

## M E M O R A N D U M

**TO:** Board of Trustees

**FROM:** Ray Tulloch  
Audit Committee Chair

**SUBJECT:** Annual Report to Board of Trustees from Audit Committee

**DATE:** July 30, 2021

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### **I. BACKGROUND**

Under Board Policy 15.1.2.9 the Audit Committee is to submit an annual report to the Board of Trustees assessing the results of its fulfillment of its duties and responsibilities.

At the Audit Committee meeting on July 13, 2021, the Audit Committee reviewed a draft of Audit Committee actions during the previous year and also discussed and reviewed Audit committee compliance with, and completion of, a checklist of delegated responsibilities for the Audit Committee as specified in Board policy 15.1.0.

### **II. Actions**

Based on discussions and review the Audit Committee members prepared the attached Exhibits A&B for the consideration of the Board as requested by Chair Callicrate at the Board meeting of July 13.

As the Board will see from Exhibit A, the audit Committee has had a high success rate in meeting its responsibilities. The review process also helped the committee identify some of the responsibilities that were no longer applicable and which the committee will incorporate in their scheduled review of Board Policy 15.1.0.

Exhibit B provides details of the meetings of the Audit Committee during the year and the topics covered. This involved a total of 14 meetings and with a duration of over 40 hours

It is the Committee's view that, for a first year of operation under the revised policy 15.1.0, this represents a successful record which has also provided the community with additional transparency on financial aspects of the District's operations.

The Committee will be happy to discuss further with the Board.

Ray Tulloch  
Audit Committee Chair

## EXHIBIT A

July 30, 2021

*Audit Committee annual Report to Board of Trustee assessing the results of its fulfillment of its duties and responsibilities required by Policy 15.1.2.9*

<b>2.0</b>	<b>Responsibilities</b>	
2.1	Be independent, effectively communicate, and reinforce accountability	Accomplished
2.2	External independent audit procurement process	
2.2.1	Request for Proposal RFP	Completed
2.2.2	Select Auditor	Completed
2.3	Recommend to the Board of Trustees an external auditor	
2.3.1	Recommendations on scope of work and funds to be audited	Completed
2.3.2	Identify and recommend additional services	No recommendation at this time
2.3.3	Board action to designate auditor	Board Responsibility
2.3.4	Replace auditor when appropriate	Completed
2.3.5	Approve scope of work and audit plan by June of each year	Completed
2.4	Facilitate the external audit process	
2.4.1	Review and approve formal reports submitted to external auditor	Unable - not provided to AC
2.4.2	Provide an independent forum for auditors to report findings or difficulties	Accomplished
2.4.3	Review the Auditors' report of findings and recommendations with management and the auditor	Completed
2.4.4	Review the 2020 CAFR	Accomplished, minimal time available due to delayed submission
2.4.5	Follow -up on any corrective action identified	Completed
2.4.6	Submit an annual Report of the Board of Trustees of the Audit	Completed
2.4.7	Assess the performance of the independent auditors	Completed
2.5	Review financial statements quarterly and annually for fair and accurate reporting	N/A Quarterly reports are submitted directly to the Board
2.5.1	Review change in accounting policy	Accomplished via Moss Adams Report
2.5.2	Ensure accounting policies are followed	No authority
2.5.3	Review any off-balance sheet financing	No off-balance sheet financing identified
2.6	Review the framework of internal controls - ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.	Work in progress
2.6.1	Review the annual internal control audit plan	Not provided
2.6.2	Review managements annual assessment of their internal controls for prior year's audit plan.	Not provided
2.6.3	Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be acceptable in any form.	Developed Whistle blower procedure
2.6.4	Committee may identify a need to engage an external internal auditor	Under review
2.7	Periodically review the Districts Code of Conduct	Not Done
2.8	Review and refine the procedures for the receipt, retention and treatment of complaints	Whistle blower procedure
2.9	Submit annual report to the board of Trustees assessing the results of its fulfillment of its duties	As attached for August 10 meeting
<b>3.0</b>	<b>Meetings</b>	
3.1	Meeting conducted according to state requirements	Accomplished
3.2	Meeting held once per quarter	14 Meetings

