



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 12/21/2017

Staff Contact: Jason Link , Chief Financial Officer (jlink@carson.org) and Stephen Ferguson, Audit Committee Chairman

Agenda Title: Informational: Presentation, discussion, acceptance and possible direction to staff regarding the internal audit testing performed by Moss Adams. (Jason Link, jlink@carson.org)

Staff Summary: Moss Adams has been contracted by the Carson City Audit Committee and the Board of Supervisors to provide Internal Audit Services to Carson City. Moss Adams will be presenting a summary of the work completed over the fiscal year 2016-17. Projects include: payroll internal controls, p-card internal controls, small works projects review, public guardian review, purchasing & accounts payable internal controls, information technology HTE access testing.

Agenda Action: Other/Presentation

Time Requested: 20 minutes

Proposed Motion

N/A

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Moss Adams has been contracted by the Carson City Audit Committee and the Board of Supervisors to provide Internal Audit Services to Carson City. Moss Adams will be presenting a summary of the work completed over the fiscal year 2016-17. Projects include: payroll internal controls, p-card internal controls, small works projects review, public guardian review, purchasing & accounts payable internal controls, information technology HTE access testing.

Applicable Statute, Code, Policy, Rule or Regulation

N / A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

Do not accept the report.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



Carson City Internal Audit Program Update

Board of Supervisors Meeting

December 21, 2017



- I. Introduction
- II. Internal Audit Program Components
- III. Completed Projects Summary

Overview

I. Introduction

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



II. Internal Audit Program Components

Internal Audit

Risks

Internal Controls

Compliance

Performance

Areas of Focus: accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, public safety, risk management, and technology



III. Completed Project Summary

- Payroll Internal Controls Testing
- P-Card Internal Controls Testing
- Small Works Review
- Public Guardian Review
- Purchasing and AP Internal Controls Testing
- HTE Access Internal Controls Testing



III. Payroll Internal Controls Testing

- **Objective:** Test operating effectiveness of internal controls over payroll processing and timekeeping for selected active, newly hired, and terminated employees.
- **Findings (2):**
 - 8 out 10 terminated employees still had active system accounts.
 - 10 out of 40 timecards had been signed and approved prior to the pay period end date.
- **Audit Committee Approval:** 08-08-16
- **Management Action:** 1 completed, 1 expected to be completed by 12-31-17



III. P-Card Internal Controls Testing

- **Objective:** Test operating effectiveness of internal controls over procurement card (P-Card) transactions.
- **Findings (2):**
 - There are certain portions of the P-Card Program Manual that are not reflective of actual processes.
 - Some department use shared department or guardian P-Cards. and there are no policies and procedures specific to shared department and guardian cards to ensure strong controls around spending.
- **Audit Committee Approval:** 08-08-16
- **Management Action:** 2 expected to be completed by 12-31-17



III. Small Works Review

- **Objective:** Identify opportunities for improvement related to the administration of the City's Small Works projects that are performed by multiple divisions.
- **Findings (4):**
 - Policies and procedures
 - Cost accounting
 - Documentation
 - Reporting
- **Audit Committee Approval:** 02-14-17
- **Management Action:** 3 completed, 1 expected to be completed by 12-31-17



III. Public Guardian Review

- **Objective:** Assess documentation, administration, and internal controls for the Public Guardian's asset disposition process.
- **Findings (13):**
 - **Administration:** oversight of public guardian office, operational efficiency, file maintenance, policies and procedures
 - **Asset Processing:** documentation of asset existence and condition, inventory of sellable items, asset appraisal, asset storage
 - **Asset Liquidation:** advertisement of sale, use of liquidators, ensuring maximum value for asset, maintenance of receipts, deposit of sale proceeds
- **Audit Committee Approval:** 05-09-17
- **Management Action:** 8 completed, 5 expected to be completed by 12-31-17



III. Purchasing and AP Internal Controls Testing

- **Objective:** Test operating effectiveness of internal controls over purchasing and accounts payable (AP).
- **Findings (12):**
 - Documentation of the receipt of goods and services
 - Segregation of duties between receiver of goods and approver of goods
 - Establishing contracts for service vendors
 - Certificates of insurance for all required vendors
 - Appropriate use of purchasing methods
 - Obtaining quotes for all required purchases
 - Up-to-date and comprehensive policies and procedures
- **Audit Committee Approval:** 07-12-17
- **Management Action:** 6 completed, 5 expected to be completed by 12-31-17, 1 expected to be completed by 03-31-18



III. HTE Access Internal Controls Testing

- **Objective:** Test operating effectiveness of internal controls over access to the enterprise software system (HTE).
- **Findings (7):**
 - Adequate policies and procedures guiding system access administration
 - Compliance with documentation requirements
 - Standardized timing for performance of system access activities
- **Audit Committee Approval:** 10-03-17
- **Management Action:** TBD



III. Other Projects

- Policy and Procedure Review
- Cash and Revenue Collection Improvement
- Lean Initiative





The material appearing in this presentation is for informational purposes only and is not legal or accounting advice. Communication of this information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although these materials may have been prepared by professionals, they should not be used as a substitute for professional services. If legal, accounting, or other professional advice is required, the services of a professional should be sought.