

STAFF REPORT

Date: May 7, 2025

To: Mayor and City Council

Through: Jackie Bryant, City Manager

Subject: Staff Report (For Possible Action): Presentation, discussion, and possible acceptance of the Employee Benefits Review external audit report.

From: Emily E. Kidd, Internal Auditor

Department: City Manager's Office – Internal Audit

Summary:

The City of Reno engaged vendor BerryDunn to perform an independent analysis of its benefits management processes to evaluate compliance with laws, regulations, and internal policies, as well as to assess the efficiency and effectiveness of its benefits administration.

This review focused on the following employee benefits:

- RPSAE-S Article 21(r),
- Quasi-governmental agency employee benefits,
- Employee benefits elections,
- Family Medical Leave Act (FMLA),
- Retiree premium deductions,
- Payoffs for retirees, and
- Deferred compensation.

This review identified several key observations that highlight opportunities for improvement in the employee benefits processes, with ten observations within four category types:

1. Lack of Documented Processes - The City does not have formal, documented procedures for administering employee benefits (4)
2. Deferred Compensation Changes - Changes to deferred compensation are not consistently updated in employee files (2)
3. Quasi-Governmental Agency Elections - Employees from quasi-governmental agencies are not routinely required to submit forms to document their benefit selections (2)
4. Communication Gaps in Retiree Payoffs - While payroll adjustments for ending leave balances are made before retiree payments are issued, these changes are not communicated back to the benefits team (2)

Alignment with Strategic Plan:

Governance and Organizational Effectiveness

Previous Council Action:

There is no recent Council action relevant to this item.

Background:

The scope of the analysis focused on the period from January 1, 2022, through December 31, 2022. As part of their methodology, they conducted interviews with key personnel, reviewed relevant documentation, and performed sample testing to evaluate both the accuracy and timeliness of benefits administration and the adequacy of internal controls.

Project Objectives

Objective 1: Determine whether employee benefits were administered accurately and timely in accordance with applicable laws, regulations, and policies and procedures through sample testing.

Objective 2: Assess the efficiency and effectiveness of the benefits management process - including internal controls for approvals, permissions, and segregation of duties - and recommend improvements.

Financial Advisory Board / Acting Audit Committee - The Financial Advisory Board received presentations of the Employee Benefits Review results and process from the external auditor at their meeting on March 13, 2025.

The audit procedures included reasonable care and professional skepticism required by industry standards. Standards also require the independence and objectivity of audit work. The resultive findings are based on the sufficient, reasonable, and appropriate evidence obtained during fieldwork.

Financial Implications:

There are no financial implications associated with this item.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council accept the external audit report Employee Benefits Review.

Proposed Motion:

I move to approve staff recommendation.

Attachments:

Employee Benefits Review report, BerryDunn, April 1, 2025

Employee Benefits Review – Management Responses