

## MINUTES

### **AUDIT COMMITTEE MEETING OF OCTOBER 26, 2021 Incline Village General Improvement District**

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Wednesday, October 26, 2021 at 3:00 p.m. at the Chateau, 955 Fairway Boulevard, Incline Village, Nevada, 89451.

#### **A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS\***

Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Matthew Dent (Trustee) and Raymond Tulloch (At-Large Member) (Chair)

On roll call, present were Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member, Chairman), Matthew Dent (Trustee).

Members of Staff present were Director of Finance Paul Navazio and Controller Marty Williams. Members of the public present were Chris Nolet.

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

Chris Nolet said the current auditors will be considering the Moss Adams reports during the current period and that the Moss Adams findings number 3 were current expenses and he would encourage the auditors to carefully consider the current expenses because if you open the year with those expenses they will be in the ending assets and all will be looking for audit findings.

Dick Warren said his comments refer to General Business Item D.4, the Review of Internal Controls. On page 68, it was stated that there is no financial impact to Internal Controls; as we all know there is a HUGE financial impact to having effective internal controls, it's just not quantifiable at IVGID. Look at all the screw-ups over the past year or so, Internal Controls simply do not exist at IVGID. Overall, why is this taking forever? Take Cash for example; one has a Policy for Cash, then we have Procedures for Cash, and most importantly, we then have reviews of whether the Policies & Procedures are being adhered to. Apparently Cash Procedures were drafted in July 2021 by the Controller & reviewed by the Director of Finance. Then we have the comment "...Procedures review with draft updates (approval pending)..." What does this mean? Who is approving this? Staff, the AC, or someone else? This is a typical schedule prepared by the Director of Finance, convoluted and lacking in substance. We have had almost 2 years of "Reviewing Internal Controls" with no output. The Director of Finance will stretch this out until after he retires. Why don't we spend the money and have someone like Moss

Adams come in and get the Internal Controls documented? Almost 2 years ago he asked the District General Manager for documentation on Internal Controls, and now we have pages 69-72 showing our wonderful progress. This is garbage, let's admit we have neophytes in Finance and hire outside expertise to move this along. This is hardly an example of professionalism. Outsource, outsource, outsource!!! Thank you.

Mike Abel said his comments today address the functions of this audit committee. It is clear to him that IVGID senior management are hostile to this audit committee and the valuable function that it performs. The oversight of an effective audit committee is probably the most valuable asset to the tax and ratepaying public. It assures us that there is no hanky panky in management and that we are getting the most bang for our bucks. In looking through the packet for this meeting, he noted on page 71 under 6.3.10 – Purchasing and Accounts Payable – that there is no specified procedure shown for bidding. As IVGID is by law required to bid a very large part of its spending budget, he would think that would be an important procedural aspect of “Accounting and Finance Procedures.” After the disastrous dishonest big rigging done on the Mountain Golf Course Cart Path Project this would seem an important addition to the A&F Procedures. To date, he has not seen any efforts by our Trustees or management to rectify this mess, other than do what they have always done. At the last BOT meeting, he enumerated the 4 things that IVGID management does to keep the public at bay – he reiterates:

- 1) circle the wagons against a hostile public
- 2) attack the messenger – as it did with Mr. Dobler
- 3) Come up with a decent cover-up scheme – in this case changing the specs after the bidding was done
- 4) Then stall giving any information to the public, as Staff has done with him these last 4 weeks. **Now we can add a fifth component to IVGID's “rules of public misdirection.”**
- 5) Inform any and all contractors to have no discussions with any member of this committee or the resident public of IV/CB.

IVGID has corrupted the public bidding process and now the District General Manager is scrambling to cover-up the mess that he and the Director of Public Works have created. It is obvious that IVGID management perceives this committee and the public as threats to its power and continuation of their dishonest practices. **It is outrageous that management has gone to the trouble of contacting its contractors and employees and told them to not talk to the public or any independent members of this committee.** How can this committee do an effective job if this is senior management's modus of doing

business. The core role of this committee is as a watchdog of management. To that effect it is imperative that A/C members have full access to all of IVGIDs books and contractors. He feels that it is warranted that this committee to pass a resolution demanding that senior management end this deplorable practice. Thank you.

**C. APPROVAL OF AGENDA (for possible action)**

Audit Committee At-Large Member Dobler asked that General Business Item D.1. be moved to the end of the agenda. Audit Committee Chairman Tulloch said that item won't take a lot of time. Audit Committee At-Large Member Dobler said ok. Audit Committee Chairman Tulloch approved the agenda as submitted.

