

MINUTES

AUDIT COMMITTEE MEETING OF JUNE 29, 2021 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Trustee Sara Schmitz on Wednesday, June 29, 2021 at 4:00 p.m. This meeting was conducted virtually via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member), and Derrek Aaron (At-Large Member) (absent).

Audit Committee At-Large Member Dobler said he wanted to make everyone aware that the meeting was called by Trustee Schmitz who had no authority to do so under Policy 15.1.0 and the agenda was set by the Director of Finance who had no authority under Policy 15.1.0. The Audit Committee is short one member so therefore we don't have the organization that was required and we are not in compliance with Policy 15.1.0 and that we must notify the Board and then if everyone is ok with that, we are good to go ahead with the meeting. Trustee Schmitz said the meeting was requested by herself as there was a quorum that was interested in holding a meeting, the content of the agenda was recommended by herself and the Director of Finance was helpful in preparing the agenda and that the Director of Finance was the person who was designated to assist with the agenda and packet preparation. Audit Committee At-Large Member Dobler said we are violating policy and are we ok with the Nevada Revised Statutes? District General Counsel Nelson said the meeting can move forward under the Open Meeting Law but if the majority of the Audit Committee isn't comfortable with moving forward, we can adjourn the meeting. Audit Committee At-Large Member Dobler said he is ok if we notify the Board. Audit Committee At-Large Member Tulloch said this is a Catch-22 and that District General Counsel needs to make that call. Trustee Schmitz said the Board didn't make an appointment. Audit Committee At-Large Member Dobler said he wanted to make sure that the Board is notified that we are in violation of Policy 15.1.0.

B. PUBLIC COMMENTS*

Dick Warren said the Audit Committee (AC), the Board, and the District General Manager and Director of Finance are aware of Cliff Dobler's email of June 21st detailing the misallocation of Investment Income earned on Cash & Cash Equivalents, and Investments for FY years ending 2019 & 2020, which means that the financial statements for FY years 2019 & 2020 are materially misstated and must be RESTATED! So he is not going to reiterate what Cliff has already pointed

out because that would be redundant. But come on Guys, what in the hell is going on? Here you have a retired guy by the name of Cliff pointing out stuff that you IVGID Guys should have already known about. Cliff isn't getting paid to do your job, but he seems to do so much better than you and your Staff. That's what really bothers me, you IVGID Guys can't even keep up with an old, retired guy that doesn't even have the same kind of access to financial information that you turkeys have, and by turkeys he means the District General Manager and the Director of Finance, plus the worthless members of the Board that truly think IVGID Management does no wrong (Wong, Callicrate, and Tonking). But then he forgets, Wong has been on the take for years, Callicrate recently has been exposed as a taker too, and although he has no idea where Michaela stands, let me just say that critical thinking is not an attribute of Michaela. Isn't it time to outsource the Finance Function at IVGID? If you can't even keep up with an old, retired guy like Cliff, why in the hell do you continue your inadequate Finance Function? Do you not exist to help IVGID function positively for the benefit of ALL COMMUNITY RESIDENTS? Have you done that? No, you are simply a worthless organization. Do the right thing AC, and Board, outsource the Finance Function. They know nothing, and document it every day. When one discusses the District General Manager and the Director of Finance, it would be appropriate to label them as "Dumb & Dumber". Thank you.

Linda Newman said please do not approve the proposed change to the Audit Committee Policy. It is critically important for the Audit Committee to review and approve formal reports or letters submitted by Management to the external auditor. Last year, Management failed to comply with this Board approved policy and as a consequence false and erroneous information was provided to the external auditor. She believes that Management should be held accountable for failing to comply with Board policies and policies should not be altered because of Management's refusal to comply. Please do not approve the Whistleblower Policy as written. She requests the following changes for your consideration:

Under Reporting, in the second paragraph on "misconduct" please change "limited" to "not limited" and add internal controls, and misappropriation of public funds. We also need violation of contracts in this section. Please change Memorandum of Understanding to Labor Union Contracts and/or agreements. For clarification, it is also important for the Board and the Committee to attach a copy of the disciplinary matters applicable to Human Resources.

