

Audit Committee Meeting  
Washoe County, Nevada  
January 9, 2025, at 2:00 PM

Voting Members: John Briscoe, Charlene Hart, Sabrina Grenet (remote),  
Commissioner Herman

Non-Voting Members: County Manager Eric Brown

Absent: Kevin Stroupe, Commissioner Hill

Other attendees: Katelyn Kleidosty (Internal Audit Manager), Louis Martensen  
(Internal Auditor), Abbe Yacoben (Chief Financial Officer),  
Trenton Ross (Deputy District Attorney), Cathy Hill  
(Comptroller) Larua Nelson (Senior Audit Manager – Eide  
Bailly), Teri Gage (Partner – Eide Bailly)

Agenda Item 1: Roll Call

The meeting was called to order at 2:00 PM by Mr. John Briscoe, the interim Chair of the Audit Committee. The roll call was conducted; Kevin Stroupe and Commissioner Hill were absent. Those listed above were present at the meeting. A quorum was established.

Agenda Item 2: Public Comment

Public comments were called in the room and online, no one responded to the request for public comment.

Agenda Item 3: Elect a Chair and Vice-Chair of the Audit Committee

Interim-Chair Briscoe expressed interest in being the Chair of the Audit Committee and requested someone nominate him for the position. Ms. Charlene Hart nominated Mr. Briscoe for the Chair of the Audit Committee; Commissioner Herman seconded the motion. No other nominations were made. No one responded to the request for public comment. The motion passed unanimously.

Chair Briscoe nominated Ms. Charlene Hart for Vice Chair of the Audit Committee. Commissioner Herman seconded the motion. There were no other nominations. There was no public comment on this item. The motion passed unanimously.

Agenda Item 4: Presentation of the FY24 Annual Comprehensive Financial Report and Audit Results for the year ending June 30, 2024

Ms. Laura Nelson thanked the board for the opportunity to speak and noted that Teri Gage, the audit engagement partner, was also on the call from the Elko office. She

explained that she would provide a general overview of the audit and financial statements, and both she and Ms. Gage were available for questions. Ms. Nelson reported that an unmodified audit opinion was issued for fiscal year 2024, representing the highest level of assurance. Emphasizing that while the auditors provide an opinion, responsibility for the financial statements lies with Washoe County management.

Ms. Nelson summarized the financial statements, beginning with the government-wide statements on page 16, which consolidated all funds on a full accrual basis, similar to private sector reporting. She noted that the County's total net position was \$662 million, an increase of \$96 million from the prior year, indicating a healthy financial position. However, she pointed out a deficit in the unrestricted net position due to pension and OPEB liabilities, which is common for governments of this size and not a concern. She then transitioned to the more detailed fund-level financial statements that follow.

She further explained that the financial statements begin with the County's major funds—those most significant to Washoe County. For FY 2024, the major funds included the General Fund, Child Protective Services Fund, Other Restricted Fund (primarily used for grant activity), Capital Improvement Fund, and Utilities Fund. These were consistent with the prior year. Chair Briscoe questioned whether all restricted funds are rolled into the same funds. Ms. Nelson noted that some restricted funds are combined due to size and roll into the government-wide financial statements. She clarified that while fund-level statements use different terminology, they ultimately contribute to the restricted and unrestricted net position in the government-wide statements.

Ms. Nelson continued that the General Fund, which holds the majority of County operations, had a positive fund balance of \$154 million, with \$145 million unassigned. The fund balance remained relatively unchanged from the prior year, increasing by approximately \$580,000. She noted this reflected a healthy financial position for the County.

She noted that following the basic financial statements, the notes section provides detailed information on balance sheet items. For Washoe County, the most significant footnotes related to cash and investments, capital assets, and long-term obligations. She reported no significant changes from the prior year and no major GASB pronouncements to implement for the current year, which she noted was a welcome reprieve. Ms. Nelson noted the only change for FY 2024 was the implementation of GASB 100, outlined in Footnote 20. This standard required additional disclosures in cases of accounting estimate changes or error corrections.

