

CARSON CITY AUDIT COMMITTEE (AC)
Minutes of the September 13, 2022 Meeting
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A regular meeting of the Carson City Audit Committee was scheduled for 1:30 p.m. on Tuesday, September 13, 2022 in the Community Center Robert “Bob” Crowell Board Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Stephen Ferguson
Member Bonnie Duke
Member Lisa Schuette
Member James Wells

STAFF: Sheri Russell, Chief Financial Officer
Mihaela Neagos, Deputy District Attorney
Danielle Howard, Public Meetings Clerk

NOTE: A recording of these proceedings, the committee’s agenda materials, and any written comments or documentation provided to the Clerk, 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

(1:31:42) – Chairperson Ferguson called the meeting to order at 1:31 p.m. Roll was called, and a quorum was present. Member Mayhorn was absent during the meeting.

3. PUBLIC COMMENT:

(1:32:03) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

4. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – JULY 12, 2022

(1:32:12) – Chairperson Ferguson introduced the item and entertained comments, questions, and a motion.

(1:32:29) – MOTION: Member Wells moved to approve the July 12, 2022 meeting minutes as presented. Member Schuette seconded the motion. The motion carried 4-0-0.

5. FOR POSSIBLE ACTION: ADOPTION OF AGENDA

(1:32:46) – Ms. Russell noted that there were no changes to the agenda, and the agenda was adopted.

6. MEETING ITEMS

6.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE RETEST OF THE INTERNAL VULNERABILITY ASSESSMENT AND EXTERNAL PENETRATION INITIALLY PERFORMED ON OCTOBER 30, 2020, AND ANY ADDITIONAL RECOMMENDATIONS NOTED.

(1:33:13) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the

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Cybersecurity Retest Summary Report, both of which are incorporated into the record, and Carson City Chief Information Officer Frank Abella responded to clarifying questions.

(1:36:32) – MOTION: Member Wells moved to approve the report and direct Staff to work on the recommendations as discussed. Member Duke seconded the motion. The motion carried 4-0-0.

6.B FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE ENDPOINT SECURITY ASSESSMENT AND WIRELESS ASSESSMENT INTERNAL AUDITS AND RECOMMENDATIONS.

(1:36:54) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Cybersecurity Endpoint Security Assessment Summary Report and Wireless Assessment Summary Report, all of which are incorporated into the record.

(1:37:52) – MOTION: Member Wells moved to approve the Endpoint Security Assessment and Wireless Assessment Internal Audits and recommendations. Member Duke seconded the motion. The motion carried 4-0-0.

6.C FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE PRELIMINARY RISK ASSESSMENT OF BODY WORN CAMERA PROGRAM AND RECOMMENDATIONS.

(1:38:15) – Chairperson Ferguson introduced the item. Eide Bailly Senior Manager Audrey Donovan, appearing via WebEx, thanked Carson City Undersheriff Jerome Tushband, also appearing via WebEx, for his time and involvement in the Preliminary Risk Assessment of Body Worn Camera Program, which is incorporated into the record along with the Staff Report. Ms. Donovan referenced the Preliminary Risk Assessment of Body Worn Camera Program, and she, Ms. Russell, and Undersheriff Tushband responded to clarifying questions.

(1:50:10) – Member Schuette commented that being able to read the management responses to the recommendations was “really helpful” and “brings to light the layers of seeing a project like this through.” She supported postponing an audit until the issues outlined in the Preliminary Risk Assessment of Body Worn Camera Program could be addressed.

(1:52:05) – MOTION: Member Wells moved to approve the report and direct Staff to work on the recommendations as discussed. Member Schuette seconded the motion. The motion carried 4-0-0.

6.D FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING THE MONITORING, REVIEW AND CLOSURE OF INTERNAL AUDIT FINDINGS AND/OR RECOMMENDATIONS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT AND PROVIDING A RECOMMENDATION TO THE BOARD OF SUPERVISORS TO CLOSE COMPLETED FINDINGS AND/OR RECOMMENDATIONS.

(1:52:25) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report and the

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accompanying attachments, all of which are incorporated into the record, and she, Ms. Donovan, and Mr. Abella responded to clarifying questions.

(1:58:45) – Regarding the recommendation for IT Vulnerability Update Internal Audit Item #6, Chairperson Ferguson believed that the vulnerability assessment retests were “an every two year type thing” that were included in the Annual Risk Assessment when there were extenuating circumstances or changes. He also noted that performing a retest every six months was not feasible, as Ms. Russell pointed out that doing so would result in “our entire budget” being spent on information technology (IT). Member Wells believed that retesting every six months was “a lot a bit overkill” and suggested participating in a discussion every year to determine if there are items that should be retested while relying on the experts in the IT field to indicate what they observe as the potential vulnerabilities. He also believed in “do[ing] the whole thing over” every two to three years. Chairperson Ferguson agreed with Member Wells’ input.

