

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held **starting at 4:30 p.m.** on Wednesday, March 11, 2020 in the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
- B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- C. APPROVAL OF AGENDA (*for possible action*)
- D. GENERAL BUSINESS ITEM (*for possible action*)
 - 1. Review, discuss, and possibly recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$35,000 to give an opinion and/or guidance on the issues raised by the Board of Trustees regarding the District's 2019 CAFR as well as guidance on accounting policies used in the preparation of the District's financial statements. (Requesting Trustee: Audit Committee Chairman Matthew Dent) – **pages 3 - 18**
 - 2. Review, discuss, and possibly recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$45,000 to facilitate internal controls assessment including but not limited to recommend internal controls, policies and procedures for District businesses and functions, including auditing the accounting and reporting of the punch card utilization for the last 4 to 7 years. (Requesting Trustee: Audit Committee Chairman Matthew Dent) – **page 19**
 - 3. Review, discuss, and possibly approve revising Board Policy 15.1.0 to incorporate the Audit Committee Charter Document. (Requesting Trustee: Sara Schmitz) – **pages 20 - 29**
 - 4. Review, discuss, and possibly provide direction to the Interim General Manager regarding the breakdown of internal controls as it relates to purchase/task orders issues by Staff (Requesting Trustee: Sara Schmitz) – **page 29**
 - 5. Set the date/time for the next Audit Committee Meeting (Requesting Trustee: Audit Committee Chairman Matthew Dent)
- E. APPROVAL OF THE MEETING MINUTES (*for possible action*)
 - 1. Audit Committee Meeting of February 12, 2020 – **pages 30 - 41**

Incline Village General Improvement District

Incline Village General Improvement District is a fiscally responsible community partner which provides superior utility services and community oriented recreation programs and facilities with passion for the quality of life and our environment while investing in the Tahoe basin.

893 Southwood Boulevard, Incline Village, Nevada 89451 • (775) 832-1100 • FAX (775) 832-1122

www.yourtahoeplace.com



NOTICE OF MEETING

Agenda for the Audit Committee Meeting of March 11, 2020 - Page 2

- F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- G. ADJOURNMENT (*for possible action*)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Friday, March 6, 2020, 2019 at 9:00 a.m., a copy of this agenda (Audit Committee Session of March 11, 2020) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following six locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

1. IVGID Anne Vorderbruggen Building (Administrative Offices)
2. Incline Village Post Office
3. Crystal Bay Post Office
4. Raley's Shopping Center
5. Incline Village Branch of Washoe County Library
6. IVGID's Recreation Center

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

Clerk to the Board of Trustees (e-mail: sah@ivgid.org/phone # 775-832-1207)

Audit Committee Members: *Matthew Dent – Chairman, Tim Callicrate, and Sara Schmitz*

Notes: *Items on the agenda may be taken out of order; combined with other items; removed from the agenda; moved to the agenda of another meeting; moved to or from the Consent Calendar section; or may be voted on in a block. Items with a specific time designation will not be heard prior to the stated time, but may be heard later. Those items followed by an asterisk (*) are items on the agenda upon which the Board of Trustees will take no action. Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to call IVGID at 832-1100 at least 24 hours prior to the meeting. Copies of the packets containing background information on agenda items are available for public inspection at the Incline Village Library.*

IVGID'S agenda packets are now available at IVGID's web site, www.yourtahoeplace.com; go to "Board Meetings and Agendas". A hard copy of the complete agenda packet is also available at IVGID's Administrative Offices located at 893 Southwood Boulevard, Incline Village, Nevada, 89451.

MEMORANDUM

TO: Audit Committee Members
Matthew Dent, Sara Schmitz, and Tim Callicrate

FROM: Matthew Dent
Audit Committee Chair

SUBJECT: Review, discuss, and possibly recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$35,000 to give an opinion and/or guidance on the issues raised by the Board of Trustees regarding the District's 2019 CAFR as well as guidance on accounting policies used in the preparation of the District's financial statements.

DATE: February 28, 2020

I. RECOMMENDATION

That the Audit Committee members make a motion to recommend that the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$35,000 to give an opinion and/or guidance on the issues raised by the Board of Trustees regarding the District's 2019 CAFR as well as guidance on accounting policies used in the preparation of the District's financial statements.

II. BACKGROUND

The Board of Trustees have several unanswered questions regarding the 2019 CAFR. It has been discussed at previous regular Board of Trustees meetings that a independent expert should review and give the Board guidance.

III. FINANCIAL IMPACT AND BUDGET

This item has no financial impact in regards to the Audit Committee. The Board of Trustees will need to approve in order for this to have a financial impact to the budget.



January 30, 2020

State of Nevada
Department of Taxation
1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937

Attention of Ms. Kelly S. Langley, CTP
Local Government Finance Supervisor
Department of Taxation

Subject: Receipt of the Incline Village General Improvement District
Comprehensive Annual Financial Report, Fiscal Year Ending June 30,
2019; Trustee(s) Comments

Dear Ms. Langley,

Following are the comments from our Board of Trustees regarding the above
subject matter.

From Trustee Peter Morris:

As an experienced business executive and owner but not an accountant by training, it's been my experience over my career that in accounting there is often opportunity for difference in philosophy. Those who dislike the current CAFR report may have philosophical differences with the way IVGID has accounted for its inflows and outflows, but I rely upon the expertise and experience of our Director of Finance; that of our external auditors; plus, the history of our success in past audits and state submissions. Therefore, I believe this is a sound report. I can see nowhere has there been any intentional misreporting or deceptive intent. So with that said, I do not believe I have any issues with or concerns over the report.



From Trustee Kendra Wong:

I have no substantive comments regarding the CAFR and support filing the CAFR with the State of Nevada, Department of Taxation. All of my questions were addressed by the Director of Finance and General Manager prior to our meeting on December 11, 2019. As previously communicated to our staff, my comments primarily relate to clarity and consistency of wording throughout the document; however, I did not view this as a reason not to file the CAFR. Additionally, with a new Director of Finance joining our team, there is an opportunity for him to look at the document from a fresh perspective. I appreciate the work our Finance team and EideBailly have done to ensure we could file the CAFR with the State of Nevada, Department of Taxation in a timely manner.