**D. GENERAL BUSINESS ITEMS (for possible action)**

**D.1. Verbal update to Audit Committee on revisions to Policy 15.1.0 provided to the Board for their October 26, 2021 meeting (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)**

Audit Committee Member Tulloch gave an overview of the submitted materials and said it is moving forward. Audit Committee Member Trustee Schmitz said one of the things that she had discussed with Audit Committee Chairman Tulloch and Trustee Tonking, in 3.2 is modifying the language as there are no longer a stated number of meetings per year and she then asked if Audit Committee Chairman Tulloch had updated that and clarified it? Audit Committee Chairman Tulloch said it is not updated yet and that he can make an amendment to that for the next Board meeting. Audit Committee Member Trustee Schmitz said that Trustee Tonking wanted to research that because of cost and that the Audit Committee has been very careful about coordinating the meetings with the Board of Trustees and that today's meeting is not being charged to the Audit Committee. Audit Committee At-Large Member Dobler said he wanted to understand this – there is a report by Trustee Tonking to the Board of Trustees so are we confirming this and agreeing to accept these items and discuss them or what should we do? Audit Committee Chairman Tulloch said this is for information only, there have been a few changes, and it is basically the same. Audit Committee At-Large Member Dobler said since we have been working on it, is this the negotiated deal to come up with a final policy? Audit Committee Chairman Tulloch said he is not sure that he would call it a final policy however it is very much in the possession of the Board of Trustees. Audit

Committee At-Large Member Dobler said we are not doing anything to recommend anything to the Board? Audit Committee Chairman Tulloch said no. Audit Committee At-Large Member Dobler said on pages 8 and 9 there are decision points that have to be resolved. Audit Committee Chairman Tulloch said yes and that Trustee Tonking's idea was to have some clear ways for the Board of Trustees otherwise it will just bounce back from the Board of Trustees. Audit Committee At-Large Member Dobler asked about page 9, item 5, preferred qualifications. Audit Committee Chairman Tulloch said that Trustee Wong suggested some changes and that Trustee Wong's suggestion should have various different things. His personal view is that it would be difficult to fill, seeing one person in the audience who might be able to fill it, and that it seemed kind of crazy to create this burden so again out of our control at the moment. He is assuming he will be called to speak at the Board of Trustees meeting and that some of the suggestions that were put forward were ridiculous. Audit Committee At-Large Member Dobler said based on the previous comprehensive annual financial reports and the report by Eide Bailly, it would seem to him strengthen the Audit Committee and get an internal auditor on staff and that the comprehensive annual financial reports are out of control and that they are getting worse and not better. Audit Committee Chairman Tulloch said those are all good points which are out of his area of responsibility and that he hopes that these points can be made to the Board of Trustees. Audit Committee Member Trustee Schmitz said she does have minor recommendations to the language and that it is very close however there are certain things where there are misunderstandings. She has written them all up and she will share them with the Board of Trustees. Additionally, if her fellow Audit Committee members want to see them, she can share them.

**D.2. Update, by Director of Finance Paul Navazio, on external audit progress and review of initial draft of financial statements (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)**

Director of Finance Navazio went over the submitted materials. The following are the highlights:

- Haven't received the auditors' comments and therefore Staff can't provide the scheduled document; shifted by about 7 days however provided some information to the auditors and will get something back in 5 days.

- Still comfortable with the meeting with the Audit Committee in the middle of the month even with the schedule slip as that should be made up.
- Ms. Farr said she will have the report by November 10 so she has suggested targeting November 17 for the third meeting with the Audit Committee.
- The auditors' have been reviewing all the valuation of the capital assets and they asked for original costs, accumulated depreciation, and supporting documentation for those assets.
- There are some adjustments that the auditors are requesting and that Staff is reviewing. Staff is making all the adjustments as requested.

Audit Committee Chairman Tulloch said that several items have been marked as "below materiality" and that he was concerned about overstating our capital assets which he can assure the committee that this is not the case. Director of Finance Navazio said he would hope so but we are trying to make all the adjustments that are being requested. Audit Committee Chairman Tulloch said he would like to see them cleaned up and can Staff provide us with the scale? Director of Finance Navazio said maybe but he isn't sure if they are done but that some will be writing off the remaining book value and that in the governmental funds it is in the 1 million dollar range and it is over the \$100,000 range. Audit At-Large Committee Member Dobler said he doesn't know that the half million is correct. Director of Finance Navazio said that these are in addition to what Staff has already done and that there is another \$400,000 to \$500,000 in the Utility Fund which are being considered and once made, we will update. Audit At-Large Committee Member Dobler said we booked \$3 million in Utilities, \$1.3 million in the General Fund, and \$1.3 million in Community Services and that there is a half million in the other funds and that he thinks we are way off in Utilities. His problem/opinion is that prior period adjustments of \$3.5 million were made in the governmental fund and another \$3 million was made in the utility fund which is \$6 million of prior period adjustments and that is a little bit out of control. He doesn't know what the level of prior period adjustment is but that we haven't reported them on previous financial reports properly. Director of Finance Navazio said that the \$1.3 million is the property tax settlement which was recorded as a liability and the adjustment was to expense it to bring the year end to July 1 to reflect what was in the financial statements. Audit Committee At-Large Member Dobler said the beginning balances are way off and that raises the issue of where are we. Prior period adjustment is saying you are not doing it right this and you need to be getting it right. Director of Finance Navazio said to bring them to where they should