3.3	Review correspondence to determine action. If needed assign responsibility to investigate and resolve to the appropriate organizational leader	Accomplished Moss Adams & Management
3.4	Review past correspondence with action outstanding . Ensure responses is taken in a timely manner	No authority
3.5	Committee may Invite members of management	Accomplished
3.6	Committee Chair to establish agenda and provide briefing materials	Accomplished
3.7	Annual meeting to be held with external auditor, General Manager, the Director of Finance, legal counsel and anyone else to review the annual financial statements and the Comprehensive Annual Financial Report and auditors letter of findings	Accomplished

## EXHIBIT B

July 30, 2021

### ***History of Audit Committee Meetings for fiscal year ending June 30, 2021***

#### **July 29, 2020 (1 hour 34 minutes)**

- Acknowledgement of new Audit Committee members
- Review Board Policy 15.1
- Review Members Roles and Responsibilities
- Elected Matthew Dent as Chairman
- Review liaison to Edie Bailly
- documented by Clifford Dobler and Linda Newman POSTPONED
- Verbal Update of Audit by Director of Finance
- Audit Time line 6-8-2020 to 10-30-2020
- Presentation of IVGID System of Internal Controls by Director of Finance - POSTPONED
- Referral of 14 point of errors in 2019 CAFR by Cliff Dobler and Linda Newman - REMOVED

#### **August 19, 2020 (2 hours and 55 minutes)**

- Long Range Calendar
- Nominated Matt Dent as liaison with Eddie Bailly
- Presentation by Director of Finance on IVGID System of Internal Controls
- Director of Finance response to 14 points of errors in 2019 CAFR submitted by citizens Dobler and Newman
- Legal Counsel Joshua Nelson response to Dillion's Rule relating to Donations and Employee Benefits

#### **September 1, 2020 (1 hour 51 minutes)**

- Long Range Calendar - Concern about obtaining information from management
- Engagement of Moss Adams to report on four issues regarding accounting and reporting
- Discussion with Josh Nelson on Dillion's rule applying to donations and employee expenditures - Nelson to provide a written opinion.
- Discuss citizens communication of improper use of Ad Valorem Taxes - Josh Nelson researched and found use was proper

#### **September 30, 2020 (1 hour 51 minutes)**

- Director of Finance VERBAL update on 2019/2020 CAFR

- Discussion of Timeline for an RFP for an Independent Auditor for fiscal year 2020/2021 - At large members Dobler and Aaron to draft RFP - Staff on vacation.
- Review Whistleblower procedure for financial matters - requested by Indra Winquest (POSTPONED)
- Review of legal Opinion by Josh Nelson regarding application of Dillion's Rule relating to Donations, Community Programming and Employee expenditures. (POSTPONED)

**October 27, 2020 (2 hours 42 minutes)**

- Director of Finance VERBAL update on Internal Controls
- Approve RFP for Independent Auditor for fiscal year 2020/2021
- Review and provide feedback on 2019 MD&A, Transmittal Letter, Welcome Letter
- Long Range Calendar

**November 19, 2020 (5 hours 55 minutes)**

- Discussion of MATERIALITY with Tiffany Williamson, representative of Eide Bailey
- Reviewed and discussed DRAFT Basic Financial Statements and Supplemental Schedules
- Reviewed status of Moss Adams report on accounting and reporting matters
- Extension Request to the Department of Taxation to file the CAFR
- Update on RFP for new external auditor
- Director of Finance VERBAL update on System of Internal Controls
- Timeline and next steps of moving Community Services and Beach activities to Enterprise accounting and reporting.
- Receipt of Legal Opinion from Josh Nelson on applicability of Dillon's Rule

**December 19, 2020 (2 hours 47 minutes)**

- Review and discuss Draft Moss Adams Report on five accounting issues presented by Jim Lanzarotta representative of Moss Adams -
- Expand scope of work to cover the remaining 16 points of potential erroneous accounting and reporting

**January 20, 2021 (1 hour 48 minutes)**

- Director of Finance Presentation of "Final 2019/2020 CAFR" - Was to be revised
- Acknowledge receipt of letter from Department of Taxation on Notice to Appear for hearing on January 28, 2021 - Transition to Enterprise fund accounting for Community Services and Beach activities

**January 27, 2021 (5 hours 10 minutes)**

- Presentation of Final 2019/2020 CAFR by Director of Finance and Tiffany Williamson of Edie Bailly
- Whistleblower Procedure for Financial Matters - Discussion only
- Director of Finance - VERBAL update on Internal Controls
- Director of Finance update on Chart of Accounts
- Director of Finance update on new External Auditor contract

