

WASHOE COUNTY AUDIT COMMITTEE

MEETING MINUTES

Thursday, September 4, 2014

1:30 p.m.

Commission Caucus Room

Committee Attendees: Dave Stark, Keith Romwall, Elaine Alexander, Marsha Berkgigler, and John Slaughter

Other Attendees: Alison Gordon, Al Rogers, and Paul McArthur.

Call to Order

The meeting was called to order at 1:30 p.m. and Alison Gordon performed the roll call – those listed above were present.

Agenda

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

Public Comment

There was no response to the call for public comment.

Minutes

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

Budget Status Report

Al Rogers, Management Services Director, stated we were still in the early throws of the budget cycle and he offered some information to the Committee for Fiscal Year 2014/15 and 2015/16. He noted we were still processing carry-forwards and other restricted revenue, which was why there wasn't a complete report to present to the Committee. He said the total sources were going to be up about 1 percent and actual total uses were going to be down by 2 percent. That indicated we would have a higher ending fund balance, but until that was all flushed out in the coming months, he would not have a definitive amount.

Mr. Rogers said looking at the FY 2015/16 statistics, which were not indicative of any type of pattern, the revenues were at 17 percent and expenses were at 24 percent, which was a little high. He said as the budget was set for FY 2015/16 everything in terms of salaries was included, with

the exception of the negotiated lump sum that was distributed in July. There was also the 1 percent cost-of-living increase that would hit on January 1, 2015. He noted they had not done the first cost-plan run yet, but he was hoping that would happen within the next 7 to 10 days, which would give a clear picture of what the impact would be in terms of those unfunded salary negotiations. He said he was hopeful the ending fund balance was going to be higher, which could be a potential source for covering those unfunded items he mentioned above.

Mr. Rogers stated that within the reorganization of the budget there were three Senior Fiscal Analysts and one Principal Fiscal Analyst. Since the last time the Committee met, the Principal Fiscal Analyst accepted a job at the Health District. Also, another Senior Fiscal Analyst decided to retire effective September 19, 2014. The budget staff had been reduced by 50 percent. He said they were hopeful to have both of those positions advertised within the next 10 days and filled soon.

Mr. Rogers stated he and Paul McArthur, Comptroller, had not had a chance to discuss reporting, but he wanted to be real clear that as they worked together more, the role of the Comptroller and the role of Budget would be defined.

Mr. McArthur stated the CAFR and the County's audit had begun, and the single audit or the Federal Funding Audit was over 50 percent completed. He said they were right now compiling 2014/15 Fiscal Year end and as far as the outcome, he was not comfortable with where the County might end up. He noted the good part was that the audit was on its way and the final trial balance would be delivered this Friday (September 5, 2014), and they were on schedule to do a presentation the first week of November.

Truckee Meadows Fire Protection District Audit

Alison Gordon, Internal Auditor, stated her report for the audit was given to the BCC in June. She said the first thing she was requested to do by the Fire Board was to look at the continuing financial outlays of the TMFPD (District) and compare the outlays of the District to what the outlays were when we were part of the City of Reno. She found those costs exceeded revenue by approximately \$740,000 during Fiscal Year of 2012. For FY 2013 as a standalone entity, the District had revenues that exceeded costs by about \$2.2 million.

Ms. Alexander stated most of the revenue went up because of a tax increase, but she questioned if there was an increase in the tax rate. Ms. Gordon stated because the District became a standalone and consolidated with SFPD, one rate was developed for the entire unincorporated area of Washoe County. At that point SFPD's rate was equalized at 54 cents and since that rate did go up, it did bring in a substantial amount of revenue. Ms. Alexander asked what the incremental amount was, because the report compared apples and oranges. Ms. Gordon explained the numbers were those reported in the audited financial statements. Ms. Alexander said on footnote #1, it explained the increase to the tax rate accounted for the significant increase in revenues and she wondered if that was weighted or if that was the real revenues for 2013 and if it did represent the real revenues, what would it be without the tax rate increase. Ms. Berkbigler explained the taxes were 47.13 cents before they increased to 54 cents.

