



# WASHOE COUNTY

"Dedicated To Excellence in Public Service"

[www.washoecounty.us](http://www.washoecounty.us)

## AGENDA

### WASHOE COUNTY AUDIT COMMITTEE

Caucus Room

1001 E. 9th St., #A205

Reno, Nevada

Wednesday, August 17, 2016

1:30 p.m.

We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meetings. If you should require special arrangements for an Audit Committee meeting, please call the Internal Auditor's Office at 328-2064, 24-hours prior to the meeting.

Public Comment will be available and is limited to three minutes per person and for all matters, whether listed on the agenda or not. Additionally, public comment of three minutes per person will be heard during individually numbered items on the agenda. Persons are invited to submit comments in writing on agenda items and/or attend and make comment on that item at the Audit Committee meeting. Persons may not allocate unused time to other speakers. Supporting documentation for the items on the agenda provided to Audit Committee members is available to members of the public at the County Manager's Office (1001 E. 9th Street, Bldg. A, 2nd Floor, Reno, Nevada), Alison Gordon, Internal Audit Manager (775) 328-2064.

Pursuant to NRS 241.020, the Agenda for the Audit Committee has been posted at the following locations: Washoe County Administration Building (1001 E. 9th St. Bldg. A), Washoe County Courthouse—Second Judicial District Court (75 Court St.), Washoe County Central-Downtown Library (301 South Center St.), Sparks Justice Court (1675 East Prater Way), Incline Justice Court (865 Tahoe Blvd.), [www.washoecounty.us/mgrsoff/internal\\_audit.html](http://www.washoecounty.us/mgrsoff/internal_audit.html), and <https://notice.nv.gov>.

**Note:** Unless otherwise indicated by an asterisk (\*), all items on this agenda are action items upon which the Audit Committee will take action.

#### 1:30 p.m.

- \*1. Roll Call
2. Approval of the agenda for the Audit Committee meeting of August 17, 2016
- \*3. Public Comment (comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Audit Committee agenda)
4. Approval of minutes for September 4, 2015, December 10, 2015, February 12, 2016, and May 20, 2016 meetings.
5. Audit Reports – Alison Gordon, Internal Audit Manager
  - Inventory Controls Audit Report
6. Audit Schedule– Alison Gordon, Internal Audit Manager
- \*7. Calendaring of next Audit Committee meeting

- \*8. Audit Committee Member Comments – limited to announcements or issues proposed for future agendas and/or workshops
- \*9. Public Comment (comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Audit Committee agenda)
- 10. Adjournment

# WASHOE COUNTY AUDIT COMMITTEE

## MEETING MINUTES

**Friday, September 4, 2015**

**10:30 a.m.**

**Commission Caucus Room**

Committee Attendees: Dave Stark, Keith Romwall, Marsha Berkgigler, and John Slaughter  
Absent: Elaine Alexander  
Other Attendees: Alison Gordon and Joey Orduna-Hastings

### CALL TO ORDER

The meeting was called to order at 10:30 a.m. and Alison Gordon performed the roll call – those listed above were present.

### AGENDA

Mr. Romwall moved to approve the agenda as presented. Ms. Berkgigler seconded the motion, which carried unanimously with Ms. Alexander absent.

### PUBLIC COMMENT

There was no one present for public comment.

### MINUTES

Ms. Berkgigler moved to approve the minutes as presented. Mr. Stark seconded the motion, which carried unanimously with Keith Romwall abstaining since he did not attend that meeting and Ms. Alexander absent.

### AUDIT SCHEDULE

Ms. Gordon stated the proposed audit schedule for fiscal years 2016 and 2017 have not changed since these are previously approved. Using the audit risk matrix, the audits scheduled for fiscal year 2018 include Human Resources, Accounts Receivable, the Golf Course Fund and E-Commerce. Each of these audit carried a medium risk assessment. Human Resources was last audited in FY 2005, Accounts Receivable in FY 2005, Golf Course Fund in FY 2007, and E-Commerce in FY 2004. Ms. Gordon stated at this time there were no major issues known regarding these audits and she felt that she could handle this workload in FY 2018.

Mr. Slaughter asked about the planned audit of Disaster Recovery in FY 2017 and wondered with the audit would include. Ms. Gordon responded that she did not performed any analysis but suspected the audit would include assuring County records be safeguarded and a review of the disaster recovery plan in place. Mr. Slaughter stated the County has been performing a lot of work in this disaster recovery plan and that this work is still in progress. Mr. Slaughter then asked about the audit work that would be performed pertaining to the Golf Course Fund audit as the County golf courses are administered via vendor contracts. Ms. Gordon responded the audit work for most likely include a review of the contracts with these vendors, vendor compliance, and appropriate spending of Golf Course Fund monies. Mr. Slaughter stated he would like to see the Golf Course Fund moved up to FY 2017 with the Disaster Recovery audit being moved to FY 2018. Mr. Slaughter further stated he did not believe the Disaster Recovery audit was as pressing at this time. A lot of work is being done in the disaster recovery area and once that work is done, then the audit should be performed. Mr. Stark moved that we make that change to the audit schedule. Ms. Berkbigler seconded the motion, which carried unanimously with Ms. Alexander absent.

### AUDIT REPORT

Mr. Stark stated the District Attorney audit report was very interesting reading and that the report was very well done. Ms. Gordon stated this audit was requested by the County's new District Attorney, Chris Hicks. He wanted to be sure the office was functioning as it should and policies and procedures were in place. Ms. Gordon stated she found several areas within the Internal Control area that needed improvement. First, the Fraud Check Unit was not ensuring its deposits were approved by a supervisor. Twenty-four deposits for review during FY2015 and none showed supervisor approval. Second, the safeguarding of DA weapons needs improvement. Ms. Gordon stated she performed a physical inventory of the DA weapons and found the SAP inventory did not include nine firearms, three Airsoft pistols or the Moto Shot Control Target System, also known as Greg. Also noted was the SAP inventory included three firearms that had been disposed of. Staff retiring from the office had purchased these items. Mr. Stark inquired whether the DA's Office had the paperwork documenting these disposals. Ms. Gordon responded this paperwork was in place for two of the weapons and for the third weapon they had to contact the retiree and subsequently provided the paperwork. Also, the Investigations Division did not have an inventory list to account the DA firearms and the range master's list of firearm assignments was not up to date.

Ms. Gordon stated District Attorney safes were also inspected. One of the safes included the employee sunshine fund. Because sunshine funds inherently have issues, Ms. Gordon recommended establishing some procedures around the employee fund such as keeping it separate from County monies, having a committee to administer the fund and placing the fund in a locked drawer where couple of the committee members know if it's location and the key. Ms. Gordon stated she also recommended identifying the types of activities the fund should cover and having all food, raffle tickets, etc. approved before purchase by the committee.

Ms. Gordon stated the safe also included restitution money received by the DA's Office from the case during fiscal year 2012 one employee had stolen \$1150 from the DA's snack bar. Prior to

closure, the snack bar monies were donated to a local charity. Ms. Gordon suggested the DA donate the restitution to a local charity which was agreed to by the DA Civil Division.

Ms. Gordon stated the final area of concern in Internal Controls was that the Investigation Division's administrative function needed policies and procedures in place. Both of the staff currently performing the administrative function are due to retire within the next several years. Therefore it is important to get the procedures documented.

Ms. Gordon stated the next area she looked at was Child Protective Services staffing. Over the years the number of CPS hearings has increased substantially for example, in 2010 there were 1665 hearings by the end of 2014 there were 2835 hearings for an increase of about 70% or 23 hearings per week. In addition, the work associated with certain types of these hearings has increased substantially in the number of court days has increased. One of the effects of all this additional work is that the CPS unit has a backlog in parental termination cases. At this time there are more than 47 cases that are over 30 days old. Consequently their children remaining in foster care or pre-adoptive placement thereby increasing foster care costs for the County. Ms. Gordon recommended hiring an additional attorney and one legal secretary to help with this workload and that the DAs office work with County management to identify a permanent funding source for these positions.

