

**MEMORANDUM**

**TO:** Board of Trustees

**FROM:** Tim Callicrate  
Board of Trustees Chairman

**THROUGH:** Indra Winquest  
District General Manager

Susan A. Herron  
District Clerk

**SUBJECT:** Policy 15.1.0: Accounting, Auditing and Financial Reporting: Audit Committee; Organization: Confirm existing appointments or make two new appointments

**DATE:** January 15, 2021

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In accordance with Policy 15.1.0: Accounting, Auditing and Financial Reporting: Audit Committee; Organization, specifically the following two paragraphs, this item is brought forward for possible action.

*Annually, the Board of Trustees will appoint two Trustees to be voting members. Appointing Trustees to serve successive years increases the consistency and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the committee.*

*The voting Committee members are limited to two 2-year terms which may be extended in the event there are no interested and qualified applicants.*

At the January 22, 2020 Board of Trustees meeting, excerpt of minutes is attached hereto for reference, the Board of Trustees elected three members to serve on the Audit Committee – Trustees Callicrate, Dent and Schmitz. This election was done under the previously adopted Policy 15.1.0. When the updated Policy 15.1.0, attached hereto as a reference, was adopted on May 6, 2020, Trustee Callicrate resigned in accordance with the policy. Further, the policy contains the above two paragraphs which might be in conflict therefore we thought it best to affirm with the Board of Trustees what they would like to do:

Option A: Take no action which affirms the appointments of Trustees Dent and Schmitz and continues their service through December 31, 2021 which would be the completion of their two-year term.

-OR-

Option B: As the appointments of Trustees Dent and Schmitz began on January 22, 2020, this meeting would be the appropriate meeting to appoint two Trustees to be voting members to the Audit Committee in compliance with the section of the Policy shown above which states that “Annually, the Board of Trustees will appoint two Trustees....”

**H. GENERAL BUSINESS (for possible action)**

**H.1. Election of Board of Trustees Officers for the 2020 Term - effective January 23, 2020 (Requesting Trustee: Chairwoman Kendra Wong) *(was General Business H.7.)***

District Clerk Susan Herron conducted the election of Board of Trustees officers as follows:

Trustee Dent nominated Trustee Tim Callicrate for Board Chair. No other nominations were received for this position therefore Trustee Callicrate is elected Board Chair effective January 23, 2020.

Trustee Callicrate nominated Trustee Matthew Dent for Board Vice Chair. No other nominations were received for this position therefore Trustee Dent is elected Board Vice Chair effective January 23, 2020.

Trustee Callicrate nominated Trustee Sara Schmitz for Board Treasurer. No other nominations were received for this position therefore Trustee Schmitz is elected Board Treasurer effective January 23, 2020.

Trustee Dent nominated Trustee Kendra Wong for Board Secretary. No other nominations were received for this position therefore Trustee Wong is elected Board Secretary effective January 23, 2020.

**H.2. Review, discuss and possibly appoint Audit Committee Members for the 2020 Term – Effective January 23, 2020 (Requesting Trustee: Chairwoman Kendra Wong) *(was General Business H.8.)***

Trustee Morris said that he doesn't want to be on the Audit Committee.

Trustee Callicrate made a motion to have Trustees Schmitz, Dent and Callicrate on the Audit Committee. Trustee Wong seconded the motion. Chairwoman Wong asked for any further comments, hearing none, called the question – the motion was passed unanimously.

**H.3. Case No. CV18-01564 Mark E. Smith v. IVGID) - Review, discuss and possibly approve providing Interim District General Manager Winquest with a not-to-exceed \$7,500.00 in legal fees and costs to cover fees that were not budgeted as of the last update**



**Accounting, Auditing, and Financial Reporting  
Audit Committee  
Policy 15.1.0**

The Incline Village General Improvement District is committed to be proactive, informed, and providing the highest form of financial accountability to its parcel owners. Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results.

The Government Finance Officers Association encourages the effective use of an audit committee in the public sector and considers this committee an integral element of public accountability and governance. The Audit Committee plays a key role with respect to the integrity of the District's financial information by ensuring those responsible for financial management (management, auditors, and the Board of Trustees) meets their respective responsibilities for internal controls compliance and financial reporting.

To be effective, an audit committee should be formally established by the Board of Trustees, be adequately funded, and properly documented.

**POLICY:** The Audit Committee ("Committee") is to assist the Board of Trustees fulfill its responsibilities in accordance with Nevada Revised Statutes, District Policies, Practices, Ordinances, and Resolutions by providing oversight over the District's financial reports, the systems of internal controls including the internal audit plans and reports, and the independent external auditor's assessment of financial statements.

The Committee will ensure open communication and maintain strong working relationships with the IVGID Board of Trustees, the General Manager, Director of Finance, and internal/external auditors.

The Audit Committee Charter shall be reviewed periodically with recommended changes submitted to the Board of Trustees for approval.

**ORGANIZATION:** The Committee shall consist of five (5) voting members. This includes two Board appointed Trustees and three Board appointed qualified At-Large Members. The Committee can be expanded to an odd number. Recommendations for expanding the number of voting members will be approved by the Committee and submitted to the Board of Trustees for approval. The Committee is to retain a financial advisor, potentially a resource from the external audit firm, to attend meetings, provide guidance and training, as needed.

