

**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
AUDIT COMMITTEE**

Day: Tuesday
Date: February 14, 2017
Time: Beginning at 3:00 pm
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

AGENDA

1. Call to Order

2. Roll Call

3. Public Comments and Discussion:

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

4. For Possible Action: Approval of Minutes – November 16, 2016

5. For Possible Action: Adoption of Agenda

6. Meeting Items

6.A For Discussion Only: Discussion regarding audit findings from the June 30, 2016 Comprehensive Annual Financial Report (CAFR). (Nancy Paulson, npaulson@carson.org)

Staff Summary: City staff and a representative from Eide Bailly, the City's external auditor, will be discussing the audit findings from the June 30, 2016 CAFR and the corrective actions that have been taken.

6.B For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

6.C For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

6.D For Possible Action: To approve the use of FY 17 Internal Audit Work Program contingency funds to engage Moss Adams to perform a review of the Public Guardian asset liquidation process. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Board of Supervisors approved a contingency amount of \$15,000 as part of the FY 17 Internal Audit Work Program. A possible use of these funds is to engage Moss Adams to perform a review of the Public Guardian asset liquidation process. The number of wards in the Public Guardian program have increased substantially in the past several years. The large number of wards and the type of services the Public Guardian performs warrant the need for strong internal control policies and procedures. Because the accounts and other assets of the wards are not considered assets of the City most of the Public Guardian functions are not subject to review under the internal control policies and procedures of the City. Therefore, this is an area where separate review would be beneficial.

6.E For Possible Action: Presentation by Moss Adams on the Small Works Projects Review for the Audit Committee's consideration, discussion, and possible recommendation to the Board of Supervisors. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Board of Supervisors approved the Small Works Projects Review at their June 16, 2016 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

7. Public Comment:

The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

8. For Possible Action: To Adjourn

Agenda Management Notice - Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the City Manager's Office. You are encouraged to attend this meeting and participate by commenting on any agenda item.

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the City Manager's Office in

writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775) 887-2100 at least 24 hours in advance.

To request a copy of the supporting materials for this meeting contact Rachael Porcari at rporcari@carson.org or call (775) 887-2100.

This agenda and backup information are available on the City's website at www.carson.org, and at the City Manager's Office - City Hall, 201 N. Carson Street, Ste 2, (775) 887-2100.

This notice has been posted at the following locations:
Community Center 851 East William Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Community Development Permit Center 108 East Proctor Street

Posted: February 8, 2017

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A meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Wednesday, November 16, 2016 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Catherine Byrne
Member Donald Leonard

STAFF: Nancy Paulson, Chief Financial Officer
Adriana Fralick, Chief Deputy District Attorney
Kathleen King, Chief Deputy 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 Recording Secretaries Division of the Carson City Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (3:01:50) - Chairperson Bertrand called the meeting to order at 3:01 p.m. Ms. King called the roll; a quorum was present.

3. PUBLIC COMMENT (3:02:08) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - August 9, 2016 (3:02:41) - Chairperson Bertrand introduced this item, and entertained a motion. **Member Bagwell moved to approve the minutes. Member Leonard seconded the motion. Motion carried 4-0.**

5. POSSIBLE ACTION ON ADOPTION OF AGENDA (3:02:59) - Chairperson Bertrand introduced this item, and entertained a motion. **Member Leonard moved to adopt the agenda. The motion was seconded and carried unanimously.**

6. PUBLIC MEETING ITEMS:

6(A) DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (3:03:16) - Chairperson Bertrand introduced this item. Moss-Adams, LLP Partner Mark Steranka commended the outcome of the downtown improvement project. Mr. Steranka reviewed the agenda materials, responded to questions of clarification, and discussion ensued.

6(B) DISCUSSION REGARDING THE MONITORING, REVIEW, AND CLOSURE OF INTERNAL AUDIT FINDINGS INCLUDED IN THE AUDIT FINDINGS TRACKING REPORT, AND POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS FOR CLOSURE OF COMPLETED PROJECTS (3:14:26) - Chairperson Bertrand introduced this item. Moss-Adams, LLP Partner Mark Steranka reviewed the agenda materials, and

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responded to questions of clarification. Chairperson Bertrand entertained a motion. **Member Leonard moved to close the four items recommended for closure by Moss-Adams, LLP. Member Bagwell seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 4-0.**

6(C) PRESENTATION AND DISCUSSION ON DRAFT CITY-WIDE CASH HANDLING POLICY AND PROCEDURES, DEVELOPED BY THE CITY BASED ON RECOMMENDATIONS FROM MOSS-ADAMS, LLP, AS A RESULT OF THEIR CASH HANDLING IMPROVEMENT PROJECT (3:21:57) - Chairperson Bertrand introduced this item, and Chief Financial Officer Nancy Paulson provided background information. Ms. Paulson introduced City Treasurer Gayle Robertson, who reviewed the policy and procedures, which were included in the agenda materials. Ms. Robertson and Ms. Paulson responded to questions of clarification, and extensive discussion ensued. Chairperson Bertrand entertained additional discussion and, when none was forthcoming, thanked Ms. Robertson and Mr. Steranka. Member Bagwell thanked the City staff involved in preparing the policy and procedures.

7. PUBLIC COMMENT (3:47:27) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

8. ACTION TO ADJOURN (3:47:34) - A brief discussion took place to schedule the next committee meeting for 3:30 p.m. on Tuesday, February 14th. Chairperson Bertrand entertained a motion to adjourn. Member Bagwell moved to adjourn the meeting at 3:49 p.m. Member Byrne seconded the motion. Motion carried unanimously.

The Minutes of the November 16, 2016 Carson City Audit Committee meeting are so approved this _____ day of February, 2017.

MICHAEL BERTRAND, Chair



STAFF REPORT

Report To: Audit Committee

Meeting Date: 2/14/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Discussion Only: Discussion regarding audit findings from the June 30, 2016 Comprehensive Annual Financial Report (CAFR). (Nancy Paulson, npaulson@carson.org)

Staff Summary: City staff and a representative from Eide Bailly, the City's external auditor, will be discussing the audit findings from the June 30, 2016 CAFR and the corrective actions that have been taken.

Agenda Action: Other / Presentation

Time Requested: 20 minutes

Proposed Motion

No action.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

COMPLIANCE SECTION



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of the Board of Supervisors
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carson City, Nevada (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2016. Our report includes a reference to other auditors who audited the financial statements of the Airport Authority of Carson City, Nevada and the Carson City Convention and Visitors' Bureau, as described in our report on Carson City, Nevada's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters for the Airport Authority of Carson City, Nevada or the Carson City Convention and Visitors' Bureau that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

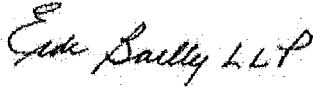
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada
November 21, 2016



CPAs & BUSINESS ADVISORS

**Independent Auditor’s Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance Required by Uniform Guidance**

To the Honorable Mayor and Members of the Board of Supervisors
Carson City, Nevada

Report on Compliance for Each Major Federal Program

We have audited Carson City, Nevada’s, (the City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2016. The City’s major federal programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

The City’s basic financial statements include the operations of the Airport Authority of Carson City, a discretely presented component unit, which received \$150,000 in federal awards which are not included in the City’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2016. Our audit, as described below, did not include the operations of the Airport Authority of Carson City because the Airport Authority of Carson City engaged other auditors to perform an audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Uniform Guidance. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Basis for Qualified Opinion on Highway Planning and Construction Cluster

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 20.505 Highway Planning and Construction as described in finding number 2016-002 for Cash Management requirements. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction Cluster

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster for the year ended June 30, 2016.

Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matter

The City's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-003 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plans. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Reno, Nevada
November 21, 2016

CARSON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016
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<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD NUMBER</u>	<u>FEDERAL EXPENSES/ EXPENDITURES</u>	<u>PAYMENTS TO SUBRECIPIENTS</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through Nevada Department of Conservation & Natural Resources:				
Nonpoint Source Implementation Grants - Ash Canyon Erosion Control	66.460	DEP-S 15-020	\$ 10,000	\$ -
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CW1403	378,500	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CW1601	67,018	-
Total Clean Water State Revolving Fund Cluster			445,518	-
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW1405	1,182,611	-
Total U.S. Environmental Protection Agency			1,638,129	-
<u>U. S. Institute of Museum and Library Services:</u>				
Passed through Nevada State Library and Archives:				
Grants to States - Building Habits of Mindcraft	45.310	LSTA 2015-02	5,000	-
Grants to States - Nevada Working Capital	45.310	LSTA 2015-10	72,910	-
Grants to States - Statewide Reading Program - Diversity in Action	45.310	LSTA 2015-20	2,900	-
Statewide Reading Program - Summer Reading Progr	45.310	LSTA 2015-20	2,450	-
Total Nevada State Library and Archives			83,260	-
Passed through Nevada Arts Council:				
National Endowment for the Arts - Circuit Rider Grant	45.025	NCR16:0:02	1,600	-
Total U.S. Institute of Museum and Library Services			84,860	-
<u>U.S. Department of Agriculture:</u>				
Direct programs:				
Cooperative Patrol	10.Unknown	11-LE-11051360-232	6,750	-
Passed through Nevada Department of Agriculture:				
Forest Health Protection	10.680	14-DG-11046000-606	11,100	-
Passed through Nevada Division of Forestry:				
Cooperative Forestry Assistance-Carson City Fuels Reduction	10.664	USDA/SFA/14/01	2,512	-
Passed through Nevada Department of Health & Human Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	200,807	-
Passed through Nevada State Controller:				
Forest Service - Schools and Roads Cluster Schools and Roads - Grants to States -	10.665	N/A	10,254	10,254
Total U.S. Department of Agriculture			231,423	10,254

CARSON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016
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FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AWARD NUMBER	FEDERAL EXPENSES/ EXPENDITURES	PAYMENTS TO SUBRECIPIENTS
<u>U.S. Department of Health and Human Services:</u>				
Direct programs:				
Family Planning Services	93.217	FPHPA096011-06-00	\$ 234,800	\$ -
Family Planning Services - Program Income	93.217	N/A	188,360	-
Family Planning Services - DC	93.217	5FPHPA096077-02-00	75,000	-
Family Planning Services - Program Income - DC	93.217	N/A	72,939	-
Total Family Planning Services			571,099	-
Passed through Nevada Department of Health and Human Services:				
Public Health Emergency Preparedness	93.069	5U90TP000534-04	355,259	-
Public Health Preparedness - CDC - Ebola	93.074	3U90TP000534-03S2	48,370	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1401NVPREP 1301 NVPREP	49,088	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS004681-02 1U52PS004681-01	19,911	-
Affordable Care Act (ACA) Abstinence Education Program	93.235	1501NVAEGP 1401NVAEGP	114,421	-
Immunization Cooperative Agreements - NV Billing Implementation	93.268	1H23IP000943-01 HD-15388	72,168	-
Immunization Cooperative Agreements	93.268	1H23IP000727-02	116,753	-
Immunization Cooperative Agreements - Program Income	93.268	N/A	25,262	-
Total Immunization Cooperative Agreements			214,183	-
National State Based Tobacco Control Programs	93.305	14841 / 1U58DP006009	79,006	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	3U50CK000419-02S1	15,663	-
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	93.521	5U50CK000419-02 1U50CK0004419-01	24,064	-
Child Support Enforcement - Title IV - D	93.563	N/A	22,984	-
Community Services Block Grant	93.569	243.10 / 1164.05	143,988	-
Epidemiology & Laboratory Capacity (ELC) Program - Ebola Supplement	93.815	3U50CK000419.01S2	19,125	-
Public Health Preparedness - Assistant Secretary for Preparedness and Response -Ebola	93.817	1U3REP150510.01-00	29,080	-
National Bioterrorism Hospital Preparedness Program	93.889	5U90TP000534-04	197,861	-

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016
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<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD NUMBER</u>	<u>FEDERAL EXPENSES/ EXPENDITURES</u>	<u>PAYMENTS TO SUBRECIPIENTS</u>
HIV Care Formula Grants - Ryan White Title II	93.917	2X07HA00001-25-00 6X07HA00001-26-1	\$ 84,702	\$ -
HIV Prevention Activities Health Department Based	93.940	5U62PS003654-05 5U62PS003654-04	46,268	-
HIV/AIDS and Surveillance Program	93.944	5U62PS004024-04	1,700	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010039-14 2B08TI010039-15	63,084	-
Preventive Health Services-Sexually Transmitted Diseases Control Grants-STD Prevention and Control	93.977	1H25PS004376-02 5H25PS004376-03 B04MC26680	18,983	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28112	28,967	-
Passed through National Association of County and City Health Officials: Medical Reserve Corps Small Grant Program	93.008	HITEP150026-01-00	1,998	-
Total U.S. Department of Health and Human Services			2,149,804	-
<u>U.S. Department of Housing and Urban Development:</u>				
Direct programs:				
Community Development Block Grants/ Entitlement Grants Cluster	14.218	B-14-MC-32-0006 B-15-MC-32-0006	443,895	443,895
Shelter Plus Care	14.238	N/A	62,590	-
Passed through Nevada Housing Division: Emergency Solutions Grant Program	14.231	E14-DC-32-0001	39,208	-
Total U.S. Department of Housing and Urban Development			545,693	443,895
<u>U.S. Department of the Interior:</u>				
Direct programs:				
National Fire Plan - Wildland Urban Interface Community Fire Assistance - "You Call - We Haul" Program	15.228	L12AC20470	19,211	-
Southern Nevada Public Land Management	15.235	CR02	131,099	-
BLM Law Enforcement Services	15.Unknown	L13PA00209	820	-
Passed through Nevada Department of Conservation and Natural Resources - State Historic Preservation Office: Historic Preservation Fund Grants-In-Aid - Historic Structures Report NV State Prison	15.904	P15AS00020(1)	24,499	-

CARSON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016
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<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD NUMBER</u>	<u>FEDERAL EXPENSES/ EXPENDITURES</u>	<u>PAYMENTS TO SUBRECIPIENTS</u>
Fish and Wildlife Cluster:				
Passed through Nevada Department of Wildlife				
Wildlife Restoration and Basic Hunter Education	15.611	F15AF00340 (W-51-HS-06)	\$ 18,708	\$ -
Total U.S. Department of the Interior			<u>194,337</u>	<u>-</u>
<u>U.S. Department of Justice:</u>				
Direct programs:				
Passed through Nevada Office of the Attorney General				
Sexual Assault Exam Program Support	16.588	2015-VAWA-36	<u>15,787</u>	<u>-</u>
Direct Programs:				
State Criminal Alien Assistance Program	16.606	N/A	<u>14,192</u>	<u>-</u>
School Resource Officer Program	16.710	2015-UM-WX-0049	<u>94,904</u>	<u>-</u>
Criminal & Juvenile Justice & Mental Health Collaboration Program	16.745	2013-MO-BX-0007	<u>68,963</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0262	7,574	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0688	850	-
Edward Byrne Memorial Justice Assistance Grant Program- Cops and Kids Community Policing and Prevention	16.738	2014-DJ-BX-0053	6,858	-
Passed through Nevada Department of Public Safety:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-JAG-02	40,648	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15-JAG-04	135,000	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15-JAG-12	3,135	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-39	5,164	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-39i	4,435	-
Edward Byrne Memorial Justice Assistance Grant Program - Drug Investigators Training	16.738	13-JAG-42	4,265	-
Edward Byrne Memorial Justice Assistance Grant Program - Tri-Net	16.738	14-JAG-03	<u>80,633</u>	<u>-</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>288,562</u>	<u>-</u>
Passed through Nevada Department of Health and Human Services:				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	N/A	<u>2,137</u>	<u>-</u>
Total U.S. Department of Justice			<u>484,545</u>	<u>-</u>
<u>U.S. Department of Transportation:</u>				
Passed through Nevada State Emergency Response Commission:				
Interagency Hazardous Materials Public Sector Training and Planning Grants - HMEP Training				
Advanced Tank Truck Response Training	20.703	15-HMEP-01-01	9,500	-
Attendance -Hazardous Materials Track - FireShowsWest Conference	20.703	15-HMEP-01-02	<u>585</u>	<u>-</u>
Total Interagency Hazardous Materials Public Sector Training and Planning Grants			<u>10,085</u>	<u>-</u>