From Trustee Matthew Dent:

As a fiduciary for the District we have responsibility to ensure that the financials, narratives, and supporting documents are accurate and complete. The purpose of the CAFR is to be transparent about the use of taxpayers' dollars and provide a detailed account of how the funds were spent. Over the last several years we have raised questions in regards to the audited and unaudited portions of the CAFR. It was my understanding this year would be different and we would have written response to these concerns and the issues would be addressed.

Some of my concerns have been the following:

- *Lack of oversight by the Audit Committee*
- *Treasurer of the Board is in name only and apparently the Director of Finance is actually the Treasurer*
- *Financial statements can be manipulated if costs are wrongly expensed or capitalized. An example, would be the capitalizing Master Plans that are nothing more than surveys and wish lists rather than expensing them.*
- *No oversight or opinion by the auditor when it comes to the Districts internal controls*
- *Only a few business days to review the CAFR when staff has it weeks in advance*
- *Inconsistent reporting – sometimes we report contracts or grants another times we don't*
- *No oversight of managements representation to the auditors*

From Trustee Tim Callicrate:

As the newly appointed Chair of the IVGID Board of Trustees, I am advising the Nevada Department of Taxation that I will receive, but I will not approve, the District's 2019 CAFR. It is my understanding that the Department is requiring that the CAFR be submitted by January 31st, 2020. To meet this deadline, I am agreeing to the submittal.

I am also stating for the record that after reviewing the CAFR there are more than 14 errors along with potential errors in the Financial Statements and the Footnote disclosures. These errors appear in the audited as well as the unaudited portions of the 2019 CAFR. Many of these errors have been raised by other Trustees at the January 22nd, 2020 Board of Trustees meeting, memorandums sent to the previous Audit Committee Chair from our citizens raising concerns about the District's accounting and reporting practices, as well as more recent communications with accounting and finance professionals in our community.

Of these errors I am citing, there are six which will require EideBailly to provide an opinion on whether the transactions follow GAAP, GASB statements and NRS statutes:

- 1. Change in accounting from Enterprise to Governmental funds for the Community Services and Beach activities*
- 2. Punch Cards utilized*
- 3. Central Services cost allocations for the Community Services and Beach Special Revenue Funds*
- 4. Revenue recognition in Utility Fund for advanced billings*
- 5. Reporting Recreation and Beach Facility Fees as General Revenues in Statement of Activities*
- 6. Reporting Ball Field Grant as a receivable and a revenue item*

The remaining issues relate to changes to the basic financial statements due to omissions, errors, and/or misjudgments by IVGID staff. These issues may not require the opinion of the independent auditor. However, the changes expected are material and the basic financial statements are required to disclose important transactions. We would expect EideBailly to accept changes that will ensure greater financial statement accuracy and more complete disclosures. These are the major items:

- Expensing Pipeline repairs and assessments*
- Expensing Feasibility and Master Plan Studies*

- *Expensing the fire rehab costs to open the Mountain Golf Course Clubhouse for 4 months*
- *Cleaning up omissions on Carryovers and Contracts in Note 19*
- *Omission of leases*
- *An error in list of items in note 1 that do not match details*
- *Assigned fund balance has not been assigned to the GM*
- *Changing assigned fund balance to committed fund balance for outstanding contracts.*

The District's lack of Internal Controls is particularly troublesome. Although Management has represented in their letter of transmittal that the completeness and reliability of the financial statements rest upon a framework of comprehensive internal controls, there are no written policies or procedures available or reports on internal controls. A citizen and a Trustee have requested this documentation. It has not been provided by management or the former Audit Committee members.

Correcting the grammar, ambiguous terms, and numerous misleading statements will also have to be undertaken.

It would be preferable for the NV Department of Taxation to permit our Board and new audit committee to get this right before submittal, but as the Department will not grant us an additional extension we expect to restate the 2019 CAFR in the near future.

From Trustee Sara Schmitz:

As a newly appointed Trustees on January 14, 2020, I am writing to share my concerns related to the 2019 CAFR. My perspective, due to being newly appointed, is that of a parcel owner and taxpayer.

After members of our community investigated and reported inaccuracies discovered in the District's 2016 CAFR submitted to the State, the CAFR was restated in 2017. At that time, EideBailly, our independent auditor found material weakness in the District's internal controls over financial reporting (see attached memorandums dated November 30, 2016). Since this time, management has not reported on the changes made to address these deficiencies.

In a memo dated September 13, 2019, members of our community once again brought to management's attention the inappropriate transfer of funds from the self-insurance (Workers Compensation) fund to the Utility Fund, Community

Services Special Revenue Fund, and the Beach Special Revenue Fund. The necessary corrections have been made, however this once again raises concerns regarding internal controls and financial oversight by the Board and the Audit Committee.

In November of 2017, the Audit Committee modified the Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0 reducing the required annual meetings from four times a year down to only once a year. In 2019, it was discovered the Board appointed Treasurer was not fulfilling his NRS stated responsibilities and had delegated the responsibility to the Director of Finance without Board or community knowledge.

Neither the Board nor the Audit Committee has been provided internal control documentation, policy or internal control procedures related to the District's financial reporting. It is not within the scope of work for the independent auditor to review and comment on the District's internal controls.

This lack of oversight and verification of internal controls has me concerned. I believe with the new General Manager, Director of Finance, and a new Audit Committee, the issues of internal controls and proper financial oversight will be corrected.

If I can be of further assistance or require anything else, please do not hesitate to let me know.

Best regards,



Susan A. Herron
District Clerk

Attachments: Four (4) pages from Trustee Schmitz

cc: Board of Trustees (5)
Interim General Manager Winquest



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Incline Village General Improvement District
Incline Village, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Incline Village General Improvement District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2016-A to be a material weakness.

www.eidebailly.com

5441 Kietzke Ln., Ste 150 | Reno, NV 89511-2094 | T 775.689.9100 | F 775.689.9299 | ECE

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Esde Saulty LLP

Reno, Nevada
November 30, 2015

Incline Village General Improvement District
Schedule of Findings and Responses
For the Year Ended June 30, 2016

2016-A Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles
Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting components of net position is a key component of an effective system of internal control over financial reporting.

