

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

**Day:** Wednesday  
**Date:** November 16, 2016  
**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 – August 9, 2016**

**5. For Possible Action: Adoption of Agenda**

**6. Meeting Items**

6.A For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update.

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

6.B 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.

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.C For Discussion Only: Presentation and discussion on draft city-wide Cash Handling Policy and Procedures developed by the City based on recommendations from Moss Adams as a result of their Cash Handling Improvement Project.

Summary: Moss Adams presented their final report on the Cash Handling Improvement Project to the Audit Committee on May 17, 2016. At that time, it was requested that the City develop a comprehensive set of city-wide cash handling policies and procedures to be presented to the Audit Committee at a subsequent meeting. The next step is to enter the Cash Handling Policies and Procedures into the City's policy program, PolicyTech, and send through the review process. This includes review by Department Directors, the District Attorney and the City Manager. Per City policy, city-wide policies and procedures may only be established by action of the City Manager.

**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**

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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.  
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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.

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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.  
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To request a copy of the supporting materials for this meeting contact Rachael Porcari at rporcari@carson.org or call (775) 887-2100.  
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This agenda and backup information are available on the City's website at [www.carson.org](http://www.carson.org), and at the City Manager's Office - City Hall, 201 N. Carson Street, Ste 2, (775) 887-2100.  
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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: November 9, 2016

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the August 9, 2016 Meeting**  
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**DRAFT**

A meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, August 9, 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 Don Leonard

**STAFF:** Nancy Paulson, Chief Financial Officer  
Sheri Russell, Deputy 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 (3:01:30)** - Chairperson Bertrand called the meeting to order at 3:01 p.m. Ms. King called the roll; a quorum was present.

**3. PUBLIC COMMENTS AND DISCUSSION (3:01:56)** - Chairperson Bertrand entertained public comment; however, none was forthcoming.

**4. POSSIBLE ACTION ON APPROVAL OF MINUTES - May 17, 2016 and June 7, 2016 (3:02:34)** - Chairperson Bertrand introduced this item, and entertained a motion. **Member Byrne moved to approve the minutes, as presented. Member Bagwell seconded the motion. Motion carried 4-0.**

**5. POSSIBLE ACTION ON ADOPTION OF AGENDA (3:02:55)** - Chairperson Bertrand entertained a motion to adopt the agenda. **Member Leonard moved to adopt the agenda, as published. Member Bagwell seconded the motion. Motion carried 4-0.**

**6. DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (3:03:12)** - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Partner Mark Steranka reviewed the agenda materials.

**7. PRESENTATION BY MOSS-ADAMS, LLP ON THE P-CARD AND PAYROLL TESTING PROJECTS FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO MAKE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (3:05:47)** - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Partner Mark Steranka reviewed the agenda materials. At Chairperson Bertrand's request, Chief Financial Officer Nancy Paulson and Chief Information Officer Eric Von Schimmelmann provided staff's response to the findings. Extensive discussion followed, and Chairperson Bertrand requested staff to develop a procedure to ensure separated employees are immediately locked out of all computer accesses. He suggested that Moss-Adams, LLP provide recommendations relative to developing a policy or procedure.

**CARSON CITY AUDIT COMMITTEE**  
**Minutes of the August 9, 2016 Meeting**  
**Page 2**

**DRAFT**

Ms. Paulson reviewed staff's response relative to the time sheet and P-Card procedures findings. Ms. Paulson, Mr. Steranka, and Deputy Finance Director Sheri Russell responded to questions of clarification, and discussion ensued. Chairperson Bertrand commended the report and entertained questions or comments. When no questions or comments were forthcoming, he closed the subject item. Consensus of the committee was that no formal action was necessary.

**8. PRESENTATION ON UPDATE AND DEMONSTRATION OF THE CITY'S PERFORMANCE METRICS DASHBOARD (3:31:30)** - Chairperson Bertrand introduced this item. Business Development Manager Michael Salogga provided background information, and reviewed the agenda materials in conjunction with displayed slides. Mr. Salogga responded to questions of clarification, and discussion ensued. Chairperson Bertrand entertained additional questions or comments and, when none were forthcoming, thanked Mr. Salogga for his presentation.

**9. POSSIBLE ACTION TO SCHEDULE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE (3:53:57)** - Chairperson Bertrand introduced this item and, following discussion, consensus of the committee was to schedule the next meeting for Tuesday, November 8<sup>th</sup>.