CARSON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016
(PAGE 5 OF 6)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AWARD NUMBER	FEDERAL EXPENSES/ EXPENDITURES	PAYMENTS TO SUBRECIPIENTS
Highway Safety Cluster:				
Passed through Nevada Department of Public Safety:				
National Priority Safety Programs:				
Felony DUI Court	20.616	TS-2016-CC-DC-23 JF-2015-CCSO-00035	\$ 55,017	\$ -
National Priority Safety Programs	20.616	JF-2015-CCSO-00026	12,427	-
Electronic Traffic Citation Writing Devices	20.616	JF-2015-CCSO-00041	23,825	-
Total National priority Safety Programs			<u>91,269</u>	<u>-</u>
State and Community Highway Safety	20.600	JF-2015-CCSO-00035 JF-2015-CCSO-00026	18,881	-
Total Highway Safety Cluster			<u>110,150</u>	<u>-</u>
Federal Transit Cluster:				
Direct programs:				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	NV-90-X077-00	479,183	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	NV-90-X075-00	332,662	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	NV-90-X071-00	22,637	-
Total Federal Transit - Formula Grants (Urbanized Area Formula Program)			<u>834,482</u>	<u>-</u>
Passed through Nevada Department of Transportation: Bus and Bus Facilities Formula Program	20.526	NV-34-0002 PR484-15-802	162,178	-
Total Federal Transit Cluster			<u>996,660</u>	<u>-</u>
Passed through Nevada Department of Transportation: Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research: CAMP - FTA 5303 - Metropolitan Planning	20.505	NV-80-0017	11,968	-
Transit Services Programs Cluster:				
Passed through Nevada Department of Transportation:				
Enhanced Mobility for Seniors and Individuals with Disabilities - Jump Around Carson (JAC)	20.513	PR513-14-802 NV-16-X039	40,469	-
Enhanced Mobility for Seniors and Individuals with Disabilities - Low Floor 5 Person Minivan	20.513	PR421-15-802 NV-16-X039	34,089	-
Enhanced Mobility for Seniors and Individuals with Disabilities - Enhance Mobility	20.513	NV-2016-005-00	40,024	-
Total Transit Services Programs Cluster			<u>114,582</u>	<u>-</u>

CARSON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016
(PAGE 6 OF 6)

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD NUMBER</u>	<u>FEDERAL EXPENSES/ EXPENDITURES</u>	<u>PAYMENTS TO SUBRECIPIENTS</u>
Highway Planning and Construction Cluster:				
Passed through Nevada Department of Transportation:				
Highway Planning and Construction - Unified Planning Work Program	20.205	PR107-15-804	\$ 381,287	\$ -
Highway Planning and Construction - Safe Routes to School - Health	20.205	P449-12-802	109,017	-
Highway Planning and Construction - Carson City Freeway Multi-Use Path Project	20.205	P402-15-063	38,170	-
Highway Planning and Construction - Federal Highway Safety Improvement Program - Flashing Yellow Arrows Project	20.205	PR569-14-063	81,687	-
Highway Planning and Construction - Federal Transportation Alternatives Program - East Williams Street Shared Use Path Project	20.205	PR164-14-063	230,028	-
Highway Planning and Construction - Federal Transportation Alternatives Program - Western Nevada College Sidewalk Project	20.205	PR165-14-063	6,921	-
Total Highway Planning and Construction Cluster			<u>847,110</u>	<u>-</u>
Total U.S. Department of Transportation			<u>2,090,555</u>	<u>-</u>
<u>U.S. Department of Homeland Security:</u>				
Passed through Nevada Department of Public Safety:				
Pre-Disaster Mitigation	97.047	PDMC-PL-09 -NV-2014-5	73,823	-
Passed through Nevada Division of Emergency Management:				
Emergency Management Performance Grants	97.042	9704215	26,397	-
Emergency Management Performance Grants	97.042	9704216	47,626	-
Total Emergency Management Performance Grants			<u>74,023</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>147,846</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 7,567,192</u>	<u>\$ 454,149</u>

CARSON CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carson City, Nevada and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – De Minimis Cost Rate

The City has not elected to use the 10% de minimis cost rate.

**CARSON CITY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster	20.205
Federal Transit Cluster	20.507/20.526
Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Drinking Water State Revolving Funds	66.468

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

**CARSON CITY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section II - Findings Relating to the Financial Statement Audit Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS):

There were no findings reported.

**CARSON CITY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section III – Federal Award Findings and Questioned Costs

Finding 2016-001:	<p>U.S. Department of Transportation Federal Transit Cluster: Federal Transit – Formula Grants, CFDA 20.507 Bus and Bus Facilities Formula Program, CFDA 20.526</p> <p>Reporting Significant Deficiency in Internal Control over Compliance</p>
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that reports submitted to the federal awarding agency are complete, accurate, and supported by accounting records.
<i>Condition:</i>	The Transportation Division of the Carson City Public Works Department submits SF-425 Federal Financial Reports (SF-425) for the Federal Transit – Formula Grants. During our testing of the SF-425 reports, we noted that one of the reports included incorrect amounts for federal cash receipts and federal cash disbursements.
<i>Effect:</i>	Inaccurate information was reported to the federal granting agency.
<i>Cause:</i>	The Transportation Division of the Carson City Public Works Department did not have adequate procedures in place to ensure that submitted SF-425 reports are complete, accurate and supported by accounting records.
<i>Questioned Costs:</i>	None reported.
<i>Context/Sampling:</i>	A nonstatistical sample of two reports out of the nine reports submitted to the federal awarding agency during fiscal year 2016 were selected for testing.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Transportation Division of the Carson City Public Works Department enhance internal controls to ensure that SF-425 reports are reviewed in detail prior to submission to ensure that the reports are complete, accurate, and supported by accounting records.
<i>Views of Responsible Officials:</i>	The management of the Transportation Division of the Carson City Public Works Department agrees with this finding.

**CARSON CITY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-002:	<p>U.S. Department of Transportation Nevada Department of Transportation Highway Planning and Construction Cluster: Highway Planning and Construction, CFDA 20.205</p> <p>Cash Management Material Weakness in Internal Control over Compliance and Material Noncompliance</p>
<i>Criteria:</i>	The OMB Compliance Supplement states that for grants using the reimbursement payment method, the non-federal entity must disburse funds for program purposes before requesting payment from the pass-through entity.
<i>Condition:</i>	The Transportation Division of the Carson City Public Works Department submits reimbursement requests to the pass-through entity, the Nevada Department of Transportation. During our testing of the reimbursement requests, we noted one instance where payment was requested and received prior to funds being disbursed.
<i>Effect:</i>	Grant funds were received in advance of funds being disbursed.
<i>Cause:</i>	The Transportation Division of the Carson City Public Works Department did not have adequate procedures in place to ensure that reimbursement requests were submitted only after funds were disbursed.
<i>Questioned Costs:</i>	None reported.
<i>Context/Sampling:</i>	A nonstatistical sample of six reimbursement requests representing \$273,063 out of nine reimbursement requests totaling \$336,461 submitted to the pass-through entity during fiscal year 2016 and one for \$51,250 submitted in fiscal year 2015 were selected for testing.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Transportation Division of the Carson City Public Works Department enhance internal controls to ensure that reimbursement requests are submitted only after funds are disbursed.
<i>Views of Responsible Officials:</i>	The management of the Transportation Division of the Carson City Public Works Department agrees with this finding.

**CARSON CITY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-003:	<p>U.S. Department of Transportation Nevada Department of Transportation Highway Planning and Construction Cluster: Highway Planning and Construction, CFDA 20.205</p> <p>Other Significant Deficiency in Internal Control over Compliance</p>
<i>Criteria:</i>	The Uniform Guidance states that auditees must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements that, at a minimum, must provide total federal awards expended for each individual federal program and the CFDA number. For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of programs, and provide the applicable federal agency name.
<i>Condition:</i>	The City's Finance Department prepares the schedule of expenditures of federal awards. During our testing of the schedule, we noted one instance where a federal program that was part of the Highway Planning and Construction Cluster was reported with the incorrect CFDA number and not included within the cluster of programs.
<i>Effect:</i>	The City's schedule of expenditures of federal awards was not accurate.
<i>Cause:</i>	The City's Finance Department did not have adequate procedures in place to ensure that the schedule of expenditures of federal awards accurately reports total federal awards expended for each individual federal program and cluster of programs.
<i>Questioned Costs:</i>	None reported.
<i>Context/Sampling:</i>	N/A
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the City's Finance Department enhance internal controls to ensure that the schedule of expenditures of federal awards accurately report total federal awards expended for each individual federal program and cluster of programs.
<i>Views of Responsible Officials:</i>	The management of the City's Finance Department agrees with this finding.



CARSON CITY NEVADA

Consolidated Municipality and State Capital PUBLIC WORKS

CORRECTIVE ACTION PLAN
November 9, 2016

Dear Grantor Agencies:

The following is a discussion of our corrective action plan in response to the findings noted by Bide Bailly LLP in the Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 2016-001:

Federal Transit Cluster:
Federal Transit – Formula Grants, CFDA 20.507
Bus and Bus Facilities Formula Program, CFDA 20.526

Criteria:

The *OMB Compliance Supplement* requires that reports submitted to the federal awarding agency are complete, accurate, and supported by accounting records.

Recommendation:

We recommend the Transportation Division of the Carson City Public Works Department enhance internal controls to ensure that SF-425 reports are reviewed in detail prior to submission to ensure that the reports are complete, accurate, and supported by accounting records.

Management's Response:

The Transportation Division of the Carson City Public Works Department has taken corrective action through the enhancement of internal controls to ensure that SF-425 (Federal Financial Report, FFRs) reports are reviewed in detail prior to submission. The City will implement an extra review by another staff member to confirm whether the reports are complete, accurate, and supported by accounting records.