Condition: Subsequent to the issuance of the June 30, 2016 financial statements, an error was discovered in the classification of net position for the Internal Services Fund in the Proprietary Funds Statement of Net Position.

Cause: An independent review of the financial statements, separate from the individual preparing them, is not performed.

→ Effect: The financial statements had to be restated to reclassify \$323,642 of net position from net investment in capital assets to unrestricted.

→ Recommendation: We recommend Incline Village General Improvement District implement an additional level of review of the financial statements.

Views of Responsible Officials: Management agrees with this finding.



CPAs & BUSINESS ADVISORS

Auditor's Comments

To the Board of Trustees
Incline Village General Improvement District
Incline Village, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Incline Village General Improvement District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the District failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Current Year Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 1E to the financial statements.

Progress on Prior Year Statute Compliance

The District reported no instances of noncompliance with significant constraints on its financial administration during the year ended June 30, 2015.

Prior Year Recommendations

There were no findings for the year ended June 30, 2015.

Current Year Recommendations

The current year findings are reported in the Schedule of Findings and Responses.

Eide Bailly LLP

Reno, Nevada
November 30, 2016

www.eidebailly.com

5441 Kietzle Ln., Ste. 150 • Reno, NV 89511-2094 • T775.689.9100 F775.689.0200 • EOE



Conduct Meetings of the Board of Trustees Policy 3.1.0

POLICY. The Board of Trustees will fix the time and place of the regular meeting of the Board of Trustees of the Incline Village General Improvement District and provide the manner in which special meetings of said District may be called, designating an official mailing address, and establishing the order of business and rules for its proceedings for the Incline Village General Improvement District, Washoe County, State of Nevada.

- 0.1 Regular Meetings.** The regular meetings of the Board of Trustees of the Incline Village General Improvement District shall hereafter be held at the time and place set by the Board of Trustees.
- 0.2 Special Meetings.** Special meetings of the Board of Trustees shall be held upon call of the Chair of the Board or of at least two of the members thereof. Notice of all meetings shall be given in conformity with the provisions of Nevada Revised Statutes 241.020.
- 0.3 Meeting Place.** All meetings of the Board of Trustees shall be held within the District.
- 0.4 Holidays.** In the event that any day fixed for a regular meeting of the Board shall fall upon a holiday, that meeting shall be rescheduled by the Board.
- 0.5 Item(s) of Business.** The item(s) of business at the regular meetings of said Board may include, but are not limited to:
 - Roll call of Trustees
 - Initial Public Comment
 - Public Hearings (if any)
 - Approval of minutes
 - Approval of agenda
 - Approval of Bills
 - Reports
 - Consent Calendar*
 - General Business*
 - Final Public Comment
 - Adjournment



Conduct Meetings of the Board of Trustees Policy 3.1.0

*UNLESS OTHERWISE APPROVED BY The Board Chair, no matter shall be heard, or acted upon unless all relevant materials have been included in the Board of Trustees Meeting Packet.

0.6 Rules of Proceedings.

- a. Public Meetings. All meetings of the Board shall be in accordance with Nevada Revised Statutes 241, the Nevada Open Meeting Law.
- b. Quorum. A majority of the Board of Trustees present in person or by remote communication shall constitute a quorum for the transaction of business. In no event shall any matter be approved without the affirmative vote of three trustees.
- c. Method of Action. The Board of Trustees shall act only by motion which, to become effective, shall be adopted by the affirmative vote of at least a majority of its members present in public meeting, unless otherwise provided by statutes. In the event of only three members present, the method of action must be unanimous.
- d. Recording Vote. Except where action shall be taken by the unanimous vote of all Trustees present and voting, the yes/ayes and no/nays shall be taken on all actions had and entered upon the minutes. All Trustees shall have the equal right to vote, make and second motions. If the vote for/against any item is not unanimous, the Chair may ask the Clerk to conduct a roll call vote.
- e. Ordinances. The enacting clause of all ordinances passed by the Board shall include the word "ordinance" and be consecutively numbered. All actions to pass or revise an ordinance shall be attested by the Secretary.



Conduct Meetings of the Board of Trustees Policy 3.1.0

- f. Contracts. Contracts entered into by the District that are required to be advertised under Nevada Revised Statutes 332 and/or 338 must be approved by the Board of Trustees. All documents approved or awarded by the Board shall be signed in the name of the District by the Chair and countersigned by the Secretary, unless authorization to sign is given to another person(s) by the Board.

Contracts, other than those covered by Nevada Revised Statutes 332.115 and which are not subject to the advertising thresholds of Nevada Revised Statutes 332 and/or 338, may be authorized, approved and executed by the General Manager of the District or designee, unless otherwise ordered by the Board of Trustees.

Contracts covered by Nevada Revised Statutes 332.115 may be authorized, approved and executed by the General Manager or his designee of the District, if it is for an amount less than the advertising threshold of Nevada Revised Statute 332. Contracts over the threshold of NRS 332.115 must be approved by the Board of Trustees.

- g. Claims. The General Manager and General Counsel, and their designees, are authorized to negotiate on behalf of IVGID, the settlement of all property damage, personal injury, or liability claims, unless otherwise ordered by the Board of Trustees. Final settlement of such claims may be authorized by the General Manager, provided the amount attributed to IVGID is less than the amount that must be approved by the Board for amounts per occurrence, including all sources of payment (insurance, risk reserve, operating funds, or working capital). For claims that exceed the amount, those must be approved by the Board, the General Manager may authorize and accept a tentative settlement, which shall not be final and binding upon IVGID, unless and until approved by the Board of Trustees.
- h. Litigation. The General Manager must obtain Board of Trustees authorization, at a public meeting, to initiate any lawsuit.



