

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra S. Winqest
District General Manager

FROM: Paul Navazio
Director of Finance

Nathan Chorey
Engineering Manager

SUBJECT: Management responses and implementation plan regarding recommendations from the final report regarding the District's contract administration submitted by Moss Adams, LLC

STRATEGIC

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

DATE: March 3, 2021

I. ACTION, IF ANY, REQUIRED

There is no action required by the Board of Trustees as this is a report item that provides, in a publicly noticed meeting, management's responses and implementation schedule for recommendations contained in the final report regarding the District's contract administration policies and procedures review submitted by Moss Adams, LLC. (Presented to Board of Trustees by Moss Adams LLC representative Stephen Bacchetti at the meeting of January 13, 2021.

II. BACKGROUND

At its meeting of June 10, 2020, the Board of Trustees authorized then (Interim) General Manager to execute a professional services contract with Moss Adams LLP for in an amount not-to-exceed \$38,000, to review of up to five specific contracts, to include identified samples of recent consulting and construction contracts.

As communicated to the Board of Trustees in conjunction with the presentation of the Moss Adams report, the report's finding and recommendations will assist the

District in identifying opportunities to improve policies, procedures and internal controls related to management of professional services consulting and construction contracts to ensure and promote transparency and accountability related to capital program investments.

The report prepared by Moss Adams, LLC includes specific findings and recommendations informed by industry best practices in the areas of:

- Contract Administration Management and Controls
- Bid and Procurement Management and Controls
- Change Order and Scope Management and Controls
- Expenditure Management and Controls
- Design and Construction Budget Management and Controls
- Project Close-Out Controls

The final report issued by Moss Adams also includes management's responses to each of the report findings and recommendations as well as planned actions and timetable related to each of the key improvement opportunities identified in the report (see Appendix C). This report has been prepared to provide the Board with a summary of these planned actions.

Attachments:

- 1) Management Responses –
 - a. Summary of Management Response
 - b. Detailed Management Responses
- 2) IVGID Construction Advisory Fact Validation Report prepared by Moss Adams, LLC, dated December 21, 2020