Ms. Gordon stated Chris Hicks had requested she review witness fees, the Fraud Check Unit restitution payment process, and the Victim Fund. He made this request because currently in Clark County the Las Vegas review Journal has requested documents from the Clark County District Attorney. The Court correct County District Attorney's Office refused to provide the documentation and they are not going to court. Chris Hicks wanted to make sure if he was requested to provide this documentation that it was all in compliance with NRS.

Ms. Gordon stated the first area pertains to Witness Fees. She found the staff responsible for generating the witness fee checks have the ability to change the names and addresses in the case management system when processing witness checks. As a result, the ability existed the staff could issue a witness fee check to themselves family members, or friends. This ability has now been eliminated. Ms. Gordon stated she also tested 73 witness payments and it appears that the payments were in accordance with NRS and paid to actual case witnesses.

Ms. Gordon stated she also looked at the Fraud Check Unit restitution payment process. This unit receives restitution from defendants based on a bad check complaint. Once received, these monies are deposited with the subsequent check written that is mailed to the victim. However, instances occur where the post office returns the mail as undeliverable. When this occurs, the information is recorded in JustWare, the DA case management system, and staff places the check along with the envelope in the safe. Ms. Gordon stated she found the Fraud Check Unit didn't maintain a list of the restitution payment checks returned by the post office. She also found staff work performing and documenting a good faith effort performed to locate the pay on the restitution check when returned as required by NRS. Ms. Gordon stated some of these checks are fairly large, e.g. \$4,000 and additional research should be performed. For example, in one instance she found a victim on Facebook using a Google search. Void restitution checks that are returned and stale dated should be transferred to the DA victim fund as applicable. The DA's

Office should also notate “void” on the physical copy of each stale dated check being voided including stop payments; obtain and document supervisor approval for each voided check; and perform and document good faith effort to contact payees on restitution checks it up and outstanding for three months or more. If the victim on the restitution check cannot be located, NRS allows for these monies to be moved into the victim fund to help other victims.

Ms. Gordon stated the DA’s Office needs to develop and implement policies and procedures for its victim fund. She looked at the types of revenues and expenditures for the money deposited and expended in this fund and found the fund not only included the restitution money where the initial victim cannot be located, but included employee donations for the annual DA holiday event and reimbursements to staff for things such as in travel advance for training. She also found the fund included conference registration fees, the travel advance to the employee, and donation to a girls softball league among others. She also found that a lot of the expenditures were charitable in nature such as giving money to the Christmas Angel Tree. However there is no documentation to verify these expenditures pertain to a victim of crime and no evidence of the supervising investigators or DA’s approval. One last item noted was the 2013 holiday event expenses paid through the victim fund were \$20.76 more than the employee donations recorded in the victim fund. I recommended using some of the employee sunshine fund money to reimburse the victim fund. Mr. Romwall questioned why holiday event monies were included as part of the victim fund. Ms. Gordon responded she was not sure but one contributing reason was the checks for the victim fund are maintained at the DA’s Office which facilitates writing checks. All members agreed there was no reason for this money to be in the victim fund and should be removed. Ms. Gordon responded that the DA’s Office is in the process of developing and implementing policies and procedures for this process.

Mr. Stark asked if the DA’s Office formally responds to the issues identified by the audit. Ms. Gordon responded this typically does not happen. The DA’s Office is normally very responsive to audit recommendations but she did find certain areas were not addressed from the prior audit.

Ms. Gordon found the DA’s Office could also make some enhancements to their case management system. All the civil cases from the prior case management system need to be moved into JustWare. The issue is the prior case management system is no longer supported self it has a problem in the future there will be no one available to work on the system and the cases will be gone. The DA’s Office has hard copies of these cases but extensive work would be necessary to identify which cases were missing from the system. Also, business rules need to be developed so case data and documents can be consistently recorded in the system. At this time, reports are being attached to the system multiple times which takes up available bandwidth – plus no one can find the documents. Ms. Orduna Hastings mentioned that County management has already been talking with County Technology Services about this issue. Ms. Gordon stated the DA’s Office also needs to update NRS statutes and charging language in JustWare. This would alleviate the need for staff to search other cases to identify correct charging language for use in a current document. With JustWare, a template could be used. Ms. Gordon stated lastly the Juvenile Division needs JustWare assistance to further their ability to automate their cases and become paperless. The Family support Unit is currently paperless which is part of the draw of using JustWare.

Ms. Gordon stated in addition to the current year audit work prior year audit follow-up was performed. She noted of the 12 recommendations made in the audit, five were implemented, six were partially implemented, and one was not implemented. Of the six partially implemented in one not implemented, she found the majority applied to the Fraud Check Unit.

Ms. Berkgigler asked what happened when departments don't implement audit recommendations. Mr. Slaughter stated in this instance were dealing with an elected official in the audit included some items that are statutory requirements and others that are not. Some are simply recommendations to enhance a business process. Mr. Romwall stated that I did notate in the audit report whether the recommendations were implemented or not so the DA's Office should be aware of what needs to be done - rubberstamping the check should be a problem. Ms. Gordon explained she noted a check laying out in plain sight which was not endorsed. Mr. Slaughter reminded the committee that this audit was current requested by the District Atty. Ms. Gordon stated she met with the District Atty. and went over all of the report issues - all were agreed with. Also, in another month or so I will be issuing my annual report which shows all audit reports completed during the current year with implementation status.

#### CALENDARING NEXT MEETING

Ms. Gordon suggested a meeting during the first week of November as the Comprehensive Annual Financial Report (CAFR) was expected to be finalized and presented to the Board of County Commissioners at their second meeting in October 2015. Ms. Gordon stated she would send out an email scheduling the meeting.

#### AUDIT COMMITTEE MEMBER COMMENTS

There were no comments by the Audit Committee Members.

#### PUBLIC COMMENT

There was no one present for public comment.

#### ADJOURNMENT

Mr. Stark moved to adjourn, seconded by Mr. Romwall, which motion carried unanimously with Ms. Alexander absent.

# WASHOE COUNTY AUDIT COMMITTEE

## MEETING MINUTES

**Thursday, December 10, 2015 at 2:00 p.m.  
Human Resources Large Conference Room**

Committee Attendees: Marsha Berkgler, Elaine Alexander, and John Slaughter  
Absent: Keith Romwall and Dave Stark  
Other Attendees: Alison Gordon

### CALL TO ORDER

The meeting was called to order at 2:00 p.m. and Alison Gordon performed the roll call – those listed above were present.

### AGENDA

Mr. Slaughter moved to approve the agenda, with a change for item #4 to be removed from the immediate meeting, based on the next meeting date. Ms. Alexander seconded the motion, which carried unanimously with Mr. Romwall and Mr. Stark absent.

### PUBLIC COMMENT

There was no one present for public comment.

### MINUTES

Mr. Slaughter moved to remove this item from the immediate meeting.

### AUDIT REPORT

Worker's Compensation Audit - Ms. Gordon stated that claims have decreased over the years; however, this does not mean a cost decrease. In 2015 there was only 194 claims, but the cost went up exponentially, primarily due to heart claims (life time claims) from the Sheriff's Office.

In 2015 there were two heart claims, one amounting to \$2.3 million at this point and the other about \$3 million. A summary of claims from each department, in page 2, shows that the Sheriff's Department has the most claims. Most of the claims came from two divisions the patrol division and the detention division, as they have the most deputies and also most public and offender contact. The second department with the most claims is Community Service including roads division, animal control, and parks division, due to work presenting potential hazards.