Conduct Meetings of the Board of Trustees Policy 3.1.0

- 0.7. Robert's Rules.** Unless contrary to this rule, such meetings shall be substantially conducted in conformity with Robert's Rules of Order unless those provisions conflict with Chapter 241 of the NRS, in which case, the statutes will prevail.
- 0.8. Agenda Preparation.** The Board Chair, in cooperation with the General Manager, is responsible for preparing the agenda for each meeting. The Chair will place on the Agenda any item requested by a fellow Trustee. The General Manager shall schedule for consideration by the Board any matter requested to be placed on the agenda by any three Trustees. Unless directed otherwise by the Board, the General Manager may delay consideration of any item. In any conflict between the provisions of this paragraph and that of paragraph 0.9., paragraph 0.9. shall govern.
- 0.9. Reconsideration.** Reversal, or substantial modification, of any item by the Board of Trustees within six months of the meeting date at which the action was taken, shall only be considered as follows: the General Manager may request reconsideration of any action of the Board, and place reconsideration of the action before the Board, if the General Manager determines that the action compromises the efficiency of operations or otherwise impairs the effective management of the District. Additionally, a Board action may also be scheduled for reconsideration if at least three Trustees request same. Once placed on the agenda under the procedure established herein, the Board may rescind, modify, reaffirm, or take no action on the item; in the same manner it would take action on any other general item of business.
- 0.10. Public Participation.** Comments shall be solicited from the public during two comment periods, one at the start of the meeting and one prior to adjournment. The time limit shall be three (3) minutes for each person per comment period. No yielding of time shall be allowed.
- 0.11 Officers of the Board.** The officers of the Board shall be elected as provided by Nevada Revised Statutes 318.085 and shall consist of a Chair of the Board, Vice Chair of the Board, Treasurer, and Secretary.



Conduct Meetings of the Board of Trustees Policy 3.1.0

The term of office shall be for one (1) year or until a reorganization of the Board is required.

- 0.12 Authorization to Sign Checks.** The General Manager and the officers of the Board are hereby authorized to sign checks drawn on the various bank accounts of the District. It shall be required that at least two (2) signatures are affixed to any check drawn on such accounts.
- 0.13 Facsimile Signatures.** The banks with which the District does business are authorized and directed to honor checks drawn on the various bank accounts of the District, when bearing any two facsimile signatures of the officers of the Board and General Manager of the District, after their manual signatures are filed with the Secretary of State, in conformance with Nevada Revised Statutes 351.030.
- 0.14 Reports.** The Board Meeting agenda may include items under Reports which are intended to inform the Board and/or the public. These reports are not actionable items rather informational in nature and substance. Should an action be required the matter shall be presented as a General Business Item.
- 0.15 Consent Calendar.** In cooperation with the Chair, the General Manager may schedule matters for consideration on a Consent Calendar. The Consent Calendar may not include changes to user rates or taxes, adoption or amendment of ordinances, or any other action which is subject to a public hearing. Each consent item shall be separately listed on the agenda, under the heading of "Consent Calendar." A memorandum will be included in the packet materials for each Consent Calendar item. The memorandum should include the justification as a consent item in the Background Section.

Any member of the Board may request the removal of a particular item from the consent calendar and that the matter shall be removed and addressed in the general business section of the meeting.



Conduct Meetings of the Board of Trustees Policy 3.1.0

A unanimous affirmative vote shall be recorded as a favorable motion and approval of each individual item included on the Consent Calendar.

0.16 Advisory Committees. SECTION OMITTED

0.17 Legislative Matters. The General Manager may from time to time propose positions on legislative issues, which positions shall be reviewed and approved by the Board at its regular meeting. In the event a position on a legislative issue must be established prior to the next regular Board meeting, the General Manager is hereby authorized to adopt a position on IVGID's behalf.

0.18 Conflict Resolution. In the event that the provisions of Policy 3.1.0 conflict with any other Policy Provisions, this section shall prevail.

M E M O R A N D U M

TO: Audit Committee Members
Matthew Dent, Sara Schmitz, and Tim Callicrate

FROM: Matthew Dent
Audit Committee Chair

SUBJECT: Review, discuss, and possibly recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$45,000 to facilitate internal controls assessment including but not limited to recommend internal controls, policies and procedures for District businesses and functions, including auditing the accounting and reporting of the punch card utilization for the last 4 to 7 years.

DATE: February 28, 2020

I. RECOMMENDATION

That the Audit Committee members make a motion to recommend to the Board of Trustees at their March 11, 2020 Board of Trustees meeting that the Audit Committee Chair be authorized to engage an independent expert for a sum not to exceed \$45,000 to facilitate internal controls assessment including but not limited to recommend internal controls, policies and procedures for District businesses and functions, including auditing the accounting and reporting of the punch card utilization for the last 4 to 7 years.

II. BACKGROUND

In requesting the District's internal controls, it has become clear we need an expert to help facilitate and internal controls assessment along with recommend internal controls, policies and procedures.

III. FINANCIAL IMPACT AND BUDGET

This item has no financial impact in regards to the Audit Committee. The Board of Trustees will need to approve in order for this to have a financial impact to the budget.

MEMORANDUM

TO: Audit Committee Members
Matthew Dent, Sara Schmitz, and Tim Callicrate

FROM: Sara Schmitz
Trustee and Audit Committee Member

SUBJECT: Review, discuss, and possibly approve revising Board Policy 15.1.0 to incorporate the Audit Committee Charter Document.

DATE: February 28, 2020

I. RECOMMENDATION

Review, discuss, and possibly approve the Incline Village Audit Committee Charter which will then be incorporated into Policy 15.1.0 for approval by the Board of Trustees at a future meeting.

AUDIT COMMITTEE CHARTER

Purpose

The primary function of the Audit Committee is to assist the Board of Trustees in fulfilling its policy requirements in accordance with Washoe County Code 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 Audit Committee is also to provide open communications between the Board of Trustees, the General Manager, Internal Audit, and the independent external auditors.

Scope

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

The Audit 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 Internal Auditor and by independent external auditors.

The Audit Committee shall specify the purpose, authority, and responsibility of the Internal Auditor in accordance with Washoe County Code. The Internal Auditor shall maintain independence, objectivity, professional proficiency, integrity, due professional care, and diligence in the performance of these responsibilities.

