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Subject: Cash Control Audit – Technology Service; E911 Surcharge Revenue

Washoe County Technology Services – Audit Highlights

Purpose of Audit

The purpose of the cash control audit was to evaluate the adequacy and effectiveness of cash handling procedures within Technology Services related to E911 surcharge receipts, including compliance with applicable Nevada Revised Statutes (NRS), Washoe County Code (WCC), and internal policies.

Scope

The audit included:

- Review of cash handling procedures and practices
- Examination of deposit timing and reconciliation processes
- Evaluation of compliance with WCC 15.190 and NRS 244A.7645
- Analysis of remittance documentation and vendor payments

Key Findings

Internal Audit identified control weaknesses in the following areas:

- Physical security of checks
- Timeliness of deposits
- Lack of reconciliation controls
- Revenue oversight and vendor remittance inconsistencies
- Governance and policy gaps

These issues increase the risk of revenue loss, noncompliance with statutory requirements, and potential fraud or misuse of funds.

Overall Risk Statement

The current control environment over E911 surcharge receipts presents elevated risk in three key areas: (1) revenue completeness due to reliance on self-reported vendor data, (2) safeguarding of assets due to weak physical and procedural controls, and (3) compliance with statutory and County requirements.

Detailed Findings and Analysis

Technology Services receives E911 surcharge remittances from telecommunications providers, primarily in the form of checks. These funds are restricted for E911 related expenditures under NRS 244A.7645. Due to the nature of third-party remittances and decentralized handling, this process presented elevated risks related to revenue completeness, safeguarding of assets, and compliance.

Inadequate Physical Security Over Checks

According to Washoe County Code 65.455, telecommunications provider shall remit the \$1.00 surcharge per line to the County no later than the 15th day of the month after payment is received. As such, telecommunications providers mail a check to the Technology Services department. Once received, the checks are stored in the Technology Services vault at the 9th Street campus. Proper cash handling controls require that access to negotiable instruments be restricted to authorized personnel and safeguarded through physical and procedural controls.

What We Found

- Checks are not secured in a manner consistent with best practices. Multiple individuals have access to the stored checks, increasing the risk of loss, theft, or unauthorized handling.
- There are approximately 1,406 employees with badge access to the vault where the E911 surcharge checks are stored until deposited.

Why It Matters

Weak physical controls over cash equivalents significantly increases the risk of misappropriation and reduces accountability over funds.

Recommendations

1. Limit access to checks to only essential personnel; those receiving and processing the checks.
2. Store checks in a locked, restricted-access location; or reduce the amount of cardholders who have access to the Technology Services vault located on the 9th Street campus.

Compliance with Daily Requirements (WCC 15.190)

Technology Services receives checks from telecommunications providers over several days, typically around the 15th of each month. Checks are recorded and processed based on staff availability rather than a defined and timely process. A Senior Office Specialist records the checks in an Excel spreadsheet and manually allocates the amounts to the appropriate general ledger accounts. An Office Specialist then processes the checks, prepares the deposit, posts the journal entry, and establishes the cash desk. Washoe County Code (WCC) 15.190 requires that all negotiable instruments be deposited by the next business day. Timely deposit of funds is a key internal control intended to reduce the risk of loss, theft, or misplacement of negotiable instruments.

What We Found

- Deposits are being made monthly, or intermittently rather than daily, as required.

Why It Matters

Delayed deposits increase the risk of loss or theft, reduce transparency, and result in noncompliance with Washoe County Code. Additional risk is incurred by County for extended holding periods as it increases exposure to fraud and may result in misstated cash balances in financial reporting periods.

Recommendations

3. Implement procedures to ensure daily deposits occur. Comptroller, Cathy Hill, suggested working with the SAP team to create an SAP template to increase the efficiency of entering the transactions.
4. Coordinate with the Treasurer's Office if operational constraints still exist.
5. Establish monitoring controls (i.e. periodic supervisory review of deposit timeliness reports).

Lack of Independent Audit Over E911 Surcharge Revenues

The County relies on telecommunications providers to self-report E911 surcharge collections and remit payments accordingly. Currently, there is no independent verification process to validate the completeness or accuracy of these remittances. Independent verification is a standard control used to ensure completeness and accuracy of externally collected revenues.

What We Found

- No audit has been performed on the E911 surcharge fees collected and remitted by third-party telecommunications providers.

Why It Matters

The County relies on self-reported data from providers, creating a significant risk of underreporting or inaccurate remittance. Additionally, without verification, the County cannot determine whether all legally owed revenues are being collected.

Recommendations

6. The E911 Advisory Board should contract with an external firm to perform a telecom compliance audit.
7. Establish ongoing audit rights and periodic audit cycles within agreements with telecom providers.

Lack of Reconciliation Between Remittance Forms and Checks

As previously noted, a Senior Office Specialist records all received checks in an Excel spreadsheet. An Office Specialist then uses this spreadsheet to prepare the cash desk entries and deposit. Before finalizing the entries, the Office Specialist reconciles the allocated amounts to ensure they agree to the total check amount. Reconciliation between remittance documentation and payments received is a key control to ensure accuracy and completeness of revenues.