Ms. Alexander asked about the number of employees within the County and Mr. Slaughter stated that we have almost 2600 employees in the County. He also recognized that the first two departments are two of the largest departments in the County, followed by the next 3 departments listed. Sheriff's Department having about 750 employees and Community Services having about 400-500 employees.

Ms. Gordon stated that the Sheriff's Department has 583 claims, 335 of those being multiple claims through fiscal years 2011-2015. Resulting from these claims, the report shows that 57% are multiple claims, which included 3-6 multiple claims, mostly from the detention unit. Ms. Alexander asked if these employees get assaulted and Ms. Gordon confirmed. Mr. Slaughter stated that Social Services has the same problem. Ms. Gordon added that Community Services faces the same situation as they are out and about and have contact with the public.

Ms. Gordon presents that long term claims show that as of June 30, 2015, 81% of their 54 long term claims pertained to the Sheriff's Department, half of these pertain to heart claims. These heart claims are currently estimated to run the County about \$17 million over the life of a claim. Ms. Gordon continues to state that this is the tip of the iceberg. They already have more claims for the Fiscal Year 2016 one or two more. Ms. Gordon references the unfortunate fact in that a lot of the folks filing these claims are fairly young, early 50s.

Ms. Gordon stated that she reached out to other local law enforcement in the North to see what they were doing to address the issue in their own offices, as the Sheriff's Department is not doing anything to fix the problem. Although, Sheriff's Department does state that they used to get a paid hour to go to the gym, they have since given that provision up "to get more".

Ms. Gordon reports that these other Northern Nevada groups are using Specialty Health. Specialty Health has a cardiovascular improvement program that other local law enforcement employees are using. City of Reno has found that it has significantly decreased their claims. Ms. Gordon could not verify this information, so information was not included in this report. Additionally, information was given to Ms. Gordon about how the UNR police department drew up a meal plan or healthy options for their employees. These meal plans are kept in their cars and UNR reports that although claim decrease has not been confirmed, their reports do show that people's cholesterol and insulin problems are coming down.

The Specialty Health cardiovascular program, as it pertains to the Sheriff's Office, works as a follow up during their annual physical exams when persons are identified as having high cholesterol, high pressure, smoking, etc. At this point, these people can attend this program and Specialty Health doctors perform two other tests (LDL particle test/insulin resistance) to determine the kind of trouble the person demonstrates. The program is composed of three different areas: the doctor, the nutritionist, and a fitness coordinator. Ms. Gordon states that our insurance covers the doctor and lab test parts of this program. The nutritionist and fitness coordinator are \$100/hour, with a \$75 initial fee for a 45-minute consultation. This could be offered to the whole County if people are identified as having trouble. Ms. Gordon stated that the Sheriff's Department has a dire need for this program. Ms. Alexander stated that even if health is not a factor the \$17 million cost should be a financial factor to care about. Ms. Gordon stated that the health factor is a big concern. People retire and are having heart attacks at 42.

Ms. Gordon's recommendation is that County Management should consider performing additional outreach regarding wellness services available through Specialty Health. Ms. Alexander asked who would make the recommendation. Ms. Gordon states County Management. Ms. Berkbigler stated that it would probably start with them and then go out to the division, but the Sheriff has to be on board.

Ms. Gordon stated that there is a problem with the employees fearing that their heart claims may be denied in the future if they don't participate. Ms. Gordon states that these measures have been considered in the past without success. Ms. Berkbigler stated the law is clear regarding denying heart claims and stressed the fact that this is about saving their health and not denying their claims. Ms. Gordon states that this all depends on how it's all presented. Ms. Alexander noted that the fact that Sparks, Reno, Truckee Meadows, UNR, and Storey County are using these services, has to speak to other jurisdictions about the need for this program.

Employee compliance with statute, county code and labor agreements. Ms. Gordon points to the first area where it reports about time-frame requirements. Employees are required to submit a report as soon as practical but within 7 days of being hurt, Ms. Gordon states that employees are complying well; however, supervisors are not complying as well. A lot of supervisors are late in submitting their reports. Out of 90 open and closed claims, 11% were submitted late in 2015, a 16% shows the claim was submitted more than 5 days late and 1 instance shows it was 12 days late, despite Celeste's efforts (Worker's Comp person).

Time recording is also a problem. Aside from Sheriff's Department and law enforcement types, County employees under WCEA are to use sick leave when they go to Concentra for their worker's comp claim. Sick leave is not being used when dealing with Worker's Comp claims. Fiscal Year 2014 shows that 14 of 45 or 57% of the claims selected had incorrect time recording, charging regular time, comp time, instead of leave time. An employee inappropriately charged worker's comp for two days after Worker's Comp released him to go back to work. Fiscal Year 2015 shows that 16 of 23 incidents or 70% resulting from WCEA employees were charging time incorrectly. One employee charged 8 hours of worker's comp where the leave wasn't authorized for the day in question. Ms. Alexander asked if perhaps it was a training issue, as to why employees were reporting incorrectly. Ms. Gordon stated that the rules are pretty clear; however, supervisors or persons approving time sheets (i.e. HR representative) are not always aware that people are leaving to go to Concentra. Regardless, it's a problem, and Ms. Gordon recommended providing more training to HR reps and individual departments about recording of time. Ms. Alexander asked if the person approving the timesheet would be able to control time recording, Ms. Gordon said she did not know this information. Mr. Slaughter stated that person approving the time sheet should know.

Mr. Slaughter stated that every department has an assigned person recognized as the HR rep. The HR rep is designated to be the HR expert in that department. Although, there is no consistency as to whom that person is, their classification, or their training, his office is looking into changing HR reps into an actual group with minimum qualification and ongoing training. Mr. Slaughter stated that there has been a discussion as to what the HR reps do and how they need to be trained. Mr. Slaughter stated that he will ensure that HR reps get the training they need, in hopes to prevent the above mentioned issues.

Permanent disability – Ms. Gordon reports that when employees are identified to have a permanent disability and can't continue working in their assigned or any other position in the County an action is required within 30 calendar days to refer employees to other worker's comp benefits such as Vocational Rehabilitation. Departments are not always following these requirements, which set a precedent for future claims with similar circumstances as it does not comply with Worker's Comp statutes. Ms. Gordon states that Departments sometimes take this route to allow employees to remain on the books until retirement. Ms. Alexander asked if they should have a discussion and no comment was rendered.

Next subject referenced the importance to find a Comptroller soon. Ms. Gordon reports that this is causing a transition in leadership over the Risk Management program. Jim Jepson was globally overseeing the whole Risk Management program which included the Worker's Comp. Joey Orduna-Hastings is overseeing this Department now, but there's a need for someone to oversee the program and inform the employees of their responsibilities. Mr. Slaughter states that it has been a difficult recruitment. It goes back to their previous short term Comptroller, but they're getting there. Ms. Alexander asked if the County had an expectation that the Comptroller could also perform as the Risk Manager or would the Risk Manager be a person reporting to the Comptroller. Mr. Slaughter replied that they are looking for a Comptroller that could do that, but if they find a Comptroller that cannot fulfill those requirements than they would look at a different model. Now they have one of the assistant managers acting as the Risk Manager, but Mr. Slaughter stated they are weeks away from finding a Comptroller. He doesn't believe they have to change their model, but cannot expand.

Ms. Gordon informs that a Statement on Standards Attestation Engagements (SSAE) 16 Report is a requirement in the accounting world in order for a review to be done by a third party administrator to make sure that there are controls to properly administer claims. We were not requiring our third party administrator to provide copies, but when Ms. Gordon reached out they provided a copy of a fairly recent report. Ms. Gordon recommended that this requirement be put in place as of the next contract renewal. In the meantime, we would just request a report as oppose to requiring it.

