

## MEMORANDUM

**TO:** Audit Committee

**FROM:** Paul Navazio  
Director of Finance

**SUBJECT:** Independent Auditor's Report: Agreed-Upon Procedures Related to Purchasing/Contracts

### **STRATEGIC**

**PLAN REFERENCE(S): Long Range Principle #2 - Finance**

**DATE:** December 5, 2022

---

### **I. RECOMMENDATION**

It is recommended that the Audit Committee receive a report (Attachment 1) from the District's Independent Auditor, Davis Farr, LLP, on Agreed-Upon Procedures related to purchasing and contracts.

### **II. BACKGROUND**

In their Annual Report to the Board of Trustees, dated March 9, 2022, the Audit Committee recommended that the annual financial audit for the fiscal year ended June 30, 2022 be augmented through supplemental engagements focusing on a review of the District's internal controls. Following authorization by the Board of Trustees, the Audit Committee executed two supplemental engagement letters with the independent auditor to perform additional "agreed-upon" procedures to review the following areas:

- 1) Capitalization of Assets
- 2) Purchasing/Contracts

This agenda item serves to transmit to the Audit Committee a report, Attachment 1, prepared by the District's Independent Auditor (Davis Farr, LLP) in response to a supplemental engagement to review compliance with policies, practices and procedures related to purchasing and contracts. (A separate agenda item provides for an oral report on the status of the supplemental engagement related to capitalization of assets).

Following is a summary of the scope of the work outlined in the Engagement Letter (Attachment 3):

*Purchasing/Contracts*

- Review of applicable Board Policies, Practices and internal accounting procedures
- Review of transactions for 25 vendors (top 5 in dollar of transactions; 20 randomly selected)
- For each vendor, review of procurement process, contract authority, change order authority, deliverables and payments
- Report and recommendations to be provided to the Audit Committee and management

The report (Attachment 1) prepared by Davis Farr, LLP summarizes the work performed, highlights findings of their review and provides several recommendations to improve internal controls in the areas of purchasing and contracts. Attachment 2 to this agenda item are management's responses to the recommendations provided in the report from the independent auditor.

**Attachments:**

1. Report prepared by Davis Farr, LLP – Agreed-Upon Procedures Related to Purchasing and Contracts
2. Management Response to Auditor's Recommendations
3. Engagement Letter - Agreed-Upon Procedures Related to Purchasing and Contracts

**ATTACHMENT 1**

**INDEPENDENT ACCOUNTANT’S REPORT**

Audit Committee  
Incline Village General Improvement District  
893 Southwood Boulevard  
Incline Village, NV 89451

We have performed the procedures enumerated below, in reviewing Incline Village General Improvement District’s (“District”) vendor contracts for the fiscal year ended June 30, 2022. District is responsible for compliance with policies, practices, and procedures related to purchasing and contracts (“Policies”).

The Audit Committee has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating compliance with the Policies for the fiscal year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed, and the results of those procedures are as follows:

1. We obtained an understanding of the District’s policies, practices and procedures related to Purchasing and Contracts during the fiscal year ended June 30, 2022 including *Board Policy 3.1.0*, *Board Practice 13.2.0*, internal *Policies and Procedures Manual for Accounting & Financial Control*, and *Nevada Revised Statutes (“NRS”)*.

Results: We reviewed the aforementioned policies, practices, procedures, and statutes and summarized the key terms as follows:

<b>Policy Name</b>	<b>Policy Requirement</b>
Board Policy 3.1.0	Board approval required on contracts over \$50,000
Board Policy 3.1.0	General Manager approval on contracts less than \$50,000
Board Practice 13.2.0	Board approval required on change orders exceeding 10% of contract or \$50,000
Board Practice 13.2.0	General Manager approval on change orders less than 10% of contract or \$50,000
Board Practice 13.2.0	Project Manager approval of capital project contract and change orders
Policies and Procedures	Contracts \$10,000 and above require competitive bidding
Policies and Procedures	Purchases over \$500 require a purchase order, with a few exceptions
Policies and Procedures	Checks over \$2,500 must be listed and presented to the Board before they are released, with a few exceptions
NRS 332.063	Contracts between \$50,000-\$100,000 require quotes from two or more vendors
NRS 332.065	Contracts over \$100,000 require competitive bidding, with exceptions
NRS 338.13862	Public works contracts between \$25,000-\$100,000 require quotes from three contractors
NRS 338.1385	Public works contracts over \$100,000 require competitive bidding

Recommendation: We recommend the District consolidate current policies and practices into a comprehensive document that also incorporates NRS guidelines. The policy should clarify when bidding is required and include specific guidelines for service contracts.