**10. PUBLIC COMMENT (3:55:20)** - Chairperson Bertrand entertained public comment; however, none was forthcoming.

**11. ACTION TO ADJOURN (3:55:55)** - Member Bagwell moved to adjourn the meeting at 3:55 p.m.

The Minutes of the August 9, 2016 Carson City Audit Committee meeting are so approved this \_\_\_\_\_ day of November, 2016.

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MICHAEL BERTRAND, Chair

**Carson City Audit Committee  
Agenda Report**

**Date Submitted:** 11/07/2016

**Agenda Date Requested:** 11/16/2016

**To:** Chair and Members

**From:** Michael Bertrand, Chairman

**Subject Title:** For Possible Action: Discussion, possible action, and direction to Staff regarding the current Audit Work Program Update.

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

**Type of Action Requested:** (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

**Does This Action Require A Business Impact Statement:**  Yes  No

**Recommended Committee Action:** Will depend on discussion and possible recommendations.

**Explanation for Recommended Committee Action:** See Staff Summary

**Applicable Statute, Code, Policy, Rule or Regulation:**

**Fiscal Impact:** N/A

**Explanation of Impact:** N/A

**Funding Source:** N/A

**Alternatives:** N/A

**Supporting Material:** Information to be provided from Moss Adams

**Prepared By:** Michael Bertrand, Chairman

**Reviewed By:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
(Chief Financial Officer)

**Board Action Taken:**

Motion: \_\_\_\_\_

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

\_\_\_\_\_  
(Vote Recorded By)

**MOSS ADAMS** LLP

Date: November 16, 2016

To: Carson City Audit Committee

From: Mark Steranka

Subject: Internal Audit Status Report August 1, 2016 through October 31, 2016

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## Schedule Status:

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

## Budget Status through October 31, 2016:

- Basic Internal Auditor Services: Expended \$4,375.00 of \$20,000 budget.
- Small Works Projects Review: Expended \$7,175.00 of \$30,000 budget.
- FWA Program Coordination: Expended \$1,050.00 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: Conducted kickoff meeting, reviewed project lists, selected sample projects, and requested documentation for each project.
- FWA Program Coordination: There were two 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: Review project documentation and conduct fieldwork.
- Procurement Testing: Conduct kickoff meeting.
- FWA Program Coordination: Continue to monitor the hotline and respond to reports as appropriate.

# MOSS ADAMS<sub>LLP</sub>

## Issues:

- none



**Carson City Audit Committee  
Agenda Report**

**Date Submitted:** 11/07/2016

**Agenda Date Requested:** 11/16/2016

**To:** Chair and Members

**From:** Michael Bertrand, Chairman

**Subject 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.

**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.

**Type of Action Requested:** (check one)

(    ) Resolution

(    ) Ordinance

(  ) Formal Action/Motion

(    ) Other (Discussion Only)

**Does This Action Require A Business Impact Statement:** (    ) Yes (  ) No

**Recommended Committee Action:** Will depend on the discussion.

**Explanation for Recommended Committee Action:** See Staff Summary

**Applicable Statute, Code, Policy, Rule or Regulation:** N/A

**Fiscal Impact:** N/A

**Explanation of Impact:** N/A

**Funding Source:** N/A

**Alternatives:** N/A

**Supporting Material:** Internal Audit Findings Response Tracking Report

**Prepared By:** Michael Bertrand, Chairman

**Reviewed By:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
(Chief Financial Officer)

**Board Action Taken:**

Motion: \_\_\_\_\_

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

\_\_\_\_\_  
(Vote Recorded By)

**Carson City - Audit Findings Tracking Summary Report (revised 11-08-16)**

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	13	11/17/2015	3/17/2016	2 open findings
Employee Efficiency Study	11/25/2014	12/4/2014	2/9/2015	Internal Auditor	27	26	6/7/2016	3/17/2016	1 open finding
Internal Controls Review	3/31/2015	6/4/2015	6/30/2016	Internal Auditor	42	30			3 findings completed
Policy and Procedures Review	3/22/2016			Internal Auditor	5	3	6/7/2016		2 open findings
Performance Measures Development	6/3/2015		6/30/2016	Internal Auditor	1	1			1 finding completed
<b>Total</b>					146	123			

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		N	2017		Not able to be implemented in the near term.
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		N	2016		Not able to be implemented in the near term. Ticketing and marketing in the past has been the responsibility of the event. WNC provides their own ticketing as does the school district for their programs. The Community Center does market events held in the Community Center with its new digital reader board located in front of the facility. Staff is interested in whether an online marketing/ticketing program will be advantageous and what the cost may be.