Ms. Gordon recommends a Case Management System for Workers Comp. Currently claims can be accessed and reviewed on the third party administrator's website, but this website does not provide complete information to provide reports to the State. It's all currently on an excel spreadsheet.

Ms. Gordon researched previous programs and those programs do not fulfill the immediate needs for reporting purposes. Technology Services was requested do a case analysis to see if the program can be modified to work for our needs or if there's another option in SAP. SAP does have some options, but it does not really meet the needs. So, Technology Services decided that it would be best to have the existing piece of software updated.

Ms. Gordon recommended that the Workers Comp information available in our website should be in the same location. This information is scattered in different areas of our current intranet system.

Ms. Alexander applauded Ms. Gordon for her concern and humanity in reference to the

immediate matter. Mr. Slaughter recognized that these are actionable recommendations.

Regarding the internet recommendations made by Ms. Gordon, Mr. Slaughter believes the new launch addresses the Workers Comp needs Ms. Gordon is looking to fulfill via the intranet.

Ms. Gordon will be presenting this information on the new safety meeting. Ms. Alexander and Ms. Berkgigler agreed that it would be a great place to start.

Ms. Berkgigler moved to acknowledge this Report and complimented Ms. Gordon on a job well done. Ms. Alexander seconded the motion. The report was acknowledged unanimously with Mr. Romwall and Mr. Stark absent.

#### CALENDARING NEXT MEETING

Ms. Gordon suggested another meeting mid-February to allow time for the external auditor, Eide Bailly, to make the presentation. Ms. Gordon stated she would send out an email suggesting dates for scheduling the meeting.

#### AUDIT COMMITTEE MEMBER COMMENTS

There were no comments by the Audit Committee

Members. PUBLIC COMMENT

There was no one present for public comment.

#### ADJOURNMENT

Mr. Slaughter moved to adjourn, seconded by Ms. Alexander, which motion carried unanimously with Mr. Romwall and Mr. Stark absent.

# WASHOE COUNTY AUDIT COMMITTEE

## MEETING MINUTES

**Friday, February 12, 2016 at 2:00 p.m.  
Caucus Room**

Committee Attendees: Dave Stark, Keith Romwall, Elaine Alexander, Kitty Jung, and John Slaughter  
Absent: n/a  
Other Attendees: Felicia O'Carroll, Dan Carter, from Eide Bailly and Cathy Hill, Comptroller, Mark Mathers, Budget Division.

### AGENDA ITEM 1                      Call to Order

The meeting was called to order at 2:00 p.m. and John Slaughter performed the roll call – those listed above were present.

### AGENDA ITEM 2                      Approval of Agenda

Mr. Slaughter moved to approve the agenda. Ms. Alexander seconded the motion, which carried unanimously.

### AGENDA ITEM 3                      Public Comment

There was no public comment.

AGENDA ITEM 4                      Presentation: Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR) year ending June 30, 2015 as presented before the Board of County Commissioners on February 9, 2016. Representative from Eide Bailly, LLP, and Cathy Hill, Comptroller, will be available for questions

Felicia O'Carroll presented an executive summary to the members relating to GASB 68 (Governmental Accounting Standards Board) and 71. The management's discussion and analysis is put together by Washoe County staff to help provide a little bit more perspective on the financial statements.

Felicia continued to explain the County's net position, which is the difference between what is owned and what is owed. It was also explained that Truckee Meadows Water Authority's divestiture has a lot to do with the decrease in business type activities in the County.

Unfunded PERS liability and the County's proportionate share were discussed and a state wide comparison was provided to gain perspective on pension liability as it relates to Washoe County.

Felicia also stressed the fact that it is wise to keep an eye on as you go through the years to make sure Washoe County ends up on a break-even basis.

A brief overall was provided regarding GASB 68 and how it relates to OPEB (Other Post-Employment Benefits). Washoe County is usually cognizant of where it needs to be and typically stays close to budget.

Felicia spoke of the County's two financial statement findings, 1) centrally assessed taxes and 2) prior period adjustment. Capital Appreciation Bonds were also discussed and suggestions were made on how to keep track of these bonds.

Felicia informed that the single audit is with their second partner, quality review. Reporters were commended for their reports.

AGENDA ITEM 5                      Presentation: Report on Agreed-Upon Procedures for Collection of the AB 104 Gaming Tax from Grant Thornton LLP

John Slaughter began the presentation by giving the background of the issue, explaining when and AB 104 came into play.

Mr. Slaughter explained that an error was detected back in FY 2009, late last summer, showing the County's revenue dropping more than could be explained by the recession. Grant Thornton was contracted to test this issue and came back with suggestions on how to improve the process and performances in the future.

Eleven recipients include the Washoe County, City of Reno, City of Sparks, three fire districts (Truckee, Sierra, and North Lake Tahoe Fire) Incline Village General Improvement District, Sun Valley General Improvement District, Palomino Valley General Improvement District, and the Verdi Improvement District.

A discussion was had about how this issue was missed and what needs to happen in order to prevent it from happening again. Mark Mathers shared the changes that have been implemented within the department to prevent issues of this nature.

Commissioner Jung asked about a criminal investigation/audit. Mr. Slaughter confirmed that this issue was discussed with the District Attorney's office. The current finance team has budget experience.

AGENDA ITEM 6                      Calendaring Next Meeting

Mr. Slaughter proposed that when Ms. Gordon returns, she shall send out an email suggesting dates for scheduling the meeting.

AGENDA ITEM 7                      Audit Committee Member Comments

Mr. Slaughter introduced Cathy Hill, County Comptroller, to the present members of this Committee.

Mr. Slaughter suggested two items: 1) update on the gaming tax situation and 2) update on the single audit.

AGENDA ITEM 8                      Public Comment

There was no public comment.

AGENDA ITEM 9                      Adjournment

Mr. Stark moved to adjourn, Mr. Slaughter seconded the motion, which motion carried unanimously.

# WASHOE COUNTY AUDIT COMMITTEE

## MEETING MINUTES

**Friday, May 20, 2016 at 2:00 p.m.  
Comptroller's Office Large Conference Room**

Committee Attendees: Dave Stark, Keith Romwall, Elaine Alexander, Kitty Jung, and John Slaughter  
Absent: n/a  
Other Attendees: Dan Carter, Felicia O'Carroll, Comptroller, Cathy Hill and Alison Gordon

### AGENDA ITEM 1                      Call to Order

The meeting was called to order at 2:00 p.m. and Alison Gordon performed the roll call – those listed above were present.

### AGENDA ITEM 2                      Approval of Agenda

Mr. Romwall moved to approve the agenda. Ms. Alexander seconded the motion, which carried unanimously.

### AGENDA ITEM 3                      Public Comment

There was no public comment.

### AGENDA ITEM 4                      Presentation: June 30, 2015 Single Audit Report – Felicia O'Carroll, Representative from Eide Bailly, LLP

Felicia O'Carroll stated that brief presentation would be given about the entire compliance section of the financial statement and opened it for questions at the end.

Dan Carter presented the single audit of the federal wards that is required by OMB (Office of Management and Budget) Circular A-133 and the single audit amendments of 1996. He also provided a summary of the entire report and what items can be found under each report.

Felicia reiterated that these reports are required and continued on to provide details regarding the four findings listed in the report. All report errors were issues of internal control, meaning a second reviewer was not used; however, compliance was not an issue. Regarding the Family Planning Grant (finding 2015-003), a discussion was held referencing the lack of compliance due to an update failure regarding poverty guidelines in the County's billing software in beginning January 2015.