2. We obtained cash disbursement and wire transfer detail of all costs paid from July 1, 2021 through May 31, 2022. We summarized transactions by vendor and provided statistical information about the population of vendor transactions below. We excluded vendors paid less than \$5,000 from our testing population. We excluded vendors not subject to the District’s purchasing policies (e.g., utility providers, employee benefit providers, insurance providers) from our testing population (see below for exclusions).

Results: For the period July 1, 2021 through May 31, 2022, 3,682 checks were paid to 773 vendors totaling \$16,329,661 and 28 wires were paid to 8 vendors totaling \$2,042,953. Based on the name of the vendor, we removed the following vendors that did not appear to be subject to the District’s purchasing policies:

Vendor Name	Reason for Exclusion	Amount
Saint Mary’s Health First	Employee benefits	\$1,485,417
NV Energy	Utilities	\$1,118,026
Waste Management of Nevada	Utilities	\$209,281
North Lake Tahoe Fire Protection District	Government	\$178,063
AT&T	Utilities	\$178,996
Southwest Gas	Utilities	\$140,546
Waste Management of Nevada	Utilities	\$134,138
USDA Forest Service	Government	\$120,135
Washoe County Community Services Dept	Government	\$110,995
AT&T Mobility	Utilities	\$60,489
Life Insurance Company of North	Employee benefits	\$47,042
TRPA	Government	\$27,290
Nevada Division of State Lands	Government	\$9,196
Petty Cash		\$9,030
State of Nevada – Dept of Public Safety	Government	\$7,205
Total		\$3,835,849

We also removed the following vendors that were originally selected for testing but upon investigation did not appear to be subject to the District’s purchasing policies:

Vendor Name	Reason for Exclusion	Amount
Compass Bank	Debt service payment on bonds	\$386,651
Credit Account	Transfer between bank accounts	\$20,000
Employee Reimbursement	Reimbursement for medical benefits	\$18,231
Totals		\$324,882

After removing vendors paid less than \$5,000 and excluded vendors listed above, there were 256 remaining vendors with payments totaling \$14,111,883.

3. We selected a sample of 25 vendors for additional testing. We excluded vendors identified in procedure 2. We selected the top 5 vendors in terms of total amount paid during the period and 20 vendors selected judgmentally from the list of vendors paid during the year. We obtained purchasing documentation, contracts, change orders, and a sample of payments for each of the 25 vendors selected.

Results: The top five vendors in terms of amount paid were as follows:

Vendor Name	Number of Transactions	Total Paid
Core Construction Serv	14	\$3,750,057
Kassbohrer All Terrain Vehicles	29	\$455,972
F.W. Carson Co.	5	\$421,125
US Foodservice, Inc.	63	\$378,805
Jacobs Engineering Group	14	\$370,182

For the remaining 20 vendors, we selected 8 (out of 242) with total payments less than \$50,000, 8 (out of 28) with payments between \$50,000 and \$100,000, and 4 (out of 18) with payments over \$100,000. In total, 25 vendors were selected with payments totaling \$6,923,198.

4. We tested the 25 vendors for the following attributes:
  - a. Competitive bidding was obtained, as required by the policy
  - b. Contract was approved in accordance with the policy
  - c. The Board approved the contract in accordance with the policy
  - d. Total payments made under the contract did not exceed the contract amount (this attribute included reviewing payments since the inception of the contract through May 31, 2022).
  - e. Change order, if applicable, was approved in accordance with the policy
  - f. Change order, if applicable, was approved prior to the date when the authorized contract amount including Board approved contingencies was exceeded

Results: We were unable to satisfy the attributes tested for the following vendors either because application of the policies was unclear, documentation of compliance was not provided, or noncompliance with the policies was noted.

Vendor Name	Issue Identified
Clean Earth Environmental (service) G3 Engineering (construction service) Marcus G Faust (service) Thomas Petroleum (fuel) Jacobs Engineering Group (construction service)	The Policies and Procedures Manual for Accounting and Financial Control indicate that competitive bidding is required for contracts over \$10,000. These vendors had invoices over \$10,000. However, no documentation of competitive bidding was provided to us. The District's policies state bidding is exempt for sole source, professional services, repairs and maintenance, perishable goods, insurance, hardware, software, contracts with the General Services Administration, and items for resale. The Board Policies and Practices are silent in regard to exemptions and do not contain requirements for bidding.