Ms. Nelson mentioned a few minor items disclosed under GASB 100, including a change in accounting estimate related to the OPEB plan and an error correction involving the Truckee Meadows Fire Protection District, a component unit. She described it as a quiet year with clean accounting, which is generally viewed positively in government finance. She added that the more detailed information on non-major funds can be found in the back of the financial statements, as these are grouped together in the main section but broken out individually later for further review.

She further explained that, in addition to the financial statements, the report included three separate opinions. The first addressed internal controls over financial reporting, where three material weaknesses were identified; details would be reviewed later in the findings section. The second opinion related to compliance with federal grant requirements under Uniform Guidance. She noted four findings in this area, resulting in a qualified opinion due to ongoing issues with reporting for the Coronavirus State and Local Fiscal Recovery Fund and the Emergency Rental Assistance Program—both repeat findings from the prior year. The third section presented the Schedule of Expenditures of Federal Awards, which outlines the federal grant spending by Washoe County.

Ms. Nelson reported that the County had \$89 million in federal expenditures, reflecting its size and the significant amount of federal assistance received. She acknowledged the complexity of maintaining compliance with federal requirements and explained that auditors select major programs based on a risk assessment. For FY 2024, the four major programs reviewed were the Emergency Rental Assistance Program, the Coronavirus State and Local Fiscal Recovery Fund, Adoption Assistance, and Epidemiology and Laboratory Capacity for Infectious Diseases. She concluded by noting that the report includes detailed findings considered significant enough to highlight, which she would review next.

Ms. Nelson reviewed the three financial reporting findings for FY 2024. The first involved accounts payable (AP) and expenditure recognition, where a \$1.9 million AP item was initially excluded due to a manual oversight during the County's cutoff process. The second finding related to revenue recognition, specifically the classification of unavailable and unearned revenue. She noted this is a common issue in government accounting and highlighted the significant improvements made since the prior year. The third finding involved capital assets and the implementation of GASB 87 and GASB 96. Some residual adjustments were needed to fully reflect the provisions from FY 2022 and FY 2023. She expressed confidence that these would be resolved moving forward and emphasized that such findings are common in audits of large government entities.

Ms. Nelson reviewed the compliance findings related to federal expenditures, specifically the Coronavirus State and Local Fiscal Recovery Fund. The first finding involved subrecipient monitoring, where the County is required to communicate that funds are being provided for this program to pass-through entities. There was insufficient documentation of this communication at the time of disbursement. Additionally, the County is responsible for ensuring that subrecipients undergo a single audit of their federal expenditures, but there was a lack of documentation confirming that this requirement was being monitored. Chair Briscoe asked who a subrecipient would be for the kind of funds discussed. Ms. Nelson explained it would typically include smaller local governments or nonprofits. County Manager Brown explained that the County provided a subgrant to the Children's Cabinet to address the critical shortage of childcare providers during the pandemic by supporting early childhood childcare training. Chair Briscoe inquired about the relevance to COVID-19, to which Manager Brown clarified that the initiative aimed to

build capacity for additional childcare services. He emphasized that the County is obligated to ensure proper documentation and monitoring of subrecipients to be in compliance, especially in case of a Treasury audit. Mr. Briscoe confirmed this related to ensuring the training of childcare providers. Mgr. Brown acknowledged the challenge but affirmed the County's commitment to meeting these requirements.