Finding 2016-002:

Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205

Criteria:

The *OMB Compliance Supplement* states that for grants using the reimbursement payment method, the non-federal entity must disburse funds for program purposes before requesting payment from the pass-through entity.

3505 Butti Way, Carson City, NV 89701 (775) 887-2355 FAX (775) 887-2112
Operations: Water, Sewer, Streets, Wastewater, Landfill, Environmental
Engineering, Transportation, Capital Projects

Recommendation:

We recommend the Transportation Division of the Carson City Public Works Department enhance internal controls to ensure that reimbursement requests are submitted only after funds are disbursed.

Management's Response:

The Transportation Division of the Carson City Public Works Department has enacted corrective action through the enhancement of internal controls to ensure that reimbursement requests are submitted only after funds are disbursed. The staff member now reviewing and submitting these requests has been properly trained on the process and how to accurately determine when funds have been disbursed.

The contact information for the person responsible for implementing the corrective action and management official responsible for ensuring that the corrective action has been taken is as follows:

Implementation

Graham Dollarhide
Transit Coordinator
3505 Butti Way, Carson City, NV 89701
E-mail: gdollarhide@carson.org
775-283-7583

Implementation

Dirk Goering
Senior Transportation Planner
3505 Butti Way, Carson City, NV 89701
E-mail: dgoering@carson.org
775-283-7431

Management Official

Patrick Pittenger
Transportation Manager
3505 Butti Way, Carson City, NV 89701
E-mail: ppittenger@carson.org
775-283-7396

Sincerely,



Darren Schulz
Public Works Director



CARSON CITY, NEVADA
CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

CORRECTIVE ACTION PLAN
November 10, 2016

Dear Grantor Agencies:

The following is a discussion of our corrective action plan in response to the findings noted by Eide Bailly LLP in the Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 2016-003:

Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205

Criteria:

The Uniform Guidance states that auditees must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements that, at a minimum, must provide total federal awards expended for each individual federal program and the CFDA number. For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of programs, and provide the applicable federal agency name.

Recommendation:

We recommend the City's Finance Department enhance internal controls to ensure that the schedule of expenditures of federal awards accurately report total federal awards expended for each individual federal program and cluster of programs.

Management's Response:

The Finance Department of Carson City has taken corrective action through the enhancement of internal controls to ensure that the Schedule of Expenditure of Federal Awards (SEFA) is reviewed in detail. The City will also enhance grant training for staff responsible for compiling the SEFA.

The contact information for the person responsible for implementing the corrective action and management official responsible for ensuring that the corrective action has been taken is as follows:

Implementation

Sheri Russell
Deputy Chief Financial Officer
201 N. Carson Street, Suite #3
E-mail: srussell@carson.org
775-283-7222

Management Official

Nancy Paulson
Chief Financial Officer
201 N. Carson Street, Suite #3
E-mail: npaulson@carson.org
775-283-7142

Sincerely,

Nancy Paulson
Chief Financial Officer

**CARSON CITY, NEVADA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

2015-A	Other Post-Employment Benefits Estimate Significant Deficiency
<i>Initial Fiscal Year Finding Occurred:</i>	2015
<i>Finding Summary:</i>	The City's other post-employment health care liability is calculated by an actuary using employee data provided by the City. The City excluded 11 employees from the data provided to the actuary, which resulted in an inaccurate estimate of the other post-employment health care liability.
<i>Status:</i>	Corrected
2015-001	U.S. Department of Transportation Federal Transit Cluster: Federal Transit – Formula Grants, CFDA 20.507 Bus and Bus Facilities Formula Program, CFDA 20.526
	Environmental Protection Agency Passed through Nevada Department of Conservation & Natural Resources Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
	Davis-Bacon Act Material Noncompliance and Material Weakness in Internal Control Over Compliance
<i>Initial Fiscal Year Finding Occurred:</i>	2015
<i>Finding Summary:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> requires that for construction contracts subject to the Wage Rate Requirements (also known as the Davis-Bacon Act), non-Federal entities obtain weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). Our testing of construction contracts noted several instances where the payrolls were submitted more than one week after the end of the weekly payroll. For the payrolls that were submitted later than one week, there was no documentation available of communication with the contractors to support efforts to ensure future reports would be submitted timely.
<i>Status:</i>	Corrected

**CARSON CITY, NEVADA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

2015-002

**U.S. Department of Health and Human Services
National Bioterrorism Hospital Preparedness Program, CFDA
93.889**

**Cost Principles
Material Noncompliance and Material Weakness in Internal Control
Over Compliance**

*Initial Fiscal Year
Finding Occurred:*

2015

Finding Summary:

The OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments compliance requirements state that charges for salaries and wages will be supported by periodic certifications. During our testing of payroll amounts charged to the National Bioterrorism Hospital Preparedness Program, it was noted that four of the 18 amounts tested did not have the required certifications.

Status:

Corrected

2015-003

**U.S. Department of Transportation
Federal Transit Cluster:
Federal Transit – Formula Grants, CFDA 20.507
Bus and Bus Facilities Formula Program, CFDA 20.526**

**Cost Principles
Material Noncompliance and Material Weakness in Internal Control
Over Compliance**

*Initial Fiscal Year
Finding Occurred:*

2014

Finding Summary:

The OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments compliance requirements state that charges for salaries and wages will be supported by periodic certifications. During our testing of payroll amounts charged to the Federal Transit Cluster, it was noted that six of the 15 amounts tested did not have the required certifications.

Status:

Corrected

CARSON CITY, NEVADA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-004

U.S. Department of Health and Human Services
Family Planning Services, CFDA 93.217

Reporting
Significant Deficiency

*Initial Fiscal Year
Finding Occurred:*

2015

Finding Summary:

The *OMB Circular A-133* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with program compliance requirements. During our testing of SF-425 reports submitted for this program during fiscal year 2015, we noted no evidence of internal controls over the preparation and submission of the reports.

Status:

Corrected



CPAs & BUSINESS ADVISORS

Auditor's Comments

To the Honorable Mayor and Members of the Board of Supervisors
Carson City, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City, Nevada (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the City failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2B to the financial statements.

Progress on Prior Year Statute Compliance

The City reported expenditures exceeding budgetary authority for the year ended June 30, 2015 in two instances. While efforts were made to prevent expenditures exceeding budgetary authority during the current year, the City reported expenditures exceeding budgetary authority in Note 2B to the financial statements in the current year.

Prior Year Recommendations

The status of the prior year audit findings is included in the Summary Schedule of Prior Audit Findings.

Current Year Recommendations

The current year findings are included in the accompanying Schedule of Findings and Questioned Costs.

Eide Bailly LLP

Reno, Nevada
November 21, 2016



STAFF REPORT

Report To: Audit Committee

Meeting Date: 2/14/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

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

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



Date: February 14, 2017
To: Carson City Audit Committee
From: Mark Steranka
Subject: Internal Audit Status Report November 1, 2016 through January 31, 2017

Schedule Status:

- Basic Internal Auditor Services: Ongoing.
- Small Works Projects Review: Projected initiation September 2016 and completion February 2017.
- Procurement Testing: Projected initiation December 2016 and completion March 2017.
- IT Controls Testing: Projected initiation January 2017 and completion May 2017.
- FWA Program Coordination: Ongoing.

Budget Status through January 31, 2017:

- Basic Internal Auditor Services: Expended \$7,175.00 of \$20,000 budget.
- Small Works Projects Review: Expended \$27,825.00 of \$30,000 budget.
- FWA Program Coordination: Expended \$3,150.00 of \$5,000 budget.

Activities for this Reporting Period:

- Basic Internal Auditor Services: Continued to maintain Audit Findings Summary Report, prepared Audit Committee meeting materials, and attended Audit Committee meetings.
- Small Works Projects Review: Completed review.
- FWA Program Coordination: There were no new reports received.

Activities for the Next Reporting Period:

- Basic Internal Auditor Services: Continue to attend meetings, maintain Audit Findings Summary Report, and perform findings validation as requested.
- Small Works Project Review: none.
- Procurement Testing: Conduct kickoff meeting.
- FWA Program Coordination: Continue to monitor the hotline and respond to reports as appropriate.