be, you have to make some larger adjustments and Staff will spend some time with the auditors to understand them. Audit Committee Chairman Tulloch said that the scale seems large but if we are cleaning them up, that is part of the process. Director of Finance Navazio said that our Controller is taking a fresh look at our statements. Audit Committee Chairman Tulloch said so the Controller is doing what he suggested last year and throwing in the kitchen sink. Director of Finance Navazio said the auditors have been responsive to the comments that have raised and their request for back up information has been extensive. Audit Committee Chairman Tulloch said it will be much more comprehensive this year. Audit Committee At-Large Member Dobler said he spent two days on this CAFR and how would he present it to the citizens and tell them about our financial statements? The biggest concern was consistency from year to year, the second thing is material weaknesses, and last, that financial statements are not in good shape. He wants everyone to realize that auditors are not perfect and that they express an opinion based on representations by Management. Management had the responsibility to do the financial statements by GAAP and GASB and that the representation letter was to back that up. Eide Bailly is off the hook somewhat because they can use the management representation letter as a fall back. A lot of these are just suggestions:

- ✓ Page 27 – disclosure on Waste Management contract/franchise agreement – have disclosure on term, etc.
- ✓ TWSA – what are we doing with that – fiduciary or remove it completely. Our Controller said how it is being presented is how it will remain because of one of our people is being paid by them. Audit Committee At-Large Member Dobler said he doesn't agree with that.
- ✓ GASB 34 – report major funds – he believes that the Community Services Capital Project Fund had the elements to become a major fund – need to check that out.
- ✓ Page 27 – under Liabilities, unearned revenue of \$2.2 million and that is an increase from \$1.3 million last year, booked deposits on things and then submit a bill and never clear out the deposit, had \$400,000 in deposits, have a feeling it needs to be looked at, suggest the Audit Committee makes a recommendation to look at what that was.
- ✓ Audit Committee At-Large Member Dobler said we have 18 different deposits and that he would highly recommend we understand what makes up that \$2.2 million. Director of Finance Navazio said that on page 23, the auditors document request asked for back up and we have a Public Records Request (PRR). Audit Committee At-Large Member Dobler said he made a PRR and that he would like this

reviewed as he doesn't think it has been reversed. Director of Finance Navazio said on ski passes we don't record revenue until December 1 and that golf passes revenues are recorded as used. Audit Committee Chairman Tulloch said on the golf passes, classified as unearned revenue because it is before the season? Director of Finance Navazio said yes, it is unearned revenue on day one, we estimate 40 rounds, each round we record 1/40 of that revenue and in the case of more, we don't do anything. Of less, we record that revenue at the end of the season. Audit Committee Chairman Tulloch said there are no refunds except for exceptional circumstances so unsure about why we recognize that income? Director of Finance Navazio said that when the District recognizes revenue it is not consistent venue to venue, product to product. This is a topic that he would like to have a more consistent and better consensus on. December will always be a great month because that is when we record the revenue.

- ✓ Page 28 – went over this last year, pretty well confirmed by GASB, Moss Adams, own resolution and the facility fee is not a general charge for services. The intent of the statement of activities is to find out what your costs, \$6.3 million is not a General Fund revenue, said you were going to change it and you haven't.
- ✓ Page 29 – getting some pretty heavy duty cash in the General Fund and Community Services and have almost, in excess, \$14 million so maybe not charge the Recreation Fee or find a way to spend it except on salaries.
- ✓ Page 30 – look at investment income – go back a page 29 – ask yourself the question about General Fund cash and made only \$4,000 in Community Services so you don't have the proper allocation of income; allocation is incorrect.
- ✓ Page 31 – expenditures – in the Community Services Capital Project, showing \$700,000 of expenses in that fund, can't do that, only for capital projects, had expenses in the capital project budget and also picking them up as expenses should have been in the Community Services Fund, \$742,000 for Community Services Capital and \$232,000 for beaches has to go to Community Services Special Revenue Fund.
- ✓ Bottom of the page – governmental funds - go the footnotes, there is nothing except for the \$1.3 million so that needs to be developed. Director of Finance Navazio said also suggesting the revenues that were charged be moved as well. Audit Committee At-Large Member Dobler said these are not capital assets.

- ✓ Page 33 – when you did the budget and Form 4404 to the State, had the central service cost allocation as revenue, you never took out the central service cost allocation so looks like we have \$5 million and have to adjust that \$1.3 million and get it into that column so you did it wrong.
- ✓ Be aware that the General Fund cranked out \$856,000 and that you can't keep accumulating money there.