Ms. Nelson continued with the remaining compliance findings. The second finding under the Coronavirus State and Local Fiscal Recovery Fund related to reporting. She explained that while the County is required to submit quarterly reports, some lacked sufficient underlying documentation to support the reported figures. This was attributed in part to staffing transitions and challenges in retrieving data after the fact. She noted that discussions had taken place on how to improve documentation processes moving forward. Ms. Nelson explained the final two findings were related to the Emergency Rental Assistance Program. The first involved eligibility documentation, which was not consistently maintained at the beginning of the fiscal year. However, she noted improvements later in the year and expressed confidence that the issue had been addressed, attributing the lapse to the limited time available to implement the prior year's corrective action. The second finding again involved insufficient documentation to support figures in the program's required quarterly reports.

The auditor concluded her presentation and invited any questions or comments regarding the audit.

Vice Chair Hart asked whether audit findings are shared with staff immediately or only upon issuance of the final report. Ms. Nelson responded that findings are communicated throughout the audit process, noting that she and Controller Hill work closely and communicate daily during the audit period. Given the County's size, implementing corrective actions may take time, especially on both financial and compliance audits. Vice-Chair Hart remarked that "a big ship takes a while to turn around," which Laura agreed with, adding that the County's audit team is highly competent, responsive, and easy to work with. She specifically acknowledged Comptroller Cathy Hill and Bob Andrews, accounting manager, for their significant contributions.

Comptroller Hill added context for the committee, explaining that the County was in a unique situation during the audit period, as federal funds were provided upfront rather than through the usual reimbursement model. This required different accounting treatments. She also mentioned improved communication efforts with the State of Nevada regarding opioid settlement funds, where changes in agreements with pharmaceutical companies affected accounting timelines and recognition. She emphasized the ongoing effort to adapt quickly to changing funding structures and requirements.

Mr. Briscoe asked if Sabrina Grenet had any questions or comments; she responded that she had none.

Audit Partner from Eide Bailly Teri Gage offered a statement for the record, expressing appreciation to Washoe County staff, including Comptroller Cathy Hill, Bob Andrews, accounting manager, Russ Morgan, accounting manager, and their teams, for

their extensive efforts in preparing for and supporting the audit. She acknowledged the significant time and coordination required and commended their professionalism and responsiveness. Ms. Gage noted that some of the audit findings, such as those related to the opioid settlement funds, were due to circumstances outside of the County's control, such as lack of timely information. She emphasized that similar findings are common across many Nevada entities and recognized the increasing complexity of governmental accounting standards. She praised the County's handling of these challenges and reiterated her appreciation for the strong working relationship with Washoe County. She invited any further questions at any time throughout the year, not just during the audit period.

#### Agenda Item 5: Approval of the Minutes for July 18, 2024 Meeting

Chair Briscoe opened the item for approval of the July 18<sup>th</sup> meeting minutes and asked if any errors had been identified. Vice Chair Hart noted a minor typo, which she had already submitted to Ms. Kleidosty. Ms. Kleidosty confirmed it was not a material change. Commissioner Herman made a motion to approve the minutes with the one correction. Vice Chair Hart seconded the motion. There was a call for public comment, to which no one responded. The motion passed unanimously.

#### Agenda Item 6: Audit Update Discussion

Chair Briscoe turned the meeting over to Ms. Katelyn Kleidosty, Internal Audit Manager, for the audit update. Ms. Kleidosty reported that several cash control audits and one advisory services assignment had been completed since the committee last met. She began with the cash control audit of Senior Services, which was initiated due to a fraud tip reporting a missing money bag. While the estimated amount missing was minimal, no more than \$40, Ms. Kleidosty emphasized the importance of safeguarding donations.

She explained that the audit revealed several internal control deficiencies across the senior center sites. Issues included inconsistent use of triplicate forms for documenting donations, lack of locked storage for donations and payments, absence of two-person verification during deposits, unsecured money bags left on desks after hours, and no camera coverage in count areas. In some instances, money was sent with both copies of the form, leaving no record for internal verification.