<b>Vendor Name</b>	<b>Issue Identified</b>
Clean Earth Environmental (service) Thomas Petroleum (fuel) US Foodservice (food)	We were not provided with a purchase order or contract for these vendors. It is unclear if a purchase order or contract is not required.
Marcus G Faust (service) <i>Total costs of \$205,833</i> <i>Board approved contract of \$195,000</i>	The purchase order was higher than the Board approved contract amount due to change orders. However, we were not provided with the change order.
G3 Engineering (construction service) <i>Total costs of \$59,081</i> <i>Purchase orders totaled \$55,845</i>  TechoAlpin USA (construction service) <i>Total costs of \$157,912</i> <i>Purchase orders totaled \$154,159</i>	Payments to vendor exceeded the purchase order or contract amount.  Per discussion with District, invoices under \$5,000 do not require purchase orders. It is unclear in the District's policies whether purchase orders are based on individual transactions or cumulative amounts paid to a vendor.
Clean Earth Environmental (service)	The purchase order system automatically stamps the General Manager's signature on all purchase orders. As a result, we were unable to verify the General Manager's actual approval of purchase orders. For this vendor, we reviewed a cancelled purchase order that had a computer generated approval signature on it even though the purchase order was not valid.

Recommendation: We have the following recommendations as a result of the procedures performed:

- We recommend the District clarify when a purchase order, contract, and/or competitive bidding is not required.
- We recommend the District monitor expenditures to ensure purchase order amounts are not exceeded.
- We recommend the District utilize a sole source form and retain rationale for sole source determinations with the purchasing documentation.
- We recommend the District retain evidence of Board approval with the contract or purchasing documentation.

5. We selected five invoices from each vendor and tested for the following attributes:
- i. Invoice was for goods or services provided during the period of performance noted in the contract
  - ii. Invoice was approved for payment by an individual who has the appropriate spending authority
  - iii. Invoice was approved by an individual knowledgeable of the goods or services provided
  - iv. If the individual who approved the invoice is still employed by the District, we will obtain written representations from the employee that the goods or services billed were provided or received
  - v. If the invoice is for a service, we obtained documentation for all statement of work task orders billed
  - vi. Invoiced amounts were consistent with the amounts and terms noted in the agreement

Results: We were unable to satisfy the attributes tested for the following transactions either because application of the policies was unclear, documentation of compliance was not provided, or noncompliance with the policies was noted.

Vendor Name	Issue Identified
Perlman Enterprises (shuttle service) PQ Corporation (supplies)	The goods/services were received prior to the date of the purchase order.
G3 Engineering (construction services) PQ Corporation (supplies)	We were unable to match up the purchase orders provided with the invoices reviewed, primarily due to the District's practice of not requiring purchase orders for invoices less than \$5,000.

Recommendation: We have the following recommendations as a result of the procedures performed:

- We noted a receptionist approved two of the invoices tested, one for over \$8,000. The policies should include invoice approval limits and purchase order approval limits based on employee positions.
- The District should consider indicating the purchase order number on each invoice to clarify which purchase orders are paying for which invoices.
- Purchase orders should be approved prior to purchasing goods or services.
- For a number of invoices tested, the individual who approved the invoice for payment asked us to speak to someone else to verify receipt of goods or services, which is an indication that they may not have been knowledgeable about the invoice they approved. The individuals knowledgeable of the transactions should be approving the invoices.

We were engaged by the Incline Village General Improvement District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirement related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the Audit Committee of the Incline Village General Improvement District and should not be used by anyone other than those specified parties.



Irvine, California  
November 4, 2022

**Independent Auditor's Report:*****Purchasing and Contracts - Review of Compliance with Policies, Practices and Procedures*****MANAGEMENT RESPONSES**

December 5, 2022

*This document summarizes management's responses to the recommendations included in the Auditor's report following their review of compliance with policies, practices and procedures related to purchasing and contracts for the period from July 1, 2021 through April 30, 2022.*

**Procedure #1 – Auditor's Recommendation:**

We recommend the District consolidate current policies and practices into a comprehensive document that also incorporates NRS guidelines. The policy should clarify when bidding is required and include specific guidelines for service contracts.