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.			P	12/31/2016		Consultant is developing an IT strategic plan.

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
2	6/4/2015	Yes, specify direction	A2	Reviewing hours recorded in HTE is a high-level manual process and is subject to human error.	Implement random audits of paper timesheets for completeness and accuracy assurance. Use finance staff or internal audit resources to perform the random audits. Explore options for programming additional reports or queries to assist in assuring accuracy and quality of timekeeping and payroll information.	Finance	Chief Financial Officer	The Finance Department currently maintains approximately 20 spreadsheets that are used to verify payroll. A spreadsheet is also utilized to compile the monthly PERS report which serves as another verification of timekeeping accuracy. Moss Adams will be testing the payroll process as part of their FY 15-16 Internal Audit Plan.			Y	6/30/2016	8/9/2016	Moss Adams has completed the payroll testing project and delivered the results to the Audit Committee on August 9, 2016.
8	6/4/2015	Yes, specify direction	A8	There are not adequate centralized controls in place to prevent terminated employees from continued payroll payments subsequent to termination.	Implement random audits of paper timesheets for completeness. Policies and procedures should include guidance to departments about how to adequately review the hours proof report, including the detection of payment for terminated employees.	Finance	Chief Financial Officer	The Finance Department created a document titled "Payroll Procedures" that outlines the duties and responsibilities of each department involved in the payroll process. After approval, this will be uploaded to Policy Tech. Moss Adams will be testing the payroll process as part of their FY 15-16 Internal Audit Plan.			Y	12/31/2015	March-16	Validate before AC approves. No exceptions noted for no additional payments after employee termination (see testing results in Payroll Testing Report dated 07-27-16).
14	6/4/2015	Yes, specify direction	B6	P-cards are not consistently and immediately deactivated upon employee termination of employment with the City, which could result in employees making unauthorized purchases after they are terminated.	Coordinate communications on voluntary terminations between the Human Resources Department and Purchasing, so that terminations are communicated in a timely manner. Discontinue practice of postponing card deactivation. Incorporate this change in written policies and procedures.	Finance	Chief Financial Officer	The Procurement Card Program Manual has been updated to outline the procedures that should be followed at the department level upon employee termination of employment. The Finance Department has also added a procedure to run monthly employee termination reports to ensure that p-cards have been deactivated.			Y	12/31/2015	March-16	Validate before AC approves. No exceptions noted for deactivation of P-Card after employee termination (see testing results in Payroll Testing Report dated 07-27-16).

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.			P	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.
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	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.
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.			P	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16. Also 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.			P	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.

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.			P	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.
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	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.
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.			P	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.
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.			P	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.



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
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	12/15/2016		Treasurer's Office is currently developing comprehensive citywide policies and procedures. UPDATE 11/7/16 - Policy is completed and will be presented to the Audit Committee 11/16/16.
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		N	12/31/2016		
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	12/31/2016		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		P	12/31/2016		Currently working with vendor on implementation.

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			N	12/31/2016		
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	12/31/2016		

Carson City  
Performance Measures Development

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
1	6/30/2015	Yes			Implement an executive dashboard of KPIs.*	CMO					Y		June 2016	

\* The City Manager's Office is working on performance measures and tools for displaying information and plans to launch by 6/30/16. Discussed as part of FY 16-17 internal audit program approval by the Audit Committee.

**Carson City Audit Committee  
Agenda Report**

**Date Submitted:** 11/07/2016

**Agenda Date Requested:** 11/16/2016

**To:** Chair and Members

**From:** Michael Bertrand, Chairman

**Subject Title:** Presentation and discussion on draft city-wide Cash Handling Policy and Procedures developed by the City based on recommendations from Moss Adams as a result of their Cash Handling Improvement Project.

**Summary:** Moss Adams presented their final report on the Cash Handling Improvement Project to the Audit Committee on May 17, 2016. At that time, it was requested that the City develop a comprehensive set of city-wide cash handling policies and procedures to be presented to the Audit Committee at a subsequent meeting. The next step is to enter the Cash Handling Policies and Procedures into the City's policy program, PolicyTech, and send through the review process. This includes review by Department Directors, the District Attorney and the City Manager. Per City policy, city-wide policies and procedures may only be established by action of the City Manager.