SUMMARY OF MANAGEMENT RESPONSES

Rec. #	Key Improvement Opportunities	Category	Management Response	Planned Resolution Date
1	As a best practice, IVGID should finalize policies and procedures defining processes for master planning, reporting, and communication efforts, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval.	Contract Administration Management and Controls	Capital project planning, management and reporting will be facilitated by implementation of annual capital program planning workshop(s), detailed budgets for specific projects and/or phases, regular quarterly capital program status reports and individual project close-out reports for priority CIP Projects	Regular Quarterly CIP Updates – FY2020/21 Q1 presented 10/27/20 CIP Planning Workshop (Feb 2021) Capital Budget Details – FY2021/22 Budget Process (Winter/Spring 2021) Project Close-out Reports – on-going
2	As a best practice, the District should consolidate all Public Works and Contract Administration policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures and obtain Board approval.	Contract Administration Management and Controls	Existing internal control policies and procedures, including those related to construction contracts and professional services contracts administration are being reviewed, evaluated and updated. These include Board policies and practices, Accounting and Finance policies and procedures, as well as application of applicable NRS requirements. Policies and procedures will be evaluated on a regular schedule as well as upon changes in District staffing and periodic updates to the NRS.	Update to District staff delegated spending authority (1/1/21) Review of contract procurement procedures and thresholds (Jan 2021) Invoice Processing and Payment procedures (Jan 2021) Update to Board Policies to provide explicit thresholds and authorities (per NRS) – (Feb 2021)
3	The District should consider procuring and implementing new technology and tools to formalize, streamline, and improve contract administration controls and reporting capabilities.	Contract Administration Management and Controls	Management concurs that existing and best-of-breed technology can greatly improve and streamline contract administration, internal controls and reporting.	Contract administration process review (Dec 2020 -Mar 2021) Updated procedures (July 2021) Tyler Finance and Accounting ERP / Capital Budgeting (July 2022)
4	As best practice, the District should implement policy and procedures for the competitive solicitation of professional services, including format and threshold considerations.	Bid and Procurement Management and Controls	The District is follows requirements established by NRS 332, the Local Government Procurement Act, as the highest authority for procedures related to local government purchases, including professional services contracts. NRS 332.115.1(b) specifically provides that professional services are “not adapted to award by competitive solicitation.	Agendize for Board discussion and direction (TBD)
5	As best practice, the District should ensure appropriate documentation and execution of any modification to contractual agreements, including change in scope, responsibilities, conditions, or deliverables.	Change Order and Scope Management and Controls Application	Change orders for professional services contracts are generally handled through Additional Services Addendum or separate Task Order, as well as corresponding increase to the Purchase Order established with each contract. Supporting documentation is provided to Accounting. These changes are reviewed for consistency with Board authorization prior to payment of invoices.	Approval process and documentation for change orders to construction contracts will be included as part of overall policy and process documentation effort (See #'s 2,5, and 6).
6	As a best practice, IVGID should establish more robust change order reporting within key capital program reporting to ensure end users understand change order impact and assigned responsibility.	Change Order and Scope Management and Controls Application	Management supports enhancing capital project reporting to include documentation of approved change orders.	Quarterly CIP Popular Status Reports – (Feb 2021) Major Project Status Reports – as scheduled CIP Project Close-out Reports – as scheduled
7	As best practice, the District should implement formal contract amendment and change order approval and document control and retention processes within procedural documents.	Change Order and Scope Management and Controls Application	Staff believes all change order documentation has been provided.	Approval process and documentation for change orders to construction contracts will be included as part of overall policy and process documentation effort (See #'s 2,5, and 6).
8	The District should ensure all payment processing procedures are completed and reviewed/signed off on prior to payment approval	Expenditure Management and Controls	Management concurs with the recommendation that all payment processing procedures are completed and reviewed prior to payment approval, consistent with current policy and procedures (Accounting and Financial Procedures – Purchasing and Accounts Payable Cycles).	N/A - Current Policies and Procedures in place.
9	The District should evaluate the appropriateness of current invoice processing policy or ensure the establishment of invoice control procedures by requiring vendors to send all final invoices and statements directly to the District Accounting Department.	Expenditure Management and Controls	Management concurs with the need to review current invoice processing procedures to ensure efficient processing while maintaining effective internal controls related to vendor and contractor payments.	Invoice Processing and Payment procedures (Jan 2021) (See Recommendation #2)
10	The District should produce ongoing project-level budget-to-actual expenditure reporting, including key details such as budget, expenditures, committed/encumbrances, and forecasted expenditures.	Design and Construction Budget Management and Controls	See Recommendation #1, above).	See Recommendation #1, above).

SUMMARY OF MANAGEMENT RESPONSES

Rec. #	Key Improvement Opportunities	Category	Management Response	Planned Resolution Date
11	The District should implement and formalize project close-out procedures for professional services.	Project Close-Out Controls	Management concurs with this recommendation and will formalize project close-out checklists and procedures for professional services contracts.	Formal Project Close-Out Checklist/Procedures – 1/31/21
12	The District should formally implement the already developed and informally utilized close-out checklists into required project close-out procedures.	Project Close-Out Controls	See Recommendation #11, above.	See Recommendation #11, above.

**IVGID CONSTRUCTION ADVISORY FACT VALIDATION REPORT
Moss Adams LLP**

**Management Responses
(Updated March 1, 2021)**

Observation # 1) IVGID did not have formalized policies and procedures defining master planning processes, including when to utilize these procedures, minimum information requirements, who is responsible for each activity, and procedures for final approval.

Recommendation: As a best practice, IVGID should finalize policies and procedures defining processes for master planning, reporting, and communication efforts, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval.

Management Response:

Management concurs with the recommendation to review and update policies related to master capital project planning and reporting, including stakeholder communication efforts.

Board Policy 12.1.0 and 13.1.0 establish District framework for multi-year capital planning and capital project budgeting and reporting, respectively. These Board policies are supplemented by Board Practice 13.2.0 that outlines roles and responsibility across all phases of a capital project life-cycle.

Capital project planning, management and reporting will be facilitated by implementation of annual capital program planning workshop(s), detailed budgets for specific projects and/or phases, regular quarterly capital program status reports and individual project close-out reports for priority CIP Projects

Resolution Date:

Regular Quarterly CIP Updates FY2020/21 Q1 Status Report presented 11/19/20
FY2020/21 Q2 Status Report presented 2/24/21

CIP Planning Workshop – (Scheduled for March 24, 2021)

Capital Budget Details FY2021/22 Budget Process (Winter/Spring 2021)

Project Close-out Reports On-Going. Staff expanding Project Close-out reporting to Board of Trustees for significant projects via agendized Board memo and/or General Manager Report Updates

Board Policy Review Review of applicable Board Policies and Practices is currently underway; Board Budget Workshop held on 1/20/21; Scope of Work being finalized for consultant to review policies and practices against best practices

Lead Staff: Director of Finance

Observation #2) Public Works policies and procedures should be consolidated, formalized, and approved by the Board.

