

## MEMORANDUM

**TO:** Audit Committee

**THROUGH:** Matthew Dent  
Committee Chair

**FROM:** Sara Schmitz

**SUBJECT:** Review, discuss and possibly take action to approve the Audit Committee Charter which will replace the content of Policy 15.1.0

### **STRATEGIC**

**PLAN REFERENCE(S):** Long Range Principles #2 and #6

**DATE:** March 13, 2020

---

### **I. RECOMMENDATION**

Review, discuss and possibly take action to approve the Audit Committee Charter. This charter will replace the content of Policy 15.1.0. If approved, the Audit Committee Charter will be reviewed, discussed and possibly approved by the Board of Trustees at their meeting on March 25, 2020.

### **II. BACKGROUND**

Policy 15.1.0 Accounting, Auditing, and Financial Reporting – Audit Committee needs to be revised to more robustly define the oversight responsibilities.

### **III. ALTERNATIVES**

As deemed appropriate during discuss of this topic.

### **IV. STRATEGIC PLAN REFERENCE(S)**

Long Range Principle #2

The District will ensure fiscal responsibility and sustainability of service capacities by maintaining effective financial policies for operating budgets, fund balances, capital improvement and debt management.

Long Range Principle #6

The District will engage, interact and educate to promote understanding of the programs, activities, services, and ongoing affairs.

- Promote transparency in all areas including finance, operations and public meetings.
- Provide clear, concise and timely information in multiple, publicly accessible formats.
- Ensure that both internal and external communication is responsive, comprehensive and inclusive.

### **V. BUSINESS IMPACT**

The Audit Committee, Board, and District leaders are enabling all of staff to become actively engaged with the oversight of the Districts finances.

# AUDIT COMMITTEE CHARTER

## Purpose

The primary function of the Audit Committee (“Committee”) is to assist the Board of Trustees in fulfilling its responsibilities in accordance with Nevada Revised Statutes, District Policies, Practices, Ordinances, and Resolutions by providing oversight over the District’s financial statements, the systems of internal controls, the internal audit plans and reports, and the independent external auditor’s assessment of financial statements. The Committee will provide open communication and maintain strong working relationships with the IVGID Board of Trustees, the General Manager, Director of Finance, independent Internal Auditor, and the independent external auditors.

## Scope

The Committee shall provide independent oversight over the financial reporting process by being informed of all significant accounting policies and financial reporting matters by reviewing the annual financial statements and disclosures with management and the independent external auditors, by reviewing the auditors’ report of findings and recommendations with management and the auditors, and by evaluating the performance of the independent external auditor on an annual basis.

The Committee will review and make recommendations to the Board of Trustees on the External Auditors scope of work to audit the District’s Comprehensive Annual Financial Report, and upon Board approval of the engagement of the External Auditor, sign the engagement letter prior to the State’s March 31<sup>st</sup> engagement deadline. The Committee will be responsible for reviewing and approving Management’s Representation Letter to the External Auditor prior to submission to the External Auditor.

The Committee shall provide oversight over internal controls by assuring that systems of internal controls are being established by management and these systems are being reviewed on a regular and systematic basis for functionality and effectiveness by the independent Internal Auditor and/or by independent external auditors.

The Committee shall specify the purpose, authority, and responsibilities of the independent Internal Auditor. The Internal Auditor shall maintain independence, objectivity, professional proficiency, integrity, due professional care, and diligence in the performance of these responsibilities. To ensure independence, the Internal Auditor will be hired by and report to the Committee Chair.

The Committee shall review the work of the Internal Auditor by understanding how internal audits are conducted; by reviewing and approving the risk assessment and annual work plan of the Internal Auditor; by reviewing all audit reports; and by reviewing the annual report of audits completed, significant findings, and status of corrective actions.

# AUDIT COMMITTEE CHARTER

## Organization

The Committee shall consist of five (5) voting members to include a maximum of three Board appointed Trustees and a minimum of two (2) qualified at-large members. Non-voting members will be designated by the Committee Chair as needed. The Committee can be expanded to an odd number. Recommendations for expanding the number of voting members will be approved by the Committee and submitted to the Board of Trustees for approval.

Committee members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the District and shall not be an affiliated person with the District or any subsidiary thereof (applicable to at-large members only).