#### **February 10, 2021 (1 hour 50 minutes)**

- Recommended Davis Farr LLC as new independent auditing firm for fiscal 2020/2021
- Accepted the Moss Adams report on accounting and reporting treatments and an additional spreadsheet of other questions and clarifications.
- Accepted the written annual Audit Committee report to the Board of Trustees as required by Board Policy 15.1.0 2.4.6 and agreed to forward the report to the Board of Trustees with recommendation that the 2019/2020 CAFR Transmittal letter be modified to identify ALL of the concerns and issues brought forth in the report. Opposition by Dobler on recommendation to Board of Trustees

#### **March 11, 2021 (6 hours 24 minutes)**

- Extensive review and debate on Whistleblower procedures - No action taken
- Extensive review and debate on moving forward on the Internal control procedures - Obtained 375 pages of documents assumed to be the existing internal controls
- Discussion on a new chart of accounts - No consensus on how the accounts should be established
- Review of five items 1. prior year auditor, items of correction, deliverables, timeline for 2020/2021 audit and Policy 15.1.0 - Agenda item was not clearly defined.
- Compliance with Dillon' Rule - Review of Nelsons opinion on Employees Benefits - Committee made affirmative motion to recommend to Board of Trustees to engage a law firm to create specific policies and practices addressing employee benefits
- Compliance with Dillon's Rule - Review of Nelson's opinion on leasing property to Non Profits - Committee made affirmative motion to recommend to Board of Trustees to price all leases of venue property at market rates and for non profits to cover full operating expenses less 10%
- Compliance with Dillion's rule - Providing community programming - not covered by Nelson's opinion and needs to come back at a future time.
- Correspondence - Dobler on Effluent Pipeline meters and equipment - Chairman decided to put on long range calendar
- Correspondence - Dobler and Newman e mail about failure to include correspondence in Audit committee packet. No resolution but to resubmit.

- Correspondence - Dobler and Newman - E mail and report to Moss Adams James C. Lanzarotta regarding punch cards. Moss Adams report issued - dead.
- Correspondence - Dobler regarding WRRF Aeration Systems Improvements - proper carryover into 2021 - corrected by Staff
- Correspondence - Dobler regarding IT Infrastructure cost overruns failure to abide by Board Policy. Winquest to meet with Dobler - Never done.
- Correspondence - Katz - Whistleblower retaliatory issue - Resolved by changes to draft documents.
- Long Range Calendar

#### **April 29, 2021 (1 hour 56 minutes)**

- Reviewed and Discussed Engagement letter with Davis Farr LLC representative Jennifer Farr - No action taken
- Reviewed and Discussed the Nevada Revised Statutes that relate to the annual audit. NRS statute 354.486 states the Audit must "***Evaluate internal controls over financial reporting of the handling of the public money and public property***" but Engagement Letter states Davis Farr will only review. Chairman Dent held over for further review.
- Review, discuss and possibly approve Whistleblower Procedure. Approval of document with changes was not approved and failed on a 2 to 2 vote.
- Review and discuss and possibly take action on funding Parks through the General Fund. Deferred

#### **June 9, 2021 (1 hour 44 minutes)**

- Approved Davis Farr LLC Audit Schedule/Work Plan
- Request by Cliff Dobler to have new external auditor review 8 items regarding accounting and financial statement reporting which IVGID management does not agree with reports from citizens and Moss Adams analysis wherein most items are not in compliance with GAAP or are materially misrepresented. Future agenda item
- No progress on overpayments to Contractors
- Determined No policy or internal controls on administering grants
- Agenda item to make a recommendation to Trustees to Expense certain costs on recent projects which had been capitalized - Was not addressed lack of time.
- Seven communications from Cliff Dobler - Was not addressed - lack of time
- Long range calendar
- Resignation of Matt Dent as Chairman and Committee Member

#### **June 19, 2021 (2 hours 36 minutes)**

- Elected Ray Tulloch as new Chairman of Audit Committee
- Agreed to modify Policy 15.1 to allow an additional at Large Member (Chris Holet) to fill vacancy of a second Trustee on the Committee since 4 Trustees