***Management's Response:***

*In September 2022 (following the end of the fiscal year covered in the Auditor's review of purchasing and contracts), the Board of Trustees approved two new purchasing policies that effectively incorporate applicable provisions of the NRS into a set of District-wide set of procurement policies, as follows:*

*Policy 20.1.0 – Purchasing Policy for Goods and Services*

*Policy 21.1.0 – Purchasing Policy for Public Works Contracts*

*These two new Board policies were developed with the assistance of an outside consultant, Management Partners Inc. whose expressed goal was to develop comprehensive procurement policies incorporating best practices as well as NRS requirements related to local government procurement.*

*Policy 20.1.0, Section 2.2, specifically addresses when bidding is required, including specific guidelines for service contracts.*

*Likewise, Policy 21.1.0, Section 1.6.1, specifically addresses when bidding is required for Public Works contracts.*

Reference link to Policy 20.1.0:

[https://www.yourtahoeplace.com/uploads/pdf-ivgid/20\\_1\\_0\\_Purchasing\\_Policy\\_for\\_Goods\\_and\\_Services\\_Eff\\_08-01-2022.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/20_1_0_Purchasing_Policy_for_Goods_and_Services_Eff_08-01-2022.pdf)

Reference link to Policy 21.1.0:

[https://www.yourtahoeplace.com/uploads/pdf-ivgid/21\\_1\\_0\\_Purchasing\\_Policy\\_for\\_Public\\_Works\\_Contracts\\_Eff\\_08-01-2022.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/21_1_0_Purchasing_Policy_for_Public_Works_Contracts_Eff_08-01-2022.pdf)



**Independent Auditor's Report:**

***Purchasing and Contracts - Review of Compliance with Policies, Practices and Procedures***

**MANAGEMENT RESPONSES**

December 5, 2022

**Procedures #2-#4 – Auditor's Recommendation:**

We have the following recommendations as a result of the procedures performed:

- We recommend the District clarify when a purchase order, contract, and/or competitive bidding is not required.

*Management's Response:*

*Purchase Orders / Contracts – With the adoption of discreet Board-approved Purchasing Policies, as well as the District's transition to a new (Tyler/Munis) Financial System as of July 1, 2022, applicable procedures have been update to clarify when purchase orders are required.*

*Historically, purchase orders were generally required for individual transactions exceeding a \$5,000 threshold. As such, multiple transactions with a single vendor could be processed without a purchase order, regardless of the combined transaction amounts for a given vendor.*

*With the adoption of new Purchasing Policies, and transition to the Tyler/Munis financial system, procurement processes and procedures have been updated to now clarify that purchase orders are required for transactions where the CUMULATIVE amount of transaction activity for a given vendor exceeds the \$5,000 threshold. As a result PO's are required, regardless of the individual transaction amount, if the good or service being procured is expected to exceed \$5,000, in aggregate, for the fiscal year.*

*It should be noted that there may still be individual transactions with a vendor that falls under the \$5,000 threshold and, as such does not require a purchase order, provided that the transaction relates to procurement of goods or services not related to items covered in (or requiring) a purchase order.*

*Competitive Bidding – Historically, the District purchasing practices conformed to applicable provisions of the Nevada Revised Statutes (NRS) related to local government procurement. The NRS includes specific provisions covering transactions that are specifically exempted from the requirements for competitive solicitation. (The NRS exemption includes several categories of procurement, including professional services).*

*With the adoption of new Board-approved Purchasing Policies covering procurement activity across the District, formal language has been included to clarify when competitive bidding is required for procurement of goods and services (see Policy 20.1.0, Sections 2.2). In addition, Policy 20.1.0, Section 3.0 covers Exceptions to Competitive Solicitation.*

*It should be noted that Policy 20.1.0, Section 3.2 states that there shall be a presumption of competitive solicitation, unless an exemption has been pre-approved by the District's authorized representative.*

**Independent Auditor's Report:**

***Purchasing and Contracts - Review of Compliance with Policies, Practices and Procedures***

**MANAGEMENT RESPONSES**

December 5, 2022

- We recommend the District monitor expenditures to ensure purchase order amounts are not exceeded.

*Management's Response:*

*With the implementation of the new Tyler/Munis software, this check will be automated. At no time will the software allow an invoice to be processed against a PO if the amount exceeds the approved PO amount. We have also updated our internal policies to ensure all invoices are compared to POs to ensure they are charged against the appropriate PO.*

- We recommend the District utilize a sole source form and retain rationale for sole source determinations with the purchasing documentation.