Trustee Dent said regarding the overall process, this is months ahead of schedule as compared to previous years, so huge credit to Staff and this committee for moving this along. We are usually having these conversations in December or January and he likes that it is happening now. On pages 22 and 26, he likes the detail and it will go a long way to making it much more transparent. Audit Committee Chairman Tulloch said he would second that thought. Director of Finance Navazio said note 7, page 53, is the note on unearned revenue and that half of that is unexpired season passes and that we can discuss expanding that note. Trustee Schmitz had the following comments:

- Regarding notes, when Audit Committee At-Large Member Dobler was talking about lease obligations, on page 58 there are references however there is no reference to Clearwater Creek and there were some others that she remembers from the bill pays and that we need to be clear on the contracts.
- Starting on page 40, and make a reference that we have no fiduciary accounts, she did hear about TWSA; on Note F, it talks about shared accounts but it doesn't reference the Veterans Club, TWSA, and retiree benefits – and there is no mention on retiree benefits so that is not identified very clearly.
- The interest from the Effluent Pipeline is supposed to be credited to that account.
- Note D talks about the priority funds, operating and non-operating revenues, providing services, producing and delivering goods however we are including the \$2 million for the Effluent Pipeline which doesn't fit the criteria in Note D. To her, collection for a future CIP, the \$2 million should be removed from the Enterprise Fund. She believes that Audit Committee Chairman Tulloch is going to provide to the auditors that the restriction was made and there is some ambiguity there and it needs to be corrected.
- She does have questions about TWSA and the Veterans Club Fund which is General Fund and TWSA which is in the Utility fund and shouldn't those be restricted when they aren't our funds?



- Capital grants, page 56, for the bike park however Phase 1 of the bike park hasn't been completed to the plans and we have constituents bringing this our attention and the runoff into SEZ, so we need to figure out how that is going to be fixed. Director of Finance Navazio said that the current year budget has a grant to complete Phase 1 and taking your point as it budgeted in this year's budget.
- After Note N, would like to point out committed, carry over projects – we have some significant projects and funds that have been committed to and make sure it is done appropriately and that we are accurately reflecting same.

Director of Finance Navazio said he has been taking notes to clarify where and how some of those issues are addressed. Trustee Schmitz asked was the \$2 million recorded as charges for services? Audit Committee At-Large Member Dobler said yes, it has to be discussed as it is nothing more than a financing transaction as it is not providing services but collecting as a future project. The Utility Fund was underwater for over \$3 million and that is because we weren't providing services for it. Never had an operating expense to go against it. The question posed, that the auditors are going have to weigh in on, is the accounting what it is supposed to be and does it make sense and will it have an impact? Director of Finance Navazio said one of the more recent requests from the auditors is the collection of information regarding the collection of the \$2 million. All monies that are collected are reported as services for charges. That amount is and has been reported as charges for services and we are looking at an appropriate note to provide information as well as the interest income. The reason for the notes is to supplement the financials. Audit Committee At-Large Member Dobler said it makes a lot of difference and consider financing transactions. We took losses in the Utility Fund for several years because our unrestricted net position went down to \$0. We were \$5 million to the plus side. We have to remember what we did. Showing that we have the lowest rates in the basin translated into that we weren't charging the proper rates and that we were using fund balance. Director of Finance Navazio said we will have an item related to the Utility Rate study soon, flip side of taking losses, is that we are below the Board policy on the reserve requirement. On the other hand, collecting more than spending it is not uncommon. We are spending down fund balance and the problem would be if we were doing consistently. Audit Committee At-Large Member Dobler said you wouldn't do that. Director of Finance Navazio said that there is work to be done. Audit Committee At-Large Member Dobler said he doesn't want to argue the point and that the rate study is the key; the rate study and rates that are approved

by the Board and then implemented. Every one of those studies say they are collecting \$2 million, the rate study creates the ordinance and that it is well defined of what is happening is that we were spending money for things we didn't have. Director of Finance Navazio said the most important thing is the expenditure plan for rates and then the revenues collected. It is our belief that all the money collected, net of what has spent, is in the unrestricted net position and he would challenge that the District has spent the \$2 million on other projects. We have resources in excess of the \$2 million that has been collected net of what has been spent and when it comes to that project, the money is there. Audit Committee Chairman Tulloch said he is reassured but not confident. Our Utility Fund is not regulated, no management audit of if the Utility is being run properly, and that we are charging this and not showing it on the bill. If shown, he thinks there would be a long line out the building. His first question is why is this not a separate line item on the bill? Trustee Dent asked about showing a separate line on the bill? Director of Finance Navazio said that the bill does show multiple items. When the rate studies are done and you look at their structure, it is broken out in the rate ordinance. Because you had the capital charge, it was increased by \$2 million over a number of years. We can discuss that break out for the Effluent Export Pipeline project as a separate line item. Audit Committee Chairman Tulloch said, from his experience, if one is hiding that charge, one would be fined. Director of Finance Navazio said that the District has carved out the capital piece. Audit Committee Chairman Tulloch said it represents a surcharge. Audit Committee At-Large Member Dobler said it is 40% of capital. Director of Finance Navazio said one of the key items later on is the financing of the project. Audit Committee Chairman Tulloch said what about Washoe County refunding illegally collected monies? Director of Finance Navazio said if we fully finance the project, then we would have to discuss refunds. Trustee Dent said we should stop collecting it if we aren't going to use it and we need to discuss that. Director of Finance Navazio said that the long range calendar has an item on it for November 10. Audit Committee At-Large Member Dobler said to end this once and for all, on page 36, you have \$14,320,000 in cash plus X in investment so \$15,823,000 total. Now go to page 58, unrestricted fund, this should reflect the Utility Fund and it totals up to \$14,238,000. Subtract from the \$15,823,000 and then look at the carryovers, we are negative \$1 million because of we don't have a penny in the Utility Fund. He doesn't know how the Board authorized money on the pond lining because we have no money at all. These are the hard facts and how much we have is we are \$1.7 million in the hole and he has been talking about it for 5 years. Director of Finance Navazio said that is a different interpretation from what we presented to the Board and Staff would disagree

