

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

**TO:** Board of Trustees

**THROUGH:** Tim Callicrate  
Board Chairman

**FROM:** Sara Schmitz  
Trustee

**SUBJECT:** Review, discuss and possibly direct the Interim District General Manager and the District Director of Finance to determine a scope of work and cost estimate for an external entity i.e. professional services contractor, to conduct a construction project audit and internal controls review on a sampling of projects

### **STRATEGIC**

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

**DATE:** April 25, 2020

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### **I. RECOMMENDATION**

That the Board of Trustees make a motion to direct the Interim District General Manager and the District Director of Finance to determine a scope of work and cost estimate for an external resource to conduct a construction project audit and internal controls review on a sampling of projects.

The scope of work should include, at a minimum, to identify industry best practices and recommendations for improvements and the creation or improvements to related internal controls, if deficiencies are found.

### **II. BACKGROUND**

The District has identified a goal of developing and enhancing internal controls. At the Board of Trustees meeting on March 11, 2020, the Board of Trustees unanimously approved the following motion:

Trustee Schmitz made a motion that the Board of Trustees authorize the Audit Committee Chair to engage an independent expert for a sum not to exceed \$45,000 to facilitate with coordination with the Interim District General Manager

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and Director of Finance for internal controls assessment including but not limited to recommend internal controls, policies, and procedures for District businesses and functions. Trustee Dent seconded the motion.

As it relates to construction projects, internal controls are a means to ensure consistency with contract approval, bid and procurement processes, change order and scope management, budget management and project closure.

### **III. BID RESULTS**

The scope of work, once developed, does not have to be bid as it falls under professional services (NRS 332) however if that is desired by the Board of Trustees, it could be accomplished.

### **IV. FINANCIAL IMPACT AND BUDGET**

By developing and/or refining construction project internal controls, the District is assured of consistent and reliable fiscal management of project budgets, contracts, and deliverables.

The cost of conducting a construction project audit is requested to be brought before the Board, prior to award, by the Interim District General Manager and the District Director of Finance at a future meeting. Presently, there are no funds budgeted in the 2019/2020 budget to perform this work.

### **V. ALTERNATIVES**

- (1) Not perform this request at all.
- (2) Undertake this request at a future date.
- (3) Ensure that this request is incorporated in the internal audit approved on March 11, 2020.

### **VI. COMMENTS**

The recommendation would be to select a sampling of typical construction projects to review. This would provide a manageable scope, constrain the costs of the audit, and produce timely results.

### **VII. STRATEGIC PLAN REFERENCE(S)**

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## Long Range Principle #2 – Finance

Enhanced internal controls will provide staff with tools to ensure consistent fiscal oversight and management of construction projects.

### **VIII. BUSINESS IMPACT**

Internal resources will be needed to assist the auditing efforts. Given we may have fewer capital projects in the near term due to the impacts of the pandemic, it provides a window of opportunity to conduct an audit. If deficiencies are identified, then internal controls can be developed or refined as needed allowing for future construction projects to benefit from enhanced internal controls.