The Audit 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.

Organization

Members of the Audit Committee shall be appointed by the Board of Trustees.

Audit 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).

The Audit Committee shall consist of an odd number of voting members with at least three (3) voting members and **one advisory member** (non-voting).

- Voting Member One: shall be appointed from the Board of Trustees with a one-year term.
 - An alternate member from the Board may also be appointed.
- All Other Voting Members: shall be appointed 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.
- Non-Voting Member: shall be the General Manager, or designee, to provide advice as needed.
- The **Internal Auditor** will provide staff assistance to the Audit Committee.

At least one member of the Audit 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 member of the Audit Committee shall be appointed by the Committee to be the Chair. With the inclusion of the Chair, it will be the responsibility of the **Internal Auditor** to schedule all meetings of the Committee and to provide the Committee members with a written agenda for each meeting.

The **Internal Auditor** will be responsible for ensuring the Audit 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.

The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.

The voting committee members are limited to two terms with the possibility of extending 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. 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.

3. 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.
4. 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 regarding fraud and/or questionable accounting or auditing practices.
 - 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
5. Conduct an annual meeting with the independent auditors, the General Manager, the Internal Auditor, the Finance Director, Comptroller, general 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 executive expense and travel accounts with management. Consider the review of these areas by the **Internal Auditor** or the independent auditors.
 - Review with management and general counsel any legal and regulatory matters that may have a material impact on the financial statements and related **District's compliance policies**.
6. 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 less than every five fiscal years with those directly supervising audit staff rotating at least every two years and audit partners rotating at least every five years.
 - Consider, with management, the rationale for employing audit firms other than the principal independent auditors.
7. 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 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 and the independent external auditors.
 - Review the independent auditors' judgments about the quality, not just the acceptability, of the company's accounting principles as applied in its financial reporting.
 - Any significant changes required in the independent auditor's audit plan.
 - Any serious difficulties or disputes with management encountered during the audit.
 - 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.
 - 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 and practices 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.
8. Review the risk analysis and work plans of the **Internal Auditor** including the three-year schedule of audits to be submitted to the Board of Trustees.
- Review with the 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.
9. 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 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.
10. Report Committee actions to the Board of Trustees with recommendations as deemed appropriate.
11. Hire outside consultants as necessary upon the request of the Internal Auditor and subsequent approval of the Board of Trustees.
12. Review the Audit Committee Charter periodically and submit changes recommended by the General Manager to the Board of Trustees for approval.



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

The Incline Village General Improvement District is committed to be proactive, informed, and providing the highest form of financial accountability to its parcel owners. Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results. As required by Nevada Revised Statute (NRS) 354.624, each local government shall provide for an annual independent audit of all of its financial statements.

POLICY: Each year, the Board of Trustees may establish the need for an Audit Committee and appoint no less than three members to such committee. Members of the Committee shall remain in place until successors are appointed. Members of the Audit Committee should be current Board members. As a general rule, no one having managerial responsibilities that fall within the scope of the audit should serve as a committee member.

1.0 Independent auditor reports directly to the Audit Committee

The independent auditor reports directly to the Audit Committee. The Audit Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor should not engage in any work that will result in billing a fee, unless authorized by the Audit Committee. This includes response to items brought forward by any internal or external source. This does not preclude the work they must perform to meet their professional responsibility.

2.0 Scope of Audit Committee's authority and responsibilities

The Audit Committee at a minimum shall have the following authority and responsibilities:

- 2.1 To select, evaluate and, if necessary, replace the District's independent auditor, and to approve all audit engagement fees and terms, subject to Board of Trustees approval.

Adopted November 15, 2017



**Accounting, Auditing, and Financial Reporting
Audit Committee
Policy 15.1.0**

- 2.2 To review, with management and the auditors, the District's annual auditor's planning, process and engagement decisions.
- 2.3 To review procedures for the receipt, retention, and treatment of complaints received by the District regarding accounting, internal accounting controls, auditing matters, or suspected fraud. Review any submissions that have been received, monitor their current status, and the document handling or disposition.
- 2.4 To review confidential and/or anonymous submission by the District's employees of concerns regarding questionable accounting or auditing matters, or suspected fraud that cannot be handled by other appropriate levels of management.
- 2.5 The Audit Committee must meet annually to consider the appointment of the District's Auditor, receive the Comprehensive Annual Audit Report and related communications. Also, if necessary to consider circumstances that arise beyond the scope of the Audit Engagement letter that could result in additional fees, and otherwise as determined the Audit Committee Chair. Meetings may be combined with regularly scheduled Board of Trustees meetings, or may be held more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- 2.6 To submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
- 2.7 To review and reassess, the adequacy of the Audit Committee responsibilities and recommend any proposed changes to the Board of Trustees for approval.
- 2.8 To appoint a Chair for the Audit Committee who will act as the primary contact with the independent auditor and District staff.

Adopted November 15, 2017



**Accounting, Auditing, and Financial Reporting
Audit Committee
Policy 15.1.0**

- 2.9 All members of the Audit Committee should possess or obtain a basic understanding of governmental financial reporting and auditing.
- 2.10 The Audit Committee will keep adequate minutes of its meetings and will report on its actions and activities at the next regular meeting of the District's Board of Trustees. Audit Committee members will be furnished with copies of the minutes of each Committee meeting.
- 2.11 The Audit Committee is governed by the same open meeting laws NRS 241 as long as three current District Board of Trustees members are on the Audit Committee and in attendance at the Audit Committee meetings.

MEMORANDUM

TO: Audit Committee Members
Matthew Dent, Sara Schmitz, and Tim Callicrate

FROM: Sara Schmitz
Trustee and Audit Committee Member

SUBJECT: Review, discuss, and possibly provide direction to the Interim General Manager regarding the breakdown of internal controls as it relates to purchase/task orders issues by Staff.

DATE: February 28, 2020

I. RECOMMENDATION

Review, discuss, and possibly provide direction to the Interim General Manager regarding the breakdown of internal controls as it relates to purchase/task orders issues by Staff.