Chair Briscoe inquired about the number of senior center sites, and Ms. Kleidosty estimated there were approximately eight (8). Vice Chair Hart noted that many individuals handling cash at these sites are volunteers, not County employees, and may not be familiar with proper cash controls. Ms. Kleidosty confirmed this was correct and confirmed that in some locations, no County employee is present. Ms. Kleidosty continued with additional audit observations that included difficulties tracking counted funds due to money being passed back and forth, as well as the failure to change safe combinations and door locks despite employee separations.

Ms. Kleidosty presented the internal audit team's recommendations following the cash control audit of Senior Services. The strongest recommendation was to implement a locked donation box system similar to those pictured in the slide. Each site would use two locked boxes on a rotation, with one being picked up and immediately replaced. The collected box would be transported to the 9th Street office to be counted by two County employees. If that approach is not feasible due to budget constraints, several alternative recommendations were provided, including: using triplicate forms at all sites and retaining a copy at the site; standardizing procedures for drivers who act as couriers; ensuring each site has at least two bags for rotation; and providing secure, locked containers at soup-serving locations. Further recommendations focused on oversight, such as establishing internal controls using the Comptroller's SOPs, providing annual training, using consistent pickup schedules, verifying all bags are received, labeling bags by site, performing periodic inventory of bags and keys, installing cameras at count locations, and changing locks when employees leave.

Chair Briscoe asked whether someone is formally in charge at the volunteer-run sites, and Ms. Kleidosty confirmed that volunteers are coordinated through a formal program. Mr. Briscoe noted the importance of ensuring they receive training to follow procedures.

Vice Chair Hart questioned why an option to opt out of the strongest recommendation was included. Ms. Kleidosty explained that budget limitations prevent them from requiring implementation of recommendations that would incur additional costs. She emphasized that internal audit can only make recommendations; it is up to management to decide whether and how to implement them. Vice Chair Hart asked whether the expense could be budgeted for next year, and Ms. Kleidosty confirmed it could. County Manager Brown added that the department takes the matter seriously.

Ms. Kleidosty asked if there were any further questions about the Senior Services audit before moving on. There were no additional questions.

Ms. Kleidosty reported on the cash control audit of Northern Nevada Public Health (NNPH). The internal audit team reviewed NNPH's written cash handling policies and procedures, conducted employee interviews, observed cash handling practices, and performed a cash count on behalf of the Treasurer's Office, all with no exceptions noted. Additionally, a review of daily deposit and reconciliation documentation for October 3, 2024, found no issues. Ms. Kleidosty noted that no significant recommendations were made. However, she suggested that the Tuberculosis (TB) Clinic, which operates off-site and accepts donations, consider implementing a secure lock dropbox. She noted it was also recommended management review whether there is an ongoing need to maintain cash at that location and discontinue cash handling if it is not necessary. Ms. Kleidosty invited any questions regarding the audit of Public Health. Since no questions were received, Ms. Kleidosty moved onto the next slide and topic.

Ms. Kleidosty presented the results of the cash control audit for the Washoe County Library System. The audit included a review of written cash handling procedures, employee

interviews, cash counts at various branches, and an examination of daily deposit and reconciliation documentation from October 3, 2024. In response to a question from Mr. Briscoe about what the cash is for at the library, Ms. Kleidosty explained that while the library no longer charges late fees for overdue books, it does collect cash for damaged materials, book bag sales, book sales, donations, and copier services. She noted that findings were consistent across most locations and included the following: unsecured cash and drawer keys, inconsistent retention of cash register receipt tapes (despite a one-year requirement per the Nevada State Library, Archives, and Public Records retention policy), inadequate procedures for donation box handling and key storage, lack of control over void transactions, inconsistent end-of-shift cash counting, no tracking system for copier machine money, insufficient review of cash turn-in sheets, lack of counterfeit detection pens, and insufficient dual verification procedures.

Ms. Kleidosty continued with specific to the Downtown Reno Library, concerns were raised regarding unchanged safe combinations despite staff turnover, unused cash banks (with old currency still present), deposit bags being left unsecured on top of the safe, and lack of serial-sealed deposit bags. Additionally, reconciliation of Z-tapes to cash turn-ins was not being done, and deposit form verifications were lacking.