For the purpose of securing confidentiality and anonymity, she also requests that instead of emails being routed through the IVGID website that a direct

Minutes

Audit Committee Meeting of June 29, 2021

Page 3

email address for the Audit Committee Chair and Legal Counsel be provided. For snail mail, please provide a P O Box or other direct address for the Audit Committee Chair. This would ensure that only the recipient of the email or the letter would receive the anonymous or other complaint.

Please clean up the language and order of A-F for the reporting options.

And finally, if you are in essence making the Audit Committee Chair the defacto Compliance Officer, he/she should have all options available and receive training as well as independent resources to investigate complaints. If Complaints are directed to the GM or Human Resources Director, these individuals should be educated on their responsibilities for ensuring District Employees compliance with all applicable State and Federal laws as well as District Ordinances, Resolutions, Policies and Practices.

To date, there are still no formal written internal controls and there remain a number of current accounting practices that are in violation of Generally Accepted Accounting Principles. She hopes that these will soon be on an Audit Committee agenda and actions will be taken to resolve these long outstanding issues.

Aaron Katz said he will have a written statement that he will be submitting. As this committee knows that he made a public records request for records evidencing the alleged \$100,000 of Staff time spent on the Burnt Cedar Pool project once this was disclosed to the public. Since Staff keeps no record of what he requested, and this is something that he didn't realize at the time, he had to wait for a month or more for our new Engineer to fabricate such a record and what he fabricated was a spreadsheet showing month by month charges totaling roughly a \$100,000. But this isn't what he asked for as he wanted records evidencing who did work, what they did, how long they spent, at what hourly rate, what out-of-pocket expenses were advanced at what cost or a month-by-month basis so he requested again. And how did Staff respond? By ignoring him. Finally, yesterday, he sent a follow up e-mail asking where are his requested records. And yesterday, Staff reported we don't have any records responding to your request. This demonstrates that all of this Staff expenses were and are phony. If you can't support your efforts with records, as far as he is concerned, you are guilty of misrepresentation and fraud which means all reserves assigned to the internal services fund, and it's nearly \$3.22 million, are phony. Which means we need a forensic audit because we have evidence of wrongdoing. He doesn't care what it costs. Audit the internal services fund expenses and turn the matter over to the proper authorities for prosecution because if nothing exists, you've got fraud. Where does the \$3.2 million come from which pays for the salaries and benefits – primarily the rec fee, beach fee, and

utility charges. Where does the nearly \$2 million come from with pays salaries and benefits assigned to the General Fund? Same sources. Now add nearly \$7 million for rec fee that are paid and we are at nearly \$11.3 million. Staff wants the less knowledgeable in our community to think they are getting something of value for these expenditures. The truth is Staff are stealing the money from local parcel owners and since former Staff members are no longer with the District, and these matters continue, current Staff are all accomplices. Wake up and put an end.