A discussion was held regarding the report under the Child Support Enforcement finding (2015-004), regarding reimbursements. Felicia confirmed that the potential effect and recommendations are typically the focus of the reviewers, in which case this finding had no major concerns.

Felicia explained that in the past these reports were not provided to the Committee, however, Eide Bailly, LLP guidelines require that a report be provided regarding discrepancies, as a preventative measure.

Finally, Felicia stated the Status of Prior Year Findings showed that all 2014 findings were cleared and procedures were put in place to ensure they won't occur again.

AGENDA ITEM 5 Update of Collection of Prior Years' AB104 Gaming Tax Repayment of Prior Years' Under-Collected AB104 Receivable to Other Local Government and special Districts. – John Slaughter

John Slaughter began the presentation by providing a refresher of the last meeting regarding AB 104. AB104 Gaming tax is a makeup tax (dating back from 1991 legislative session) as a result of certain revenues swept from Washoe County and sent to Clark County and 10 other counties.

On April 12, 2016 it was decided that the County move forward as oppose to go back in time to collect. Legal analyses were made regarding statutes of limitations. Bills have been sent out in an effort to collect these taxes. All jurisdictions involved have been informed. Preventive measures have been implemented to avoid future similar errors.

AGENDA ITEM 6 Update on Meeting Minutes Status – Alison Gordon

Alison Gordon informed that minutes had not been available, as the Clerk's office does not have available staff. Manager's Office hired new Administrative Secretary that will be assisting with minutes.

AGENDA ITEM 7 Calendaring Next Meeting

Next meeting should schedule in August 2016. Ms. Gordon shall send out an email suggesting dates for scheduling the meeting.

AGENDA ITEM 8 Audit Committee Member Comments

There was no audit committee member comments.

AGENDA ITEM 9 Public Comment

There was no public comment.

AGENDA ITEM 10 Adjournment

Mr. Romall moved to adjourn, Mr. Stark seconded the motion, which motion carried unanimously.



# WASHOE COUNTY

"Dedicated To Excellence in Public Service"

www.washoecounty.us

CM/ACM   
Finance   
DA   
Risk Mgt.   
HR   
Other

## STAFF REPORT

BOARD MEETING DATE: July 26, 2016

**DATE:** July 7, 2016  
**TO:** Board of County Commissioners  
**FROM:** Alison A. Gordon, Internal Audit Manager  
775-328-2064, agordon@washoecounty.us  
**THROUGH:** John Slaughter, County Manager  
**SUBJECT:** Acknowledge Receipt of the Inventory Controls Audit Report from the Internal Audit Division (All Commission Districts)

### SUMMARY

The Board of County Commissioners approved a performance audit of the County Inventory Controls during the October 13, 2015 board meeting. The audit involved assessing current practices, including compliance with laws, regulations, County code and other requirements, and testing the practices in place for administering County inventory.

The results of the review indicated the administration of County Inventory Controls can be enhanced. For example:

County departments need to comply with County Code and Purchasing Division inventory policies and procedures. Various instances were found where the current inventory list from SAP was inaccurate including equipment no longer in existence, duplicate equipment records, and equipment that should have been recorded as inventory. Additionally, not all inventory that is sensitive or of a high risk of loss is recorded in SAP, such as the irreplaceable antiques in the historic Bower's Mansion house. By having incomplete inventory records in the official County recordkeeping system, County assets are not adequately safeguarded.

County smart phones and tablets should be recorded in SAP and the AirWatch security system should be in place to safeguard applications and content on these mobile devices as well as laptops. The County has about 280 mobile devices and only about 52% have had AirWatch installed. In addition to County devices, employees using their personal devices to access County data should have AirWatch installed. Currently, 119 employees have had AirWatch added to their personal devices, about 4% of all County employees. Additionally, many employees access County data from home through VPN using their

AGENDA ITEM # 5.L.2.

personal devices. The County Technology Services Department has security policies and procedures where the intent is to prohibit employees from using VPN to access County data using personal devices, such as a PC or laptop at home, to ensure malware or system vulnerabilities is not introduced to the County network. However, the security policies and procedures language pertaining to VPN use are not clear and a review should be conducted of the current policies. Also, Technology Services needs to explore further how to improve the County's overall network security from VPN access and monitoring to allow employees greater flexibility in performing their work duties.

County vehicles need to be recorded in SAP to maintain adequate controls to minimize the risk of loss or misuse. A comparison of vehicles was performed between SAP and the Community Services Department, CSD, Equipment Services Division Flagship system using the Internal Audit Division data analysis software. One hundred two of 997 vehicles in the County fleet were identified as unmatched. Further analysis was performed and vehicles were unmatched because of incorrect VIN numbers, vehicles that need to be added to SAP, and vehicles that need deletion from SAP. Once all vehicles are correctly recorded in SAP, CSD and the Internal Audit Division will perform annual comparisons using the Internal Audit Division's analytical software to ensure all vehicles are recorded as SAP inventory.

County equipment stored at vacant offsite locations needs to be evaluated and moved to a different location. County equipment is being stored at two vacant locations on Mill St. – the prior Cooperative Extension Service building and the Excel building, both of which are on Mill St. and owned by the Truckee Meadows Flood Authority. As the Truckee Meadows Flood Authority plans to demolish both these buildings later this year, the County needs to remove the equipment and determine whether it is still useful and can be placed in service or if it is surplus equipment that should go to auction.

The County Comptroller's Office needs to ensure the SAP report being used to account for vehicle depreciation is accurate. For example, a comparison performed between the SAP fixed asset report and vehicle inventory showed nineteen vehicles in the vehicle inventory from 2013, 2014, 2015 and 2016 that were not included in the fixed asset report. Depreciation would be computed for each of these vehicles. Three vehicles on the fixed asset report, where depreciation was being computed, had been sold at auction. If the SAP fixed asset report does not include all depreciable vehicles and includes vehicles that have been sold at auction, the likelihood exists that depreciation will be incorrectly reported in the Equipment Services Fund.

**Division Strategic Objective supported by this item:** To ensure County Operations are Administered Efficiently and Effectively

#### **PREVIOUS ACTION**

No previous action has been taken on this Board item.

#### **BACKGROUND**

County Code Chapter 15.090 through 15.130 establishes the County Property Control Ordinance and assigns the administration of the County inventory controls to the Comptroller's Office, Purchasing Division. These code sections require each department to perform an annual inventory, which must be completed and submitted to the

Purchasing Division. Any transfers of inventory items from one department to another must be documented by the department and reported to the Purchasing Division. Likewise, any inventory item no longer useful to a department must be transferred to the Purchasing Division and the authorization must be obtained before the sale or other disposition of surplus personal property. Additionally, county code requires the Purchasing Division to maintain a computer-oriented system to account for property and issue reports.

### **SCOPE AND METHODOLOGY**

The scope of this audit included evaluating the inventory controls used by the County for efficiency and effectiveness. It included assessing internal controls over recording and removing inventory in the County system, SAP; the performance of annual inventories; and safeguarding assets. It also included reviewing compliance with County policies, applicable NRS, and Purchasing Division inventory policies and procedures.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and covered periods through June 2016. Fieldwork was conducted between December 2015 and June 2016.

### **FISCAL IMPACT**

This report has no fiscal impact. However, implementation of some recommendations may have fiscal impact and at this time, no funding source has been identified for any additional costs.

### **RECOMMENDATION**

It is recommended the Board of County Commissioners acknowledge receipt of this audit report of Washoe County's Inventory Controls.