**Type of Action Requested:** (check one)

- (    ) Resolution                      (    ) Ordinance  
(    ) Formal Action/Motion        ( X ) Other (Specify)

**Does This Action Require A Business Impact Statement:** (    ) Yes ( X ) No

**Recommended Committee Action:** For discussion only.

**Explanation for Recommended Committee Action:** See Staff Summary

**Applicable Statute, Code, Policy, Rule or Regulation:**

**Fiscal Impact:** N/A

**Explanation of Impact:** N/A

**Funding Source:** N/A

**Alternatives:** N/A

**Supporting Material:** Draft Carson City Cash Handling Policies and Procedures.

**Prepared By:** Michael Bertrand, Chairman

**Reviewed By:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
(Chief Financial Officer)

**Board Action Taken:**

Motion: \_\_\_\_\_

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

\_\_\_\_\_  
(Vote Recorded By)

# Carson City

## Cash Handling Policy and Procedures

### Background

Moss-Adams LLP, as Carson City's internal auditor, issued a final report to Carson City (the City) titled *Cash Handling Improvement Initiative* on May 10, 2016. The primary purpose of their project was to help the City improve its cash handling practices and recommend examples of cash handling policies and procedures to the City. Moss-Adams LLP presented their report to the Carson City Audit Committee on May 17, 2016. This committee subsequently directed Carson City to develop a city-wide cash handling policy and to include in the policy a process to address and approve department modifications.

### I. Purpose

This cash handling policy is a general guideline for all City departments. It outlines cash processes and controls designed to promote accuracy, reliability, and efficiency of operations. These processes and controls will also minimize the risk of errors, ensure funds are handled properly, and safeguard against fraud. Because this is a general guideline, each City department will need to develop its own supplemental procedures to address that department's unique needs.

### II. Compliance and Training

All City employees, volunteers, or other persons with assigned duties that involve handling City cash or funds must comply with these policies and procedures. City departments are responsible for ensuring that each employee, volunteer, or other person adheres to the written cash handling policies and procedures of both the City and their individual department.

Training will be provided by the Treasurer's Department for all employees handling cash and department managers or supervisors within six months of this policy's effective date. Thereafter, City departments are responsible for ensuring that each person handling cash or funds in their department receives the training during the first quarter cash handling duties are assigned and that the person attends a refresher training session every two years. The Treasurer's Department will maintain records of such training and attendance.

Departments that accept credit and debit card payments are responsible for satisfying the associated training and administrative requirements as outlined in the section Credit Cards: Training and Administration of this document.

### III. Maintenance and Updates

The Treasurer's Department is responsible for maintaining cash handling procedures and guidelines in an electronic format that is accessible by all departments, reviewing and updating

these procedures every year, and for notifying departments whenever new or updated procedures are implemented.

#### IV. Policy Modifications

Each City departments' cash handling supplementary policies and procedures must be in compliance with the cash handling policies, procedures, and guidelines contained in this city-wide policy. Exceptions may be granted if operational needs require procedures that differ from those set forth in this policy.

To qualify for an exception, the individual department must submit a written request to the Treasurer for review and approval.

The request should include the following:

- Identification of the specific section of the policy and/or procedure for which the department is seeking an exception.
- A description of the rationale for the requested exception.
- A proposed draft of the replacement language for the section the department is unable to comply with.

The Treasurer shall consider all requests with particular attention to the following:

- Reasonableness of rationale.
- Verification of the operational limitations or operation-specific elements that warrant the exception.
- Assurance that strong internal controls will remain within the proposed changes. This may include the addition of other controls if needed (e.g. increased monitoring, implementing secondary approval, or other process changes).

Approved alternate policies and procedures shall be maintained in an electronic format with the Treasurer's Department. Individual departments shall be responsible for maintaining up-to-date alternate policies and procedures and submitting all updates to the Treasurer's Department. All updates are also subject to approval by the Treasurer.

#### V. Key Internal Controls Regarding Cash

Cash is defined as coin, currency, checks, money orders, and both credit card and debit card transactions. It is important for proper internal controls to be in place to protect cash because cash is negotiable and easy to spend and transport. Therefore, the following procedures for internal control should be maintained by each department that collects cash or maintains a petty cash or change fund.