II. BACKGROUND

The Board of Trustees approved the issuance of a task order in the amount of \$25,000 for the Water Pump Station 2-1. Staff issued the task order the next day in the amount of \$32,500, exceeding the Board authorized amount of \$25,000.

III. FINANCIAL IMPACT AND BUDGET

This task order exceeded the approved amount by \$7,500.

MINUTES

AUDIT COMMITTEE MEETING OF FEBRUARY 12, 2020 Incline Village General Improvement District

The Audit Committee meeting of the of the Incline Village General Improvement District was called to order by Chairman Tim Callicrate on Wednesday, February 12, 2020 at 4:30 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Trustees Tim Callicrate and Sara Schmitz. Absent was Trustee Matthew Dent who was out sick.

Also present were Controller Lori Pommerenck.

Members of the public present were Steve Dolan, Mark Alexander, Linda Newman, and others.

(11 individuals in attendance at the start of the meeting which includes Trustees, Staff, and members of the public.)

B. PUBLIC COMMENTS*

Linda Newman read from a submitted written statement which is attached hereto.

C. APPROVAL OF AGENDA (for possible action)

Trustee Callicrate asked for changes; none were submitted so the agenda was accepted as presented.

Trustee Schmitz said that she would like to have Trustee Dent be here for the selection of the Audit Committee Chair. Trustee Callicrate asked for Counsel's opinion. District General Counsel Geno Menchetti said that two of you are present so you have a quorum. Trustee Schmitz said she was fine with the agenda as submitted.

D. GENERAL BUSINESS (for possible action)

D.1. Selection of an Audit Committee Chair (reference Board Policy 15.1.0, subparagraph 2.8)

Trustee Callicrate turned this agenda item over to District Clerk Susan Herron. District Clerk Herron asked for nominations for Audit Committee Chair.

Trustee Schmitz nominated Trustee Matthew Dent as Audit Committee Chair; Trustee Callicrate seconded the motion. Hearing no other nominations, District Clerk Herron announced that Trustee Matthew Dent is the Audit Committee Chair.

D.2. Review, discuss and possibly revise Board Policy 15.1.0 to incorporate the attached Audit Committee Charter (Requesting Audit Committee Member: Trustee Sara Schmitz)

Trustee Schmitz said that she provided this more as something for the Audit Committee members to review and to see how Washoe County is handling things. She understands that the scope is larger however she does feel that there are some great details about non-voting members from the at-large community as well as things in here that would help us do a better job. Trustee Schmitz continued that she would like to get feedback from Trustees Callicrate and Dent and that she has it in Word format so we can do whatever we want.

Trustee Callicrate said that this is a great first step and start and that he has made notes of several potential changes. He would like to bring this back when Trustee Dent is here as he will have his own comments. He would suggest that Trustee Schmitz take the changes that she has made so we can start from there and submit that to the District Clerk who can then distribute to us and we can then make any corrections such that we can then bring it back to this committee. There will be a great opportunity for our new Director of Finance to have input so let's bring it back at the next meeting.

Trustee Schmitz said that she would like to give people a few to do's – she will send this out in Word format or you can mark your copy up and then she would request that Trustees Callicrate and Dent provide their comments or feedback by February 19 and then she will take on the to do to review it with the Interim District General Manager as she would like to get his input as well. Trustee Schmitz then asked when the new Director of Finance will be here; Interim District General Manager Indra Winqest said March 16 however there may be an opportunity to reach out prior to that and he will let Trustee Schmitz know if that is possible. Further, he would be happy to sit down with Trustee Schmitz to review this as he likes it and it is a good

framework. Once the Audit Committee has completed its work, it would have to go to the entire Board for their review and approval.

Trustee Callicrate said that worked for him and closed this item.

D.3. Review, discuss, and possibly provide direction to Staff on a Whistleblower Program and any revisions that may be required to Policy 15.1.0, Long Range Principles #3 and existing Human Resources policies and/or procedures (Requesting Audit Committee Member: Trustee Sara Schmitz)

Trustee Schmitz said that she knows that the Audit Committee, about a year ago, gave Staff direction to put something together however it doesn't appear that there is anything written that has been provided and that she didn't see anything within the packet. Trustee Schmitz then discussed the concept of a flow chart and made a reference to agenda packet page 36, Item 1, and asked about a method to track.

Trustee Callicrate said there is a great opportunity to review policies and procedures so we can start working on them. Interim District General Manager Winquest directed attention to agenda packet page 37 and read that page. We do have an internal process however it would be best to formalize it and noted that a process was created just as a matter of where we want to go from here. He would be happy to go through that with Trustee Schmitz as well.

Trustee Callicrate said that he knows that Trustee Dent brought this up as well and that it is good information to get out to the entirety of the employees as well as a refresher. He appreciates Trustee Schmitz putting this in the packet.

Trustee Schmitz said that the idea was to make sure people are aware and that it is formal and in writing. Reference agenda packet page 18, Trustee Schmitz said while developing your policy, you should consider having the employees signing it so they are aware of the District's policy and that it is good to have a reminder. She knows that we are all doing the right thing but anything we can do to further cultivate that culture would be helpful.

Interim District General Manager Winquest said that it is important to engage our Director of Human Resources as we have a robust orientation as well

as customer service trainings and refreshers. It is a best practice to have a sign off on a whistleblower program.

Trustee Schmitz said we can review and compare to what was provided as it is a great document to look at.

Interim District General Manager Winquest said he would ask the Director of Human Resource to reach out to Trustee Schmitz and that he will be a part of that meeting.

Trustee Callicrate closed this item.

D.4. Review, discuss and possibly request a bid from EideBailly for an internal financial control review with the scope of work to include (1) the review of existing financial control procedures and (2) formulation of recommendations for changes and/or additions to internal controls (Requesting Audit Committee Member: Trustee Sara Schmitz)

Trustee Schmitz said that she is recalling back to our discussion on the Comprehensive Annual Financial Report (CAFR) and that there were statements in that document that assured us that all of our financial processes were in compliance; she has requested that information and they are not readily available. She would like to pull together what we have and have another set of eyes review it to identify the gaps of where to fill in as it is in all of our best interests to go about that process and the first step is to review what we have.

