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January 28, 2021

Keri Gransbery, Budget Analyst
Nevada Department of Taxation
Local Government Finance
1550 College Parkway #115
Carson City, NV 89706

RE: Corrective Action / Non-compliance Issues for FY 19-20 Audit

Dear Ms. Gransbery,

The City conformed to all significant statutory constraints on its financial administration except as follows:

1. Actual expenditures in the judicial function of the General Fund exceeded appropriations by \$706, an apparent violation of NRS 354.626.
2. Internal controls were not in place over the conversion of the accounting system during fiscal year 2019, and the biweekly recording of accrued payroll continued to have errors in the systematic recording of the liability during the year.

The Management Response to these two items follows:

Apparent NRS Violation

Condition: Actual expenditures in the judicial function of the General Fund exceeded appropriations by \$706, an apparent violation of NRS 354.626.

Effect: NRS 354.626 mandates that, unless a specific exception is granted, that municipalities may not spend more than the Legislative Body has appropriated. In this case, the City spent \$706 dollars more than was budgeted for the judicial function.

Cause: This over expenditure was directly related to the cost of workers' compensation insurance and the City's revised plan offerings for health insurance. Many factors are taken into consideration when formulating the City's budget. History provides a solid basis for budgetary forecasting, especially when factors that would tend to increase or decrease historic costs are known. Because the experience factors were not readily available for the workers' compensation and health insurance line items, the City Manager underestimated the actual expenditures in fiscal year ending June 30, 2020.

Criteria: Internal controls should be in place to provide reasonable assurance the City does not expend more than has been authorized by the City Council.

Auditor's Recommendation: Confirm workers' compensation insurance rates prior to finalizing each year's budget. Confirm all selections made during open enrollment for health insurance prior to finalizing each year's budget.

Management's Response: The City will confirm workers' compensation insurance rates and all selections made during open enrollment for health insurance prior to finalizing each year's budget.

Item 2020-001: Significant Deficiency

Condition: Internal controls were not in place over the conversion of the accounting system during fiscal year 2019, and the biweekly recording of accrued payroll continued to have errors in the systematic recording of the liability during the year

Effect: The result was an overstatement of \$57,427 in accrued payroll liabilities and payroll expenditures/expenses at year end.

Cause: Improper reconciliation and review of transactions within and outside of the accounting system led to the inaccurate recording of accrued liabilities transactions.

Criteria: Internal controls should be in place to provide reasonable assurance that the accounting system processes are functioning correctly to accurately record transactions and for proper reconciliation of account balances.

Auditor's Recommendation: Management should gain an understanding of the accounting system to ensure transactions are recorded properly and implement a thorough review of transactions and accurate reconciliation of account balances. Monitoring processes should be developed as an additional layer of detective control.

Management's Response: Management will work with accounting software vendor to ensure payroll liabilities are accrued correctly. Management will implement controls to ensure transactions are recorded correctly.

Respectfully submitted,



Richard Stone, Mayor



Michael Owens, Council Member Seat 1




Theresa Mavity, Council Member Seat 2



Vincent Mendiola, Council Member Seat 3



Jim Billingsley, Council Member Seat 4



Pam Coats, Council Member Seat 5