Mr. Stark stated he was having trouble understanding and just reading the document did not make sense. He said he could see the numbers, but was not getting how it could increase by \$5 million. Ms. Gordon stated it happened mostly because of the increase in the taxes. Ms. Alexander asked if that was the benefit of separating from Reno. Ms. Gordon noted at that time we were operating under Reno and part of the money went to Reno; plus, we were not paying Reno \$11 million. Mr. Slaughter explained the Fire Protection District was contracted with Reno for services and paid them \$11 million a year. Ms. Berkbigler stated that contract terminated, the \$11 million we were paying to Reno, now came back to the County. Then we merged TMFPD to SFPD which added additional revenues and increased the fire tax for those unincorporated residents who were under the TMFPD/City of Reno contract. She explained the increase to 54 cents equalized all residents in the unincorporated area of the County to pay the same amount of tax. She said when you put those three different revenues together, that was how we came up with the extra \$5 million. The \$17 million in 2012 would not have reflected the revenues for SFPD, but SFPD was not part of the Reno contract.

Ms. Alexander stated it looked to her that terminating with Reno gave us \$5 million and that was not really the case. Ms. Gordon stated the point was showing that when TMFPD was with Reno, we had "x" revenues and were in the hole, but we brought it back and equalized the tax rate and now was operating in the "black." The increase was because of the increase in the tax rate and the merge with SFPD, who had their own set of revenue.

Mr. Slaughter said that SFPD accounted for some of the increase in the expenditures as well. Ms. Gordon stated that was correct. Mr. Slaughter said the 2012 revenue of \$17 million excluded what was in SFPD, because they were not part of the contract. He said to make it comparable, SFPD would have to be added in. Ms. Gordon said that was correct. Mr. McArthur said for comparability for 2012, you would have to add whatever happened on the SFPD side of it and then you would have comparable numbers. Ms. Gordon said she could do that, but it would be guessing. Ms. Berkbigler stated Ms. Gordon could do a separate line on the side stating which belonged to SFPD and show their revenue and expenses for 2012. She said the bottom line was that we were financially stable now; however, we would not be financially stable had we stayed in the contract with Reno.

Ms. Alexander said as she read the report, it appeared to her that we saved about \$3 million by leaving the contract with Reno, and she did not think that was the case. Ms. Gordon said these numbers were tied to the audited financial statements and representative of the numbers with Kafoury. Ms. Alexander asked if we could expect \$2 million in the "black" every year now and if so, were the rates too high. Ms. Berkbigler stated one of the things the BCC had done was to purchase replacement equipment, because what we received back from Reno was not in good shape. She said they just agreed to purchase another fire engine, which would be the last piece of equipment to purchase to bring our services up to normal for at least 5 years. Ms. Gordon said two new stations had also been opened. Ms. Berkbigler stated when you think about all that we have done and the fact that we were still in the "black" and would we stay there, was a question that would probably come up during budget discussions next year.

Ms. Gordon stated the numbers for FY 2012/13 showed transition costs of \$1.4 million as of May 31st and many of those costs resulted from the need to replace or repair uniforms and

equipment that was provided back to us from Reno. She said the District had the fire station development costs of about \$344,000 for Hidden Valley and about \$3 million for the Mogul Station. She was also asked to perform an estimate of the financial status of the District if it had remained consolidated with Reno; she estimated those costs would have exceeded revenues by a little over \$1 million.

Ms. Gordon stated the next area she reviewed was the contract between TMFPD and SFPD and she found that the Interlocal Agreement showed that Station 30 was a SFPD Station; however, when she looked at the amount TMFPD was charging SFPD based on the number of stations, the costs did not include the staff for all four stations. She did an estimate of costs for the one station that was included and SFPD probably should have been paying an extra \$263,000 for TMFPD to administer that station. She recommended they revisit that or redo the contract to equalize the costs. SFPD was still not an entity per say, but it was still collecting taxes and transferring them over.

Ms. Gordon said their Fire Prevention Program could be enhanced in a couple of different ways. Currently they were staffed with only two employees and given the work load, she thought an additional employee could help in assisting and completing the required inspections as well as other Program goals they had. She found they were not getting the inspections done in a timely manner. She performed a survey of other local jurisdictions with similar populations to Washoe County and found that they had between six and seven fire prevention staff.