Ms. Kleidosty noted that the Library administrative staff had submitted a response to the audit findings around the 30-day mark, and her office would provide an update once it had been reviewed. She invited any further questions related to the Library audit. No questions were brought up by the Audit Committee.

Ms. Kleidosty added that Northern Nevada Public Health had submitted a response to the audit, and management is considering eliminating cash handling at the TB Clinic. If implemented, this action would address both recommendations made during the audit.

Ms. Kleidosty provided an update on an advisory service conducted for the Jan Evans Juvenile Detention Division at the request of management. The focus of the service was on job responsibility distribution, staffing structure, shift supervisor evaluation, and succession planning. Ms. Kleidosty noted that several recommendations were made as a result of the review. For job responsibility distribution, a detailed analysis was provided in the report. In terms of staffing structure, three options were proposed: maintaining the current structure, hiring an additional supervisor and adjusting the scheduling, or reclassifying a vacant position to redistribute clerical responsibilities to allow the manager to focus more on detention tasks. The succession planning recommendations included improving communication about available opportunities, implementing a leadership mentorship program, and fostering a culture of development, particularly through leadership training. Additionally, she noted that recommendations were made to increase the pool of candidates for managerial positions, realign certain positions within the hierarchy, reduce liability related to the nursing staff by having nurses pre-fill medications for shift supervisors, and revise the grievance process to ensure it is reviewed by a manager rather than a shift supervisor. Ms. Kleidosty concluded by asking if there were any questions regarding Jan Evans' detention division review.

Vice Chair Hart commented positively on the work done, praising the effort, but expressed some concern about why the internal audit team, rather than Human Resources (HR), was handling the review. Ms. Kleidosty responded, acknowledging the concern and explaining that HR had not taken on the task and that the Detention Division had directly requested assistance from the internal audit team. She noted that they encouraged the department to reach out to HR for the proper implementation of the succession planning program. Chair Briscoe then asked if the Jan Evans Justice Center referred to a jail, and Kleidosty clarified that it was, in fact, the Juvenile Detention Center.

Ms. Kleidosty inquired if there were any other questions or comments. None were noted. The presentation continued onto in progress assignments.

She explained that internal audit was conducting a performance review at the Department of Alternative Sentencing to identify efficiencies and performing a cash control audit on behalf of the Treasurer's Office. They were also working on the Utility Fee and Billing Procedures audit, having already conducted pre-audit interviews and prepared for fieldwork. Ms. Kleidosty mentioned that the legislative season was approaching, with the first training scheduled for January 15, 2025, and that they had received several Bill Draft Requests (BDRs). These BDRs come from other departments and are reviewed with the government affairs liaison to facilitate fiscal notes on potential legislation that may impact Washoe County.

Chair Briscoe inquired if the BDRs came from other departments, and Kleidosty confirmed that they work with the government affairs liaison to gather input from other divisions or departments, which is then communicated to the legislature.

Ms. Kleidosty also discussed the Washoe County Sheriff's Office bail procedure review, which they had conducted last year. She noted an exception had been noted regarding the Sheriff's Office not dropping bail funds daily as required by Washoe County Code. Instead, they were making deposits twice a week. Due to the significant amount of money involved, the Treasurer's Office was hesitant to approve an exception. In response, Ms. Kleidosty explains that internal audit suggested compensating controls to ensure proper handling of the funds. Ms. Kleidosty confirmed that they were overseeing the implementation of these controls and would follow up to ensure they were fully implemented.