Frank Wright said first off, he wants to commend the great job that the Audit Committee has done for the past one or two years. You have uncovered major financial fraud, irregularities in reporting, you have done a great job. The problem we have is that all your hard work was thrown under the bus by the Board when they didn't go forward with the information that you provided. Why did they do that? Is it corrupt? Probably. Are they inept? Absolutely. Are they capable of managing our District? Not a chance. If you don't accurately keep the books as Mr. Katz just pointed out and you don't have absolutely accurate records, then you are a fraud operation. So with that done, we have a whistleblower policy that the Audit Committee is recommending to the Board. His question is who is going to enforce anything that does come to the Board? Nothing is ever done. Ever. Mr. Katz just pointed out more fraud; who are you going to call? Giving management the power to report, really, management is part of the problem. You have given them the keys to the chicken coop to management and they are not even capable of understanding the financials. Again, you have the fox holding the keys to the chicken coop. Again, who are you going to call? Oh you know he is going there – ghostbusters, yeah the mythical operational organization that didn't exist just like IVGID, a mythical operational organization that doesn't function, doesn't do anything correct, you have all kinds of problems come at you daily, you have 3 members of the Board that are absolute goofballs, and he means goofballs, as they haven't got a clue what is going on. They do not have a clue what is going on. You have 2 other Board members who are either afraid to step forward, they won't step forward or he doesn't know – it is horrible. Simply put, look at Chairman Callicrate calling Mr. Katz a liar when he brings forward information that is true. Chairman Callicrate doesn't pay the rec fee, he doesn't pay the beach fee, he got a college education off of our backs and he calls the person who reports that a liar. It is his money, it is your money and it's the people who are paying the parcels money. Who gave him the authority to donate that money to any nonprofit; he certainly didn't and he doesn't have his permission to donate his money and he doesn't care what kind of community benefit it has as it is our money and it should be for the people who live here and not for nonprofits, not for a bunch of fat golfers, somebody has got to take the reins of this community and he doesn't think we

have the Board members now to do that. It is a shame. But again, he wants to complement the Audit Committee as you have done a great job except for 1 member who threw us under the bus. Thank you.

Trustee Schmitz asked if the District Clerk was able to capture the constructive comments made by Ms. Newman? District Clerk Herron said that she doesn't as Ms. Newman typically submits her comments in writing and that she will reach out to Ms. Newman immediately to see if she can submit them now. Trustee Schmitz and Audit Committee At-Large Member Tulloch both acknowledged that they had written down some of those comments.

C. APPROVAL OF AGENDA (for possible action)

Trustee Schmitz said, as an individual member, she would like to modify the agenda to move General Business Item D.1. to the last item under General Business so that potentially Audit Committee At-Large Member Derrek Aaron can participate and asked if that was acceptable to Audit Committee At-Large Members Tulloch and Dobler. Audit Committee At-Large Member Tulloch said no and asked that the agenda be left as is. Audit Committee At-Large Member Dobler said no and asked that the agenda be left as is. The agenda was approved as submitted.

D. GENERAL BUSINESS ITEMS (for possible action)

**D.1. Review, discuss, and possibly appoint Audit Committee Chair
(Requesting Audit Committee Member: Trustee Sara Schmitz)**

Trustee Schmitz reviewed the submitted material. District General Counsel Nelson drew attention to agenda packet page 2, where it stated "A majority vote of the Audit Committee (3 votes) is required to appoint a Chair" and stated that this was incorrect as there is a slightly different rule that applies to the Audit Committee where an action can be taken by the majority of those members present. Trustee Schmitz said, for clarity, that the full term of the Audit Committee Chair is July 1 to July 1 and that this appointment will be for the full term that goes through the end of June next year. Audit Committee At-Large Member Dobler said, in the memorandum, under 2) it should read that three Trustees were asked to serve and all three declined to serve and thus there was nothing that was deferred rather we simply have three Trustees that are not willing to serve and thus it makes our committee not in compliance with our policy. Hearing no further discussion, District Clerk Herron open the nominations for Audit Committee Chair. Audit Committee At-Large Member Dobler nominated Ray Tulloch. Trustee

Schmitz nominated Trustee Sara Schmitz. Hearing no further nominations, District Clerk Herron closed the nominations. District Clerk Herron then took a roll call vote on Ray Tulloch to be Audit Committee Chair; Audit Committee At-Large Members Tulloch and Dobler voted in favor and Trustee Schmitz voted not in favor. District Clerk Herron then took a roll call vote on Sara Schmitz to be Audit Committee Chair; Audit Committee At-Large Members Tulloch and Dobler voted not in favor and Trustee Schmitz voted in favor. District Clerk Herron then announced that Audit Committee At-Large Member Tulloch was the Audit Committee Chair. District General Counsel Nelson asked for clarification on the term; District Clerk Herron said that the term for this Chair would be June 29, 2021 at 4:28 p.m. until June 30, 2022 at 12 midnight and then did a roll call vote on the term; Audit Committee At-Large Members Tulloch and Dobler and Trustee Schmitz voted in favor so the term was agreed to by unanimous vote. Audit Committee Chairman Tulloch stated that he intended to continue his independence and took over the running of the meeting.