Interim District General Manager Winquest said that we have had a public records request for a master document on how we do things. Our current Controller does have an auditing background and there are a lot of processes that have several layers of oversight so he is going to be asking our new Director of Finance to formalize our processes and put that out on our website. We are both fully in support of hiring an outside firm as nothing but good can come from that review. However, there are no funds budgeted to do this work so a decision is needed as to whether this should be done in the current fiscal year which is definitely possible or we can budget it for next year which is his preference; he does need direction on that item. Additionally, before any work starts, the Audit Committee needs to be comfortable with the scope of work/service.

Trustee Schmitz asked if it was possible to do some things concurrently – go out to request for proposal as it might be a wise thing to do as we don't know what the cost is and thus it might be in our best interest to take that approach while continuing to gather our internal documents and at the same time go out to request for proposal and take some time doing that and then when our new Director of Finance is on board, he can look at it.

Trustee Callicrate said he wanted to make sure we weren't going outside the agenda item. District General Counsel Menchetti said you are asking the Staff to prepare. Trustee Schmitz said that asking is better than going to one source. District General Counsel Menchetti said that request for proposals are expensive and time consuming and there will not be a lot of agencies that will respond to it and you may only get one firm to respond. When it comes to professional services, there are very few companies that are willing to go to that expense and while he isn't saying you can't do that, he is not sure about the results.

Interim District General Manager Winquest said that he concurs with District General Counsel. A request for proposal is about a scope of services and a request for qualifications is obtaining a company's qualifications based on a scope of services. Are you looking for a bid or price or are you looking for who is qualified and the best fit – you could table this item and Staff will continue to do our work as he already has Staff working on compiling these documents but right now we are in the middle of pencils down on the draft budget and the Accounting Team is extremely busy right and that he would recommend that right around the time our new Director of Finance gets here or you could put it on the agenda for the next Audit Committee meeting.

Trustee Callicrate said that probably makes the best sense as Trustee Dent is not here today and he is sure he has some information to share.

Trustee Callicrate made a motion to table this item, take no action and put it on the agenda of the next Audit Committee meeting. No second was made thus the motion died.

District General Counsel Menchetti said because it is professional services, Staff can talk informally with people who are qualified and take their temperature.

Trustee Schmitz said that is why she recommended EideBailly as she felt they had some exposure to internal controls and that was an opportunity to leverage existing knowledge.

Trustee Callicrate said that since this is professional services, we can take the temperature without saying you are the one who is going to get it.

Interim District General Manager Winquest said he agreed with Trustee Schmitz in hiring our current auditors as that is a lot less leg work however it is a decision for the Audit Committee.

Trustee Callicrate said he would like Staff to do some information activities while continuing the accumulation of information.

Trustee Schmitz said should would like to reach out to EideBailly as there are a few things that the Audit Committee needs and that it could be done by either herself or Chairman Dent and that we should identify what the questions are that we have for them.

Trustee Callicrate closed this item.

D.5. Review, discuss and possibly provide direction to Staff on the topics of (1) Board questions regarding the 2019 CAFR and (2) Scope of work/follow-up with EideBailly for the next District Audit, Fiscal Year Ending June 30, 2020 (Requesting Audit Committee Member: Trustee Tim Callicrate)

Trustee Callicrate said that several questions that were brought up by the Board of Trustees for the CAFR that just concluded and then what the scope of work will be for the next audit of the District is what this item is about. When the Audit Committee gets its scope of work, he wants to continue that dialogue so we have that specific scope of work and we can share what we want to see in the next audit and while he doesn't know what the particulars are, he would like to work with the Interim District General Manager to come up with what we work with EideBailly on.

Interim District General Manager Winquest said that Policy 15.1.0 states that the independent auditor works with the Audit Committee and that the Audit Committee drives the audit so he is looking for direction from the Audit Committee as you do have that authority to direct the independent auditors.

Trustee Callicrate said that he wants to having that conversation so we are not out in left field and to preclude that the three of us have to meet and set forth what we want. There was public comment prior to a number of board on opening up the Audit Committee to true members of the community who are valid and we are not going to move forward on that as we need to have our third Board member here to weigh in.

Trustee Schmitz said that this ties back to the charter and that there are things spelled out in there and clarifying who is a voting member, etc. We can clearly identify the skills that are needed as it is really important and it would be a positive step for the community and the Audit Committee.

Trustee Callicrate said he agrees that it does go back to the charter and getting our feedback and working with the Interim District General Manager to get all that integrated. We have the basics from tonight and we can continue this until the next Audit Committee meeting when our Chair is present and when we have our next meeting.

Interim District General Manager Winquest said that EideBailly has already agreed to meet with the Audit Committee.

Trustee Schmitz said it would be great and helpful and help with time if we get together our questions as she knows that there are some working papers that we haven't had a chance to review and that there were comments made that the Auditor and Staff did address the comments from the public as it would be helpful to know what the answers were to those questions.

Trustee Callicrate said he agreed as he doesn't want to waste time and he does want to have a productive session with the auditors.

Trustee Schmitz said we don't have a report from a task of work that the auditors did that was related to punch cards that we were billed \$4,200 for as they didn't produce a report but we can request the working papers from the Auditor which would bring clarity to the public.

Trustee Callicrate said we will be having an opportunity to have questions and distill it down, absorb it, and then when we meet, it can be productive.

Interim District General Manager Winquest said that he agrees and that the Audit Committee needs to be extremely specific so they, the auditors, are spinning their wheels. Focus on the scope of work for the internal controls

audit and sift through the concerns as some are philosophical and some are based on data so please be specific.

Trustee Schmitz said so the task for us is to put together, as an agenda item, the questions.

Trustee Callicrate said our next item is to set the date and time for our next meeting to ensure that we will have some time to put together the agenda. What time frame is reasonable – he doesn't want to rush into it as we need the appropriate time to make the best sense and do what is the least expensive.