Recommendation: As a best practice, the District should consolidate all Public Works and Contract Administration policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures and obtain Board approval.

Management Response:

Management concurs with this recommendation.

Existing internal control policies and procedures, including those related to construction contracts and professional services contracts administration are being reviewed, evaluated and updated. These include Board policies and practices, Accounting and Finance policies and procedures, as well as application of applicable NRS requirements. Policies and procedures will be evaluated on a regular schedule as well as upon changes in District staffing and periodic updates to the NRS.

Resolution Date:

- Update to District GM-delegated spending authority (03/01/21)
- Review/Update of contract procurement procedures and thresholds..... (Jan 2021)
- Invoice Processing and Payment procedures (Jan 2021)
- Update Board Policies to provide explicit thresholds and authorities (per NRS)..... (March/April 2021)

Lead Staff: *Director of Public Works / Engineering Manager*



Observation #3) The District could improve contract administration and reporting by considering additional technology resources.

Recommendation: The District should continue procurement and implementation efforts for new technology and tools to formalize, streamline, and improve contract administration controls and reporting capabilities.

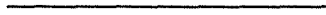
Management Response:

Management concurs that existing and best-of-breed technology can greatly improve and streamline contract administration, internal controls and reporting. Currently, the District utilizes several, independent software tools related to capital budgeting and reporting, contract management, fixed assets and stakeholder communication. Existing systems can be improved, incrementally; however the District’s transition to a new Financial and Accounting Enterprise Reporting (ERP), provides opportunity to develop integrated capital budget planning and reporting as well as imbedded internal control processes and customized approval thresholds.

Resolution Date:

- Contract administration process review..... (Dec 2020 -Mar 2021)
- Updated procedures (April-May 2021...update for new fiscal year = 7/1/21)

Lead Staff:



Observation #4) The District policy and procedures did not include competitive solicitation requirements for Professional Service Agreements.

Recommendation: As best practice, the District should implement policy and procedures for the competitive solicitation of professional services, including format and threshold considerations.

Management Response:

The District is follows requirements established by NRS 332, the Local Government Procurement Act, as the highest authority for procedures related to local government purchases, including professional services contracts. NRS 332.115.1(b) specifically provides that professional services are “not adapted to award by competitive solicitation.

Management supports the clarification of Board policy related to the procurement of professional services contracts and consideration of establishment of thresholds for competitive bidding for selected categories of professional services.

Resolution Date:

Agendize for Board discussion and direction; in conjunction with Review and Update of Board Policies and Practices..... (April-May, Updated by 7/1/21)

Lead Staff: General Manager / Board Clerk



Observation #5) The District did not adequately document and execute contract amendments for PICA Corporation’s original professional service agreement.

Recommendation: As best practice, the District should ensure appropriate documentation and execution of any modification to contractual agreements, including change in scope, responsibilities, conditions, or deliverables.

Management Response:

Change orders for professional services contracts are generally handled through Additional Services Addendum or separate Task Order, as well as corresponding increase to the Purchase Order established with each contract. Supporting documentation is provided to Accounting. These changes are reviewed for consistency with Board authorization prior to payment of invoices.

Resolution Date:

Approval process and documentation for change orders to construction contracts will be included as part of overall policy and process documentation effort (See #'s 2, 5, and 6).

Lead Staff: *Engineering Manager*

Observation #6) Change order and addendum scope changes were not reported to key stakeholders with key performance indicators to adequately report change order impact and assigned responsibility.

Recommendation: *As a best practice, IVGID should establish change order and addendum-specific reporting within key capital program reporting to ensure end users understand change order impact and assigned responsibility.*

Management Response:

Management supports enhancing capital project reporting to include documentation of approved change orders.

Resolution Date:

Quarterly CIP Popular Status Reports – (November (2020), February (2021), May (2021), Sept (2021)
Major Project Status Reports – as scheduled
CIP Project Close-out Reports – as scheduled

Lead Staff: *Director of Finance*

Observation #7) The District was unable to provide appropriate change order approval documentation for seven construction change orders for Mountain Golf Course Clubhouse Renovation Project.