on the way Audit Committee At-Large Member Dobler is presenting it and we can talk. The assumption is that all of our commitments are funded in cash. It is important to look at where we have been, where we are, and where we are going. Staff has absolutely spent below the requirements but would disagree that the fund is in the red. Trustee Dent asked if we can we accept that offer to bring back as a future agenda item? Audit Committee At-Large Member Dobler went over his comments:

- ✓ Page 48, look at page 27, we have \$44 million in cash, cash equivalents, etc. – off by \$5 million – CD's.
- ✓ On Note 4, this has been hanging around from the Katz litigation which is all wrapped up and it is closed and there is no reason to keep that restricted deposit. District General Counsel Nelson said his initial take is that he agrees with Audit Committee At-Large Member Dobler and he will follow up with Director of Finance Navazio.
- ✓ Number 11 on the capital grant, the culvert at Diamond Peak, we haven't wrapped that up with FEMA yet? He thinks it is done. District General Manager Winquest said he will verify the status with Director of Finance Navazio.
- ✓ Number 16 said only related to pipeline and relabel to unrestricted Utility Fund.
- ✓ Note 19 – top of page 60 – paragraph is gibberish, see 5 things that are called functions.
- ✓ Page 37 – don't understand why you don't have the comparison against the budget as this doesn't tell you anything thus he would recommend having budget and variances for Utility Fund and Community Services.

Director of Finance Navazio said, regarding the Katz litigation, we are still holding those monies and the District hasn't received the monies from FEMA for the Diamond Peak culvert. The financial statement reflects as of June 30 and that Staff will follow up. Audit Committee Chairman Tulloch said wasn't the Katz case closed? Director of Finance Navazio said he will follow up with District General Counsel Nelson. Director of Finance Navazio said that the budget versus actual is in the supplemental material. Audit Committee At-Large Member Dobler said where is Community Services and beaches as he would like to see them in there and on page 34, the (\$537,000) is on the wrong line should be on transfers out. Director of Finance Navazio said he thinks it is reported correctly. Audit Committee At-Large Member Dobler said so you are still doing punch cards and that's another issue.

**D.3. Update, by Director of Finance Paul Navazio, on progress of implementation of Moss Adams recommendations and Audit Committee recommendations on improvements to future Comprehensive Annual Financial Reports as per Board of Trustees motion on General Business Item K.2. from the February 10, 2021 meeting (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)**

Director of Finance Navazio reviewed the submitted materials. Audit Committee Chairman Tulloch said for clarification, under review by external auditor, that is Davis Farr. Director of Finance Navazio said that is true. Audit Committee Chairman Tulloch said so we shall get some feedback on that? Director of Finance Navazio said that he bolded certain sentences or phrases in the Moss Adams comments. Audit Committee At-Large Member Dobler said that the 24 points that were done by he and Linda Newman, addressing the 2019 CAFR, Item 6, what had happened was that we bill our customers for their utility services, mid-month, we record a receivable for the entire month and they used to take half of it and set it up as deferred revenue, because we were billing two weeks in advance. The former Director of Finance needed some money in the Utility Fund so he recognized at income, auditors brought this to his attention, he said it was immaterial, and if we are going to do it right, we should set up that deferred revenue again, so half of the bill should be set up as deferred revenue as it is the proper thing to do. Director of Finance Navazio said he assumes you are referring to the base rates and that consumption is based on what is used, base rate is fixed rate, will look at it, and that he has a discussion with Eide Bailly on this and he will discuss it with Davis Farr. Audit Committee At-Large Member Dobler said it is a non-exchange transaction. Audit Committee Chairman Tulloch said it is an impact on revenues. Director of Finance Navazio said it really applies to the June bill. Audit Committee At-Large Member Dobler said there was no reason to do it rather just to pick up some revenue. Audit Committee Chairman Tulloch said Davis Farr is looking at it. Director of Finance Navazio said we will make sure it is not overlooked. Trustee Schmitz said, in the comment section, that you didn't alter the Moss Adams comments. Question is to the committee, last year, had some of things reviewed by Eide Bailly and they are being reviewed by the new auditor and if our new auditor comes back and has a different opinion, is the committee going to dispute or accept their findings? Audit Committee Chairman Tulloch said that would be down to a vote of the committee. His thought would be to consider both submissions and then go with the committee recommendation. Audit Committee At-Large Member Dobler said

that the largest stumbling block we are going to have is the Effluent Pipeline Project. We had a major break and NDEP said to do an assessment, and we overpaid PICA. We accumulated a lot of costs that was a requirement by NDEP so if you take the Moss Adams report, Statement 4, assessments should be expensed. There were a lot of restrictions and over that 4-year effort that is where the funds were blown and we were chasing a couple of other funding resources that should be expensed and not capitalized, that's his point. Audit Committee Chairman Tulloch asked about the note disclosures. Director of Finance Navazio said those will be addressed. Audit Committee Chairman Tulloch said on line item 20 and line item 24, individual amounts might not be a concern, but aggregated, different story.