Issues:

- none



STAFF REPORT

Report To: Audit Committee

Meeting Date: 2/14/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Nancy Paulson, npaulson@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on the discussion.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

Carson City - Audit Findings Tracking Summary Report (revised 02-02-17)

Report Name	Report Submittal	BOS Report Approval	Plan to Implement	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
Community Facility Cost Recovery Study	11/28/2012	1/17/2013	2017	Internal Auditor	15	15			2 findings administratively closed
Employee Efficiency Study	11/25/2014	12/4/2014	2/9/2015	Internal Auditor	27	27			1 finding completed
Internal Controls Review	3/31/2015	6/4/2015	6/30/2016	Internal Auditor	42	38			7 findings completed, 1 admin. closed
Policy and Procedures Review	3/22/2016			Internal Auditor	5	4			1 finding administratively closed
Total					146	135			

Legend:

Report Submittal = date report submitted to City

BOS Report Approval = date report adopted by BOS

Plan to Implement = date implementation plan presented by management to BOS

Reporting Entity = organization that prepared the report

Report Findings = number of findings in the report

Completed Findings = number of findings completed by management

AC Approval = Audit Committee approval of completed findings

BOS Approval = Board of Supervisors approval of completed findings

Notes = notes about findings

Carson City
Community Facility Cost Recovery Study

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
7	1/17/2013	Yes, specify direction	IV.B.4	Question 18 funds would be available to support Theater operations if planned capital improvements were made.	Determine how to leverage Question 18 funds to make capital improvements and unlock operations funding.	Parks and Recreation, Finance	Parks and Recreation Director, Finance Director	Q18 revenues are still below 2008 levels, however the city has earmarked \$500,000 for Community Center improvements from the 1/8th cent program. This project is scheduled for 2017. Staff will be working with the public to determine needs and developing an action plan. Q18 will be used to augment the capital improvements.	\$ 75,000		administratively closed	2017		Not able to be implemented in the near term. Funding is not currently available.
8	1/17/2013	Yes, specify direction	IV.B.5	The Theater does not have dedicated marketing or booking support.	Investigate the feasibility of employing a dedicated marketing and booking staff member to manage and promote Theater reservations.	Parks and Recreation	Parks and Recreation Director, Recreation Operations Manager	The current staffing level has precluded employing a dedicated marketing staff. Booking is currently handled thru the department reservationist and the Theater manager. Staff is looking into online marketing, booking and ticketing programs.	TBD		administratively closed	2016		Not able to be implemented in the near term. Ticketing and marketing in the past have been the responsibility of the event. WNC provides their own ticketing, as does the school district for their programs. The Community Center markets events held in the Community Center with its new digital reader board located in front of the facility. Staff is interested in researching whether an online marketing/ticketing program will be advantageous and what the cost may be. Funding is not currently available.

Carson City
Employee Efficiency Study

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
5	12/4/2014	Yes, specify direction	5	The City does not fully leverage technology to optimize customer service efficiency and effectiveness.	Develop an IT Strategic Plan with a focus on how to leverage technology to develop more efficient workflows, provide more cost-effective customer service, and more efficiently utilize the IFC Technology Governance Committee.	Citywide	City Manager	The IT Director has been tasked with proposing a Strategic Planning framework to the Technology Governance Committee for its review and guidance regarding next steps.			Y	12/31/2016	12/19/2016	IT Strategic Plan is complete.

Carson City
Internal Controls Review

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
21	6/4/2015	Yes, specify direction	D1	The City is at risk that revenue is not completely and accurately recorded due to evidence of control weaknesses and process issues within individual departments and offices, as well as recent fraud.	Perform risk-based City-wide Cash Handling and Revenue Audits as part of the internal audit work program.	Treasurer / Finance	Treasurer / Chief Financial Officer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Nov 2016	Internal Audit Project completed
22	6/4/2015	Yes, specify direction	D2	Cash controls at remote collection sites are not periodically monitored and tested to ensure they are in place, properly designed, and operating in accordance with management objectives.	Periodically test cash controls at those sites within the City that collect cash to ensure that employees are adhering to City policies and procedures.	Treasurer / Finance	Treasurer / Chief Financial Officer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			P	6/30/2017		Final Cash Handling Policy has been added to PolicyTech. The Treasurer's Office will begin testing cash controls prior to fiscal year end.
23	6/4/2015	Yes, specify direction	D3	Money is not transported safely between City locations.	Consider a contract with an armored vehicle company for both daily City deposits and Parks and Recreation cash transport or implement additional safety controls.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	The final Cash Handling Policy has been added to PolicyTech. In addition, the City is now using armed alternative sentencing employees to transport deposits.
24	6/4/2015	Yes, specify direction	D4	Multiple employees share one cash till in certain locations.	Whenever possible, implement separate cash tills for each employee.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy.

Carson City
Internal Controls Review

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
25	6/4/2015	Yes, specify direction	D5	Within some departments, cash is held on-site and not deposited in a timely manner, despite the daily pick-up of deposits by a courier.	Implement processes to deposit cash daily.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy.
26	6/4/2015	Yes, specify direction	D6	Employees that are involved in the handling of cash, preparation of deposits, entry of deposit information, and the supervision of employees that perform these duties do not receive periodic cash handling training.	Determine which positions (employees) should receive cash handling training based on their job duties or supervisory responsibilities, and provide training.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			P	6/30/2017		Per the Cash Handling Policy, the Treasurer's Office will provide training to City Departments handling cash.
27	6/4/2015	Yes, specify direction	D7	Cash is not stored securely at certain locations, which results in the risk of misappropriation	In conjunction with the recommendations associated with the Revenue and Cash Collections 2 through 5 control objectives, securely store cash.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy.
28	6/4/2015	Yes, specify direction	D8	Within Parks and Recreation, the employee responsible for preparing the deposit can also make adjustments within the ActiveNet system.	Segregate the deposit preparation duties across two employees, so that one employee prepares the deposit and another employee makes entries into ActiveNet.	Treasurer	Treasurer	Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			Y	12/15/2016	Dec 2016	This requirement is included in the Cash Handling Policy.
30	6/4/2015	Yes, specify direction	D10	The City's Cash Handling Policy is out of date and is not well known by employees that handle cash throughout the City.	Update the City's Cash Handling Policy and train departments on the updated policy.	Treasurer	Treasurer	The Treasurers Office is in the process of updating the City's cash handling policy. Also, Moss Adams will be performing a cash handling / revenue collection improvement project as part of their FY 15-16 Internal Audit Plan.			P	6/30/2017		The final Cash Handling Policy has been added to PolicyTech. Per the Cash Handling Policy, the Treasurer's Office will provide training to City Departments handling cash.

Carson City
Internal Controls Review

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
31	6/4/2015	Yes, specify direction	E1	While a training program exists to provide mandated courses, such as sexual harassment prevention, the programs do not address internal controls and how to prevent and detect fraud, waste, and abuse.	Provide annual training to all employees on internal controls and fraud prevention.	HR / Finance	Chief Financial Officer / HR Director	The Finance Department will work with HR to research training programs that would be available to City employees on an annual basis.	TBD		administratively closed	6/30/2017		Will offer training as it becomes available.
32	6/4/2015	Yes, specify direction	E2	The City lacks documented comprehensive and up-to-date processes and procedures.	Document key processes and procedures and make timely updates for changes.	City-wide	City-wide	Moss Adams is currently performing an inventory of all City policies / procedures as part of the policies / procedures update portion of the FY 15-16 Internal Audit Plan.			P	6/30/2017		City Departments are in the process of updating existing and/or developing new policies and procedures to aid in the development of a citywide
41	6/4/2015	Yes, specify direction	F9	The IT Department does not currently have an intrusion detection system.	Garner support from IT Governance Committee to advocate funding of system. Select and implement an intrusion detection system as soon as funding is available.	IT	IT	IT is working on purchasing and installing security appliance and software to accomplish these goals.	\$ 23,000		Y	12/31/2016	12/31/2016	Implementation complete.

Carson City
Policy and Procedures Review

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
3					Develop easy-to-understand guidance on key functions that operate according to state law.			Will work with elected officials to establish procedures for the various functions performed by their Departments			administratively closed	12/31/2016		Will encourage Elected Official Departments to establish procedures for their various functions.
5					Consider revising the City's Municipal Code to shift some elements to policies.			The City has had discussions on this topic. Will work with the DA's Office on possible revisions to the municipal code.			P	6/30/2017		City Staff are currently reviewing elements of the Municipal Code that can be shifted to City Policies.



STAFF REPORT

Report To: Audit Committee

Meeting Date: 2/14/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: To approve the use of FY 17 Internal Audit Work Program contingency funds to engage Moss Adams to perform a review of the Public Guardian asset liquidation process. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Board of Supervisors approved a contingency amount of \$15,000 as part of the FY 17 Internal Audit Work Program. A possible use of these funds is to engage Moss Adams to perform a review of the Public Guardian asset liquidation process. The number of wards in the Public Guardian program have increased substantially in the past several years. The large number of wards and the type of services the Public Guardian performs warrant the need for strong internal control policies and procedures. Because the accounts and other assets of the wards are not considered assets of the City most of the Public Guardian functions are not subject to review under the internal control policies and procedures of the City. Therefore, this is an area where separate review would be beneficial.