*Management's Response:*

*Management concurs with this recommendation. As a result a Sole Source Justification Form is in process of being developed to document the stated rationale for exempting a procurement from competitive solicitation, ensuring that such an exemption is permitted pursuant to Board policy and NRS requirements, and providing for appropriate documentation and approval for such requests.*

- We recommend the District retain evidence of Board approval with the contract or purchasing documentation.

*Management's Response:*

*Management concurs with this recommendation. Historically, when initiating purchasing process within the District's legacy financial system, reference is often made to the Board meeting date (and agenda item) where the Board took action approving the contract or purchase.*

*The District's new financial system (Tyler/Munis) includes a Contract Management Module where all contracts and related documentation will be accessible. Included in this module are specific data fields for documenting Board approval. Moreover, management is giving consideration to transitioning to an approval process whereby all District contracts and purchases requiring Board approval are done so via adoption of a Board Resolution. This would formalize the documentation of Board actions related to contracts and purchases.*

**Independent Auditor's Report:**

***Purchasing and Contracts - Review of Compliance with Policies, Practices and Procedures***

**MANAGEMENT RESPONSES**

December 5, 2022

**Procedure #5 – Auditor's Recommendation:**

We have the following recommendations as a result of the procedures performed:

- We noted a receptionist approved two of the invoices tested, one for over \$8,000. The policies should include invoice approval limits and purchase order approval limits based on employee positions.

*Management's Response:*

*Purchasing limits have been implemented into the new Tyler/Munis software system, and a workflow will direct the invoice to the correct level of authorization for the invoice amount. Staff without appropriate approval authority are no longer able to "approve" invoices for payment.*

- The District should consider indicating the purchase order number on each invoice to clarify which purchase orders are paying for which invoices.

*Management's Response:*

*Management concurs with this recommendations. With the legacy system it was possible to begin the purchasing process before the PO was approved, and therefore some purchases did not have the PO number added to the invoice. With the new system, the PO is not generated until all required approvals have been processed, so the purchase cannot be made before the PO number is available. Purchasing procedures are being updated to require that PO numbers are provided to vendors and referenced on all invoices related to that purchase order.*

- Purchase orders should be approved prior to purchasing goods or services.

*Management's Response:*

*Management concurs with this recommendation. Under our new Tyler/Munis financial system the purchasing process begins with a request for a purchase "requisition" which is then processed through established approval workflow, depending on the dollar amount of the transaction. Once the requisition is approved consistent with this process a Purchase Order is issued and can be transmitted to the vendor, effectively placing the order or formalizing the purchase contract.*

*From time to time, issues arose with our legacy financial system whereby the purchasing process commenced by a staff member initiating a Purchase Order, which required appropriate routing and approvals. However, the former financial system allowed for the generating of a Purchase Order number and Purchase Order document PRIOR to final approval. This process resulted, at times, in a Purchase Order being issued to a vendor prior to final approval of the purchase order.*

**Independent Auditor's Report:**

***Purchasing and Contracts - Review of Compliance with Policies, Practices and Procedures***

**MANAGEMENT RESPONSES**

December 5, 2022

- For a number of invoices tested, the individual who approved the invoice for payment asked us to speak to someone else to verify receipt of goods or services, which is an indication that they may not have been knowledgeable about the invoice they approved. The individuals knowledgeable of the transactions should be approving the invoices.

*Management's Response:*

*Management concurs with this recommendation. The District will be reinforcing procedures that require that invoices are approved by individuals knowledgeable of the transaction, or who can otherwise confirm that the goods and services for which the District has been invoiced were, in fact, received, as billed.*

**ATTACHMENT 3**

May 5, 2022

Incline Village General Improvement District  
Attn: Audit Committee  
893 Southwood Boulevard  
Incline Village, NV 89451

We are pleased to confirm our understanding of the additional services we are to provide for the Incline Village General Improvement District ("District"). This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement.

We agree to apply procedures to the District's vendor contracts for the fiscal year ended June 30, 2022. Management is responsible for complying with the District's Purchasing Procedures ("Policies").

The Audit Committee has agreed to and acknowledged that the procedures to be performed are appropriate to meet the intended purpose of the engagement to assist the District in evaluating compliance with the Purchasing Procedures for the fiscal year ended June 30, 2022. The procedures we will perform may not address all the items of interest to a user of our report and may not meet the needs of all users of our report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

These agreed-upon procedures are included on the attached schedule. These procedures will be applied for the purpose of reporting our findings in regard to the results of the procedures performed as compared to the Policies. The procedures we will perform are for the intended use of the following specified parties: the Board of Trustees, the Audit Committee, and Management of the Incline Village General Improvement District.