### **POSSIBLE MOTION**

Should the Board of County Commissioners acknowledge receipt of this audit report, a possible motion would be:

*Move to acknowledge receipt of the Washoe County Inventory Controls Audit Report from the Internal Audit Division.*

ag

Attachments

# WASHOE COUNTY



## Washoe County Inventory Controls

June 23, 2016

Alison A. Gordon, CPA, CFE  
Internal Audit Manager



## Executive Summary

---

County departments need to comply with code and Purchasing inventory policies and procedures.

15 percent of the items tested from County inventory were not found and pertained to 5 departments. Also, four instances were noted where items were recorded as inventory two times, and not all sensitive or high risk of loss inventory is recorded in SAP. (Pages 3 - 5)

---

County smart phones and laptops need to be recorded in SAP, and the content on these devices needs safeguarding.

Many County departments and Technology Services do not have a complete inventory list of County mobile devices. At this time only about 52% of these devices have the County mobile security system protecting County data. (Pages 5 - 8)

---

County vehicles should be recorded in SAP.

An analysis was performed comparing vehicles in an ancillary system to SAP showed numerous instances where vehicle data need to be added and deleted in SAP. (Pages 8 and 9)

---

County equipment stored at vacant off site locations needs to be taken to auction and removed from SAP, if needed.

County equipment is being stored at two vacant locations on Mill St. – The prior Cooperative Extension Service building and the Excel building. The Truckee Meadows Flood Authority plans to demolish these buildings later this year. (Page 9 and 10)

---

The SAP fixed asset report used to account for vehicle depreciation should be accurate.

A review of this report in SAP showed various recent vehicle models from 2013, 2014, 2015 and 2016 were not included. Also, three vehicles where depreciation was still be computed had been totaled and sold at auction. (Page 10)

---

## Observations and Recommendations

### 1. SAP Inventory

County departments need to comply with County Code and Purchasing Division inventory policies and procedures. These requirements include recording all capital items greater than \$5,000 to County inventory as well as those items identified as sensitive or a high risk of loss. Also, County departments are required to perform an annual inventory of the items recorded in SAP to certify their existence and report any unfound or surplus items to the Purchasing Division. During my review, it was found not all departments are following these requirements. By not performing an annual inventory and having correct inventory records, County equipment assets are not adequately safeguarded.

#### Test Items

A sample of 65 inventory items were selected for testing from the County-wide inventory from 10 of the county departments. Ten or 15% of the test items on the County inventory were not found and were applicable to five County departments. This included items such as a video scan converter, an electronic data storage unit, a telephone system, and a fax machine. In addition, while at one department inspecting other inventory, an equipment item with a cost exceeding \$5,000 was found that should be recorded as inventory.

Seven of the 10 departments identified issues regarding the disposal of surplus or items that could not be located. Current County Code and Purchasing Division policies and procedures require County departments to report items for disposal to County Purchasing. However, each of the seven departments stated they had reported disposal items to County Purchasing year after year that were never removed from their inventory in SAP. When reported inventory disposals are not removed from inventory, County employees feel this is a message that inventory is not important, and results in an inventory system that is incorrect. Due to frustration with this situation, two of these departments recently reported their dispositions to the Technology Services Department, where staff was very helpful by importing and removing the items from SAP inventory. Though understandable, this practice circumvents County Code and policies and procedures. This practice also adds additional workload to the Technology Services Department, which may not always be convenient.

#### Duplicate Records

An analysis was performed to determine if any duplicate inventory records exist. Four instances were noted where items were recorded as inventory two times. For the first two items in Exhibit I below, the duplicate recording was a result of recording the additional equipment costs of making the vehicle ready for service separate from the vehicle cost. For the third and fourth items, it is unclear how the duplicate recording occurred. If County staff were performing annual inventory review, three of the four items would have been identified and removed from inventory prior to this audit. The fourth item was a purchase in FY16 and this year's inventory has not occurred yet.

#### **Exhibit I**

<b>Equipment Description</b>	<b>Duplicate Value</b>
White Chevy Silverado	\$10,712.80
Model H76 Food Service Body	\$22,776.00
Glantz & Jensen Platewriter 2000	\$27,650.00
Laserjet Pro 400 Color Printer	\$ 332.42

As of the date of this report, the Comptroller's Office Purchasing Division has scheduled a training to occur in August 2016 to assist departments in performing an annual inventory inspection to ensure items are correctly recorded in SAP. This training will also address the redistribution, sale and disposal of excess property and how to avoid recording duplicate items in SAP.

#### Fire Services Inventory

The County Fire Services consists of two volunteer fire departments – the Gerlach Volunteer Fire Department and the Red Rock Volunteer Fire Department. Inventory practices at these two stations needs improvement. A complete physical inventory was taken earlier this year, when the Truckee Meadows Fire Protection District began temporarily staffing the Gerlach Volunteer Fire Department. Of the equipment items selected in SAP being tested, it was determined that SAP included items that no longer exist and need to be removed from SAP inventory. An additional equipment item was identified that should be reported and disposed of as surplus. Also, while at the Gerlach Volunteer Fire Department station, it was noted that a large storage container was on the north side of the fire station that appeared to have old, unusable equipment inside. The equipment items in the storage container need to be identified and evaluated as to whether they are usable or surplus.

A complete physical inventory needs to be conducted at the Red Rock Volunteer Fire Department. Several equipment items were selected for testing. As there was no one available with fire equipment experience during the site visit, we were unable to locate three of the 10 equipment items shown as inventory. Also noted were various portable radios and other equipment that were not on the inventory. As it was not clear if this was County inventory, no additional work was performed. However, we found one equipment item, a new swamp cooler, had been purchased and installed. As this piece of equipment is located on the outside of the building, in an isolated area, it should be added to inventory for tracking. Subsequent conversations with Truckee Meadows Fire Protection District staff and Manager's Office staff revealed that all of the equipment at the Red Rock station belongs to the County. Therefore, a full physical inventory should be performed in conjunction with someone with fire equipment experience, and Red Rock volunteer staff so all County equipment can be identified and accounted for. Once this inventory is completed, SAP should be updated as necessary.

As of the date of this report, Fire Services has updated SAP for the Gerlach Volunteer Fire Station equipment items not located, and added the Red Rock Volunteer Fire Station swamp cooler to SAP inventory.

#### Bowers Mansion Inventory

Not all inventory that is sensitive or a high risk of loss is recorded in SAP. For example, the Community Services Regional Parks Division Bower's Mansion house, which is an historical site, includes a significant number of priceless, historical antiques that are irreplaceable. These antiques were recorded in SAP, but in FY15, the Comptroller's Office made a decision to remove them. Instead, the Regional Parks Division has recorded the antiques in a separate system, Past Perfect. County Code 15.110 requires that adequate property and equipment records are maintained and Section 15.130 requires the Purchasing Division to maintain a computer system to account for property and to issue reports. Community Services Department staff stated they had been working with the Purchasing Division and received direction via phone conversations to remove the SAP inventory and that inventory maintained in ancillary software systems such as Past Perfect were acceptable in lieu of SAP. While Past Perfect is museum

collection management software, very useful for handling of the Bowers collection and backed up on the County server, SAP is the County's official record keeping system. Re-recording the Bowers Mansion antique collection in SAP could include recording a total by room or by floor and attaching the catalog pages showing the specific antiques in that room or floor.

As of the date of this report, Community Services is working with Technology Services, Risk Management and the Comptroller's Office to get the Bowers Mansion antiques re-recorded in SAP.