Agenda Action: Formal Action/Motion

Time Requested: 15 minutes

Proposed Motion

I move to approve the use of FY 17 Internal Audit Work Program contingency funds to engage Moss Adams to perform a review of the Public Guardian asset liquidation process.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: General Fund Internal Auditor / Professional Services 101-0800-415-03-09

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: The internal audit contingency balance of \$15,000 would be used for this project.

Alternatives

Do not approve review.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



Carson City
Public Guardian Asset Liquidation Review
Scope of Work

I. Project Understanding
Carson City (City) seeks a review of the asset liquidation process managed by the City’s Public Guardian.
II. Work Plan
Phase 1 – Project Initiation and Management Activities
1. Confirm objectives, work plan, schedule, and management activities.
2. Conduct kick-off meeting
3. Provide regular status reports
4. Provide quality assurance reviews
Phase 2 – Fact Finding
1. Review available documents related to the responsibilities performed by the City’s Public Guardian relative to the asset liquidation process. Examples include City policies, asset inventories, contracts with vendors, record keeping, and disposition and other relevant reports.
2. Perform onsite field work, including interviews with key personnel and walkthroughs, to ensure we understand relevant roles, responsibilities, processes, and controls.
3. Prepare preliminary findings and review with the City.
Phase 3 – Analysis and Assessment
1. Based on fieldwork, assess adherence with contract policies, rules, and requirements, as well as internal controls.
2. Determine any deviations from requirements and best practices processes.
3. Determine gaps in internal controls compared to best practices.
4. Prepare draft findings and recommendations and review with the City.
Phase 4 – Reporting and Presentation
1. Prepare draft report, review with City, and revise as appropriate.
2. Submit final report.

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III. Timeline

January 2017 to February 2017

IV. Fees

Estimated professional fees for this engagement are \$15,000, plus out-of-pocket expenses. Professional fees will be based on the hours and rates for each member of our team working on this engagement. Out-of-pocket expenses will include costs associated with travel. Fees and expenses will be billed monthly as incurred on a time and materials basis.

V. Staffing

- Project Manager, Scilla Outcault, Manager
- Lead Analyst, Sapna Paintal, Consultant
- Quality Assurance (Technical), Kim Koch, Partner
- Quality Assurance (Client), Mark Steranka, Partner



STAFF REPORT

Report To: Audit Committee

Meeting Date: 2/14/17

Staff Contact: Nancy Paulson , Chief Financial Officer & Michael Bertrand, Audit Committee Chairman

Agenda Title: For Possible Action: Presentation by Moss Adams on the Small Works Projects Review for the Audit Committee's consideration, discussion, and possible recommendation to the Board of Supervisors. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Board of Supervisors approved the Small Works Projects Review at their June 16, 2016 meeting. Moss Adams will present their final report to the Audit Committee for discussion and possible recommendations to the Board of Supervisors.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

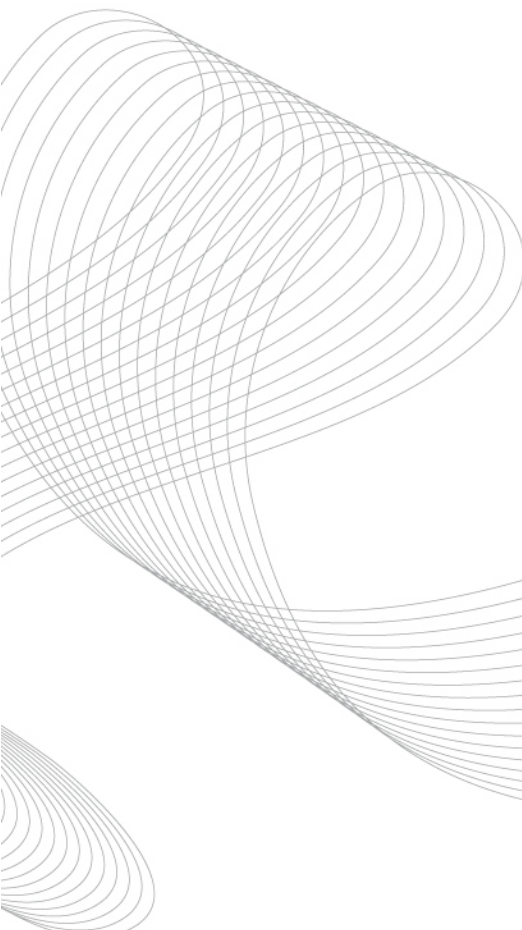
Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



FINAL REPORT FOR
CARSON CITY
SMALL WORKS PROJECTS REVIEW

February 7, 2017

Prepared by:

Moss Adams LLP

999 Third Avenue
Suite 2800
Seattle, WA 98104
(206) 302-6500

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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I. EXECUTIVE SUMMARY

A. BACKGROUND

The Carson City Public Works Department is responsible for delivering capital projects, large and small, for the City. Small Works projects are defined as those below \$300,000 in total cost. Some Small Works projects are planned, but most are identified through staff observations, reported by citizens, or the result of emergencies.

The Public Works Department consists of three divisions: Water, Sewer, and Streets. Most Small Works projects are performed by one division. However, sometimes projects require the contributions of multiple divisions. Especially in the case of emergencies, employees from across Public Works may be engaged due to the need for specialized expertise, additional personnel, and/or a swift response.

In 2016, the Public Works Department developed a policy to account for labor and equipment charges by each distinct division when multiple divisions are involved in executing a project. Prior to 2016, the Department did not charge divisions for shared labor and equipment.

This review was conducted to identify opportunities for improvement related to the administration of the City's Small Works projects that are performed by multiple divisions.

B. SCOPE AND APPROACH

The purpose of this review was to assess documentation, administration, and cost allocation processes for multi-division Small Works projects. The review was conducted between November 2016 and January 2017 and performed in four phases: planning, fact finding, analysis, and reporting.

Documentation was reviewed for three interdivisional Small Works projects that were completed between 2014 and 2016. Documentation included a sample of work orders and journal entries from 2016 that were assessed for adherence with the Public Works interdivisional cost accounting policy. The work was performed in accordance with consultancy standards established by the American Institute of Certified Public Accountants (AICPA).

C. SUMMARY OF FINDINGS AND RECOMMENDATIONS

A. Policies and Procedures	
Finding	The interdivisional cost accounting policy is adequate, but opportunities for improvement still exist.
Recommendation	Revise the draft policy and procedures to include definitions, materiality, and standards for documentation.

B. Cost Accounting	
Finding	A sample of 2016 interdivisional work orders adhered to the draft policy, but greater consistency could be achieved.
Recommendation	Public Works should ensure that the policy, including maintenance of sufficient documentation, is applied consistently across work orders.

C. Documentation	
Finding	System limitations impact the City's ability to comprehensively document project results.
Recommendation	Utilize the new work order system to include narratives supporting work orders and interdivisional decisions.

D. Reporting	
Finding	Regular reporting on interdivisional projects is not currently conducted.
Recommendation	Public Works should develop quarterly reports to ensure journal entries were entered correctly, sufficient documentation was provided, and identify potential opportunities for improvement.

II. BACKGROUND, SCOPE, AND APPROACH

A. BACKGROUND

The Public Works Department has defined Small Works projects as those projects that cost less than \$300,000. These projects encompass construction, alteration, repair, and improvement of City property, excluding ordinary maintenance activities. While the vast majority of projects are single division efforts, some circumstances require interdivisional labor, materials, and/or equipment. In 2016, the Public Works Department developed a policy to account for labor and equipment charges by each distinct division for interdivisional projects. Prior to 2016, the Department did not consistently charge divisions for shared labor and equipment.

At the beginning of each fiscal year, the Public Works Department develops a list of planned small projects. There are often hundreds of projects on this list that range from replacing sewer lines to filling potholes. In addition, events occur throughout the year that requires immediate attention. These unplanned projects encompass single- and multi-division efforts.

The number of Small Works projects varies from year to year, depending on demands arising from weather and other unpredictable factors, such as water line breaks, as shown in the table below. As the results indicate, interdivisional projects comprised 43 to 86 percent of total Small Works projects over the 2014 to 2016 period, and the unplanned interdivisional projects ranged from 42 to 66 percent of total interdivisional projects over the 2014 to 2016 period. A full list of interdivisional Small Works projects is provided in Appendix B.

