs to be done and ... we’re kind of looking forward to going through this to see if we can make this thing work better because it clearly can.”

Discussion followed to clarify the direction. Chairperson Bertrand entertained additional committee member questions or comments. In response to a series of questions, Mr. Burnham reviewed the levels of management over the Fleet Division. Member Bullis expressed an interest in discussing the final report recommendations with the head mechanic at the Fleet Services Division. Vice Chairperson Prowse commended the final report, and reiterated the opinion “to give the Public Works Fleet Division at least a year, maybe a little bit more to show what they can do.” Mr. Steranka acknowledged the recommendation to conduct a fleet utilization study. In response to a further question, he reviewed the focus of the same and discussion followed.

Chairperson Bertrand entertained a motion. Following a brief discussion, **Vice Chairperson Prowse moved to recommend the Moss-Adams report on fleet studies to the Board of Supervisors for their consideration. The motion was seconded and carried 4-0.** Chairperson Bertrand entertained a motion to recommend to the Board of Supervisors that Moss-Adams, LLP be engaged to perform a utilization study. Vice Chairperson Prowse expressed a preference to first review a proposal. Mr. Steranka advised of the intent to incorporate a utilization study as part of the recommended FY 2013 / 2014 audit plan.

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the June 18, 2013 Meeting**  
**Page 5**

Consensus indicated no need for additional formal action; however, Chairperson Bertrand suggested scheduling another committee meeting in July. Vice Chairperson Prowse expressed a preference for the City to provide the committee a written plan relative to implementing the recommendations listed in the final report.

**8. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE (5:06:19)** - Following discussion, consensus was that Moss-Adams, LLP would send a list of date options for the next meeting in July.

**9. PUBLIC COMMENT (5:08:24)** - Chairperson Bertrand entertained public comment. Mr. Munn noted, for the record, that public comment was not previously entertained on any of the action items because no other citizens were present in the meeting room during the entire course of the meeting.

**10. ACTION TO ADJOURN (5:08:51)** - Vice Chairperson Prowse moved to adjourn the meeting at 5:08 p.m. The motion was seconded and carried 4-0.

The Minutes of the June 12, 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