- Voting Trustee Members of the Committee shall be appointed by the Board of Trustees for a two year term. In the event a Trustee's term on the Board expires before the end of the two-year term, the Board will appoint another Trustee to complete the term on the Committee or request the Committee appoint an additional at-large member.
- Two other Voting Members: shall be appointed by the Committee from at-large with appropriate expertise with staggering two-year terms.
  - For the first appointment, one member will serve a one-year term and the second will serve a two-year term.
  - Each subsequent appointment will serve two-year terms.
- The Chair may request members of management or others to attend meetings in order to provide pertinent information or advice as necessary.
- The Independent Internal Auditor will provide assistance to the Audit Committee.

At least one member of the Committee should be a financial expert with understanding and experience in generally accepted accounting principles, financial statements, internal accounting controls, auditing of financial statements, and audit committee functions.

One voting member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee members with a written agenda for each meeting. Committee Members may request agenda items for the Chair's consideration and approval.

The Independent Internal Auditor will be responsible for ensuring the Committee members receive appropriate and necessary briefings and training relative to internal controls, preparation of financial reports, internal audit processes, governmental regulations, and other pertinent information relative to this appointment.

# AUDIT COMMITTEE CHARTER

The Chair may request members of management or others to attend meetings in order to provide pertinent information or advice as necessary.

The voting Committee members are limited to two 2-year terms which may be extended in the event there are no interested and qualified applicants.

## Responsibility

The members of the Audit Committee shall be responsible for the following:

1. Meet at least four times a year or more frequently as circumstances require.
2. Review monthly and quarterly financial reports.
3. Review the Board and Management's compliance with District Policies, Practices, Ordinances, and Resolutions.
4. Periodically review the District's code of conduct that promotes honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in periodic reports; and compliance with applicable governmental rules and regulations to ensure it is adequate and up-to-date.
5. Evaluate managements' identification of fraud risks, implementation of anti-fraud measures and provide the tone at the top that fraud will not be accepted in any form.
6. Review procedures for the receipt, retention, and treatment of complaints received by the District regarding accounting, internal accounting controls, or auditing matters and any confidential, anonymous submissions by employees of the District and the public regarding fraud and/or questionable accounting or auditing practices.
  - Ensure an anonymous method for concerns to be submitted. (link on website for submissions)
  - Publicize the ways for the public and employees to submit a complaint, both anonymously and directly to the Audit Committee.
  - Determine if any action is to be taken and communicate with the submitter, if known.
  - Review any complaints that might have been received, their current status, and resolution, if one has been reached.
  - Ensure proper steps to investigate and resolve complaints are timely.

## AUDIT COMMITTEE CHARTER

7. Conduct an annual meeting with the independent external auditors, the General Manager, the Internal Auditor, the Director of Finance, legal counsel and anyone else as desired by the Committee.
  - Inquire about significant risks or exposures facing the District. Assess the steps management has taken or proposes to take to minimize such risk and periodically review compliance with such steps.
  - Inquire about critical estimates of revenues and expenditures.
  - Inquire about off-balance sheet transactions, if any.
  - Review the policies and procedures with respect to senior management and staff expense and travel accounts with management. Consider the review of these areas by the independent Internal Auditor or the independent external auditors.
  - Review with management and legal counsel any legal and regulatory matters that may have a material impact on the financial statements related to the District's compliance policies.
  
8. Participate in the selection, engagement, and dismissal of independent external auditors or auditing firms doing work for the District.
  - Ascertain that the Request for Proposal for the independent audit firm retained by the District for the annual financial audit is no more than five fiscal years with those directly supervising audit staff rotating at least every two years and audit engagement partners rotating at least every three years.
  
9. Review the audited annual financial statements including the Comprehensive Annual Financial Report with the General Manager, Finance Director, Comptroller, and the independent external auditor.
  - Review the Auditors' Management Letter of findings and recommendations and any schedule of unadjusted differences provided by the independent external auditors relative to the annual audit of the District's financial statements with the General Manager, Director of Finance and the independent external auditors.
  - Review the independent auditors' judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting.
  - Review any significant changes required in the independent auditor's audit plan.
  - Review any serious difficulties or disputes with management encountered during the audit.

## AUDIT COMMITTEE CHARTER

- Review all matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communication with Audit Committees*) related to the conduct of the audit. (provide SAS 61 link)
- Review the adequacy of the District's internal controls including computerized information system controls and security.
- Review with management and the independent auditor, the effect of any regulatory and accounting initiatives. Also review all critical accounting Policies, Practices, Ordinances and Resolutions used by the District.
- Review all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the District, the ramifications of each alternative, and the treatment preferred by the District.
- Ensure that the General Manager and the Director of Finance certify that financial reports are accurate and not misleading; and internal controls are sufficient and effective.
- Review interim financial reports with the General Manager and the financial staff to assure fair and accurate reporting.

