Agenda Item No: 16.b

STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** July 16, 2026

Staff Contact: Sheri Russell-Benabou, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the Fiscal Year ("FY") 2027 Audit Work Program and audit services recommended by the Audit Committee to be performed by the City's retained internal auditor, Eide Bailly, LLP, for an amount not to exceed $110,000. (Sheri Russell-Benabou, srussell@carsoncity.gov)

Agenda Action: Formal Action / Motion **Time Requested:** 15 Minutes

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Proposed Motion

I move to direct Eide Bailly, LLP to proceed with the Fiscal Year 2027 Audit Work Program as discussed.

Board's Strategic Goal

Efficient Government

Previous Action

June 16, 2026 (Item 5.d) - The Audit Committee recommended moving forward with the FY 2027 Audit Work Program.

July 3, 2025 (Item 13.b) - The Board of Supervisors directed Eide Bailly, LLP to proceed with the Fiscal Year 2026 Audit Work Program.

Background/Issues & Analysis

Eide Bailly, LLP completed all selected audit programs for FY 2026. Eide Bailly, LLP performed an updated risk assessment of Carson City, presented recommended procedures to the Audit Committee on June 16, 2026. Additionally, on May 12, 2026 the Audit Committee and Internal Auditor discussed upcoming projects to be performed. The Audit Committee is recommending the following list of procedures, presented at the June 16, 2026 meeting. The following are the recommended internal audit projects with the corresponding estimated audit costs:

Risk Assessment Update FY 2028	$12,000
Cybersecurity Penetration Testing & Vulnerability Assessment	35,000
Fire Department Overtime Assessment	30,000
Sales Tax Distribution Completeness Review	30,000
Follow-up	2,100
Fraud, Waste & Abuse hotline	900
Total	$110,000

Risk Assessment is an annual expense as the Auditor reviews the City's overall controls annually to determine areas of risk to propose as audit procedures for the upcoming fiscal year.

A Cybersecurity Penetration Testing & Vulnerability Assessment has not been performed since FY 2020, and with the State's recent attack, it is important to identify any potential vulnerabilities in the City's information systems.

The Fire Department Overtime Assessment was last performed in FY 2019, and at that time, coding was implemented to determine the cause of Overtime. It is important to go back in to ensure the department is using the system, and overtime is appropriately authorized and monitored.

In November 2024, the State implemented a new revenue system, and since then, Sales Taxes for Carson City have been challenging. NACo was initially looking into an audit of the Consolidated Taxes Distribution, which would have looked at all Counties and helped to alleviate concerns. Finance learned recently that this is not moving forward. The Mayor, through quarterly meetings with the Governor, secured a contact at Finance, and the City is in the process of receiving information to determine whether Carson City Sales taxes are complete. The procedure should provide some level of comfort that the State's information has been transitioned correctly, or help identify missing sales taxpayers who previously reported to Carson City, who are still operating, but are no longer being reported to Carson City.

The remaining items are standard in the Internal Auditor budget as they address items such as the fraud, waste and abuse program, the validation that management did correct the finding or implement the recommendation and special projects or follow-up procedures.

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

Financial Information
Is there a fiscal impact? Yes

If yes, account name/number: General Fund, Internal Audit, Professional Services Account 1010800-500309.

Is it currently budgeted? Yes

Explanation of Fiscal Impact: $110,000 budgeted for FY 2027.

	Total	Hours
Risk Assessment Update FY 2028	$12,000	60
Cybersecurity Penetration Testing & Vulnerability Assessment	35,000	175
Fire Department Overtime Assessment	30,000	150
Sales Tax Distribution Completeness Review	30,000	150
Follow-up	2,100	10
Fraud, Waste & Abuse hotline	900	5
Total	$110,000	

NOTE: Eide Bailly estimated hours on all projects. Project will be billed by actual hours spent according to the bid proposal, at a not to exceed amount of $110,000 approved as part of this item.

Alternatives
Do not accept the recommendations, modify recommendations and/or provide alternative direction to staff.

Attachment(s):
FINAL_Carson City FY27 RA Update Report 6.18.26.pdf

Motion: ________________ 1) ________________ Aye/Nay
2) ________________ __________
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(Vote Recorded By)