- Bills, coins, checks, credit card receipts, and debit card receipts must be kept in a locked cash box or drawer, cash register, safe, or vault. Each employee receiving payments must have their own cash drawer and change fund. The key to the cash drawer should remain in the sole custody of the cashier and should never be given to anyone else or left in the drawer when the cashier is away from the window or cashier's area. Safes or vaults used for secured overnight storage of cash must be stationary, permanently affixed to the ground, and be fireproof. Access codes or combinations to safes or vaults should be restricted to authorized personnel and should be changed following personnel changes or no less than once every two years.
- All cash collections must be placed in a sealed bank deposit bag immediately upon balancing the drawer and change fund for the day. Avoid counting cash in view of the public while balancing or preparing a deposit. Deposits of \$300.00 or more must be made no later than the next working day. All departments must make a deposit no less than once per week, regardless of the amount.
- Transportation of deposits to the Treasurer's Department and then to the bank should be done by the City's Alternative Sentencing courier.
- All cash collected is to be deposited. Cash in the change fund is not to be used to pay any expenses or disbursed for any reason other than making change and issuing customer refunds.
- Voids, discounts, adjustments, or refunds must be authorized by a department manager or supervisor. If a manager or supervisor is not available at the time of the transaction, a refund shall be delayed until it can be appropriately approved. Refunds should be returned using the same payment method as the original payment.
- Cash overages and shortages must be recorded and investigated as necessary.
- Cash duties should be segregated among employees so that related activities are assigned to different individuals. Different individuals should: 1) receive cash, 2) account for or record the transaction, and 3) perform reconciliations. In a small office where separation of duties is difficult, management oversight must be increased commensurately.
- Cash operations must be subject to daily supervisory review.
- Surprise cash audits to monitor and ensure ongoing compliance with City policies and procedures will be performed by the Treasurer's Department at least once per year in each area maintaining petty cash and/or change funds.
- Prior approval from the Treasurer's Department must be obtained before a department can utilize an online payment platform other than CarsonPayments.com or Click2Gov or accept payments through a mobile device application. This review/approval is necessary to ensure compliance with City policies and Treasury requirements for timely deposit of funds held by third party vendors.



## VI. Payments

### A. Bills and Coins

- Payments of bills and/or coin must be made in person or by depositing into a locked cash box designed to receive City payments.
- All money received should be counted and the amount verified before it is placed in the cash drawer.
  - Currency for which change will be given should be placed in view of both the cashier and the customer until the transaction is completed.
  - All change given should be counted out loud to the customer.
  - If an interruption occurs during the counting/change making process, the process should be stopped and started again.
- Cash handlers must inspect all bills of \$50.00 and over and “suspicious” bills of any denomination with a counterfeit detection pen.
- Payments received in excess of \$1,000.00 require a second count and verification by another employee.

### B. Checks

- Acceptable check types are personal, business, bank, cashiers, and certified. Money orders are acceptable and shall be treated and processed like checks. Travelers’ checks are NOT to be accepted.
- Checks should be made payable to Carson City or to the applicable department of the City – not to the person holding the office.
- Checks made payable to other parties, often referred to as “second party” checks, are NOT to be accepted.
- Checks must not be ripped, torn, or have any appearance of alterations unless the alteration is initialed by the writer of the check.
- No City employee should alter any negotiable instrument from its original presented form unless directed to do so by the maker of the check.
- Checks must be deposited and may not be cashed in whole or in part.
- Checks dated more than 30 days in the past or showing a date in the future should not be accepted.
- Checks must include the correct number of signatures as required on the check.
- The numerical amount and the written description of the amount must agree.
- Checks must be immediately, upon receipt, restrictively endorsed to Carson City’s bank account.
- Checks are to be deposited when received and not held for any reason.
- If a check is returned by the bank unpaid, the customer is to be charged a \$25.00 returned check fee. The department that initiated the receivable is responsible for invoicing/charging the customer this returned check fee.
- Checks or any attached documentation must clearly reflect the customer outstanding balance that the payment should be applied to. Those checks that still

cannot be readily associated with a customer outstanding balance after a phone call to the sending party should be returned to the sender within 2 business days of receipt with a message that the purpose of the payment is not identifiable.

