

## MEMORANDUM

**TO:** Audit Committee

**THROUGH:** Paul Navazio  
Director of Finance

**FROM:** Martin Williams  
Controller

**SUBJECT:** Review of status of implementation of auditor's recommendations and Audit Committee recommendations

**DATE:** February 16, 2022

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### **I. RECOMMENDATION**

Review and discuss status of implementation the finance department have put into place in regards to recommendations received from the auditors and the Audit Committee.

### **II. DISTRICT STRATEGIC PLAN**

Long Range Principal #3 - Finance

### **III. BACKGROUND**

Through the audit of the 2021 Annual Comprehensive Financial Report (ACFR), our external auditors put forth several recommendations for improvements of internal controls and procedures. After reviewing the ACFR, the Audit Committee (AC) put forth several recommendations of their own.

### **IV. DISCUSSION**

The Finance Department has taken steps to address the findings and recommendation in the Report on Internal Control Over Financial Reporting (RICOFR) issued by the District's independent auditor (DavisFarr) as well as addressing selected recommendations contained in the Audit Committee's report (ACR) to the Board of Trustees. These are summarized as follows:

1. *RICOFR 2021-001 Material Adjusting Journal Entries, ACR 2.2 Asset Write off, ACR 2.3 Transmittal letter disclosing weakness, ACR 2.5, Material Weakness, ACR 2.6 Internal Controls, and ACR 2.7 Prior Year Adjustments: Recommend IVGID enhance its year-end procedures to include areas that resulted in audit adjustments.*

The finance department has instituted quarterly reconciliations of all balance sheet accounts for all funds to ensure any material variances are detected and corrected prior to year-end procedures.

2. *RICOFR 2021-002 Capital Assets, ACR 2.8 Capital Write Offs, ACR 2.9 Capital Projects, and ACR 2.11 Design Studies and Assessments:* Recommend to develop procedures to record capital asset activity in the Capital Outlay account in governmental funds then review these accounts on a regular basis and move maintenance expenses to the appropriate accounts.

The majority of the District's funds are now reported as Proprietary Funds, therefore these expenditures are no longer reported as Capital Outlay. The General Fund is the sole exception to this. The Financial department has implemented improved procedures to track maintenance expenditures in the Supplies and Services section of all funds. The Finance department has also submitted updated Capital Asset Policy to the Board to address concerns on what expenses should be capitalized.

3. *RICOFR 2021-003 Vendor Contracts:* Recommends that IVGID update the purchasing policy to clarify when competitive bidding is required on a contract.

The finance department has reviewed the purchasing policy, has made updates to this policy, and has retained an outside consultant to review the policies to make additional suggestions for improvements.

4. *RICOFR 2021-004 Bank Signature Cards:* Recommends that IVGID review and update the authorized signatures at District's banking institutions at least annually to remove employees and Board Members no longer associated with the District.

The finance department has reviewed all banking institutions and found no unauthorized signature cards. This process has also been added to the ongoing reviews performed in the Finance Department.

5. *RICOFR 2021-005 Temporary Meter Deposits:* Recommends that IVGID deposit temporary meter deposit payments into the District's bank account and issue refund checks through accounts payable.

After internal discussion, IVGID management determined the amount held to be insufficient to warrant the increase cost in staff time necessary to follow this recommendation.

6. *RICOFR 2021-006 Review of User Accounts:* Recommends that IVGID reviews user accounts periodically to ensure access to sensitive information is restricted to authorized personnel.

The IT department has instituted a quarterly review of all user accounts to ensure proper restriction of this sensitive data.

7. *RICOFR 2021-007 Environmental Controls*: Recommends a risk assessment and feasibility study to determine what environmental controls should be added to the Administration data center.

Although best practices would suggest a fire suppressant system for the filer server room, the building this room is housed in has no fire suppressant system, so installing such a system in one room in a building would be prohibitively expensive and ineffectual.

8. *ACR 2.10 Investment Income*: expresses concern about the investment income allocation.

This process has been updated so that all investment income is allocated based on cash balances for the current fiscal year.