**D.4. Review of completed Internal Controls updates and prioritized schedule of Internal Control updates to be completed in Fiscal Year 2021/2022 (Requesting Audit Committee Member: Trustee Sara Schmitz)**

Director of Finance Navazio said Staff came to the Board a couple of meetings ago and provided a schedule update and then he summarized what was prepared for this packet. Audit Committee Chairman Tulloch said he would like to add to your objectives is to increase transparency to the public such that we let the public understand that we do have adequate controls. Trustee Schmitz said she appreciates this and what she had specifically asked for with this agenda item was to have included the updated internal controls because if you will recall when they were presented to us a few months ago we identified quite substantial updates that had not been done so she was asking for what has been completed and what she is getting here is that we haven't completed anything and she is going back to the schedule that you had provided to us back in September of last year and we were supposed to have updated existing policies by December of this coming year and it seems as though we haven't completed anything as of yet and she would like to know what resources are needed so that this work, which is critically important to the integrity of our systems, our contracts, our bidding processes, everything in the District that it gets the resources necessary. If the District needs to bring in external resources, we can't allow this to go another year. She understands that there is a lot going on with the Taylor system upgrade, with the audit, and changing accounting from governmental to enterprise – she understands all of that but these are our controls and what we saw a few months ago were not nearly complete. And one of the things is that all the checks over some small dollar amount are all approved by the Board of Trustees at their meetings and we

know that hasn't been done for many years so her question to Staff is when are we actually going to see draft, completed updates to internal controls because as what happened with the Mountain golf cart course, we have not implemented the internal controls that Moss Adams identified 1 year ago for us to implement with our contracts management systems so when are we going to actually have deliverables and when are we going to start seeing things that are in a final form that we can actually feel assured that internal controls are being addressed in a timely fashion? Director of Finance Navazio said your point is well taken. Policies and procedures were submitted two or three meetings ago and Staff did receive some comments with the majority being should to shall and/or would to could. Staff has updated our internal accounting procedures pending any comments from the auditors and Staff has made progress in implementing some of the Moss Adams recommendations which are not going to address one contract as the vast majority of procurements/purchasing are consistent with the procedures and when we find those out that are not, we go back and look at them. Once the audit is complete, we will be moving forward with some that are scheduled for 2022. Trustee Schmitz said is her memory just not correct because she clearly recalls that we identified that capitalization procedures were within the document that were out of date and incorrect, we had the issue with checks being reviewed by the Board of Trustees, we had things with procurement was done one way but yet we have P-cards doing it another way and she is just going from her memory but she seems to recall some pretty substantive topics not just words of should or could. Director of Finance Navazio said, for instance, we have updated the capitalization policy and procedure and as we discussed here and as we discussed with the Board, the Board saw a draft capitalization policy in the middle of this month. Moss Adams is also reviewing and we are awaiting their draft report, hopefully this week or next which will then come to the Board sometime in November, hopefully. Following this activity, updates will be made. Trustee Schmitz said that what she recalls discussing is that we shouldn't have our policies imbedded in our procedures because it means there are multiple places to keep things up to date. So she doesn't want to get muddled up in updating our policies as it has nothing to do with what the feedback was. We shouldn't be reiterating within our internal controls policies and HR policies and there were a number of things that were out of date and referenced and not consistent with HR policy, with P-card policy, and those things should be removed so she thinks that there was some pretty substantial feedback that was given so she is still not sure why there is some ambiguity here. Director of Finance Navazio said he would love to continue this discussion with Trustee Schmitz and you are right that there are some substantive things