Ms. Gordon recommended they develop a fee schedule to charge fees for all of their Fire Prevention services including business inspections and residential and commercial plan review. Their investigative work development reviews and complaint investigations could take them up to almost 30 hours a week, but they were not collecting any revenue for that. She said other County departments collect fees, and thought they could work with those other County departments to determine who should be performing the work and if it was SFPD to get some of the money to them.

Ms. Gordon thought the volunteer fire program could be improved with centralized management. When she conducted the audit none of them had a valid contract in place with the District. Implementing one contract for all the Stations would be a step toward centralizing, with one set of requirements. She noted she looked and found that they had active firefighters that had not complied with the medical exam requirements. She said those were important to do to show that the volunteer was fit to perform firefighting duties. She said if they did not have their medical exams, they would not be eligible for heart and lung medical insurance through the State. She recommended the whole volunteer program be analyzed to try to determine why there was such a low participation on the part of the volunteers. She said the volunteer stations only responded to about 7 percent of the total number of incidents. She did not think that was a good use of the volunteers when the County spent a lot of money on them for uniforms, training, and equipment.

Ms. Alexander said they were called, but only stood-by if they were needed. Ms. Gordon confirmed that was correct, they were just ready to go if they were needed. She said the volunteers said they did not like to record their responses into the Fire RMS system. She explained to them that was how they got credit. She said the Verdi Volunteer Fire Department

assigned one of their younger members to do all the data input, which helped them considerably and she informed the other stations about that. She said almost all of the volunteers felt that the Chief had reached out to them and they felt better about the career-staff station being nearby. They liked how it's being administered, but they all would like a contract in place.

Ms. Gordon next reviewed their pharmaceutical and medical supply practices, which she thought needed to be enhanced. She found that safeguarding the pharmaceuticals could be strengthened at the two stations where the main supplies were stored. Access to the room at one of the stations was not currently restricted. She recommended implementing a practice to recount the storage room supplies of controlled substances at a shift change, because that was the practice on a truck and it made sense to do it both times. She felt the process could be improved for their pharmaceutical and supply requests and to get policies and procedures in place addressing controls over their medical inventory. Ms. Gordon stated they had very strict procedures on paper regarding the controlled substances, but the problem was they were moving to an automated system and the counts were off on the automated system.

Ms. Gordon stated their fleet maintenance program contained 125 items of rolling stock, plus other equipment and only one mechanic and he was struggling to keep track of what was going on. She suggested an automated tracking system to keep track of maintenance repairs and due dates for oil changes. Also, they needed policies and procedures in the fleet area because there was only one mechanic even though they contracted with the County's equipment services department to perform some of the work. The relationship between the two was not working particularly well, so she thought if there were procedures in place, it might work better.

Ms. Gordon stated she looked at 42 procurement cards for compliance with County policies and procedures. She said she was pleased to find only two, but they did make up 5 percent of the items that she tested that did not comply. Those were items that needed to be approved by the Board prior to being purchased.

Mr. Slaughter asked if Ms. Gordon looked at the Township 22 boundary issue and the Fire District serving north of that boundary through an agreement and the possibility of moving that boundary. Ms. Gordon replied she did not. Mr. Slaughter said the northern boundary of the District (Township 22) was outside of any fire district and was provided fire service through the County's General Fund. He said back when that line was first established, there really wasn't a lot of development, now there was a question about that area receiving service from TMFPD and if the value of the agreement was equal or not. He noted it was both a fire district issue and a County General Fund issue. Ms. Berkbigler said the people on the south side of the street paid the tax and the people who lived on the north side of the street, did not pay a tax, but received services. Mr. Slaughter said incorporated into that agreement were all of the services offered by the County such as the Internal Auditor, Human Resources and all the work the County did for the District.

Calendaring of next Audit Committee meeting

Ms. Gordon stated the next meeting needed to coincide with the issuance of the CAFR. Mr. McArthur stated it was slated to go before the BCC on December 12th, and then it would be

official after that. Ms. Gordon said she would try to get the meeting scheduled before November 14th.

Audit Committee Member Comments

There were no member comments.

Public Comment

There was no response to the call for public comment.

Adjournment

Mr. Stark moved to adjourn, which was seconded by Mr. Romwall and unanimously approved.