Ms. Kleidosty provided a follow-up update on the audit conducted a year ago for the Clerk's Office Board Records and Minutes Division. The division had made several changes based on the internal audit recommendations. Ms. Kleidosty explained the Clerk's Office reassigned the appointment confirmation for the Marriage Commission to an administrative assistant and redistributed responsibilities among more individuals to reduce the burden on deputy clerks. They also cross-trained employees for public comment intake and restructured meetings to ensure only one rotating deputy clerk handled public comment. If meetings became demanding, management would step in to assist. To address workload concerns, Ms. Kleidosty noted that the Clerk's Office reevaluated deputy clerks' responsibilities and redistributed tasks. They also encouraged



employees to use the Employee Assistance Program (EAP) and implemented stress management training via the internal HR platform. Ms. Kleidosty discussed the editing process was streamlined to reduce duplicated efforts, with one deputy clerk now responsible for compiling and editing meeting minutes instead of multiple individuals. She also noted that the division has also authorized the use of transcription services for deputy clerks who have completed their probation period. Additionally, they are working on a training program for new staff, although turnover remains high, and the program is still in progress through OneNote. Vice Chair Hart inquired when the training program would be implemented. Ms. Kleidosty noted that the Clerk's Office expected the training program to be completed in a couple of months. Ms. Kleidosty elaborated regarding succession planning, progress had been slow due to turnover and hiring challenges. The division had developed and refined an editing checklist for common mistakes, updated policies, streamlined processes, and implemented a new system to improve tracking. There were no other questions from the Audit Committee regarding the Clerk's Office audit follow-up.

Ms. Kleidosty provided an update on the audit, mentioning the "other" column and referencing an article on fraud in the public sector, which was shared by Ms. Hart. The article is the most recent report, and Ms. Kleidosty recommended reading it. Additionally, Ms. Kleidosty noted that internal audit is in the process of updating and redistributing the fraud hotline flyer to other County departments. They are also working on updating the website and forms to comply with digital accessibility regulations, effective July 1<sup>st</sup>. She asked if there were any questions regarding these updates – no questions from the Audit Committee.

#### Agenda Item 7: Fraud Hotline

Ms. Kleidosty provided an update on the fraud hotline tips received since the last meeting, noting that none of the tips required an investigation from internal audit. She mentioned a scam involving a parrot purchase and a stolen phone, neither of which fell under their jurisdiction. She also pointed out that many of the tips were related to credit card theft, with recommendations to contact local police or the Federal Trade Commission. Ms. Kleidosty asked if there were any questions regarding the memo – no questions from the Audit Committee.

#### Agenda Item 8: Calendaring of Future Audit Committee Meetings

Chair Briscoe discussed the scheduling of future Audit Committee meetings, with dates set for Thursday, March 27, 2025 at 3:00 PM and Thursday, June 26, 2025 at 3:00 PM. There was a question regarding the time change, with Cathy Hill asking about the reason for the shift to 2:00 PM. Ms. Kleidosty explained that traditionally, meetings are held at 3:00 PM, but they could adjust the time if necessary. Vice Chair Hart mentioned that she had a conflict with the original time. Commissioner Herman explained that she would not be available for the next meetings and noted that a 2:00 PM meeting would not help due to

other commitments. After some discussion, it was decided to keep the meeting time at 3:00 PM to accommodate all members.

#### Agenda Item 9: Audit Committee Member Comments

Vice Chair Hart expressed her appreciation for the work being done by Ms. Kleidosty and her colleague Mr. Martensen, stating that they were doing a great job and encouraging them to continue the good work. She also advised Ms. Kleidosty not to take on tasks outside of her responsibilities. Ms. Kleidosty acknowledged the comment with gratitude and agreed that it was something she needed to work on. Chair Briscoe added his own praise, commending Ms. Kleidosty for her responsiveness and dedication. He noted that she always answers his calls, even when she sees his name on the caller ID, and stated that he also thinks she is doing a good job. No other comments were made by Audit Committee members.

#### Agenda Item 10: Public Comment

There was no public comment for this item.

#### Adjournment

The meeting was adjourned at 2:57 p.m. by Chair Briscoe.