Members of the Audit Committee should obtain an understanding of accounting, auditing, financial reporting, and internal control to be able, with the assistance of



## **Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0**

a financial advisor, to deliberate on issues for which the Committee is responsible. Therefore, the Board of Trustees may need to budget for an outside financial advisor to assist the Committee with the independent conduct of its work. The financial advisor will be responsible for ensuring the Committee members receive training relative to internal controls, understanding of financial reports, internal audit processes, governmental regulations, and other pertinent information. The advisor should possess the following qualifications:

- A thorough understanding and experience with Generally Accepted Accounting Principles (GAAP), Government Accounting Standard Board (GASB), and financial reporting for the public sector
- Experience either preparing or auditing financial statements for similar entities
- Experience with accounting estimates and accruals
- Experience with financial internal controls
- An understanding of the function of an audit committee

Committee members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the District. All members shall not be an affiliated person with the District.

- Annually, the Board of Trustees will appoint two Trustees to be voting members. Appointing Trustees to serve successive years increases the consistency and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the committee.
- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate expertise with staggering two-year terms.
  - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
  - Each subsequent appointment will serve two-year terms.

One voting member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee members with a written agenda for each meeting. Committee Members may request agenda items for the Chair's consideration and approval.

The voting Committee members are limited to two 2-year terms which may be extended in the event there are no interested and qualified applicants.



**Accounting, Auditing, and Financial Reporting  
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Policy 15.1.0**

**1.0 Independent auditor reports directly to the Audit Committee**

The independent auditor reports directly to the Audit Committee. The Audit Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor is to bring to the attention of the Committee any additional work required, beyond the scope of work contained in the engagement agreement, to fulfill their responsibilities.

**2.0 Scope of Audit Committee's Authority and Responsibilities**

It is the responsibility of the Committee to provide independent review and oversight of:

1. Financial reporting
2. Internal controls
3. The independent audit of financial statements

To fulfill these responsibilities, the Committee must:

- 2.1 Be independent, effectively communicate, and reinforce accountability.
- 2.2 Manage the external independent audit procurement process.
  - 2.2.1 Ascertain that the Request For Proposal (RFP) for a firm to be retained by the District for the annual financial audit is no more than five fiscal years with those directly supervising audit staff rotating at least every two years and audit engagement partners rotating at least every three years.
  - 2.2.2 Select the independent external auditor.
- 2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an external auditor for the District's Comprehensive Annual Financial Report (CAFR)
  - 2.3.1 Make recommendations on the scope of work including the identification of funds to be audited.



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- 2.3.2 If deemed necessary, identify and recommend additional services to be performed.
- 2.3.3 By March 31st of each year, the Board of Trustees is to formally designate an external audit firm and inform the Nevada Department of Taxation.
- 2.3.4 When appropriate replace the independent external auditors or auditing firms doing work for the District and initiate the procurement process (2.2).
- 2.3.5 Approve the scope of work and audit plans by June of each year.
- 2.4 Facilitate the external audit process.
  - 2.4.1 Review and approve formal reports or letters to be submitted to the external auditor.
  - 2.4.2 Provide an independent forum for (external and/or internal resources) auditors to report findings or difficulties encountered during the audit.
  - 2.4.3 Review the auditors' report of findings and recommendations with management and the auditor.
  - 2.4.4 Review the CAFR in its entirety, including unaudited sections and letters.
  - 2.4.5 Follow -up on any corrective action identified.
  - 2.4.6 Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
  - 2.4.7 Assess the performance of the independent auditors.
- 2.5 Review the financial statements; quarterly and annually for fair and accurate reporting.
  - 2.5.1 Review any changes in accounting policy.
  - 2.5.2 Ensure accounting policies are followed.
  - 2.5.3 Review any off-balance sheet financings.
- 2.6 Review the framework of internal controls; ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.



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- 2.6.1 Review the annual internal control audit plan(s).
- 2.6.2 Review management's annual assessment of their internal controls for prior year's audit plan.
- 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 accepted in any form.
- 2.6.4 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.
  - 2.6.4.1 The Committee will review and approve or modify Management's proposal for the scope of work and selection of the resource.
  - 2.6.4.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.
  - 2.6.4.3 Management will have the responsibility for implementation of identified internal control changes or enhancements.
  - 2.6.4.4 Management will report the findings and resolutions to the Committee.
- 2.7 Periodically review the District's code of conduct that promotes honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in periodic reports; and compliance with applicable policies to ensure it is adequate and up-to-date.
- 2.8 To review and refine as necessary the procedures for the receipt, retention, and treatment of complaints received by the District, from the public or anonymous submissions by employees of the District, regarding accounting, internal accounting controls, auditing matters, or suspected fraud.
  - 2.8.1 Review and refine as needed the procedures for educating employees on their individual role in ensuring the District's financial integrity.
  - 2.8.2 Ensure employees of the District have an anonymous method for concerns to be submitted.
  - 2.8.3 Publicize the means for the public and employees to submit concerns to the Audit Committee.



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2.8.4 Review any submissions received, monitor the status of all submissions, ensure their timely resolution, and the document handling or disposition.

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.

**3.0 Meetings**

3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.

3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis.

3.3 Review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.

3.4 Review all past correspondence with action outstanding. Ensure responses and/or corrective action is taken in a timely manner.

3.5 The committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

3.6 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.

3.7 An annual meeting is to be held with the independent external auditors, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's letter of findings.