



**DEVNET System**

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# **CARSON CITY, NV**

**Submitted By:**

Eide Bailly LLP

# TABLE OF CONTENTS

Executive Summary .....	3
Background Information .....	3
Objective & Scope .....	4
Methodology.....	4
Results and Conclusion.....	5
FINDING #1: User Access Reviews .....	5
RECOMMENDATION for Finding #1 .....	5



## Executive Summary

Eide Bailly LLP (“We”, “Our”, or “Us”) performed a review of Carson City’s (“City”) DEVNET System within the Assessor’s Office (“Assessor”) and Treasurer’s Office (“Treasurer”) including the Carson City Information Technology Department (“CCIT”) to evaluate the internal controls to ensure completeness, accuracy, and timeliness of the property assessment role. Our engagement identified one (1) finding. This finding provides an opportunity for improvement to enhance the existing property assessment process, and opportunity to help address control gaps where necessary.

As part of the Internal Audit services for the fiscal year end 2024 (FY24), the DEVNET system for the Assessor’s Office was included in the annual audit plan approved by the Carson City Audit Committee. Also, the system was in place and operational for three years with no prior internal audit performed as of 2019. This engagement focused on determining whether DEVNET’s internal controls related to the property tax assessment and billing processes, including General Technology IT Controls (ITGCs) that are in place to reduce the risks related to the reliability of the system and data, protecting against potential threats such as data breaches, system failures, and service interruptions. Internal controls include access management, data integrity, system capability, information availability, change management, logical security, and compliance.

We extend our sincere gratitude to the Assessor, the Treasurer, and the Chief Information Officer for their invaluable contributions to this engagement. Their insights enhanced our understanding of the DEVNET system, along with the related Assessor, Treasurer, and CCIT processes, enabled us to provide meaningful recommendations for process improvements and control enhancements.

## Background Information

On December 2, 2016, the Carson City Assessor and Treasurer were notified by the owner of Advanced Data Systems (“ADS”) that the company would cease operations effective December 31, 2019. ADS was the developer and service provider of the Property Tax and Computer Assisted Mass Appraisal (“CAMA”) data systems for Offices of the Assessors and Treasurers in the 15 rural counties of Nevada. After much evaluation, Carson City staff determined that DEVNET was the best option for Carson City to replace ADS. The DEVNET system went live in July 2019 for the Assessor’s Office and went live in May 2020 for the Treasurer’s Office. DEVNET, specifically the CAMA & Assessment Administration product, is a comprehensive solution to automate the appraisal and assessment functions. The system integrates the entire tax cycle, providing the public, outside agencies, and partners with information they need. In addition, the robust tool enhances the efficiency and accuracy of property tax system operations.

The Assessor’s Office enforces Nevada tax law as written in the Revised Statute (NRS) Chapter 361 – Property Tax<sup>1</sup> and the Nevada Administrative Code (NAC) Chapter 361A – Taxes on Agricultural Real Property & Open Space<sup>2</sup>. Also, the Assessor’s Office must discover and value all Real and Personal Property in Carson City. The Assessor is mandated to use the Manuals and Bulletins as approved by the Nevada Tax Commission in the valuation process.

In addition, the Assessor’s Office evaluates rural building costs, agricultural land values, and open-space real property. The procedures are performed in alignment with the Rural Building Costs Manual and Agricultural Land Values & Open Space Property Procedures subject to NRS Chapter 361A – Taxes on Agricultural Real Property and Open Space<sup>3</sup>.

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<sup>1</sup> <https://www.leg.state.nv.us/nrs/nrs-361.html>

<sup>2</sup> <https://www.leg.state.nv.us/nac/NAC-361A.html>

<sup>3</sup> <https://www.leg.state.nv.us/nrs/NRS-361A.html>

The Treasurer Office's responsibilities related to property tax assessment involves the billing and collection of real property taxes and special assessments, which is also subject to NRS Chapter 361. Also, the Treasurer Office collects other revenue for Carson City including personal property taxes, water consumption and sewer use fees, landfill fees, parking fines, franchise fees, rents, and the consolidated taxes from State of Nevada, such as sales tax, gas tax, and gaming tax. As for the DEVNET system, the Treasurer Office uses the Billing & Collection solution. The solution performs all billing, collection, distribution, delinquent taxes, tax sales and maintenance processes pertaining to both real and personal property.

The CCIT department is responsible for management oversight, coordination, and planning of core technology, data, and communications infrastructure for Carson City. In addition, CCIT is responsible for recording City meetings, public service announcements, and leveraging public communications on multi-channel media outlets. Carson City is committed to utilizing technology to empower the workforce to operate in an era of government transparency and accountability.

### Objective & Scope

The objective of the engagement was to evaluate the DEVNET internal controls to ensure completeness, accuracy, and timeliness of the property assessment role. Additionally, to assess the reliability of the system and data.

The scope of this engagement was for July 2023 through April 2024.

Our engagement was performed in accordance with the Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA).