***Recommendations:***

- 1.1 County management needs to emphasize the importance of accounting for inventory,*
- 1.2 Departments need to perform an annual inspection to ensure inventory items are recorded correctly in SAP,*
- 1.3 The Purchasing Division should follow its procedures requiring it to efficiently manage all county property, including redistribution, sale and disposal of excess property,*
- 1.4 Duplicate items identified as part of the audit should be removed from SAP,*
- 1.5 Fire Services needs to perform an inventory of the storage container at the Gerlach Volunteer Fire Station and evaluate equipment items for usefulness,*
- 1.6 Fire Services needs to add the new swamp cooler at the Red Rock Volunteer Fire Station to SAP Inventory,*
- 1.7 Fire Services should perform a full inventory at the Red Rock Volunteer Fire Station and involve fire staff and Red Rock volunteer staff to properly identify pieces of equipment, and,*
- 1.8 Bowers Mansion antiques should be recorded in SAP.*

**2. Wireless Devices**

County smart phones and tablets need to be recorded in SAP, and a security system should be in place to safeguard applications and content on these mobile devices, as well as laptops. County Code, Chapter 15 as well as County Purchasing policies and procedures require all items with a sensitive or risk of high loss be accounted for in SAP inventory. This would include smart phones and tablets purchased by the County. According to the Technology Services Division, there are more than 750 County phones and tablets, including approximately 500 regular cell phones, and 278 smart phones and tablets. County departments should maintain a list of all regular cell phones and their assignment so they can be tracked. Additionally, because County smart phones and tablets contain County data, these devices should be recorded in the SAP inventory records showing the item and the employee the device is assigned to. Currently, many County departments and Technology Services do not have a complete inventory list of employees with smart phones and/or tablets.

To safeguard the applications and content on County smart phones, tablets and laptops, the County has a mobile device security system in place, AirWatch. AirWatch ensures mobile devices are protected with security extending to users, specific devices, applications, content, data, email and networks. AirWatch provides real-time device details and continuous compliance monitoring to ensure devices and data are secure. For example, if an employee loses possession of a County smart phone, tablet, or laptop, AirWatch can contact the device and remove County content. The County Technology Services department implemented AirWatch in January 2015. During summer 2015, Technology Services held several training sessions for all

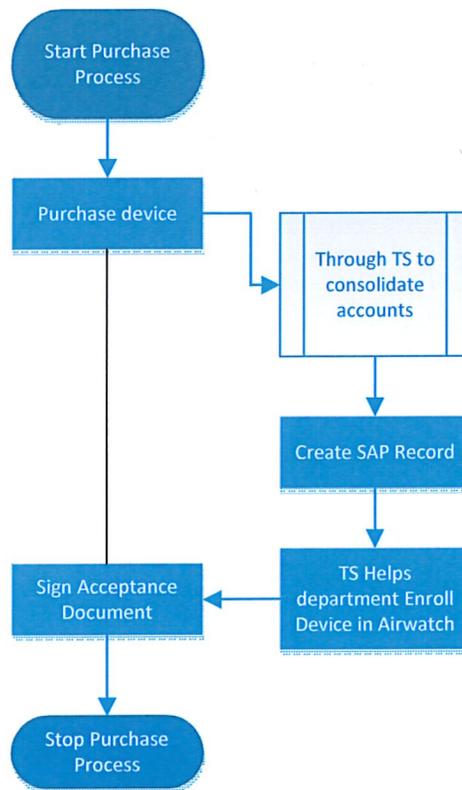
department technology staff and employees with smart phones and/or tablets. According to Technology Services staff, while many department technology staff attended the training, the attendance by non-technology employees was minimal.

Using report data obtained from ATT and Verizon, the County has 278 mobile devices consisting of smart phones and tablets that are County owned. Of these, 144 or 52% have had AirWatch installed with 134 County devices without AirWatch. A policy should be developed and implemented requiring personal and County mobile devices to have AirWatch installed in order to access the County network. In addition to County owned mobile devices, County employees use their personal mobile devices to access County email. Currently, 119 employees have had AirWatch added to their personal mobile devices. This equates to about 4 percent of all County employees. County employees using their personal smart phones and tablets to access the County network should be required to have AirWatch installed.

By having County mobile devices, such as smart phones and tablets in SAP, Technology Services can download the list and compare it to the equipment recorded as having AirWatch. Technology Services can then analyze whether items have been removed in SAP but not AirWatch or items added to SAP that do not have AirWatch.

Exhibit II shows the process flow for purchasing, adding smart phones and tablets to SAP and installing AirWatch.

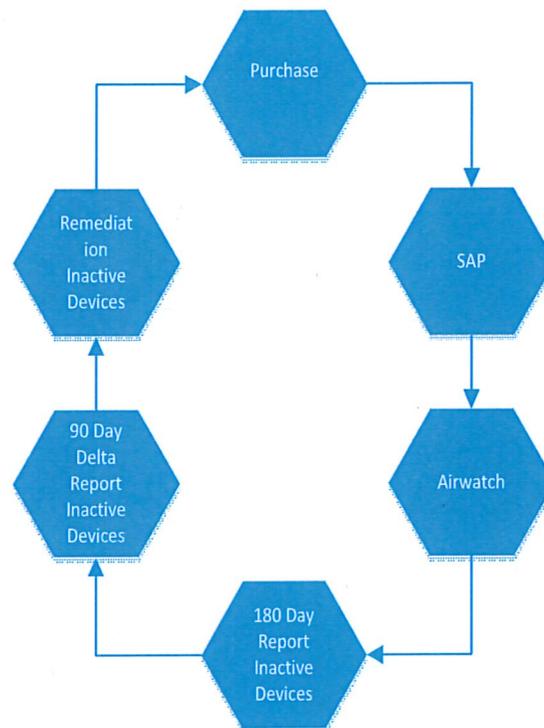
Exhibit II – Mobile Device Purchase



Currently, County departments can purchase mobile devices such as smart phones and tablets using a County procurement card. Using a procurement card allows departments to bypass the purchase process outlined in Exhibit II, thereby circumventing the purchase of mobile devices of going through Technology Services. Management should consider implementing a policy that prohibits purchasing such mobile devices using a PCard.

Exhibit III shows the Mobile Device and Laptop Lifecycle including the process for addressing inactive devices:

Exhibit III – Mobile Device and Laptop Lifecycle



For existing smart phones and tablets, the process would be as follows:

- County departments develop a list of smart phones and tablets, who they are assigned to, with the model and serial numbers. Departments could submit this list to Technology Services who could then imported the list into SAP.
- The next step would be to load Airwatch on all devices needing it.
- The same process as outlined in the flowchart above would be followed for inactive devices.

Without having a record of mobile devices in SAP and implementing AirWatch, the risk increases for loss from casualty, theft, misplacement or improper use, and County content could be inappropriately safeguarded.

County departments also need to comply with technology security policies and procedures over accessing County data from remote locations via personal devices using VPN, such as a PC or laptop. According to Technology Services staff, Information Technology Security Policies prohibits County employees from using personal devices to access County data through VPN. A review was performed of the policies governing VPN and these could be revised for clarification.

Current, Information Technology Security policies and procedures dated April 2005 state, “Only Washoe County owned or approved devices shall be allowed to connect to the Washoe County Information Infrastructure”. However, the wording “or approved devices” could be interpreted to mean an employee’s personal device that was approved by their supervisor. Technology Services and County management should conduct a review of the County’s policies regarding VPN access and update these policies as necessary.

The number of employees accessing County data using a personal device is unknown at this time, but this auditor is aware of various instances within the County where employees use VPN to access their County computers when weekend work is required or at other times when they are away from work. The use of personal devices is not without risk from introducing malware or system vulnerabilities to the County network. When an employee uses these personal devices to access County data, they are typically the home network and remoted into the County network. To get to the County network remotely, employees use VPN from County owned or personal devices. Technology Services has software that verifies the version of Microsoft Windows operating system and antivirus software installed on the computer prior to the user logging into the County network but at this time the Technology Services screening software doesn’t confirm if the employee’s PC antivirus software is properly configured to County security standards, thus leaving the County system at risk. However, the screening software can be configured to check for additional components to provide greater network security as needed. Technology Services plans to explore further how to improve the County’s overall network security from VPN access and monitoring to allow employees greater flexibility in performing their work duties.