D.2. Review, discuss, and possibly take action to recommend the Board of Trustees approve proposed amendment to Policy 15.1.0 (Requesting Audit Committee Member: Trustee Sara Schmitz)

Trustee Schmitz gave an overview of the submitted materials. Audit Committee At-Large Member Dobler said what we have right here before us is a request to change one paragraph from last year and that with the fiasco and the audit, he would like to see a complete package presented at our scheduled meeting on July 13. The most important thing is that the Audit Committee shall consist of two Trustees. We presently have four Trustees that don't want to serve and we have an interested person. Since we can't get two Trustees, we ought to consider to go outside the policy and consider getting that fifth person. Audit Committee At-Large Member Dobler then read from the policy the applicable section and continued that the Audit Committee members ought to not be affiliated with the District and that we need to wean ourselves from having the Trustees participating. We should also include a Vice Chair and then go through our duties as the reality is we didn't do half of them and that he is not sure that we need to be involved in a lot of this stuff. IVGID has been changing departments like a pinball machine. The entire policy should be looked at, we need to have a workshop and go over all at once, and then submit the entire package to the Board. Audit Committee Chairman Tulloch said there was a lot of interesting comments and a lot of contradictions, and that he agrees that he thinks we should propose a whole policy. His view would be to go through it and bring

it back on July 13 and then asked District General Counsel if the Audit Committee could do that. District General Counsel Nelson said the agenda allows for proposed alternatives and noted that the Board does have an item to do a more substantive workshop to Policy 15.1.0 on its upcoming agenda. District General Manager Winqest agreed with that statement. Audit Committee Chairman Tulloch said we have a number of suggested amendments and clean up. Trustee Schmitz said we, as an Audit Committee, should make a recommendation to the Board of Trustees that at their meeting on July 13 the language for this particular policy should be changed to allow an additional at large member because we do need to have five members and we did have someone who was interested in serving so we should at least make that recommendation to the Board as an action that should be taken to be back in compliance with our policy. District General Counsel Nelson said he is ok with that. Audit Committee At-Large Member Dobler said he read over Mr. Nolet's resume and he was retired from a large CPA firm and because of all of IVGID's accounting anomalies, he would like to have some help here and he really think he could give us a hand. Audit Committee At-Large Member Dobler then asked where did we draw this policy from and what was the source document used to create it? Trustee Schmitz said she went out and, she would have to do some digging, did some searches on the Internet for best practices and Moss Adams provided a great deal of content. So it came from a different variety of places with the bulk coming from Moss Adams as they gave her a template. She also thinks there was template from the Government Finance Officers Association (GFOA). The reality was it was her best effort to capture the information from a variety of different sources. Audit Committee At-Large Member said the reason he asks is because we have the ability to go out and get a financial advisor. Mr. Nolet just wants to help, he has never done a policy, and that he didn't know how it came to be. According to Trustee Tonking, we should follow GFOA. Trustee Schmitz said some of this did come from GFOA. Audit Committee At-Large Member Dobler said he is opposed to that because it came from the finance officers across the country and he doesn't think they are independent which is just his opinion. Trustee Schmitz said she got information from Washoe County, GFOA, and an extensive template from Moss Adams. Audit Committee At-Large Member Dobler said he doesn't want to approve anything tonight and there are three or four things that we haven't completed so we should agendize that and he is not prepared tonight. Trustee Schmitz said do we want to make the recommendation for an at-large member? Audit Committee Chairman Tulloch said his background is more oriented to the corporate world, GFOA goes in a different direction for local governments, IVGID is a more of a hybrid – local