What We Found

- Staff are not performing reconciliations between vendor remittance forms and the checks received. Several errors were noted on the remittance forms such as, different surcharge amount charged per line and different totals on remittance forms compared to checks.

Why It Matters

Failure to reconcile increases the risk of undetected errors, discrepancies, or fraud. Inaccurate or incomplete reconciliations may result in revenue leakage or misstatements in financial records.

Recommendations

8. Require reconciliation of all remittance documentation to checks prior to deposit.
9. Document and review discrepancies.
10. Implement standardized reconciliation templates and require supervisory sign-off.

Fund Balance Exceeds Statutory Cap (NRS 244A.7645)

Nevada Revised Statute (NRS) 244A.7645 governs the collection and use of E911 surcharge revenues by counties. The statute requires that funds collected through the surcharge be used exclusively for costs associated with the provision, maintenance, and enhancement of emergency telephone systems.

Historically, NRS 244A.7645 limited the allowable fund balance to \$5 million. Senate Bill 208 (SB208), effective October 1, 2025, increased this cap to \$7.5 million. The purpose of the statutory cap is to prevent the accumulation of excess reserves beyond what is reasonably necessary to support E911 operations and to ensure that surcharge rates remain aligned with actual funding needs. When the fund balance exceeds the statutory limit, the County is expected to take corrective action to return the fund to compliance.

What We Found

- The E911 fund balance exceeded the statutory cap of \$7.5 million (effective October 1, 2025, per SB208) by approximately \$1.2 million.

Why It Matters

Exceeding the statutory cap places the County out of compliance with the state law and will require corrective action.

Recommendations

11. Reduce or temporarily eliminate the surcharge until the fund balance is within statutory limits.
12. Evaluate allowable expenditures to utilize excess funds for eligible E911 related purposes.
13. Implement periodic monitoring of fund balance levels to ensure ongoing compliance.

Vendor Remittance Inconsistencies and Administrative Fees

Telecommunications providers are responsible for collecting and remitting E911 surcharge fees, including providing supporting remittance documentation. There is a standardized form that the telecommunications providers are responsible for filling out and including it with the remittance check to the County. Standardized reporting and consistent remittance practices are necessary to ensure transparency and comparability across providers.

What We Found

- Vendors are deducting administrative fees, which is permissible, ranging from 1-3% (industry best practice is 1-2%).
- One vendor remitted \$10 per line despite the established \$1.00 rate.
- Instances were identified where remittance forms did not match check amounts.

Why It Matters

Inconsistent remittance practices indicate weak oversight and increase the risk of inaccurate or incomplete revenue collection.

Recommendations

14. Review and standardize allowable administrative fees.

15. Investigate discrepancies in remittance amounts.
16. Develop formal reporting requirements and enforce compliance through the County Code.

Lack of Governance and Guidance in County Code

Nevada Revised Statute 244A.7645 authorizes the collection of the E911 surcharge. Washoe County Code Chapter 65 should establish the framework for administration of the surcharge. Strong governance frameworks typically include clearly defined authority, reporting requirements, and enforcement mechanisms to ensure accountability over public funds.

What We Found

- The County Code does not provide sufficient governance or guidance over the E911 surcharge program, including audit authority, reporting requirements, administrative fees, and enforcement mechanisms.

Why It Matters

Insufficient governance limits the County's ability to ensure compliance, enforce requirements, and maintain accountability over public funds.

Recommendations

17. Update the County Code to include: audit authority over telecommunications providers, standardized reporting requirements, defined administrative fee limitations, enforcement provisions and timelines.

Outdated Cash Handling SOPs (Standard Operating Procedures)

Technology Services maintains a Standard Operating Procedures (SOP) binder for cash handling. The binder contains informal annotations and updates, indicating that procedures have evolved over time but have not been formally updated.

What We Found

- The current SOP binder for cash handling does not reflect updated procedures or current practices.

Why It Matters

Outdated procedures can lead to inconsistent practices and weakened internal controls.

Recommendations

18. Update SOPs to align with current processes and control expectations.
19. Provide training to staff on updated procedures.
20. Include segregation of duties, escalation protocols, and reconciliation requirements in SOP documentation.

Manual Processing and Lack of Automation

The current cash handling and recording process relies heavily on manual data entry and spreadsheet tracking. Automated processes and system controls are considered best practice to improve accuracy, consistency, and efficiency in financial processing.

What We Found

- The current process requires significant manual data entry, increasing inefficiencies.

Why It Matters

Manual processes increase the risk of data entry errors and reduce operational efficiency.

Recommendations

21. Work with the SAP team to develop standardized templates to streamline data entry and processing.

Overall Internal Audit Conclusion

Control weaknesses identified in cash handling, reconciliation, and governance increase the risk of revenue loss, noncompliance, and inefficiencies. Implementing the above recommendations will strengthen internal controls, improve compliance, and enhance oversight of E911 surcharge revenues.