Small Works Projects, 2014–2016

Calendar Year	Total Small Works Projects	Interdivisional Small Works Projects			
		# of Projects	Percent Unplanned	Average # of Divisions Involved	Total Cost
2014	7	3	66%	3	\$184,215
2015	11	8	75%	2	\$279,370
2016	14	11	42%	2	\$280,653

Small Works projects are identified through staff observations, reported by citizens, or the result of emergencies. Each division responds to complaints within its area of expertise. Upon arriving at the scene, a division representative, such as a foreman, assesses the situation and determines if personnel or equipment are required from other divisions to resolve the issue. The foreman has the ability to escalate the response and deploy additional resources from outside his division. For example, an equipment operator who lives locally may be called in for emergency response.

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Workers use daily timesheets that indicate how many hours were spent on each project, tracking labor and equipment through work order numbers. Each week timesheets are provided to administrators within Public Works, who enter the information into the Public Works system. Following completion of the project, the division foreman closes out the work order, and the Division's manager notifies a fiscal analyst that a journal entry needs to be completed. The fiscal analyst prepares a journal entry that transfers all fully burdened labor and equipment charges from non-division employees to the division responsible for the work order. This process is documented in Appendix A.

B. SCOPE AND APPROACH

The purpose of this review was to assess documentation, administration, and cost accounting processes for interdivisional Small Works projects. Single division Small Works projects, by their nature, are staffed and accounted for within one division, and were not addressed as part of this review.

We reviewed work order documentation from eight projects performed in 2014 and 2015, which was prior to the development of the current Public Works interdivisional cost accounting policy. We reviewed the Small Works policy and assessed adherence to the policy for three projects performed in 2016. We also assessed processes for additional opportunities for improvement. The following table describes the features of our judgmentally selected sample:

2016 Interdivisional Small Works Project Sample Characteristics

	Sample	Total
Number of Projects	3	12
Percent Planned/Unplanned	66.7% / 33.3%	66.7% / 33.3%
Average Number of Divisions	2	2
Average Cost	\$13,299.42	\$15,832.98

This assessment was conducted between November 2016 and January 2017 and consisted of four phases: 1) planning, 2) fact finding, 3) analysis, and 4) reporting. We interviewed Carson City Public Works management and reviewed various relevant documents. A draft report was reviewed with the Department to validate facts and confirm the practicality of recommendations. The work was performed in accordance with AICPA consultancy standards.

III. COMMENDATIONS

Although the focus of the Small Works Project Review was to identify opportunities for improvement, it is important to acknowledge areas of strength that can be leveraged throughout the organization. The Public Works Department should be commended for the following accomplishments:

- *Use of insourcing:* The City's model for accomplishing Small Works projects is unique. Many cities and counties outsource Small Works projects to an on-call roster of contractors. Performing Small Works projects in-house enables the City to maximize equipment and staff efficiency and effectiveness.
- *Solution-oriented culture:* The Department's focus on delivering projects and addressing customer complaints quickly by utilizing interdivisional staffing and equipment is a best practice. The culture in the Department is collaborative and solution-driven, with a focus on providing a high level of service.
- *Responsiveness:* The Department prioritizes emergencies and citizen complaints above planned work. This responsive level of service and flexibility maximizes public safety, as evidenced by the response to the recent flood.

We would like to commend Public Works staff and management for their willingness to assist us in this review process.

IV. FINDINGS AND RECOMMENDATIONS

A. POLICIES AND PROCEDURES

Finding: The interdivisional cost accounting policy is adequate, but opportunities for improvement still exist.

The Department developed a draft policy for interdivisional cost accounting for labor, materials, and equipment effective January 1, 2016. Prior to 2016, labor, materials, and equipment were accounted for based on the division that housed the personnel or equipment. The purpose of the policy is “to properly account for in-house project costs (labor and equipment) by division when more than one division participates in a project.” For example, the total cost of a water project will be fully borne by that division, even when resources from Streets or Storm Water are used to complete the project.

The policy also includes an administrative procedure for properly recording costs:

- Employees report time spent toward the work order on daily time sheets, including labor and equipment.
- A supervisor or foreman closes out the work order.
- The manager of the lead division notifies the fiscal analyst that the project is complete and a journal entry needs to be completed.
- A Work Order Report is run from the system that shows all charges incurred. The fiscal analyst prepares a journal entry to be submitted to Finance in order to transfer all labor and equipment charges from non-division employees to the division participating in the work order.

Recommendation: Enhance the draft policy and procedures to include definitions, materiality, and standards for documentation.

We found the draft policy adequate. However, it could be strengthened by adding definitions and clarity to ensure maximum adherence. The policy should include:

- Definitions of Small Works projects and when interdivisional cost accounting is required.
- A threshold of materiality for when interdivisional cost accounting is appropriate. To balance administrative accuracy with efficiency, the Public Works Department and Finance Department should establish a minimum total project cost, such as \$1,000 or \$5,000, to trigger interdivisional cost accounting and the creation of journal entries.
- Documentation standards, including a narrative entered at project closeout, as described in Recommendation C.

Once the policy is finalized, the Department should review the policy and procedure after an additional six months to ensure that it is meeting the City’s needs.

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B. COST ACCOUNTING

Finding: A sample of 2016 interdivisional work orders adhered to the draft policy, but greater consistency could be achieved

We reviewed project files for three Small Works projects that the City completed in 2016. The work orders had sufficient documentation to confirm that work occurred and interdivisional accounting was administered according to policy.

Work Order	Primary Division	Cost	Secondary Division	Cost	Tertiary Division	Cost	Total Cost
30956	Water	\$9,273.15	Streets	\$736.37	Storm Water	\$1,125.80	\$11,074.13
32058	Streets	\$34,725.10	Sewer	\$1,337.25	Storm Water	\$492.83	\$51,558.18 ¹
32390	Water	\$1,080.41	Streets	\$478.92	N/A	N/A	\$1,559.33

Although the work orders adhered to the policy, we noted the following opportunities for refinement:

- *Consistent and adequate documentation:* Each work order contained slightly different information and formatting. While two of the work order reports included information related to which division sourced labor and equipment, one did not and had to be identified manually. Additionally, the documentation should include a short narrative to describe the project, particularly if the work order includes multiple funding sources. Implementation of the Department's new work order system should alleviate this issue.
- *Inconsistent threshold for journal entries:* In the case of work order 32390, the Water Division received \$478.92 in labor and equipment from the Streets Division. The work order notes that no journal entry was completed, because the total shared cost did not exceed \$1,000. However, both of the other work orders in the sample also had shared costs under this threshold, yet they had journal entries. While a \$1,000 shared cost threshold is reasonable, it is not included in the current policy and was applied inconsistently across work orders.

Recommendation: Ensure the policy is applied consistently across work orders.

Public Works management should ensure the Small Works policy is consistently applied by training staff and reviewing a sample of work order closeouts. Consistent application of the policy ensures that each work order is handled in the same fashion and divisions are treated equally.

¹ Redevelopment funds account for the additional \$15,000.00 in project costs.

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C. DOCUMENTATION

Finding: System limitations impact the City's ability to comprehensively document project results.

The Department does not have a system that allows Public Works staff to evaluate the Small Works process and identify potential opportunities for improvement. The system, which is planned to be replaced this year, does not provide a space for comments to document the purpose of the project, any issues or additional costs, and other matters that will assist in enhancing project administration.

Recommendation: Utilize the new work order system to include a narrative supporting work orders and interdivisional decisions.

The new work order system presents an opportunity for the Department to document additional information regarding interdivisional Small Works projects. Potential information to incorporate includes a narrative that describes the project and the rationale for using labor or equipment from other divisions. The Department may also consider investing in field technology that would enable photo documentation and upload of the project.