Recommendation: *As best practice, the District should implement formal contract amendment and change order approval processes within procedural documents.*

Management Response:

Staff believes all change order documentation has been provided.

Typically when a construction project is awarded, the Board's motion to approve the contract also provides authorization for District staff to approve change orders to the construction contract up to 10% of the project. The Board action approving the Mountain Clubhouse Improvement Project specifically authorized staff to approve change orders up to 10% of contract cost (\$100,000).

Since staff is authorized to approve change orders (up to a certain amount) they are typically handled by PW Engineering, the Director of Public Works, or the department overseeing the work. It is staff's interpretation the specific Board authorization granted at time of contract award provides staff change

order authority and supersedes the stated spending authority of the given position, in the absence of explicit authority.

Resolution Date:

Approval process and documentation for change orders to construction contracts will be included as part of overall policy and process documentation effort (*See #'s 2, 5, and 6*).

Lead Staff: *Engineering Manager / Director of Finance*

Observation #8) The District processed project payments in excess of contractual agreements for two of eight contracts under review.

Recommendation: The District should ensure all payment processing procedures are completed and reviewed/signed off on prior to payment approval.

Management Response:

Management concurs with the recommendation that all payment processing procedures are completed and reviewed prior to payment approval, consistent with current policy and procedures (*Accounting and Financial Procedures – Purchasing and Accounts Payable Cycles*).

Two instances were identified within the scope of this report. One involved payments processed within the contract authority plus contingency approved by the Board (\$503,750 vs. \$495,000 billed), and one exceeded contract contingency authority by \$61.00 (\$484,800 vs. \$484,861 billed).

Resolution Date:

N/A - Current Policies and Procedures in place.

Observation #9) Per District policy, invoices are to be sent directly to the Accounting Department; however, based on our review and inquiry, invoices are also received by Engineering Department.

Recommendation: The District should revise current invoice processing policy to effectively receive invoices by the appropriate department. Otherwise, ensure the establishment of invoice control procedures by requiring vendors to send all final invoices and statements directly to the District Accounting Department.

Management Response:

Management concurs with the need to review current invoice processing procedures to ensure efficient processing while maintaining effective internal controls related to vendor and contractor payments.

Resolution Date:

Invoice Processing and Payment procedures (March, 2021)
(See Recommendation #2)

Lead Staff: Controller

Observation #10) Timely consolidated project reporting with key project information was unavailable within IVGID management reporting

Recommendation: The District should continue the development and formalization of ongoing project-level budget-to-actual expenditure reporting, including key details such as budget, expenditures, committed/encumbrances, and forecasted expenditures

Management Response:

Capital project planning, management and reporting will be facilitated by implementation of annual capital program planning workshop(s), detailed budgets for specific projects and/or phases, regular quarterly capital program status reports and individual project close-out reports for priority CIP Projects. (See Recommendation #1, above).

Resolution Date:

Regular Quarterly CIP Updates FY2020/21 Q1 Status Report presented 11/19/20
FY2020/21 Q2 Status Report presented 2/24/21

CIP Planning Workshop – (Scheduled for March 24, 2021)

Capital Budget Details FY2021/22 Budget Process (Winter/Spring 2021)

Project Close-out Reports On-Going. Staff expanding Project Close-out reporting to Board of Trustees for significant projects via agendaized Board memo and/or General Manager Report Updates

Lead Staff: Director of Finance

Observation #11) The District did not maintain formal project close-out procedures for professional services, resulting in potential for incomplete scopes, draft deliverables, and/or documentation.

Recommendation: The District should implement and formalize project close-out procedures for professional services.

Management Response:

Management concurs with this recommendation and will formalize project close-out checklists and procedures for professional services contracts.

Resolution Date:

Formal Project Close-Out Checklist/Procedures Updated 1/31/21

Lead Staff: *Engineering Manager*

Observation #12) The District has an opportunity to improve construction close-out procedures by formalizing already developed checklists and document retention procedures.

Recommendation: The District should formally implement and update the informally utilized close-out checklists into required close-out procedures for construction projects.

Management Response:

Management concurs with this recommendation and will formalize project close-out checklists and procedures. (See Recommendation #11, above).

Resolution Date:

Formal Project Close-Out Checklist/Procedures Updated 1/31/21

Lead Staff: *Engineering Manager*