C. Payments by Credit Card, Debit Card or Electronic Transfers of Money

- Departments accepting payments via credit or debit card will charge a convenience fee to the cardholder. Electronic transfers of money may be accepted without charging a convenience fee.
- Pursuant to Nevada Revised Statute 354.770, the total convenience fees charged by the City in a fiscal year must not exceed the total amount of fees charged to the City by the issuers of the credit and debit cards or the operators of the systems that provide for the electronic transfer of money.
- Credit and debit card payments may be made through online payment platforms or made in person in departments that have an electronic terminal.
- Each credit or debit card transaction will be only for the amount due as a payment to the City. “Cash back” or “cash advance” transactions are NOT allowed.
- Offline transactions are authorized only when a terminal is non-operational due to a power failure and only for on-site customers.
- All City employees, volunteers, or other persons with assigned duties that involve accepting credit and debit cards must comply with the applicable provisions of the Nevada Revised Statutes and rules set forth by the Payment Card Industry Data Security Standards (PCI DSS). Departments accepting payment cards are expected to protect cardholder data and to prevent its unauthorized use – whether the data is printed or stored locally, or transmitted over an internal or public network to a remote server or service provider.

VII. Credit Cards: Training and Administration

Departments wishing to accept credit card and debit card payments must submit a written request for authorization from the Treasurer’s Department. The request must include the name and phone number of the contact person from that department who will be responsible for coordinating the installation and the address of the location where the terminal is to be installed.

The Treasurer’s Department will coordinate the purchase, installation, and training on the terminal. They will also be responsible for the set-up of the required merchant account with the City’s banking institution.

Departments requesting the use of credit/debit card terminals will be responsible for the cost of the equipment, a dedicated phone line for the terminal, monthly transaction fees, and all other associated costs.

Initial training will be given when electronic terminals are installed at any location. This training will be coordinated by the Treasurer's Department. Thereafter, each department/facility is responsible for ensuring that all cash handlers are familiar with the general guidelines provided in the Merchant Agreement and Operating Procedures Guide and with the Retail Quick Reference Guide received with each electronic terminal. These guides cover such topics as:

- Processing credit and debit card transactions
- Instructions on avoiding high-risk transactions
- Recognizing and dealing with bad credit cards
- Properly storing a customer's identification and information
- Whom and where to call for assistance with the terminal and/or transaction problems

#### VIII. Petty Cash and Change Funds

Departments must obtain approval from the Chief Financial Officer and Treasurer to establish a fund or change the amount of an established petty cash and/or change fund. Petty cash funds and change funds are not to be commingled and must be kept separate from all other funds. They must have a designated custodian and alternate custodian. Only the designated or alternate custodian is to have access to the petty cash or change fund. The custodian should keep the fund under lock and key at all times, with the key in the custodian's possession.

A petty cash fund is used for purchases of less than \$100.00 within a department. Departments must maintain a petty cash log to record all removals and additions to the fund. Petty cash expenditures must be documented for fund reimbursement, which includes a receipt and the signature of both the employee requesting reimbursement and the employee authorizing the expenditure. The petty cash fund should always balance - the total cash on hand plus the total receipts should equal the original amount of the petty cash fund.

Depending on the activity or need for replenishment, the petty cash fund must be reconciled by the petty cash custodian no less than once per month. When the fund requires replenishment, the custodian should complete a Petty Cash Replenishment Request and include the receipts for backup. This request must be reviewed and approved by a person with signature authority for the department. The Petty Cash Custodian may NOT approve petty cash replenishment requests. Additionally, replenishment to the petty cash fund must be done by the end of each fiscal year to ensure that expenditures from the fund are recorded and posted to the correct fiscal year.

A change fund is necessary in departments that are authorized to receive payments on behalf of the City. It shall consist of a fixed amount of cash solely for making change when a payment received is not in the exact amount of the amount owed. A department may have several change funds at a single location but each such fund should be assigned to only one employee/custodian. One exception is that a change fund may be assigned to more than one employee if they work different shifts. The change fund must be balanced between each shift.

Change funds should be counted and balanced daily when preparing the daily revenue reports and deposit. If a discrepancy in a change fund occurs, it is to be posted to the cash over/short account on the day of discovery and be accounted for in the daily revenue report as such. The day's deposit will be short or over by the amount of the discrepancy and the change fund will be maintained at its original amount.

If the amount of overage or shortage is \$35.00 or more, it must be reported to the department head and investigated appropriately. If there is a pattern of overages/shortages (regardless of amount), this should also be reported to the department manager or supervisor for further investigation.

Petty Cash and Change Funds may not be used for the following:

- To cash checks for customers, vendors, or employees
- To make personal loans or advances to employees (including advance travel funds)
- To make change for personal use
- To cover any shortages in a change fund
- Any other non-City transaction