### Methodology

Based on the above objectives, we performed procedures including but not limited to the following:

1. Obtained background information from the City's Assessors Office, Treasurers Office, and the CCIT department on the DEVNET System.
2. Obtained and reviewed the City's most recent organizational chart for roles and responsibilities.
3. Judgmentally selected departments to include in the engagement based on risk.
4. Performed walkthroughs and conducted interviews of selected department personnel and key staff to assess internal controls and processes over DEVNET related to property tax assessment and billing.

#### Key Personnel Interviewed:

- Assessor
  - Treasurer
  - Chief Information Officer
5. Identified the industry-specific regulations and compliance standards relevant to the type of data handled by DEVNET.
  6. Performed password policy testing on 17 DEVNET users to verify the effectiveness of password change mechanisms and adherence to the City's password policy.
  7. Selected five (5) daily and five (5) weekly DEVNET backup reports for months from October 2023 through February 2024 to validate the accuracy, integrity, and completeness of DEVNET system data.
  8. Verified the processes in place for DEVNET data entry validation performed by the Assessor and Treasurer.
  9. Examined encryption methods, access controls, and any additional security measures implemented to protected stored data in both DEVNET Assessor and Treasurer applications.

10. Obtained and evaluated the procedures for retrieving data from the DEVNET system.
11. Reviewed the generation and distribution of DEVNET data reports.
12. Reviewed the DEVNET system's logging and monitoring capabilities.
13. Verified the existence and effectiveness of an incident response plan from the CCIT department.
14. Assessed the level of user training and awareness regarding information security and privacy.

## Results and Conclusion

Based on the procedures performed during this assessment, we determined that the risks related to DEVNET system are being managed appropriately, that internal controls are in place to reduce IT related risks, and the data is accurate, complete, and reported timely. Although controls exist over the DEVNET system, we identified an opportunity where a control could be strengthened. We have identified one (1) finding with an accompanying recommendation to address the finding noted below.

We appreciate and thank the input of all individuals who contributed to enhancing our understanding of the property tax assessment, billing and collection process related to the DEVNET system as well as helping us identify opportunities for improvement. Special acknowledgement goes to the Assessor, the Treasurer, and the Chief Information Officer whose openness and transparency with the Internal Audit team facilitated a constructive exchange of information. This collaboration proved instrumental in identifying areas of opportunity and strengthening existing controls. We are confident that addressing the finding and implementing the recommendation outlined in this report will significantly contribute to strengthening the overall control environment for the DEVNET system.

### FINDING #1: User Access Reviews

During our review of the identified 17 employees, eight (8) from the Assessor's Office and nine (9) from the Treasurer's Office, we noted that there is no process for performing formal user access reviews within the DEVNET system. The absence of user access reviews increases the risk of unauthorized access to the DEVNET system and data. This could potentially lead to data breaches, loss of sensitive information, and damage to the Assessor's and Treasurer's Office.

Upon further investigation, the Treasurer conducted a user access review on April 5, 2024, and noted two user accounts from the Treasurer's Office with DEVNET access were not deactivated/removed. One user who retired in September 2023 and one user who left the Treasurer's Office for the Clerk-Recorder's Office in early 2023. The Treasurer disclosed while the two user accounts were still active, there was no indication that these two employees could have access the DEVNET system without having access to a Carson City computer terminal (DEVNET is only accessible through the computer terminal and not from a personal computer). Therefore, the Treasurer deactivated/removed their DEVNET access to prevent unauthorized accessibility to the system.

### RECOMMENDATION for Finding #1

Both offices should create and implement a structured process for conducting regular DEVNET user access reviews. This process should include outlining the frequency of reviews, responsible parties, review criteria, and escalation procedures for identified issues. Clear criteria for evaluating user access rights should be defined, engaging key stakeholders such as DEVNET and relevant business units in the review process. Comprehensive records of user access reviews should be maintained for audit and compliance purposes, ensuring access rights are segregated appropriately and implementing Segregation of Duties (SoD) controls where feasible. Continuously monitor user access activities and conduct periodic audits, scheduling regular management review meetings to discuss outcomes and make necessary adjustments to the access control framework.

**Management Response:**

The DEVNET System User Access Review will be performed on an annual basis, starting June 6, 2024, by the Treasurer or the Assessor as both have authorization to update, deactivate, and remove a user's profile or access. The review will be integrated during the staff member's annual review process. The DEVNET system user access annual review will help in monitoring each staff member's required internal and external system's access and assigned functions. In addition, ensure proper segregation of duties, allow system adjustments for permissions as needed, and provide documentation for future audits and reviews.

The Treasurer developed an "Outgoing Employee Network Deactivation Checklist" effective April 8, 2024. This checklist focuses a supervisor's attention to a CCTO staff member's DEVNET user account, which then prompts the supervisor to review the employee's DEVNET account. The CCTO will not limit the use of this form to the DEVNET system as this form applies to the other CCTO's internal systems: Banking and Payment, Payment Processing, Investment Account Information, and State of Nevada Accounts. The Assessor's Office currently has a process in place for deprovisioning user's access within the department through the CCIT form, "Termination Checklist", which includes the DEVNET system.