government but also running large commercial operations which requires more independent oversight. One of the problems with GFOA it can lead to problems as District General Counsel has experienced in California. So we have a proposal to put one member (at large) on the committee and one to do nothing. Audit Committee Chairman Tulloch asked if the Board has to take the action to appoint? Audit Committee At-Large Member Dobler said if the Board has already decided that they want to go through the policy, that means that our recommendations will not mean a lot and they don't feel it is acceptable, therefore he is not sure we will have any real effect so he would like clarification as to if the Board of Trustees is going to do it themselves or are they awaiting input? District General Counsel Nelson said no part of the motion referred to the Audit Committee rather it was simply agendaized for discussion. Audit Committee At-Large Member Dobler asked if it was worth our time and effort to make our recommendations for July 13 as he doesn't want to do work in vain? Audit Committee Chairman Tulloch said that he agrees with Audit Committee At-Large Member Dobler and that it is just a request. The third course would be to review the policy with proposed suggestions and then ask the Board to wait until their August meeting which makes more sense. Audit Committee At-Large Member Dobler said on July 13 we could have an agenda item to approve the Audit Committee policy. Audit Committee Chairman Tulloch said we have two other proposals. Trustee Schmitz said, as a committee, we should go through this and that she just feels that we should ask for, as the Audit Committee members are appointed, the Board to do what we want to have done relative to the vacant seat. Audit Committee At-Large Member Dobler said 4 Trustees are not interested yet they want to review the policy which is ironic. He doesn't like to do things for an exercise.

Trustee Schmitz made a motion to make a recommendation to the Board of Trustees, in the absence of two Trustees being appointed to the Audit Committee, that the Board appoint an at-large member to a two-year term and in addition we recommend that they defer until the fully appointed Audit Committee has the opportunity to review and make recommendations to Policy 13.1.0. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch asked for further comments.

Audit Committee At-Large Member Dobler said assuming Mr. Nolet still is interested or because he was second in line, should we include that recommendation in the motion?

Trustee Schmitz amended the motion to appoint Chris Nolet to the additional position if he is still interested. Audit Committee At-Large Member Dobler seconded the amendment.

Hearing no further comments, Audit Committee Chairman Tulloch called the question – the amended motion passed unanimously.

At 4:59 p.m., Audit Committee At-Large Member Derrek Aaron joined the meeting.

D.3. Review, discuss, and possibly consider adopting the Whistleblower Procedure under Board Policy 15.1.2.8 (Requesting Audit Committee Member At-Large Ray Tulloch; Requesting Staff Member District General Counsel Joshua Nelson)

Audit Committee Chairman Tulloch gave an overview of the submitted materials. District General Counsel Nelson provided his comments and recommended that the Audit Committee continue this item and not take action today as his input was done under the assumption of the Chair of the Audit Committee being a Trustee and that he would recommend an alternative similar to what Douglas County does which is contracts with an outside agency. Audit Committee Chairman Tulloch said that he was a little surprised by this comment and explained why. Audit Committee At-Large Member Dobler said it shouldn't matter who the Chair is. District General Counsel Nelson said that his concern is the role of investigating misconduct and possibly not having the level of expertise as one potential area of liability is an overzealous investigation and we do need a professional handling those types of issues. Audit Committee At-Large Member Dobler expressed his thoughts about why people get elected and concluded by stating that we should go out to a third party. Audit Committee Chairman Tulloch said that the qualities of the Audit Committee members were more comprehensive than being a Trustee and referenced agenda packet page 6. District General Counsel Nelson that given the difficulties, it may make sense for the Audit Committee to consider a third party. Audit Committee At-Large Member Aaron said that the idea of a neutral party handling this would make anybody a little more comfortable that their complaint is going to be handled in a neutral manner. Audit Committee Chairman Tulloch said, while he is not suggesting any impropriety, it is his personal view and from feedback from members of the community, that it just leaves it open and that he is very sensitive to preferred vendors; there is no perfect answer. Audit Committee