10. Review the risk analysis and work plans of the Independent Internal Auditor including the three-year schedule of audits to be submitted to the Board of Trustees.

- Review with the Independent Internal Auditor and the Director of Finance the audit scope and plan of the Internal Auditor.
- Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

11. Evaluate the internal audit program and independent external audit program annually based on the annual report of audits performed, significant findings, recommendations, and implementation of corrective actions prior to submission of the annual report to the Board of Trustees and on any other observations and reports regarding the conduct of audits of District functions.

- Review all reports of audits, including responses by management (including implementation plans and timetable to correct weaknesses) prior to submission to the Board of Trustees.
- Any difficulties the audit teams encountered in the course of their audits including any restrictions on the scope of their work or access to required or requested information.
- Any changes required in the scope of their audits.
- Internal Audit's compliance with the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing.

## AUDIT COMMITTEE CHARTER

12. Report Committee actions to the Board of Trustees with recommendations as deemed appropriate.
13. Hire outside consultants as necessary upon the request of the Audit Committee and subsequent approval of the Committee.
14. All legal invoices and independent internal and external auditors' invoices are to be approved by the Treasurer and the Board of Trustees Chair.
15. Review and update as needed the contract for Independent Internal Auditor services.
16. Review the Audit Committee Charter periodically and submit changes recommended by the Committee and/or the General Manager to the Board of Trustees for approval.



An opportunity may exist on the Audit Committee of the Incline Village General Improvement District effective \_\_\_\_\_. The Incline Village General Improvement District Board of Trustees is seeking interested candidates who wish to serve for a \_\_\_\_\_ term beginning no earlier than \_\_\_\_\_ and no later than \_\_\_\_\_. Any interested candidate should submit a letter of interest and a resume. These two documents can be submitted either via U.S. Mail addressed to District Clerk Susan Herron, IVGID, 893 Southwood Boulevard, Incline Village, Nevada 89451; or hand delivered to the aforementioned address; or submitted via e-mail (sah@ivgid.org). It is the interested parties' responsibility to ensure that their documents have been received for consideration. All submittals must be received no later than \_\_\_\_\_, 12 noon (PST).

Further, all interested parties' must be present and available at the Incline Village General Improvement District Board of Trustees meeting tentatively scheduled for either \_\_\_\_\_ at \_\_\_\_ p.m. or \_\_\_\_\_ at \_\_\_\_ p.m. and be prepared and available to be interviewed by the Board of Trustees. During this special meeting, the Board of Trustees may make their final decision and the selected interested party may be sworn in and begin serving their term immediately. If you have any questions regarding this matter, please contact Susan Herron, District Clerk, IVGID, at (775) 832-1207 or via e-mail at sah@ivgid.org.





**DECLARATION**

Audit Committee Member  
Incline Village General Improvement District

STATE OF NEVADA

COUNTY OF WASHOE

For the purpose of having my name considered as an Audit Committee Member of Incline Village General Improvement District, I, the undersigned, \_\_\_\_\_, do swear or affirm under penalty of perjury:

(a) that I actually, as opposed to constructively, reside at \_\_\_\_\_, within the boundaries of Incline Village General Improvement District, County of Washoe, State of Nevada; (b) that my actual, as opposed to constructive, residence in the District to which the membership pertains began on a date at least thirty (30) days immediately preceding the date of the close of filing of letter of interest and resume for this position; (c) that my home telephone number is \_\_\_\_\_, my personal e-mail address is \_\_\_\_\_, and the address at which I receive mail, if different than my residence, is \_\_\_\_\_; (d) that I am a qualified elector pursuant to Section 1 of Article 2 of the Constitution of the State of Nevada; (e) that if I have ever been convicted of a treason or a felony, my civil rights have been restored by a court of competent jurisdiction; and (f) that if I am confirmed as a nonpartisan appointee to Audit Committee for the Incline Village General Improvement District Board of Trustees, I will accept the appointment and not withdraw.

\_\_\_\_\_  
Signature of Applicant

\*\*\*\*\*

State of Nevada  
Washoe County

Subscribed and sworn to before me this \_\_\_\_\_ day of the month of \_\_\_\_\_, of the year \_\_\_\_\_.

\_\_\_\_\_  
Notary Public