Trustee Schmitz asked what the availability was of EideBailly. Interim District General Manager Winqest said he didn't know but that they are ready and willing and they are waiting for us to give them a general idea and then a time frame. We need to get this done but we don't want to rush it and that a lot of what we are going to them for will be implemented during the next twelve months so we have a little bit of time as we need to make sure we get it right and get the information that you want.

Trustee Callicrate said he sees two situations – questions from the last CAFR so we don't have those gray areas come up again and then our scope of work for the next audit. We have to do these at the same time because it is important for them, going into the next audit, to know our concerns we have as a Board, community, etc. We don't want to wait until next fiscal year and then look back and say we should have done x. He is sensitive to the timing and knows we need to act sooner rather than later.

Trustee Schmitz said that she is understanding the same thing and that is set up a meeting with the auditor to have specific questions addressed relative to the CAFR, address the community concerns, and obtain the \$4,200 report as opposed to defining a scope of work for the internal controls project.

Interim District General Manager Winqest said there are two different aspects; one is having them answering the questions, in detail, from the letter to the State and then giving them those questions and having them tell us how long that would take and what it would cost which he would call Phase 1. Then Phase 2 is developing a scope of works for the internal controls audit.

Trustee Callicrate thanked Interim District General Manager Winquest for a better distillation.

Trustee Schmitz said she would like to distill it down to our specific questions and concerns and that some statements were rather broad in nature so we need to be more clear and specific and hopefully we can move this along quickly.

D.6. Set the date/time for the next Audit Committee Meeting

Trustee Schmitz suggested the first week of March 4 and noted that we can meet in the Boardroom if it is available. Interim District General Manager Winquest said we have Livestream and that either facility is fine. He would like to, before the next meeting, get back to you about the two specific scope of works and answer the questions about the 2018/2019 CAFR so we have a broad outline if we hire them for the internal controls audit. Trustee Schmitz said this is worth a discussion and we should work on the charter and get the questions together for EideBailly. Interim District General Manager Winquest said that we need to meet to discuss the charter and then meet with the Director of Human Resources on the whistleblower item.

E. APPROVAL OF THE MEETING MINUTES (for possible action)

E.1. Minutes of December 11, 2019

Trustee Callicrate said that none of us were involved in this meeting so how do we approve these minutes. District General Counsel Menchetti said because neither of you were present, you can't approve them because you weren't there. District Clerk Herron said that she hasn't received any changes from either Trustee that was present.

Trustee Callicrate, hearing no objections from Trustee Schmitz, said that the submitted minutes are accepted as presented.

F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.

Linda Newman said that Margaret Martini's written statement isn't included within the presented minutes. She would suggest reaching out to the community about the charter and that she would like the Audit Committee to get ahold of the working

papers as we all need to know what the key policies are to make the representations to the auditors. Since a lot of questions were generated by the community, she is hopefully that the Audit Committee can have a community member on the committee that is familiar with the GASB's and NRS' present when you connect with the Auditor.

Derrick Aaron said he wanted to comment on two things – the RFP process and the other has to do with documenting the procedures. The RFP process is to select a professional firm so that is a policy decision to make and that in his experience, with professional firms, it is done with an interview process. When he was a part of a team, that is what they did and it was about conducting a working capital study. They found three different firms and invited them into their offices and spent a whole week interviewing them. He does understand that the RFP process can be a timely and costly process and if that is something of a concern then an RFQ is not a bad idea as it can be used in the public arena along with an RFP. When you were talking about documenting procedures, it is really vital to running an efficient business so go back and look at the implementation for your current system as it is likely, if you used a consulting firm, they may have created a baseline document for training which could be a jumpstart. The third thing is that he earned his CPA in Illinois and he has a white paper which he offered up for the Audit Committee to review. He said it was helpful in selecting an audit firm. This is his only copy so he does need it returned to him.

Mark Alexander said that he applauds your attorney's comment regarding having forty-five years of experience. He comes from managing the acquisition process and hiring and letting the contracts or purchases. It has been his experience that there is a way of getting through the process quickly and shortly and that is that it is readily available in the public domain. There should be a wealth of information to come up with what we are interested in and then include those contractors that perform those services. Further, there are others who use audit firms, reach out to them. You can also do a Google search to come up with something. He is advocating that we really need to be fiscally wise and tender or get competitive interests because the process of doing sole source doesn't allow us to get the right person and it is not necessarily always about using the lowest bidder.

G. ADJOURNMENT

The meeting was adjourned at 5:27 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

*In accordance with NRS 241.035.1(d), the following attachments are included but have neither been fact checked or verified by the District and are solely the thoughts, opinions, statements, etc. of the author as identified below.

Submitted by Linda Newman (1 page): February 12, 2020 IVGID Audit Committee Meeting Public Comments by Linda Newman – To be included with the Minutes

February 12, 2020 IVGID Audit Committee Meeting
Public Comments by Linda Newman – To be included with the Minutes

Simply stated, the primary purpose of a local government's audit committee is to provide oversight of the financial reporting process, the audit process, the District's systems of internal controls and compliance with all laws and regulations. To ensure the efficacy of our audit committee, I believe that the County's charter is an excellent template along with the guidelines provided by the Treadwell Commission. I would strongly recommend that this Committee expand the membership to a total of six members. Three of those members should be independent of the Board and staff. Each should possess technical accounting, auditing or financial management expertise. Individuals should also have an understanding of our District's Utility, Community Services and Beach operations. I also recommend that the Committee be given the authority to engage independent counsel as well as other advisors in addition to recommending and working with the external auditor.

Due to the statutory deadline of March 31st, I would recommend that the District continue the engagement of Eide Bailly for the final year of their term. An RFP for 2021 and successive years with a new auditing firm should be undertaken as soon as possible. I strongly urge this Committee to engage the services of an independent auditing firm to audit the District's current internal controls and make recommendations for improvements. As we do not have an internal auditor, I would also suggest that the Committee engage an internal auditor as a consultant to oversee the efficacy and compliance with the District's internal controls –once these controls have been established.

As there are a number of unresolved accounting, reporting and disclosure issues in the District's 2019 CAFR I request that the Audit Committee immediately undertake the recruitment of independent members to assist in reconciling these issues with Eide Bailly as well as Senior Management.