We will conduct our engagement in accordance with the attestation standards for agreed-upon procedures engagements established by the American Institute of Certified Public Accountants. The agreed-upon procedures are not designed to constitute an examination or a review of the subject matter. Therefore, we will not express an opinion or a conclusion on the subject matter. We have no obligation to perform any procedures beyond those agreed to as enumerated in this letter of engagement. However, the procedures may be expanded or modified by mutual agreement with the Audit Committee during the engagement. If additional time is necessary as a result of the modified procedures, we will discuss it with the Audit Committee and management and arrive at a new fee estimate as soon as reasonably practicable. If, for any reason, we are unable to complete the procedures, we will not issue a report as a result of this engagement.

At the conclusion of our engagement, we will request certain written representations from management about the subject matter information and related matters. We will issue a written report listing the agreed-upon procedures performed and our related findings. This report will be intended for use by and restricted to the use of the specified parties as identified above, and our report will contain such restricted use language.

We plan to begin our procedures in June 2022. Our fees will be billed at the hourly rates in our proposal for audit services dated December 14, 2020 which range from \$90-\$180 per hour based on the personnel used. We will also bill the District for any travel costs incurred, if

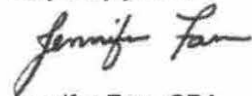
applicable. We estimate the fees for this engagement will range from \$6,000-\$10,000 based on the number of contracts tested.

Jennifer Farr is the engagement partner for the services specified in this letter. Her responsibilities include supervising Davis Farr LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the agreed-upon procedures report.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement including our respective responsibilities. If you have any questions, please let us know.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

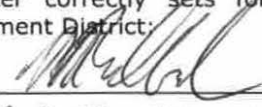
Very truly yours,



Jennifer Farr, CPA  
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Incline Village General Improvement District:

By:  \_\_\_\_\_

Title: AUDIT COMMITTEE CHAIR

Date: 3/23/22

## Procedures to be Performed

1. We will obtain an understanding of the District's policies, practices and procedures related to Purchasing and Contracts during the fiscal year ended June 30, 2022 including *Board Policy 3.1.0*, *Board Practice 13.2.0*, and *Policies and Procedures Manual for Accounting & Financial Control*. We will summarize the purchasing policies, practices and procedures in our report.
2. We will obtain general ledger detail of all costs incurred from July 1, 2021 through April 30, 2022. We will summarize transactions by vendor. We will provide statistical information about the population of vendor transactions in our report. We will exclude vendors paid less than \$5,000 from our testing population. We will exclude vendors not subject to the District's purchasing policies (e.g., utility providers, employee benefit providers, insurance providers) from our testing population. We will list those vendors in our report.
3. We will select a sample of 25 vendors for additional testing. We will exclude vendors identified in procedure 2. We will select the top 5 vendors in terms of total amount paid during the period and 20 vendors selected randomly from the list of vendors paid during the year. We will obtain purchasing documentation, contracts, change orders, and a sample of payments for each of the 25 vendors selected.
4. We will test the 25 vendors for the following attributes:
  - a. Competitive bidding was obtained, as required by the policy
  - b. Contract was approved in accordance with the policy
  - c. The Board approved the contract in accordance with the policy
  - d. Total payments made under the contract did not exceed the contract amount (this attribute will include reviewing payments since the inception of the contract through April 30, 2022).
  - e. Change order, if applicable, was approved in accordance with the policy
  - f. Change order, if applicable, was approved prior to the date when the authorized contract amount including Board approved contingencies was exceeded
  - g. We will select five invoices from each vendor and test for the following attributes:
    - i. Invoice was for goods or services provided during the period of performance noted in the contract
    - ii. Invoice was approved for payment by an individual who has the appropriate spending authority
    - iii. Invoice was approved by an individual knowledgeable of the goods or services provided
    - iv. If the individual who approved the invoice is still employed by the District, we will obtain written representations from the employee that the goods or services billed were provided or received
    - v. If the invoice is for a service, we obtained documentation for all statement of work task orders billed
    - vi. Invoiced amounts were consistent with the amounts and terms noted in the agreement
5. We will request written representations from the District's Management stating that the accounting records we examined are accurate.
6. We will prepare a report for the District that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies or practices.

7. We will meet with Management and the Audit Committee to report on the results of our procedures prior to finalization of our report.