

STAFF REPORT

Date: May 22, 2024

To: Mayor and City Council

Through: Doug Thornley, City Manager

Subject: Staff Report (For Possible Action): Acceptance of the audit follow-up regarding the 2023-01E Payroll Performance Audit issued August 23, 2023.

From: Emily Kidd, Internal Auditor

Department: City Manager's Office – Internal Audit

Summary:

Purpose of Audit – The City of Reno engaged vendor BerryDunn to perform an independent performance audit of its payroll processes to help ensure compliance with laws and regulations as well as to report on the adequacy of the Payroll Division's processes. Twelve findings resulted from the audit; a finding is noted when the auditors identify an area of noncompliance with documented policies or processes outside of best practices. Simply put, findings identify areas of risk. Four of the findings have been resolved by the corrective actions identified and implemented by management. Eight audit findings remain to be fully implemented and additional follow-up is scheduled in six months. The remaining outstanding audit findings relate to technology upgrades and training programs, generally. The new, follow-up information is noted in yellow in the attached document.

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

August 23, 2023 - The 2023-01E Audit Report was provided to Council

Background:

International Standards for the Professional Practice of Internal Auditing Standards require a follow-up of formal audit recommendations to “monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.” (Standard #2500.A1)

The Financial Advisory Board (FAB) functions as the City’s Audit Committee to provide expertise and a review of audit reports. The Board was provided the 2023-01E Payroll Performance Audit – Part A follow-up document for their March 14, 2024, meeting for discussion, review, and approval.

The audit and audit follow-up procedures included reasonable care and professional skepticism required by industry standards. The resultive findings are based on sufficient, reasonable, and appropriate evidence obtained during fieldwork.

Discussion:

Audit Findings

Software Limitations 1.3, 1.4, 2.1, 4.1 – in progress
Ongoing Oversight 1.1, 1.2, 5.1, 5.2 – completed
Documented Policies 3.1, 3.2 – in progress
Employee Training 2.2, 3.3 – initial implementation

Follow-up Details

Per the original staff report provided for the August 23, 2023 audit reporting, “The Internal Audit Division can conduct the iterative spot audits of the system data and its reports, as recommended by the external audit report, in coordination with the Human Resources (HR) Department.” The follow-up document includes five management responses including, “Data sets have been requested and provided to Internal Audit.” In collaboration with HR/Payroll, the City of Reno’s Internal Audit Division staff conducted the spot audit checks that were recommended by the external audit report for the November 2023 quarterly and biannual spot audits. Ongoing spot audits are scheduled for the quarterly and biannual spot audit by the Internal Audit Division.

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 audit follow-up reporting document.

Proposed Motion:

I move to approve staff recommendation.

Attachments:

Follow-up Reporting Document