D. REPORTING

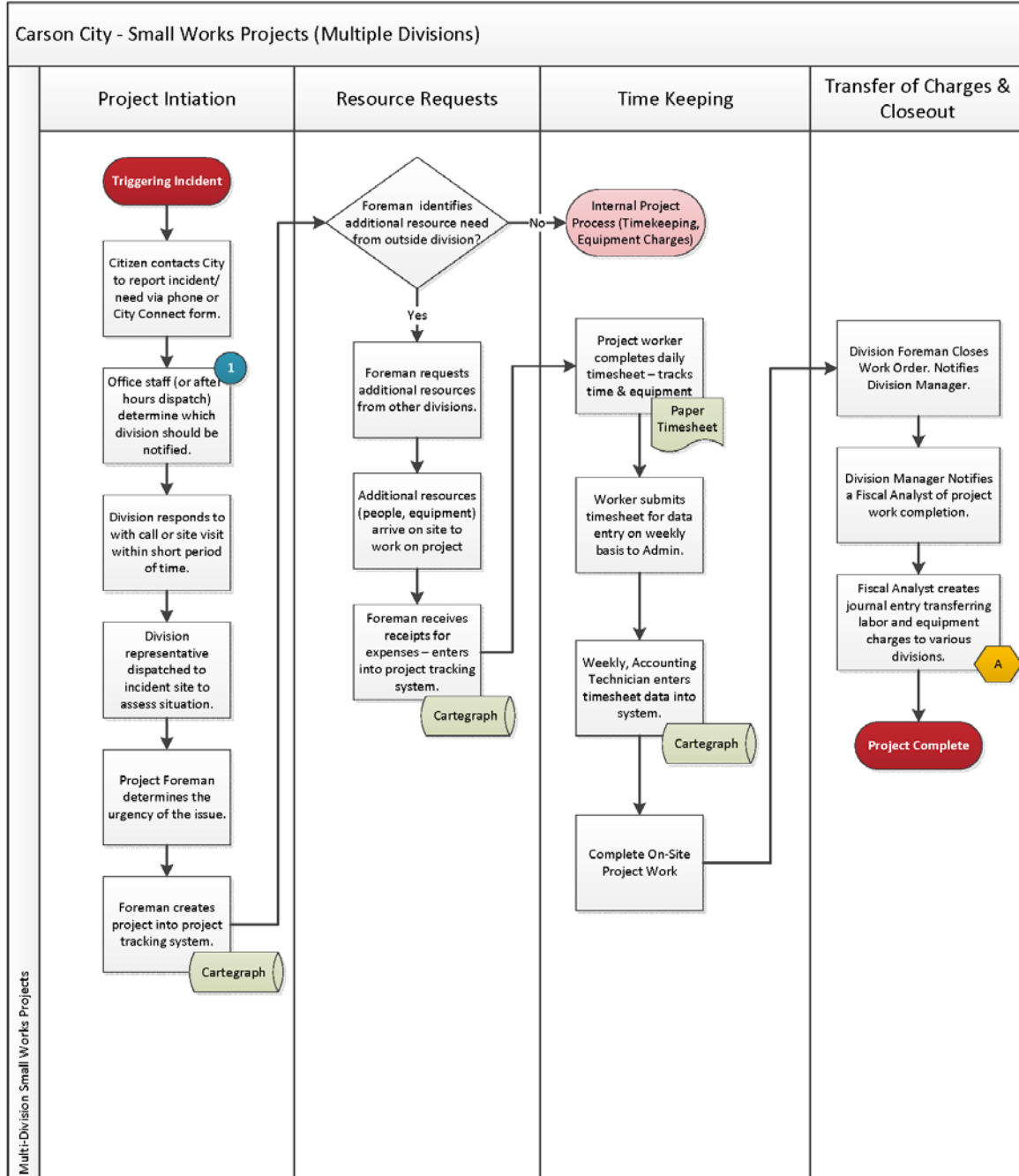
Finding: Regular reporting on interdivisional projects is not currently conducted.

The Department currently does not conduct routine reporting on interdivisional projects to verify that journal entries were completed and identify potential opportunities for improvement. With the implementation of the interdivisional cost accounting policy, there is an opportunity to regularly review Small Works projects for adherence to the policy.

Recommendation: Public Works should develop quarterly reports to ensure journal entries were entered correctly, sufficient documentation was provided, and to identify potential opportunities for improvement.

To ensure that the Department is following established policy, Public Works should perform quarterly reporting on interdivisional Small Works projects. The reporting process should include verification that journal entries for interdivisional work were entered correctly, and ensure that the division has provided sufficient documentation. As the Department reviews documentation to verify that it is sufficient, there may also be an opportunity to assess project management and evaluate the process to identify potential opportunities for improvement.

APPENDIX A: SMALL WORKS PROCESS

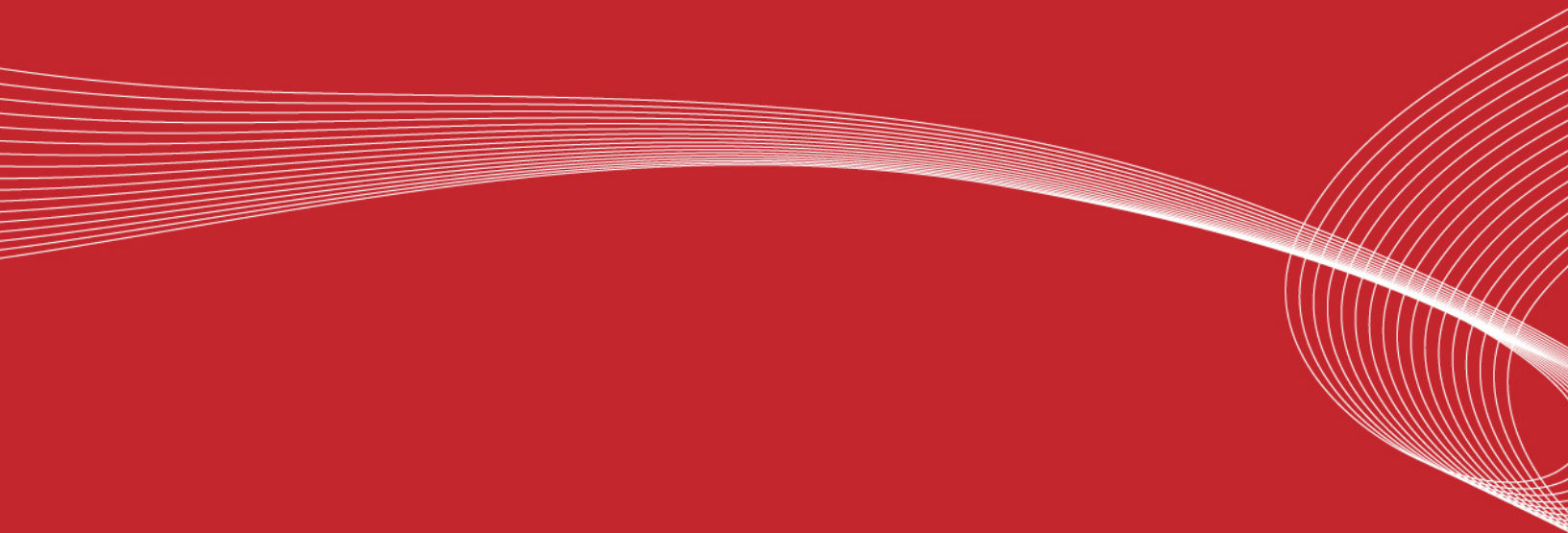


Notes
 1. Requests are received both via telephone calls and the online request form (Carson City Connect).

A. No review of journal entry to confirm accuracy of transfer of charges.

APPENDIX B: INTERDIVISIONAL SMALL WORKS PROJECTS, 2014-2016

Work Order #	Lead Division	# of Divisions	End Date	Total Cost	Description
27443	Engineering	3	9/26/2014	\$22,286.83	Install water and sewer line and animal wash station at Fugi dog park
27495	Streets	3	1/15/2015	\$72,811.77	07-21-14 Flood event
27655	Streets	3	9/26/2014	\$151,463.80	Rain/flood/mudslide event
27737	Streets	2	1/15/2015	\$16,111.49	Beverly Drive prep for paving
27900	Water	2	12/8/2014	\$10,464.96	Remove dirt and debris from Mexican ditch trails
28408	Streets	2	1/9/2015	\$13,313.18	11-02-14 to 11-03-14 Rain/Snow events
28491	Streets	2	1/15/2015	\$75,441.30	Miscellaneous January 2015
28962	Sewer	2	9/7/2015	\$9,922.47	Center Drive/Gibson Ave sewer call
29538	Water	2	12/14/2015	\$62,698.34	New fire service for warehouse
29546	Streets	3	7/24/2015	\$15,122.65	N. Division/W. Sophia concrete flat work
30119	Water	2	12/15/2015	\$13,949.18	Numaga Pass water service repair
30213	Streets	2	3/29/2016	\$12,212.32	11-02-15 Rain/Snow event
30351	Streets	2	2/3/2016	\$14,825.09	11-24-15 Rain/Snow event
30352	Streets	2	2/3/2016	\$19,641.42	Conestoga Drive – clear drainage ditch
30415	Streets	2	2/3/2016	\$20,395.00	12-13-15 Snow event
30554	Streets	2	2/3/2016	\$59,994.70	12-24-15 Snow event
30682	Streets	2	2/3/2016	\$15,227.63	01-05-16 Snow event
30892	Streets	2	2/4/2016	\$36,226.72	01-31-16 to 2-01-16 Snow event
30956	Water	2	5/5/2016	\$11,074.13	Comstock/Ormsby – Install new fire hydrant
31023	Streets	4	5/9/2016	\$34,972.30	Snow event
31584	Streets	4	6/10/2016	\$27,070.53	05-13-16 Rain event
32058	Streets	2	9/15/2016	\$29,012.31	2016 Epic Rides



MOSS ADAMS LLP

Certified Public Accountants | Business Consultants