and his point was that some of the more substantive updates to our internal procedures are going to be finalized when the policy that the procedure is drafted for to ensure that internally Staff and Management are following that policy. We could update our current capitalization procedure but it is going to be based on capitalization policy so there is just a sequence to that and that is why he references policies and that there is going to be some level of duplication because as you know and the Board knows several Board policies go into more detail than you would normally see in a Board policy and so if we have to make sure that the procedure is in alignment with that policy you might see some reinforcement of the policy on what our thresholds are, what qualifies for capitalization and the process for Staff to review those and he looks forward to continuing this conversation with so that next time we bring you an update and as we are updating them, the committee is more comfortable with how it all works. Trustee Schmitz said she thinks what she is going to ask you to do that you, the Controller and the District General Manager need to step back and take a good, hard look at this and understand how long it has been since these things have been touched. This is just something that was dumped in your lap, it's not a problem that you created, you are here to fix it and clean it up which she appreciates but she thinks given how this has been identified as something bigger than you and the Controller had thought, she thinks you need to just step back and identify whether you need to request additional resources to be focused on this so that we can make faster progress. Director of Finance Navazio said point well taken. Trustee Dent said building on what Trustee Schmitz said there are 10 items on this list, pages 71 and 72, when do you think you will have them completed and then when will you be moving onto the next ones? If you need more time, let us know. Director of Finance Navazio said yes, as long as audit is on the schedule we are currently on but if that slips, then we will need to review it. Trustee Dent said we are two months ahead on the audit – correct? Director of Finance Navazio said yes. Trustee Dent said so are these 10 items on schedule for January 2022? Audit Committee At-Large Member Dobler said we started on Moss Adams in 2020, they identified 4 main items. He is having a hard time believing that if we have engaged in Moss Adams for a new capitalization policy, it is taking this long as he and Audit Committee Chairman Tulloch could do that in a week. Regarding the central services cost allocation – taking rec fee money and utility fund monies and transferring that over to the General Fund and have identified what the General Fund is doing. He can't believe that 1-1/2 years have gone by, Moss Adams contract was issued 4 or 5 months ago, and he can't believe nothing has happened. Director of Finance Navazio said that Staff has provided a draft policy, we are under contract with Moss

Adams, we have gotten preliminary feedback and are awaiting the final Moss Adams report because he thinks the Board and community wants to hear about that. One of the reasons that, for the central services overhead, some changes were made to it, is that the broader decision happens at the beginning of the budget process. It has to be a very early item on the agenda and there is no need to update that until the Board has that discussion. Absolutely right, there are a lot of General Fund resources and the Board could land where we par back some of those activities but the Board and others have said they want our costs for services to cover full cost allocation and that is a question for the Board. We need an answer to what needs to be cost recovered and what ones don't need it. Tie in for Administration, Information Technology, Finance, and Human Resources and this is one of the very first workshops we have laid out for the Board. Audit Committee At-Large Member Dobler said he likes to look at things globally, running Community Services and Utilities, with the General Fund being in the center. 98% of the costs should be billed out, then the taxes come in, and if we are being fair about cost allocations, except maybe the General Manager, we made \$800,000 last year. If you want to be fair, everybody who works here, works on Community Services or Utility Fund. Director of Finance Navazio said he would agree and when you asked about why it takes so long that is because of the allocation. Audit Committee At-Large Member Dobler said you need to bring in some professional people. Audit Committee Chairman Tulloch said he would agree and doing recharging and no one is looking at that for duplication; he would encourage that. It is not sustainable to have funds in the General Fund cover all these services and then have cost allocations; go one way or another. Audit Committee Chairman Tulloch said it is the mature thing to seek additional help if it is needed. He would encourage the District General Manager to look and see what is possible. Director of Finance Navazio said he will discuss with the District General Manager to see what is required.

**D.5. Update on allocation of Investment Income earned on Cash, Cash Equivalents and Investments for the IVGID Governmental Funds ONLY for the Fiscal Years ending June 30, 2019 and 2020 (Requesting Audit Committee Member Cliff Dobler)**

Audit Committee At-Large Member Dobler gave an overview of the submitted materials and said it is time for Staff to come back and correct it. Director of Finance Navazio said Staff looks forward to going through it and we are comfortable with sharing with Audit Committee At-Large Member Dobler and anyone else who wants it. Specific funds made those



investments and the interest was given to those fund. We are now transitioning over to pooled cash/investments. Starting with this fiscal year, that is how we are doing it and it took us a while to figure it out - right or wrong. Audit Committee At-Large Member Dobler said it was just incorrect. Director of Finance Navazio said that Staff is going to comb through the 2019 and 2020 items. Audit Committee At-Large Member Dobler asked if we are going to make the proper adjustment. Director of Finance Navazio said not sure we need to that because as long as it is not illegal to move money from fund to fund, we can do that. Any correction we would want to do is a bigger question. Audit Committee Chairman Tulloch asked that Director of Finance Navazio have a discussion with Audit Committee At-Large Member Dobler.

Audit Committee Chairman Tulloch called for a 5-minute break at 5:33 p.m.; the Audit Committee reconvened at 5:40 p.m.

**E. LONG RANGE CALENDAR REVIEW (for possible action)**

**Review, discuss and possibly agendize for future Audit Committee meetings outstanding items on the Audit Committee agenda (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)**

Trustee Dent asked about presentation on the Utility Fund and a deeper dive for those financials; Director of Finance Navazio said we can do it anytime and the report for the auditor should be dedicated meeting. Audit Committee Chairman Tulloch said we can schedule that for the week of November 17. Audit Committee At-Large Member Dobler said he will be gone and will be calling in. District General Manager Winqest asked if this committee would consider moving these meetings to Zoom for the Audit Committee as that will accommodate everyone on the committee? Audit Committee At-Large Member Dobler said he is okay with Zoom, Trustee Dent said he is okay with Zoom, and Trustee Schmitz said she is okay with Zoom as long as people are visible. Audit Committee Chairman Tulloch said we can move forward with Zoom meetings however he will retain the option to do them in person. Trustee Schmitz said we should have on our long range calendar Policy 6.3 etc. and procurement cards and add that in January. Audit Committee At-Large Member Dobler said we never resolved the potential overpayment to PICA and we need to have some closure and decide whether to chase them or not. Trustee Schmitz said we have asked the question and it is one of the things sitting out there and it is also with HDR. Audit Committee At-Large Member Dobler said he would like to have an opinion on the remodel of the Burnt Cedar pool and its funding; Audit Committee Chairman Tulloch said that Audit Committee At-Large