At-Large Member Dobler said so you don't think an outside third party is the way to go because IVGID is paying their fees and that would mean they would lean towards whoever is cutting the check? Audit Committee Chairman Tulloch said that there are different options and yes, he does have concerns with a third party and whose interests they are representing. Audit Committee At-Large Member Aaron suggested do a pros and cons listing to make people more comfortable which takes more time and may be out of the scope of today's agenda item. Audit Committee Chairman Tulloch said that is not an option that is included in the current draft. Trustee Schmitz said she doesn't have a concern about the Audit Committee Chair being a non-Trustees because the Audit Chair is not conducting the investigation rather they are deciding how things are handled. We have an opportunity today to implement something that has to go to the Board for approval and if a year from now is the time to evaluate it, so be it. We have to take the first step and to try and put forward what we think is our best effort and then evaluate it in the future. Again, she doesn't have a concern about the Audit Committee Chair not being a Trustee and that she has comments as well as Ms. Newman. We have to give it a go and if it is not working, so be it. Audit Committee Chairman said he thinks we should move forward with it as drafted. Trustee Schmitz then went over a few of changes. Audit Committee At-Large Member Dobler asked what a stakeholder was and Audit Committee At-Large Member Aaron responded that it is anyone who has a vested interest in the topic or what we are doing. Trustee Schmitz added that the public is a stakeholder because they pay the Recreation Fee and she suggested adding that to make it clear. Trustee Schmitz then went over a few more of her changes. The Audit Committee then had a conversation about whether or not to include or delete the word "procedures". Audit Committee At-Large Member Aaron suggested include a definition section as the terms that are used are important. Audit Committee At-Large Member Dobler then went over a couple of his suggestions and the Audit Committee continued with its various comments, suggestions and modifications to the presented policy. Audit Committee At-Large Member Dobler noted that in looking at misconduct, that the Trustees have a tremendous amount of misconduct which he went over in detail.

Audit Committee At-Large Member Dobler made a motion to prepare a clean draft that includes all the changes discussed and then have the review of this clean draft be the first agenda item for the Audit Committee on its agenda of July 13 and then following that review, submit it to the Board of Trustees for their consideration at their meeting in August. Audit Committee At-Large Member Aaron

seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, called the question and the motion was passed unanimously.

Audit Committee Chairman Tulloch asked Trustee Schmitz to take a first stab at incorporating the changes made today and presenting him with a clean draft for review. Trustee Schmitz agreed.

E. PUBLIC COMMENTS*

Linda Newman congratulated Chair Tulloch and thanked the Audit Committee for a lively meeting. She would like to make a suggestion as it is a great idea to incorporate all the changes and have a clean policy to look at it. Maybe Audit Committee At-Large Member Aaron could create a flowchart as an exhibit to take a look at it. Even though they have formal procedures, they create poster for their targeted audience such that there are posters directed to employees, public, Trustees, etc. with instructions on what to do. By doing this it would allow you to have a comprehensive policy and provide education materials to your target audience whether it is employees, Trustees, etc. Thank you for listening and considering her suggestions.

Aaron Katz said he has one observation; he really resents the fact especially when an attorney is telling us that our policies are the equivalent of law. So he hopes that District General Counsel is listening that GID's have no power to pass laws. The most they can pass are by-laws and you should know that. So this myth gets plastered around to people like the District General Manager who are listening and says oh are ordinances are laws, our resolutions are law, our policies are laws, we can't violate. No they are not laws. IVGID has no power to pass laws. If you want to pass laws become a city or an unincorporated town. We have no laws, there is no penalty. Thank you very much and he hopes things will get corrected in the future.

F. ADJOURNMENT *(for possible action)*

The meeting was adjourned at 6:30 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.