***Recommendations:***

*County management should:*

- 2.1 Develop and implement a policy requiring personal and County mobile devices to have AirWatch installed in order to access the County network,*
- 2.2 Require County departments to follow the mobile device purchase process shown in Exhibit II, which requires all mobile devices be purchased in coordination with Technology Services,*
- 2.3 Consider prohibiting the purchase of mobile devices using a procurement card,*
- 2.4 Require County departments to develop a list of existing County smart phones and tablets and submit it to Technology Services for input to SAP inventory,*
- 2.4 Require County employees using their personal smart phones to access County email to have AirWatch added,*
- 2.5 Perform analysis to identify how to fully protect County data during times when VPN is used and still maintain productivity, and,*
- 2.6 Update information Technology Security policies and procedures with specific direction regarding which types of devices are allowable for VPN.*

**3. Vehicle Inventory**

County vehicles need to be recorded as SAP inventory. The Community Services Department, Equipment Services Division conducted a full vehicle inventory during fall 2014. The Flagship system, which is used by the Equipment Services Division, was validated to the physical inventory to ensure the vehicles are recorded in the Flagship Fleet Management system. As previously discussed, Community Services Department staff stated they had been working with the Purchasing Division and received direction via phone conversations to discontinue using the

SAP inventory and that inventory maintained in ancillary software systems such as Flagship were acceptable in lieu of SAP.

SAP is the County's official financial system and all vehicles should be recorded and updated in SAP inventory. As part of the inventory controls audit and to identify the vehicles that needed to be added and removed from SAP, we obtained a list of 997 vehicles from the County Equipment Services Division's Flagship system as well as a list of vehicles recorded as inventory in SAP. These lists were imported into the Internal Audit Division's data analysis software to perform a matching process using vehicle VIN numbers. The results of this matching showed there were a number of vehicles in Flagship that were not recorded in SAP, as well as vehicles in SAP that did not match Flagship. In analyzing these unmatched vehicles, the following was noted:

- For 68 of the unmatched vehicles, we found VIN numbers were different by one or two alphabetic letters or digits. For example, various instances were found where "O" was used in one system with "0" used in the other system. Each of these items will require looking up the vehicle title to see which VIN number is correct.
- For 15 of the vehicles recorded in Flagship, it was determined that these vehicles should be added to SAP.
- For 17 of the vehicles recorded in SAP, it was determined these vehicles were no longer in County possession and need to be deleted from SAP.
- For two of the vehicles identified in SAP, it was determined that these vehicles should be added to Flagship. One of these vehicles serves as a backup for food services at Senior Services and the other is a vehicle used seasonally by Regional Parks.

To maintain adequate controls over vehicle inventory to minimize the risk of loss or misuse, all vehicles should be recorded in SAP. In addition, with all vehicles being correctly recorded in SAP, future comparisons can be performed between SAP and the Flagship system to verify both systems are correct. Once the above adjustments to Flagship and SAP have been made, SAP's vehicle inventory should be correctly recorded.

As of the date of this report, Community Services plans to work with the Comptroller's Office Purchasing Division and Technology Services Division staff to make the above-identified corrections to SAP, and Community Services staff has already made corrections to the Flagship system. Community Services has also resolved the differences identified in serial numbers. Lastly, Community Services and the Internal Audit Division will perform an annual comparison between the vehicle data reported in SAP and the vehicle data in Flagship using the Internal Audit Division's analytical software to ensure that all vehicles are captured in the SAP system as inventory and the data is correctly recorded in Flagship.

***Recommendations:***

*The Community Services Department should ensure:*

- 3.1 Vehicles purchases are recorded in SAP as inventory,*
- 3.2 Vehicle VIN numbers are corrected in SAP as needed,*
- 3.3 Vehicles that have been disposed of are removed from SAP,*
- 3.4 Existing vehicles that were not found in SAP, are added to the SAP system,*
- 3.5 Existing vehicles found in SAP but not the Flagship software are added to Flagship, and,*
- 3.6 Work with the Internal Audit Division to perform an annual comparison between the data reported in SAP and the vehicle data in Flagship.*

#### **4. Equipment at 5205 and 5305 Mill St.**

SAP inventory incorrectly includes equipment for an agency that is no longer part of the County. Specifically, SAP inventory included 19 equipment items attributed to the Cooperative Extension Service, which was previously located at 5305 Mill St. The Cooperative Extension Service ceased to be a County entity and moved to become part of the University system in 2008. According to Cooperative Extension Service staff, two truckloads of equipment items were moved to the Armory at 9<sup>th</sup> & Wells during the fall of 2010 and spring of 2011, prior to their move to the new location on Energy Way. Two of the larger inventory items, including a Tabtrac Moveable Filing System and Tennesco Adjustable Shelving, were left behind at the vacant 5305 Mill St. location. These items were visually inspected during the audit with staff from the Truckee Meadows Flood Management Authority (site owner). Therefore, 17 of the 19 equipment items in SAP need to be removed from SAP. The two items inspected should have been moved from the Mill St. site and from SAP if found to be surplus when the Cooperative Extension Service ceased to be a County function.

Also, various items of County Equipment are stored in the vacant Excel Building at 5205 Mill St. location. This equipment could not be identified as to whether it was included in SAP inventory or not. Nevertheless, dusty un-kept rooms are filled with County equipment, including a metal detector, medical equipment, desks, partitions, chairs etc. The staff from the Truckee Meadows Flood Management Authority (site owner) stated they are planning to demolish this building as well as the building at 5305 Mill St later this year, so the County needs to remove its equipment from these sites. It is unclear why this property was not identified as surplus and instead was left in vacant buildings.

As of the date of this report, Community Services and the Comptroller's Office Purchasing Division plan to work together to determine the status of the equipment at both Mill St. locations and take appropriate action.

#### ***Recommendations:***

- 4.1 The County Purchasing Division needs to remove the 17 items of equipment in SAP showing assigned to the Cooperative Extension Service,*
- 4.2 The County Purchasing Division and Community Services need to work together to remove County equipment from 5305 Mill St and 5205 Mill St., and,*
- 4.3 The County Purchasing Division and Community Services should perform analysis to verify whether this equipment is surplus or not, and update SAP as necessary.*

#### **5. SAP Fixed Assets**

The County Comptroller's Office needs to ensure the SAP report being used to account for vehicle depreciation is accurate. To ensure the fixed asset report in SAP included the vehicles identified in the vehicle inventory report, a comparison was performed using vehicle and VIN numbers. The following was noted:

- Nineteen of the vehicles verified as active in the vehicle inventory report were not included on fixed asset report. These included 2013, 2014, 2015 and 2016 vehicle models. Depreciation would be computed for each of these 19 vehicles.

- Three of the vehicles on the fixed asset report, where depreciation was being computed, were sold at auction.
- Three instances were noted where the vehicle number shown in the fixed asset report did not match the vehicle inventory report. Further analysis showed the vehicle number in the fixed asset report was incorrect.

If the vehicle fixed asset SAP report does not include all depreciable vehicles and includes vehicles that have been sold at auction, the likelihood exists that depreciation will be incorrectly reported in the Equipment Services Fund.

As of the date of this report, the above noted items were provided to the Comptroller's Office for review and updates to the data recorded in the vehicle fixed asset report. The Comptroller's Office reports they are currently working on updating the items that should be reflected in the fixed asset report.

***Recommendation:***

- 5.1 *The Comptroller's Office should ensure the SAP fixed asset report for vehicle depreciation includes all depreciable vehicles and is accurate.*