Member Dobler can always discuss that with District General Counsel. District General Counsel Nelson said it is on the long range calendar already, they can talk off line, and then decide at that point as that would be additional work so there will be an expense that he can't put into writing right away so he needs to understand what you are looking for and how much time. Audit Committee At-Large Member Dobler said he has the same problem with Jacobs Engineering and the pond lining as he knows that there weren't available resources if we set aside the money on the Effluent Pipeline project so we need to have that discussion. District General Counsel Nelson said he will set up a time with Director of Finance Navazio and then coordinate with Audit Committee At-Large Member Dobler. District General Manager Winqest said he is okay with that. District General Counsel Nelson said a discussion will be helpful. District General Counsel Winqest said he just wants to be helpful as he doesn't want to get caught up in directing attorney's time as that is the Board Chairman's responsibility.

**F. COMMUNICATIONS RECEIVED (for possible action)**

**G. APPROVAL OF MEETING MINUTES (for possible action)**

**G.1. Audit Committee Meeting Minutes of August 18, 2021**

Audit Committee At-Large Member Dobler said is this all we talked about; think we talked about more than that. Audit Committee Chairman Tulloch said the minutes are approved as submitted.

Trustee Schmitz said one of the reasons we coordinate meeting is costs, we are doubling our fees by meeting on November 17 and asked if we can get them done on November 10. Audit Committee Chairman Tulloch said he hopes to get it by the November 10 but that there will be no time to do a review. Trustee Schmitz asked if we need legal counsel present? Trustee Dent said yes and District General Counsel Nelson said yes and noted that he has not attended all Audit Committee meetings and that we can discuss this with Audit Committee Chairman Tulloch and District General Counsel Winqest.

**H. PUBLIC COMMENTS\***

There were no public comments made at this time.

**I. ADJOURNMENT (for possible action)**

**I. ADJOURNMENT (for possible action)**

The meeting was adjourned at 5:54 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 Dick Warren: Tonight's Audit Committee Meeting

## Herron, Susan

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**From:** Dick Warren <bd1947@icloud.com>  
**Sent:** Tuesday, October 26, 2021 9:16 PM  
**To:** Herron, Susan  
**Subject:** Fwd: Tonight's Audit Committee Meeting

**Follow Up Flag:** Flag for follow up  
**Flag Status:** Flagged

Please include in the Minutes to the AC meeting of tonight. Thank you Susan.

Sent from my iPad

Begin forwarded message:

**From:** Dick Warren <bd1947@icloud.com>  
**Date:** October 26, 2021 at 8:20:25 PM PDT  
**To:** Tim Callicrate <callicrate\_trustee@ivgid.org>  
**Cc:** Susan Herron <Susan\_Herron@ivgid.org>, "Indra S. Winquest" <ISW@ivgid.org>, Kendra Wong <wong\_trustee@ivgid.org>, Tonking Michaela <tonking\_trustee@ivgid.org>, Matthew Dent <dent\_trustee@ivgid.org>, Sara Schmitz <trustee\_schmitz@ivgid.org>, Ray Tulloch <raytulloch@munrotulloch.com>, Cliff Dobler <cfdobler@aol.com>  
**Subject:** **Tonight's Audit Committee Meeting**

I have only gotten through 1 hour, 15 minutes of the AC meeting, but My God, what a scintillating & invigorating discussion it is. We have 4 AC members that have done their homework, they have studied the issues, and then raised interesting questions/comments to Staff. So far it has been a very informative and enlightening discussion of issues. I could tell it was a substantive discussion because Indra disappeared soon after the meeting started (one has to understand that Indra does well only with "political" issues, not "real thought-provoking stuff").

Now let's contrast this to a Board meeting. Sara does her homework, Matthew too but not as well as Sara. Then we have the Wong/Tonking "No Nothing" Group; if they do any homework, it's to find out if any member of the Board and/or Audit Committee have committed harassment issues, or even perhaps racist & sexist issues. Wong & Tonking do not do their homework, and Tim, your only function is to make sure the meeting ends as quickly as possible. Within the Board collectively, there is little hint of actual participation.

What a difference between the AC (the Day) & the Board (the Night). Tim, your Board collectively sucks, but then do you really care? Your Boss Indra loves the Board (because they do nothing) And your Boss hates the AC (because they make things happen).

Once again Tim, when will you step up? I doubt it.

Think how great things would be if we could replace the Board with the AC. We should then have an intelligent, and functioning, Board!