(2:07:00) – MOTION: Member Wells moved to recommend to the Board of Supervisors closing Community Development Internal Audit Finding #8, the one finding on the Wireless Assessment Internal Audit, End Point User Internal Audit Items #1 and #2, all of the remaining Items from the original IT Volatility audit, and Social Media Study Item #13. Member Schuette seconded the motion. The motion carried 4-0-0.

6.E FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO IDENTIFY, DISCUSS, AND PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS ON PROJECTS TO BE PERFORMED BY THE INTERNAL AUDITOR FOR THE PERIOD ENDING JUNE 30, 2023.

(2:08:00) – Chairperson Ferguson introduced the item. Ms. Russell referenced the Staff Report, which is incorporated into the record, and she indicated that \$10,000 were approved for the Risk Assessment for the Sheriff’s Body Worn Cameras, leaving \$35,000 available for if the AC wished to complete a different internal audit project during fiscal year (FY) 2023. Based on the “true up” performed by Eide Bailly from the last risk assessment, Ms. Donovan identified grants as one of the risk areas, and Eide Bailly was proposing performing a grant internal audit to determine whether the City’s financial control framework and related internal controls were effective and efficient to manage grant activity. Additionally, Eide Bailly wished to review the grant process and procedures, the policies and the controls for pre-award and post-award activity, operating and capital grants, federal and non-federal grants, and direct recipient and sub-recipient grants. Ms. Donovan also proposed an internal audit of contracts within the City Purchasing and Contracts Department as an option for another internal audit project, as there were “a decent amount of contracts that are new or ongoing related to services or/and construction,” there was a potential risk for poor performance by the vendor that the City Purchasing and Contracts Department may not address “timely,” and there was a Strategic Plan initiative for the City to create a central contracts repository by FY 2024 that may increase the risk of contracts that are not tracked or not tracked properly. She added that, for an internal audit of contracts, Eide Bailly would review the contracts in categories of less than \$50,000 and those that were greater than \$50,000, assess the contract monitoring procedures, review for certain required provisions that should be included in the contract, proper contract payments, and following of the policies and procedures. Ms. Donovan indicated that the budget for a grant internal audit would be

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approximately \$25,000 to \$35,000, and an internal audit of contracts would be approximately \$25,000. Ms. Russell was in favor of both suggested internal audit projects and noted that the budget of \$25,000 to \$35,000 for the grant internal audit was “reasonable.” Ms. Russell and Ms. Donovan also responded to clarifying questions.

(2:20:09) – Members Duke and Schuette supported starting with the grant internal audit first and performing the internal audit on the contracts within the Purchasing and Contracts Department later. Member Wells believed that a critical component was the scope of the internal audit project because he did not wish to overlap the single audit requirements. Ms. Russell assured the Members that she would present the agreed upon procedures for the internal audit project during the next AC meeting.

(2:22:15) – MOTION: Member Wells moved to approve allocating the \$30,000 funding to the grant internal audit project and the remaining \$5,000 to the Special Projects/Validation category and recommend the FY 2023 Audit Work Program to the Board of Supervisors. Member Duke seconded the motion. The motion carried 4-0-0.

6.F FOR PRESENTATION ONLY: DISCUSSION REGARDING FISCAL YEAR 2022 AUDIT WORK PROGRAM UPDATE AND HOTLINE ACTIVITY.

(2:23:02) – Chairperson Ferguson introduced the item. Ms. Donovan reported the following updates:

- Approximately \$28,000 of the \$110,000 budget had been expended, and Eide Bailly completed the Preliminary Risk Assessment of the Body Worn Camera Program.
- The Utility Billing was 30 percent complete, and Ms. Donovan anticipated completing the Utility Billing by the end of November 2022.
- The remaining budget would be used to complete the FY 2024 Risk Assessment and the Follow-Up Activities, with approximately \$500 being used for the Fraud, Waste, and Abuse Hotline.
- There was no activity to report for the Fraud, Waste, and Abuse Hotline, which Ms. Donovan had tested in order to confirm that the Hotline was working as intended.

6.G FOR DISCUSSION ONLY: DISCUSSION REGARDING DATES FOR THE NEXT MEETING OF THE AUDIT COMMITTEE.

(2:24:34) – Chairperson Ferguson introduced the item, and based on the dates proposed by Ms. Russell, the Committee agreed to schedule the next AC meeting on Tuesday, January 10, 2023 at 1:30 p.m.

7. PUBLIC COMMENT

(2:26:32) – Chairperson Ferguson entertained public comments; however, none were forthcoming.

8. FOR POSSIBLE ACTION: TO ADJOURN

(2:26:40) – Chairperson Ferguson adjourned the meeting at 2:26 p.m.

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The Minutes of the September 13, 2022 Carson City Audit Committee meeting are so approved this day 24th of January 2023.